PARLIAMENT OF KENYA

THE NATIONAL ASSEMBLY

THE HANSARD

Thursday, 7th April 2022

The House met at 2.30 p.m.

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

PRAYERS

PAPERS LAID

Hon. Speaker: Leader of the Majority Party.

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

The Budget Estimates for the Financial Year 2022/2023 from the National Treasury that includes:

a) Financial Year 2022/2023 Programme-Based Budget;
b) Financial Year 2022/2023 Estimates of Recurrent Expenditure (Vol. I & II);
c) Financial Year 2022/2023 Estimates of Development Expenditure (Vol. I, II & III);
d) Financial Year 2022/2023 List of Projects;
e) The Budget Summary for the Fiscal Year 2022/2023;
f) Estimates of Revenue, Grants & Loans for the 2022/2023 Budget; and,
g) Financial Statements for the Financial Year 2022/2023 Budget.

Estimates of Recurrent and Development Expenditure of Parliament for the Financial Year 2022/2023 and Projection for Financial Year 2023/2024-2025 by the Parliamentary Service Commission.

The Budget Estimates for the Judiciary by the Chief Registrar of the Judiciary were laid on the Table of the House on Tuesday, 1st February 2022.

Hon. Speaker: The Chairman of the Committee on Delegated Legislation, Hon. Kamket.

Hon. Kassait Kamket (Tiaty, KANU): Hon. Speaker, I beg to lay the following Paper on the Table of the House:

Report of the Committee on Delegated Legislation on its consideration of the Traffic (Driving Schools, Driving Instructors and Driving Licences) Rules 2022, Legal Notice No.28 of 2020.

Thank you.

Hon. Speaker: Very well. Next Order!

QUESTIONS AND STATEMENTS

ORDINARY QUESTIONS

Hon. Speaker: The first segment is on Questions. The First Question is by the Member for Emuhaya, Hon. Omboko Milemba.

Question No. 103/2022

IMPROVEMENT OF FEEDER ROADS IN EMUHAYA

Hon. Omboko Milemba (Emuhaya, ANC): Thank you, Hon. Speaker. I rise to ask Question No. 103/2022 to the Cabinet Secretary for Transport, Infrastructure, Housing, Urban Development and Public Works:

(i) What urgent measures has the Ministry put in place to ensure that Ebusioya – Mugoye Road in Ipali Location and Ebukolo Kwa Chief - Rabuor Road at Ebukolo Railway Crossing; and, Asikote - Emulaka Mwichekhe Road at Asikote Railway Crossing in Emuhaya Constituency are improved to motorable standards considering that the three feeder roads were blocked during the recent renovation and construction of the Kisumu-Butere Railway Line?

(ii) When will the Ministry provide suitable railway crossings at Ebukolo, Ebusioya and Asikote areas in Emuhaya Constituency to allow free movement of people and goods considering that major economic activities take place around those areas and, in particular, Luanda Town?

(iii) Could the Cabinet Secretary consider employing local residents particularly the youth from Ebusiekwe Area of Emuhaya Constituency during construction, maintenance and other works with respect to the railway line?

Thank you, Hon. Speaker.

Hon. Speaker: The Question will be replied to before the Departmental Committee on Transport, Infrastructure, Housing, Urban Development and Public Works.

The next Question is by the Member for Mwatate, Hon. Mwadime.

Question No. 104/2022

ELECTRICITY CONNECTIVITY TO PUBLIC UTILITIES IN MWATATE

Hon. Andrew Mwadime (Mwatate, ODM): Thank you, Hon. Speaker. I rise to ask Question No. 104/2022 to the Cabinet Secretary for Energy:

(i) Could the Cabinet Secretary provide details on the status of electricity connectivity, if any, to public schools, health facilities, households and other public utilities in Mwatate Constituency?

(ii) What measures has the Ministry put in place to ensure that all public schools, health facilities, households and other public utilities in Mwatate Constituency are connected to the National Grid?

Hon. Speaker: The Question will be replied to before the Departmental Committee on Energy. The last Question is by the Member for Kinango, Hon. Benjamin Dalu Tayari.

Question No.105/2022

BOUNDARY DEMARCATION AND STAFFING OF SAMBURU AND KINANGO SUB-COUNTIES IN KWALE

Hon. Benjamin Tayari (Kinango, ODM): Thank you, Hon. Speaker. I rise to ask Question No.105 of 2022 directed to the Cabinet Secretary for Interior and Coordination of National Government:

(i) Could the Cabinet Secretary indicate when public participation will be undertaken with regard to boundaries of the newly created Samburu and Kinango sub-counties in Kinango Constituency, Kwale County?

(ii) Could the Cabinet Secretary explain why the newly gazetted Samburu Sub-County was not designated as a recruitment centre in the just concluded 2022 police recruitment exercise?

(iii) What measures is the Ministry taking to ensure that the said administrative unit is adequately staffed, including ensuring that administrators are recruited to facilitate service delivery?

Hon. Speaker: Very well. The next segment is Request for Statements. We will start with the first request by the Member for Garissa Township.

REQUEST FOR STATEMENT

EXERCISE OF DELEGATED AUTHORITY BY THE CABINET SECRETARY FOR THE NATIONAL TREASURY AND PLANNING

Hon. Aden Duale (Garissa Township, JP): Hon. Speaker, pursuant to the provisions of Standing Order No.44(2)(c), I rise to request for a Statement from the Chairperson of the Departmental Committee on Finance and National Planning relating to the exercise of delegated authority by the Cabinet Secretary for the National Treasury and Planning.

Section 4 of the Tax Appeals Tribunal Act (No.40 of 2013) was amended by this House through the Tax Appeals Tribunal (Amendment) Act (No.7 of 2022), and came into force on 21st March 2022 after the President assented to it. Previously, Section 4 of the Tax Appeals Tribunal Act (No.40 of 2013) conferred upon the Cabinet Secretary for the National Treasury and Planning and all matters related to finance the authority to appoint members of the Tax Appeals Tribunal. However, following the amendment of Section 4 that was done by this House, it now provides that the Judicial Service Commission (JSC), under the leadership of the Chief Justice of the Republic of Kenya, has the sole responsibility to appoint members of the Tax Appeals Tribunal.

Despite the provisions of the law being amended to provide for otherwise, on 25th March 2022, the Cabinet Secretary for the National Treasury and Planning, Ukur Yatani, irregularly appointed members to the Tax Appeals Tribunal for a period of three years, effective 15th April 2022, through a Gazette Notice No.3647 that was published in the *Kenya Gazette* of 1st April 2022.

It is on this basis that I seek a Statement from the Chairperson of the Departmental Committee on Finance and National Planning to inquire into the matter that I have raised herein and in particular, which powers the Cabinet Secretary has in exercising delegated authority in light of the requirements of Section 4 of the Tax Appeals Tribunal Act (No.40 of 2013) as amended.

Further, whether the Cabinet Secretary is in a position legally to usurp the powers of the Chief Justice and the Chair of the Judicial Service Commission as per the amended Section 4 of the Tax Appeals Tribunal (Amendment) Act (No.7 of 2022).

Thank you, Hon. Speaker.

Hon. Speaker: Is the Chair of the Departmental Committee on Finance and National Planning in the House or the Vice-Chair, Hon. Ndirangu Waihenya?

Hon. Isaac Ndirangu (Roysambu, JP): Thank you, Hon. Speaker. We will be in a position to answer that Question on whether the Cabinet Secretary has mandate to appoint officials to the Tax Appeals Tribunal next week. We are also alive to the fact that we recently passed this law here and it was assented to by the President. We will investigate and report to the House next week.

Hon. Speaker: You know, save for the fact that Hon. Duale has sought a Statement, if it was a Question, remember our Standing Order No.42B(2)(o). A Member is not supposed to ask a Question about matters which can be found in ordinary materials of reference or are otherwise obvious to the Member especially what is in law because it is published.

Assuming that is what the Cabinet Secretary has done, he has not usurped the powers of the Chief Justice. The amendment you effected was to give that authority to the Judicial Service Commission. I Chair the Parliamentary Service Commission and if something is done against a decision or power of the Commission, it is not about me. So, I think it is important that the Committee looks at this to see if indeed this is what happened, make its report to the House and recommend appropriate action.

This is because it is expected that everybody knows the law and this could not have been passed without the involvement of the National Treasury.

(Applause)

Maybe, Hon. Duale can remember that amendment was necessitated by a decision of the court. Remember, previously, the Attorney-General's Office and other functionaries were in the habit of appointing members of the Political Parties Dispute Tribunal. This is because political parties thought they should be the ones to appoint the people to resolve their disputes. But after that decision, that power was given to the JSC.

So, similarly the National Treasury should just let go and allow the JSC to appoint persons suitably qualified to perform the duties of that tribunal. So, Hon. Waihenya, just make sure you get everything that revolves around that appointment.

There is a Statement to be made by Hon. (Dr.) Otiende Amollo, Member for Rarieda.

STATEMENTS

THE TWELFTH ORDINARY SESSION OF THE PLENARY ASSEMBLY OF FP-ICGLR

Hon. (Dr.) Otiende Amollo (Rarieda, ODM): If it may please you Hon. Speaker, I rise to make a Statement pursuant to Standing Order No.43 on an issue of general topical concern namely; the proceedings of the Twelfth Ordinary Session of the Plenary Assembly of the Forum of Parliaments – of the International Conference on the Great Lakes Region (FP-ICGLR) held between 2nd to 6th April 2022 in Nairobi, Kenya.

Hon. Speaker, as you are aware, the Forum of Parliamentarians of Member States of the International Conference on the Great Lakes Region is an inter-parliamentary organisation of twelve parliaments of member states of the International Conference on the Great Lakes Region, namely; the Republic of Angola, the Republic of Burundi, the Central African Republic, the

Republic of Congo, the Democratic Republic of the Congo, the Republic of Kenya, the Republic of Rwanda, the Republic of Sudan, the Republic of South Sudan, the United Republic of Tanzania, the Republic of Uganda, and the Republic of Zambia.

Hon. Speaker, of the Forum's organs, the Plenary Assembly is the highest decision making body and is mandated to *inter alia*, approve the nomination of office bearers of the FP-ICGLR; adopt the Forum's budget; adopt the reports of Committees; adopt the recommendations and resolutions to governments and parliaments of the member states of the ICGLR; and deliberate on all matters within the jurisdiction of the Forum. The Plenary Assembly meets on an annual basis, and the venue of the event is held on a rotational basis between the member states.

The theme for this year's event was: "The Role of Parliament in Conflict Resolution". Since its establishment, the Forum has been crucial in spearheading discourse on security, peace, stability and development in the region; a region that has over the years seen more than its fair share of bloody wars, famine and starvation, economic and social inequalities, religious strife and political instability.

The last five days have been a learning experience for all member states. Members were fully exposed to and briefed on governance issues in the region. The threat of insecurity, and internal affairs of the Forum, the impact of the insecurity and conflict in the region were clearly enumerated and elaborated and members' understanding of conflict was indeed enhanced.

The Forum received a presentation by Prof. Yasin Olum (PhD), a Fulbright Scholar, on the role of parliament in conflict resolution, which clearly stated that parliamentarians have a fundamental role of pre-empting and preventing conflicts including, upholding the rule of law; addressing post-conflict recovery; engaging in constructive partnerships and co-operation, and reconciliation.

Therefore, member states appreciated efforts by the Forum in undertaking fact-finding missions, which had assisted countries such as the Central African Republic, Democratic Republic of Congo and the Republic of South Sudan, in finding solutions and peaceful settlement to political instability. The Forum looks forward to future engagements with the parties involved to address outstanding issues for lasting peace. The Forum also pledged support in efforts to resolve the ongoing conflict in the Republic of Sudan.

In the meeting, it was also resolved that Parliaments must be more assertive in addressing the root causes of instability. The President of the Forum, who is also the Speaker of the Senate, the Rt. Hon. Kenneth Lusaka, EGH, MP, urged Member Parliaments to "move from talking to acting."

In his opening address, delivered by the Cabinet Secretary for Interior and Coordination of National Government, His Excellency President Uhuru Muigai Kenyatta, CGH, challenged member states on a five-point question framework for reflection and action on the way forward:

a) Is the role of Parliament preventive or responsive?
b) At what stage in the conflict cycle should Parliament intervene?
c) To what extent should Parliament's intervention role be exercised?
d) Which collegiate and peer review mechanisms should Parliaments adopt in supporting and holding each other accountable; and,
e) How can Parliaments inculcate public participation by stakeholders in our built-in shared bonds into this conflict prevention and conflict resolution framework?

We, therefore, must emphasize that Parliaments and Parliamentarians are an important conduit for strengthening governance systems and enhancing democratic ideals. At the meeting, the Parliament of Kenya was represented by the following Members of Parliament, who sit in various Committees of the Forum:

1. The Speaker of the Senate, Sen. Kenneth Lusaka, EGH, MP – President of the FP-ICGLR;
2. Sen. Samuel Poghisio, EGH, MP, - President of the Executive Committee and Member of the Committee on Economic Development, Natural Resources and Regional Integration;
3. Sen. (Arch.) Sylvia Kasanga, MP, - Member of the Committee on Women, Children and Vulnerable Persons;
4. Hon. William Kamket, MP, - Member of the Committee on Humanitarian and Social Issues;
5. Hon. (Col.) (Rtd) Geoffrey Muturi King'ang'i, MP, - Member of the Committee on Peace and Security; and,
6. Hon. Paul Otiende Amollo, EBS, SC, MP, - Member of the Committee on Democracy and Good Governance.

Hon Speaker, at the close of the five-day event yesterday, the Forum adopted the Nairobi Declaration which calls for:

1. Strengthening of efforts by ICGLR Member States and other stakeholders towards diplomatic and peace building measures aimed at resolving conflicts in the Great Lakes region;
2. Calls for member states to ensure that all conflicts in the region are resolved peacefully and that they will work tirelessly towards implementing the objectives of the Peace, Security and Co-operation Framework in order to attain stability and development;
3. Calls for political leaders at national, regional and international levels to support mechanisms aimed at resolving conflicts, which have adverse global impacts on economies;
4. Calls for commitments from governments at regional and international levels to work together to reduce proliferation of small arms and to improve natural resource management to curb the incessant conflicts; and,
5. Calls for the ICGLR Member-Parliaments to strengthen co-operation in peace-building initiatives to address regional conflicts.

The resolutions will shortly be sent to all Member-Parliaments for consideration and implementation.

In conclusion, I take this opportunity to record the thanks of the Parliament of Kenya and to the eight Member-Parliaments of the Republic of Angola; the Republic of Burundi; the Central African Republic; the Democratic Republic of the Congo; the Republic of Rwanda; the Republic of South Sudan; the United Republic of Tanzania; and the Republic of Zambia for honouring the invitation to this event in Nairobi and for their active participation in the deliberations.

I thank you, Hon. Speaker.

Hon. Speaker: Very well. Hon. Members, there was an indication that the Chairperson of the Departmental Committee on Administration and National Security was to respond to a request made by the Member for Borabu, Hon. Ben Momanyi. I see that the Chairperson and the Vice-Chairperson are both not present. I have just been shown the response. I do not know why somebody forwarded the Statement to me. I do not like seeing them. I do not know where they come from. I have been shown the response, but I do not see Hon. Mwathi and the Vice-Chairperson. It cannot be responded to by any other Member.

Hon. Members, we will move to the next Order so that we can conclude very quickly. I will adjust what is shown on the Order Paper so that it reads “not later than 3.15 p.m.” as the time that I will invite the Cabinet Secretary for the National Treasury and Planning to make a Public Pronouncement of the Budget Highlights and Revenue-Raising Measures for the National Government for the 2022/2023 Financial Year.

Proceed, Hon. Kimunya.

BUSINESS FOR THE WEEK COMMENCING 12TH TO 14TH APRIL 2022

Hon. Amos Kimunya (Kipipiri, JP): Thank you, Hon. Speaker. Pursuant to the provisions of Standing Order No.44(2)(a), I rise to give the following Statement on behalf of the House Business Committee which met on Tuesday, 5th of April 2022 to prioritize business for consideration:

As you are aware, today, pursuant to your ruling, we welcome the Cabinet Secretary for the National Treasury and Planning to make a public pronouncement of the Budget Highlights and Revenue-Raising Measures for the Government for the 2022/2023 Fiscal Year in accordance with Section 40(1) of the Public Finance Management Act of 2012, and Standing Orders No. 25A and 244C.

I wish to reiterate that time is of essence to the House. As Members, we appreciate that there is urgent need to consider and approve the Budget Estimates for the 2022/23 Financial Year, in addition to other Budget-related issues. I understand that committees are having quorum-related challenges, thus making it difficult for them to process their business. I, therefore, wish to urge Members to support the chairpersons and the House in the few sitting days remaining so that any important business is finalized within the stipulated timelines.

Next week on Tuesday, 12th April 2022, the following business has been scheduled for consideration:

(1) Committee of the whole House on the following Bills:
   (i) The Coffee Bill (Senate Bill No.22 of 2020), to continue from Clause 46;
   (ii) The Elections (Amendment) Bill (National Assembly Bill No.3 of 2022);
   (iii) The Elections (Amendment) Bill (National Assembly Bill No.41 of 2021); and,
   (iv) The Election Campaign Financing (Amendment) Bill (National Assembly Bill No.37 of 2021).

We will also have the Second Reading of the following Bills:

(i) The Huduma Bill, 2021 which is a continuation;
(ii) The Mung Beans Bill (Senate Bill No.9 of 2020);
(iii) The National Disaster Risk Management Bill, 2021;
(iv) The Prompt Payment Bill (Senate Bill No.16 of 2021); and,
(v) The Startup Bill (Senate Bill No.1 of 2021).

Hon. Speaker, I am reliably informed that there are no Questions scheduled for responses by Cabinet Secretaries next week. The House Business Committee will reconvene on Tuesday, 12th April 2022 to schedule the business for the rest of the week.

Hon. Speaker, let me take this opportunity to thank you for representing us yesterday, in the funeral of the late Speaker Jacob Oulanyah of Uganda, where I had the pleasure of accompanying you. The people of Uganda expressed their thanks to the people of Kenya who are represented by this House.

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

(Hon. Amos Kimunya laid the Statement on the Table of the House)

Hon. Speaker: Next Order!

BILLS

Second Reading

THE ELECTIONS (AMENDMENT) BILL

(*Hon. Amos Kimunya on 30.3.2022)*

(Debate concluded on 5.4.2022)

Hon. Speaker: Order, Members! Take your seats. Member for Endebess, take your seat. Hon. Members, debate on this Bill was concluded and what remained was for the Question to be put, which I hereby do.

(Question put and agreed to)

(The Bill was read a Second Time and committed to a Committee of the whole House tomorrow)

THE CHILDREN BILL

(Hon. Amos Kimunya on 22.3.2022)

(Debate concluded on 6.4.2022)

(Hon. David ole Sankok and Hon. (Dr.) Robert Pukose consulted loudly)

Hon. Speaker: Hon. Sankok please! I think Member for Endebess you better go back to your place. That place does not appear to be good for you.

Hon. Members, debate on this Bill was concluded and so, what remained was for the Question to be put, which I hereby do.

(Question put and agreed to)

(The Bill was read a Second Time and committed to a Committee of the whole House tomorrow)

Next Order!

MOTION

APPROVAL OF THE MEDIATED VERSION OF THE COUNTY

GOVERNMENTS ADDITIONAL ALLOCATION BILL

THAT, pursuant to the provisions of Article 113 (2) of the Constitution and Standing Order 150, this House adopts the Report of the Mediation Committee on the County Governments Additional Allocation Bill (Senate Bill No. 35 of 2021), laid on the Table of the House on Thursday, 31st March 2022, and approves the Mediated Version of the County Governments Additional Allocation Bill (Senate Bill No. 35 of 2021).

(Hon. Makali Mulu on 5.4.2022)

(Debate concluded on 5.4.2022)

Hon. Speaker: Take your seat Member for Kitui Rural. Hon. Members, you should have dispensed with this business yesterday. I do not know why it is here today. Anyway, debate was concluded so, I proceed to put the Question.

(Question put and agreed to)

CONSIDERATION OF REPORT

OF THE WHOLE HOUSE ON THE COFFEE BILL

Hon. Speaker: Order, Members. Debate on this was also concluded.

(Hon. John Owino walked into the Chamber)

Hon. Junet Nuh (Suna East, ODM): Go and sit.

Hon. Speaker: Hon. Member for Awendo, where are you going? Do not do that. I can see you are being misled by the experienced Member for Suna East.

(Laughter)

Just freeze.

(Question put and agreed to)

Hon. Speaker: The Member for Suna East, you may now take your usual seat. You have been away for a long time.

BILL

Second Reading

THE NATIONAL ELECTRONIC SINGLE WINDOW SYSTEM BILL

(Hon. Emmanuel Wangwe on 6.4.2022)

(Debate concluded on 6.4.2022)

Hon. Speaker: Those Members who are walking very fast, please, just stand where you are. Remain where you are! Member for Nyeri, I know you have stayed for too long already. Let us just finish this business.

Hon. Members, you completed debate on this Bill. I will just put the Question.

(Question put and agreed to)

(The Bill was read a Second Time and committed to a Committee of the whole House tomorrow)

Very well. Hon. Members, I did indicate earlier on that I will make an amendment to the Order Paper to read not later than 3.15 p.m.

Majority Whip, please take your seat.

(Interruption of Business)

COMMUNICATION FROM THE CHAIR

BUDGET POLICY HIGHLIGHTS AND REVENUE RAISING MEASURES – 2022/2023

Hon. Members, I wish to make this Communication relating to interruption of business. Section 40 of the Public Finance Management Act, 2012 requires the Cabinet Secretary for the National Treasury to make a public pronouncement on the budget policy highlights and revenue raising measures for the national Government each financial year. In this regard and, as communicated earlier, the Cabinet Secretary will be making this pronouncement shortly.

Hon. Members, you will observe that this activity is taking place earlier than has been in the previous years. This practice was adopted to allow the Judiciary and Parliament to submit to the National Treasury their budget estimates earlier during election years to enable conclusion of budget matters before the National Assembly adjourns s*ine die* prior to the general elections.

Hon. Members, before inviting the Cabinet Secretary for the National Treasury and Planning to make the pronouncement for the 2022/2023 Financial Year, I wish to recognise the other Cabinet Secretaries, Principal Secretaries and members of the diplomatic corps, development partners, senior Government officials, and other invited guests, and notably the Right Hon. Raila Amollo Odinga who are seated in the Speaker's Row.

(Applause)

You are all welcome to the National Assembly.

Now, therefore, Hon. Members, pursuant to the provisions of the said Section 40 of the Public Finance Management Act, 2012 and the National Assembly Standing Order Nos.25A and 244C, I will now interrupt business of the House…

(Hon. Joshua Kutuny consulted loudly)

Hon. Kutuny, it is disorderly to communicate with a Member from the other side of the aisle from your place.

Hon. Members, let me repeat.

Now, therefore, pursuant to the provisions of the said Section 40 of the Public Finance Management Act, 2012 and the National Assembly Standing Orders Nos.25A and 244C, I will now interrupt business of the House to allow the Cabinet Secretary for the National Treasury and Planning to make a public pronouncement of the Budget Policy Highlights and propose the Revenue-Raising Measures for the National Government for the 2022/2023 Financial Year and the Medium Term Plan.

Cabinet Secretary, please proceed to make your pronouncements. You are welcome.

THE BUDGET STATEMENT

BUDGET POLICY HIGHLIGHTS AND REVENUE RAISING MEASURES – 2022/2023

The Cabinet Secretary, National Treasury and Planning (Amb. Ukur Yatani): Hon. Speaker, it is once again an immense privilege for me to present to this august House and the people of the Republic of Kenya, the Budget Statement that highlights the budget policies and the revenue-raising measures for the 2022/2023 Financial Year. The presentation of this Statement is in fulfilment of the requirements of Section 40 of the Public Finance Management Act and Standing Order No.244 of the National Assembly.

Our partner-states in the East African Community have agreed that Kenya can proceed with early presentation of the Budget Statement this month. This aligns the budget calendar with the time for the General Elections scheduled for August 2022.

His Excellency the President, Hon. Uhuru Kenyatta, took office in 2013. At that time, the country had just completed implementation of the First Medium Term Plan of the Kenya Vision 2030 and was on the third year of the implementation of the 2010 Constitution. During the first five years, his administration designed and implemented an Economic Transformation Agenda under the Second Medium Term Implementation Plan of Vision 2030.

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

Building on the progress made under the Economic Transformation Agenda, the Government initiated the Big Four Agenda anchored on the Third Medium Term Plan of Vision 2030. The Government focused of transforming the lives of Kenyans through strategic interventions on food and nutritional security, affordable housing, manufacturing for job creation, and universal health coverage.

Hon. Speaker, while we celebrate the remarkable achievements from the past investments in the priority programmes under the Economic Transformation and Big Four Agenda, the country continues to grapple with various social, economic and environmental challenges.

In preparing this year's budget, we extensively consulted Kenyans; their insights, comments and suggestions have informed the priorities laid in this Budget.

Key among the concerns were:

(i) The high cost of living;
(ii) High level of unemployment among the youths;
(iii) Income inequality; and
(iv) Public debt burden.

Hon. Speaker, we have noted that most of the concerns raised by Kenyans were associated with the negative effects of COVID-19 pandemic. In response, the Government developed and implemented appropriated economic policies and rolled out targeted programmes that cushioned the citizens and businesses from the adverse effects of the pandemic. Building on the progress realised, we have outlined policies in this Budget that are geared towards returning the economy back on a more sustainable growth path for improved livelihoods.

In pursuit of this, we have therefore chosen this year's Budget theme as "Accelerating Economic Recovery for Improved Livelihood". The Government will implement economic policies and undertake structural reforms geared towards improving the welfare of Kenyans. This includes aligning and accelerating implementation of the Big Four Agenda and the third Economic Stimulus Programme for sustainable growth.

Hon. Speaker, conscious of the constrained fiscal space, we intend to implement these policy measures within a sustainable fiscal framework. Indeed, we have moderated our spending level targets and ensured cautious revenue projections. We have re-prioritised public spending towards pro-poor expenditures in health, education and supporting the vulnerable segment of the population. In addition, we are leveraging on the Public Private Partnership to fund public projects, support the private sector and narrow the fiscal deficit.

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

Hon Speaker, this year's Budget has been prepared against a background of a moderate global growth of 4.4 per cent from a recovery of 5.9 per cent in 2021. The global economy contracted by 3.1 per cent in 2020 following the outbreak of COVID-19 pandemic. However, there are risks to this growth outlook largely from possible re-emergence of COVID-19 pandemic and the ongoing conflict in Eastern Europe.

Kenya's economy demonstrated remarkable resilience to the COVID-19 pandemic shock in 2020 and staged a strong recovery in 2021. Following the easing of the COVID-19 pandemic restrictions, reopening of the economy as well as targeted stimulus interventions by the Government, the economy registered strong recovery of 9.9 per cent in the third quarter of 2021. Overall, the economy is estimated to have expanded by 7.6 per cent in 2021, a much stronger level from the contraction of 0.3 per cent in 2020. In 2022, the economy is projected to stabilise at 6.0 per cent supported by recovery in agriculture, industry and service sectors.

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

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

Hon. Speaker, the economic outlook may be affected by emerging domestic and external risks. On the domestic front, re-emergence of COVID-19 pandemic variants and possible adverse weather conditions could reverse the projected economic recovery. On the external front, the ongoing conflict in Eastern Europe has created uncertainties that will affect the global economic outlook through disruption of supply chains, rising global oil prices and increase inflationary pressures.

Hon. Speaker, the Government will monitor all the domestic and external risks and take appropriate policy actions to cushion the economy and Kenyans in the event the risks materialise. Since, 2017, the Government has progressively implemented policies and programmes under the Big Four Agenda to foster socio-economic development. However, the COVID-19 pandemic slowed down the implementation and full realisation of expected benefits.

Hon. Speaker, to further accelerate economic recovery and improve livelihoods, the Government will continue to implement and expand the Economic Recovery Programme in this Budget. The programme is hinged on a sound macroeconomic policy framework that aims to:

Hon. Speaker, to further accelerate economic recovery and improve livelihoods, the Government will continue to implement and expand the Economic Recovery Programme in this budget. The Programme is hinged on a sound macroeconomic policy framework that aims to:

a) Enhance security for our citizens and their properties, while fostering a secure and conducive business environment;
b) Scale up development of critical infrastructure in roads, rail, energy and water sectors. This will ease movements of people and goods, reduce the cost of doing business, enhance access to social amenities and promote Kenya’s competitiveness;
c) Enhance transformation of key economic sectors for broad-based sustainable recovery by promoting agricultural productivity, growth in manufacturing, environmental conservation and water supply; support tourism recovery; and ensure sustainable land use and management;
d) Expand access to quality social services in health, education and appropriate social safety-nets for the vulnerable population;
e) Support the youth, women and persons living with disabilities through Government funded empowerment programmes;
f) Continue supporting the devolved system of Government through active engagements, policy guidance and timely transfers of sharable revenues. This will indeed strengthen county governments’ systems and enhance quality service delivery; and
g) Sustain implementation of various reforms targeted at enhancing efficiency in the delivery of public services.

Hon. Speaker, the implementation of the Economic Recovery Programme that is also supported by the International Monetary Fund is fully on track. The IMF Programme has four key objectives:

a) Scaling up the COVID-19 pandemic response by supporting health and other sectors most impacted by the pandemic;
b) Reducing debt vulnerabilities by pursuing a revenue-driven fiscal consolidation plan that targets to stabilise the debt to GDP ratio and subsequently put it on a downward level;
c) Supporting structural and governance reforms while addressing weaknesses in State-owned enterprises with a view to enhancing efficiency in the management of economic and fiscal affairs; and,
d) Implementing specific measures to strengthen the monetary policy framework and support financial stability.

Hon. Speaker, alongside the aforementioned, the Government has continued with the implementation of various stimulus programmes to manage COVID-19 pandemic, support businesses and general employment in order to minimise the adverse socio-economic impact of COVID-19 pandemic.

Hon. Speaker, in the Financial Year 2021/22, the Third Phase of the Economic Stimulus Programme under implementation targeted;

a) The "Kazi Mtaani" Programme to create employment for over 200,000 youths across the country;
b) Preparation of the education sector for the transition into the Competency Based Curriculum (CBC) by constructing new classrooms to accommodate more than one million pupils expected to join junior secondary schools in January 2023;
c) Construction of additional 50 new Level 3 hospitals in non-covered and densely populated areas across the country to enhance access to medical services;
d) Supporting livelihoods of farmers within the sugar belt; provision of fertiliser subsidy to small-scale tea farmers; and completion of ongoing interventions in the coffee sub-sector; and,
e) Supporting communities affected by drought in the arid and semi-arid regions of the country.

Hon. Speaker, in this Statement, I will be proposing additional allocation to various activities under the Economic Stimulus Programme to further support livelihoods and stimulate economic activities. In this Budget, the Government will strive to:

a) Enhance the role of the private sector in the economy, including financing infrastructure projects through the Public Private Partnership;
b) Support micro, small and medium enterprises by facilitating access to finance;
c) Invest in ICT and digital infrastructure to support the use of digital platforms to facilitate e-commerce and efficient delivery of public services;
d) Promote and strengthen local and foreign resource mobilisation efforts to sustain funding of the identified development projects and programmes;
e) Improve social-protection through targeted policy interventions and programmes;
f) Promote local production processes and domestic supply value chains; and,
g) Strengthen monitoring and evaluation systems for quality outcomes of the projects.

Hon. Speaker, implementation of the socio-economic policies and structural reforms have seen Kenya graduate from a low-income to a middle-income country with an estimated per capita income of Kshs244,099 in 2021. This is a significant leap of 92.1 per cent from the level of Kshs127,065 in 2013. Our vision is to achieve the upper middle-income status by 2030 with a minimum per capita income of at least Kshs453,150.

Looking back since 2013 when the current Government took the reins of power, Kenya has achieved monumental milestones, especially at the macroeconomic level. For instance:

(i) The economy has grown by 155 per cent from Kshs5.3 trillion to Kshs13.5 trillion in 2022.
(ii) A strong economic growth averaging 4.6 per cent has been realised over the period including impressive recovery of 7.6 per cent in 2021 from a contraction of 0.3 per cent in 2020 occasioned by the COVID-19 pandemic.
(iii) Cumulatively 5.1 million new jobs in both formal and informal sectors were created.

(iv) The economy has maintained macroeconomic stability with inflation rates within target and interest rates remaining stable. The average annual inflation rate declined from 7.2 per cent in 2013 to 5.7 per cent in 2021.

(v) Commercial banks' lending to the private sector doubled from Kshs1.5 trillion to Kshs3.1 trillion in 2021.

(vi) Successfully lengthened the average time to maturity for Treasury Bonds from 7.4 years in June 2013 to nine years in March 2022. This has improved the maturity profile of domestic debt and supported refinancing risk mitigation.

(vii) The foreign exchange market has remained stable with the official foreign exchange reserves increasing from US$6.5 billion or 4.4 months of import cover to US$9.5 billion or 5.6 months of import cover in 2021. The current account deficit improved by dropping from 7.7 per cent of GDP in 2013 to 4.9 per cent of GDP in 2021, effectively supporting the stability of the foreign exchange market.

(viii) Annual diaspora remittances grew by close to 300 per cent from Kshs112.3 billion in 2013 to the current Kshs436.8 billion in 2022.

(ix) Foreign Direct Investment (FDI) rose from Kshs56.7 trillion in 2013 to Kshs75.1 trillion in 2017.

(x) Ordinary revenue collection has more than doubled from Kshs0.8 trillion in the 2012/2013 Financial Year to Kshs1.8 trillion in the 2020/2021 Financial Year and further to Kshs2 trillion in the 2021/2022 Financial Year.

(xi) The poverty prevalence rate declined from 36.1 per cent in 2013 to 33.6 per cent in 2019.

The on-going police reforms aimed at protecting lives and enhancing general security of citizens have significantly improved the ratio of police to citizen; from one policeman to 1,000 citizens in 2012 to the current one policeman to 462 citizens.

With regard to infrastructure, the Government has constructed an additional 10,500 kilometres of tarmacked roads spread across the 47 counties facilitating efficient movement of people and goods, thereby rapidly stimulating economic activities.

The completion of the Standard Gauge Railway (SGR) has not only eased movement of passengers during the period, but also led to transportation of over 17.6 million tonnes of cargo between 2018 and 2021. During this period, over 6.5 million passengers have used the Standard Gauge Railway. This has had positive effects on the economy including creation of jobs.

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

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

Hon. Speaker, in its pursuit to increase productivity while staying on the economic transformation trajectory, the Government has sustained the pace of investment in all sectors. The agricultural sector remains the largest contributor to our GDP and a priority under the Big Four Agenda on food and nutritional security. The Government has continued to support large scale production of staple food, expanded irrigation schemes, increased access to agricultural inputs, and support smallholder farmers to sustainably produce and market various commodities. In addition, the Government introduced the Warehouse Receipt System to reduce post-harvest losses. The price of fertiliser has more than doubled in the last one year, and is still rising. To safeguard food security in the country, the Government has allocated Kshs3 billion to subsidise farmers during the current planting season. We propose to allocate a further Kshs2.7 billion in the Financial Year 2022/2023 to cushion farmers while sustaining food production.

To strengthen land and property ownership, the Government has issued over 5.3 million title deeds over the last eight years. The Government has also fully digitised land records in Nairobi registry under the National Land Information Management System referred as the Ardhi Sasa programme to improve accessibility of land records and lowering the cost of land transactions.

Hon. Speaker, Kenya's emergent oceans and blue economy will remain a key growth engine for the country. In the last five years, the Government has heavily invested in measures to expand marine fisheries, grow marine transport and logistics, and establishing Kenya as source of quality and cost-effective labour. These measures have resulted in opening of the Lamu Port, reopening of the Port of Kisumu, establishment of nascent shipyards at the Port of Mombasa and Kisumu, revival of the Kenya National Shipping Line, construction of an ultra-modern tuna fish hub at Liwatoni Mombasa, amongst others. With the proposed interventions, the sector is on course to be among the top five key contributors to the Kenyan economy and a game changer in enhancement of the socio-economic fortunes of Kenyans, living next to our marine resources.

Prior to the Covid-19 pandemic, the Government's strategy to revive the tourism sector has yielded positive results. The earnings from the sector had increased by 74 per cent from Kshs94 billion in 2013 to Kshs163.6 billion in 2019. Tourist arrivals had also increased from 1.5 million to 2.0 million during the same period. In 2020, these numbers significantly declined due to the adverse effects of the Covid-19 pandemic.

In the health sector, hospital bed capacity increased from 56,069 in 2013 to 82,291 in 2020. This increase is attributed to over 1,912 new hospitals constructed across the country by the national and county governments.

Further, the introduction of free maternal healthcare programme dubbed "Linda Mama" initiated in 2016 has led to the decline of maternal mortality rate by 26 per cent. This programme alongside the ''Beyond Zero Campaign'' led by the First Lady has significantly contributed to the improvement of maternal healthcare in the country. To address the growing cancer burden over the last decade, the Government has formulated appropriate policies and allocated sufficient resources to guide the delivery of cancer testing and treatment services. Some of these interventions include: one, establishment of the National Cancer Institute as an overall coordinating agency; two, construction and equipment of comprehensive cancer centres at Kenyatta National Hospital (KNH), Mombasa, Nakuru and Garissa counties; three, support to 10 county referral hospitals to operationalise chemotherapy clinics.

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

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

Following sustained investment in human capital development, Kenya was impressively ranked position three in the sub-Saharan Africa region with a human capital index of 0.55 in the year 2020. From 2013 to 2021, the Government disbursed Kshs151.6 billion through the Inua Jamii Programme to support over 1.2 million vulnerable persons, among them orphans, the elderly and persons living with severe disabilities. Further, the Government disbursed Kshs6.95 billion to support enterprises of women, youth and persons with disabilities through 74,021 groups under the Uwezo Fund.

To improve efficiency in the delivery of Government services, the Government initiated and operationalised 52 Huduma Centres across the country. In 2014, the Government launched the e-Citizen platform where 350 Government services have now been successfully migrated. The platform has since served over 27.2 million customers while raising Kshs87.1 billion in revenue for the Government.

In 2013, the Government successfully rolled out implementation of the 2010 Constitution. The 47 county governments, independent commissions and other institutions established by the Constitution were duly operationalised albeit with huge financial requirement thereby straining the country’s fiscal position.

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

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

On framework contracting, we have submitted to this House for enactment the Public Procurement and Asset Disposal (Amendment) Bill, 2021. This Bill provides for multiple awards where several bidders can be awarded the same contract. Once enacted, it will hasten the delivery of services to the citizenry and support local firms particularly in specialized areas like pharmaceuticals, supply of foodstuffs and commodity markets. Further, we have put together a framework that harmonises the qualifications for supply chain management personnel that clarifies the competencies for the various cadres in the supply chain management function. In this respect, I direct all procuring entities to adhere to the requirement of this framework.

The Government’s commitment to empowering SMEs owned by women, youth and persons with disabilities under the Access to Government Procurement Opportunities (AGPO) programme remains firmly on course. In this respect, the National Treasury has re-engineered the AGPO portal to enable real-time registration and monitoring. The system has further been linked to other Government institutions to facilitate faster verification and reporting.

We have undertaken a comprehensive assessment of vulnerabilities in state-owned enterprises. In particular, the in-depth financial evaluations of selected state-owned enterprises excluding the Kenya Airways that face the largest financial and fiscal risks revealed a cumulative liquidity gap of Kshs383.0 billion over the next five years. This gap is expected to be covered by undertaking specific policy interventions to improve efficiencies, reduce costs and increase revenue. In order to enhance the operational and financial efficiency of state-owned enterprises we shall: first, implement the blue print on governance reforms on enforcement and separation of roles and responsibilities among institutions that exercise oversight; second, fast-track the implementation of Government Investment Management Information System (GIMIS) and capture, among others, all loans advanced to the enterprises; third, extend the coverage of financial evaluations to other State Owned Enterprises to be able to anticipate, quantify, monitor, manage and mitigate fiscal risks from the State Corporations.

Kenya Airways plays a major and catalytic role in the economic development of this country. The airline is facing severe cash-flow constraints following global lockdowns triggered by the COVID-19 pandemic. The Government as a major shareholder is supporting the restructuring of Kenya Airways to adapt to the challenges facing the aviation industry due to the adverse impact of COVID-19 pandemic. Kenya Airways will be required to trim its network, rationalise frequencies of flights, operate a smaller fleet, and rationalize its staff complement. I will be proposing a budget allocation to meet the restructuring costs.

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

The Kenyan banking sector is stable and has shown great resilience with strong capital and liquidity buffers built on reforms initiated by the Central Bank of Kenya. A clear demonstration of resilience and recovery of the banking sector from the adverse effects of COVID-19 pandemic was strong capital adequacy and liquidity ratios. As at end of December 2021, capital adequacy ratio was 19.6 per cent which was above the minimum requirement of 14.5 per cent while liquidity ratio was 56.2 per cent, which is also above the 20 per cent requirement. The sector has continued with its transformation journey under the Kenya Banking Sector Charter issued in 2019 by the Central Bank of Kenya. The Charter focuses on strengthening risk-based credit pricing, entrenching customer centricity in their operations and ensuring ethical culture in banks. In addition, the Central Bank of Kenya (Amendment) Act 2021 was enacted to provide the Central Bank with powers to license and oversee the previously unregulated digital credit providers.

Hon. Speaker, commercial banks face climate related risks in their operations. In this regard, the CBK issued a detailed guidance on climate-related risk management to all commercial banks in October 2021. The banks are now required to integrate climate-related risks into their overall risk management frameworks.

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

Over the last 15 years, an elaborate financial services ecosystem in Kenya has evolved from an initial basic money transfer innovation. In this period, access to financial services has increased from 26 per cent of adults in 2006, to the current 83 per cent. Further, the Government has rolled out mobile money, strengthened Real Time Gross Settlement System and established the regional payments systems at both the EAC and COMESA regions.

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

In order to attract increased financing and investment into Kenya, the Nairobi International Financial Centre (NIFC) Authority has put in place the required operating framework and regulations. With the necessary framework now in place, and the official opening slated later in the year, NIFC will be expected to be a key catalyst in supporting economic growth.

The Kenya Mortgage Refinance Company continues to play a leading role in the delivery of affordable housing in Kenya. I am pleased to note that since September 2020, KMRC has disbursed over Ksh2 billion to seven primary mortgage lenders and is currently processing an additional Ksh7 billion.

To provide a sustainable source of funding and to complement the existing credit lines, the company whose bond was recently listed at the Nairobi Securities Exchange, successfully issued its first Corporate Bond of Ksh1.4 billion under a Medium-Term Note Programme of Ksh10.5 billion.

Since the launch of the Credit Guarantee Scheme in December 2020, total loans extended to Micro, Small and Medium Enterprises under this scheme had surpassed Ksh2.2 billion by December 2021. This has expanded access to affordable credit to Micro, Small and Medium Enterprises to 45 counties across 11 different sectors of the economy. To enhance coverage of the scheme, additional participating financial intermediaries will be brought on board. Further, the Government will seek support of development partners to increase the scheme's capital from the current Ksh4 billion to Ksh10 billion over the medium term.

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

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

The payroll for the public service pension continues to grow and had more than 300,000 pensioners and dependents as at December 2021. The National Treasury will roll out the much awaited re-engineered pension management system in the course of the financial year. The system will offer an end-to-end Enterprise Resource Planning solution in the management and processing of pension benefits.

The Public Service Superannuation Scheme that was operationalized in January 2021 has attracted more than 352,000 members with a current fund value of Ksh27.0 billion. The scheme is eventually expected to ease pressure on the pension wage bill while guaranteeing sustainability of public service pensions. To further improve the Pension's Policy Framework, the National Treasury is developing an overarching national pensions policy that sets the guiding principles for application across board on structuring and management of retirement benefits for public servants.

In order to widen the scope of investment where pension schemes can invest their funds, I propose to amend the Retirement Benefits Investment Guidelines to include the unlisted Real Estates Investment Trusts incorporated in Kenya that are approved by the Capital Markets Authority.

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

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

In an effort to strengthen disaster risk management in the country, the Government will fast track the enactment of the Disaster Risk Management Policy and Bill; finalize the Disaster Risk Management Strategy and update the Disaster Risk Financing. In addition, the National Treasury will expedite the finalisation of Public Finance Management (Disaster Management Fund) Regulations, 2022.

Hon. Speaker, in order to demonstrate our commitment in addressing climate change, the Government will implement the "Financing Locally-Led Climate Action Programme (FLLoCA)" – a 10-year financing programme aimed at mobilising climate finances to support local communities build their resilience and adapt to the impacts of climate change in the 47 counties. In the FY 2022/23, I propose to allocate Kshs6.1 billion to this programme.

In addition, the Government has finalised the Long-Term Low Emission Strategy to guide a low carbon-climate resilient development path. To address the financing challenge of climate change actions, the Government will develop a Climate Finance Mobilisation Strategy. Further, in order to promote 43 private sector investments in green projects and programmes, the Government will fast-track the finalisation of the National Policy Framework on Green Fiscal Incentives and the development of the carbon mechanism design.

In the forestry sector, the Government is committed to expand the country's tree cover from current 7.2 per cent to the 10 per cent target. The Government is revitalising efforts to meet this important target through resource mobilisation with partners, and engagement with counties to dedicate more areas and resources under the forestry regimes, as well as tackling the catchment degradation that has contributed to the rising lakes phenomenon. In this regard, I propose to allocate Kshs10.2 billion to support conservation of forests and water towers.

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

Article 173 of our Constitution established a Judiciary Fund which will be administered by the Chief Registrar in meeting the administrative expenses of the Judiciary. In this respect, the necessary procedures for the operationalisation of the Fund have been put in place. In particular, the following have so far been achieved; one, the Judiciary Fund Act and Regulations have been enacted; two, the bank accounts for the Fund have been opened at the Central Bank of Kenya; three, an appropriate budget for the Judiciary in the Financial Year 2022/23 has been created; and four, IFMIS has been enhanced to accommodate the Judiciary Fund operations. This Fund will be fully operational with effect from 1st July 2022.

The fiscal policy supporting the budget for the Financial Year 2022/23 and also the medium-term is designed to accelerate economic recovery for improved livelihoods for Kenyans.

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

In addition, the Government will continue to rationalise tax expenditures and retain those whose intention is to promote investments and ensure sustainability and value for money from our resources. In the Tax Expenditure Report for 2021, we noted a significant decline in the level of tax expenditure from 5.17 per cent of GDP in 2017 to 2.96 per cent as a per cent of GDP in 2020. We shall continue to review the existing tax expenditure in order to boost the tax revenue.

We project total revenue collection including Appropriation-in-Aid and grants for the FY 2022/23 Budget to be Kshs2.4 trillion equivalent to 17.5 per cent of the GDP. Of this, ordinary revenue is projected at Kshs2.14 trillion equivalent to 15.3 per cent of the GDP

On the other hand, Hon. Speaker, total expenditure in the FY 2022/23 is projected at Kshs3.3 trillion equivalent to 23.9 per cent of the GDP. Recurrent expenditures will amount to Kshs2.2 trillion while development expenditures including allocations to foreign financed projects, Contingency Fund and conditional transfers to county governments is Kshs715.5 billion. This funding is expected to accelerate completion of ongoing infrastructure projects. The equitable share to counties is projected at Kshs370 billion.

Given the projected revenues and grants against the projected expenditures, the fiscal deficit is projected to decline to Kshs862.5 billion equivalent to 6.2 per cent of the GDP in the Financial Year 2022/23 from Kshs1,024.3 billion equivalent to 8.1 per cent of the GDP in the FY 2021/22.

The fiscal deficit will be financed through net external financing of Kshs280.7 billion equivalent to 2 per cent of the GDP and net domestic financing of Kshs581.7 billion equivalent to 4.2 per cent of the GDP.

Our medium-term fiscal consolidation policy targets to progressively reduce the level of fiscal deficit from Kshs862.5 billion equivalent to 6.2 per cent of the GDP in the FY 2022/23 to Kshs634.1 billion equivalent to 3.2 per cent of the GDP in the FY 2025/26.

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

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

The current legal numerical public debt ceiling has constrained public funding of projects while at the same time failing to consider the effects of external shocks on the economy. In this regard, we propose to replace the debt ceiling with a debt anchor and set it at 55 per cent of debt to the GDP in present value terms. This is in line with internationally accepted conventional practice. Further, we have provided a requirement that the Cabinet Secretary for the National Treasury reports to Parliament whenever debt levels swing beyond the threshold with time-bound remedial actions. This approach ensures that debt remains within sustainable levels and entrenches accountability and transparency in public debt management. I have forwarded to this august House the necessary changes to the Public Finance Management Act to align ourselves to this desired position and request that the House considers it, favourably.

The Public Private Partnerships (PPP) Programme has gained traction under the new Public Private Partnerships Act, 2021 that has reduced the number of approval processes, introduced timelines and strengthened the institutional framework by elevating the Public Private Partnerships Unit to a directorate in the National Treasury.

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

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

Further, the Government will fully operationalise the Public Private Partnership Project Facilitation Fund to support activities of the Public Private Partnerships Directorate and those of the contracting authorities in the preparation phase of a project during the tendering processes and project appraisal.

In view of the limited fiscal space, the Government will embark on rationalising the existing portfolio of projects being implemented by the national Government and issue regulations for managing public investments. The Government has developed the Public Investment Management Information System, which is expected to be a repository of all projects implemented by the national and county governments.

Let me now turn to the highlights of the Government spending priorities in the coming financial year. In light of the revenue challenges and significant expenditure demands, spending in the FY 2022/23 will focus on supporting economic recovery and the Big Four Agenda to ensure the highest impact to the wellbeing of Kenyans. The proposed total programme spending for the FY 2022/23 amounts to Kshs3.3 trillion.

As I mentioned earlier, the Government is implementing the third Economic Stimulus Programme of Kshs30.1 billion to accelerate the pace of economic growth realised so far. To further enhance the ongoing, I propose a total of Kshs20.6 billion in this Budget to support implementation of various activities. Out of this, Kshs2.1 billion is for youth empowerment and employment creation under the *Kazi Mtaani* Programme, Kshs8.2 billion for improving education outcomes, Kshs1.3 billion for improving health outcomes, Kshs5.8 billion for improving environment, water and sanitation facilities, Kshs1.5 billion for fertiliser subsidy, and Kshs1.6 billion for enhancing liquidity to businesses.

To support implementation of the projects and programmes under the Big Four Agenda, I have proposed a total of Kshs146.8 billion. We have continued to strengthen our health care systems in our quest for universal health coverage. Better health outcomes depend on the coverage. Better health outcomes depend on the availability, accessibility and capacity of health workers to deliver quality services anchored on well-equipped and provisioned health care facilities. Towards this end, the Government has implemented various initiatives in laying ground for achieving the goal of 100 per cent health insurance coverage. Key among these initiatives are the free maternity programme dubbed *Linda Mama*, which currently benefits over one million mothers annually, increasing the total number of health workers in the public and private sector, investment in health infrastructure and development of a digital health platform to support effective monitoring of the health sector.

In addition, the Government enacted the National Hospital Insurance Fund (Amendment) Act which provides for establishment of a centralised healthcare provider management system to ensure efficient management and payment of claims as well as data collection.

To further enhance the realisation of the Universal Health Coverage, I propose to allocate Kshs146.8 billion to the health sector to support various programmes aimed at improving health outcomes. Of this amount, Kshs62.3 billion will fund activities and programmes for the attainment of Universal Health Coverage. Specific allocations for various activities and programmes include Kshs7 billion for purchase of COVID-19 vaccines and related expenditures, Kshs4.1 billion for free maternity health care, Kshs5.2 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/AIDS, malaria and tuberculosis in the country, Kshs16.2 billion has been recommended for the purpose. To enhance vaccines and immunisations programme, I propose allocation of Kshs5.2 billion. To further improve health service delivery, Kshs18.1 billion has been proposed for the Kenyatta National Hospital, Kshs11.7 billion for the Moi Teaching and Referral Hospital, Kshs7.7 billion for the Kenya Medical Training College, Kshs2.9 billion for the Kenya Medical Research Institute, Kshs1.1 billion for the construction of the Kenya National Hospital Burns and Paediatric Centre, Kshs1.2 billion for procurement of family planning and reproductive health commodities, Kshs300 million for procurement of cyber knife radiotherapy equipment, Kshs1.3 billion for construction of cancer centre at Kisii Level 5 Hospital, and Kshs619 million for procurement of equipment at the National Blood Transfusion Services.

In 2013, the Government embarked on a plan to provide decent and affordable houses for Kenyans. This was envisaged to create additional jobs, provide market for manufacturers as well as suppliers and raise the contribution of real estate and construction sectors to the GDP. To achieve this, the Government has been implementing policy and administrative reforms targeted at lowering the cost of and improving access to finance. The Government has also mobilised resources to support construction of affordable housing resources to support construction of affordable housing units and social housing units. Building on the gains and to ensure success of this initiative, I have proposed allocation of Kshs27.7 billion for the Affordable Housing Programme. The proposed allocation includes Kshs4.6 billion to the Kenya Mortgage Refinance Company for enhancement of the company's capital as well as for lending to primary mortgage lenders, Kshs8.7 billion for construction of affordable housing units as well as Kshs1.2 billion for construction of social housing units.

To support the Nairobi Metropolitan Services in reversing urban indignity in metropolitan services, Kshs200 million has been recommended for the NMS Improvement Project and Kshs118.7 million for construction of foot bridges. Other key allocations to the housing, urban development and public works sector include Kshs5.9 billion for Phase II of the Kenya Informal Settlement Improvement Project, Kshs700 million for construction of markets, Kshs1 billion for maintenance of Government pool houses, Kshs1.1 billion for construction of housing units for the National Police Service and the Kenya Prison Service, Kshs700 million for the Kenya Urban Programme. In addition, I have proposed allocation of Kshs1.2 billion to support the Nairobi Bus Rapid Transport Project to offer an efficient and time-saving public transport.

Implementation of appropriate policies coupled with enhanced investments in the manufacturing sector has created a conducive business environment to support and protect local industries, generation of jobs and improved livelihoods. To further promote local industries, I have proposed allocation of Kshs10.1billion under various implementing ministries, departments and agencies. Out of this, Kshs1 billion will go to the Credit Guarantee Scheme to enhance access to affordable credit by micro, small and medium enterprises in the manufacturing sector, and Kshs626 million for provision of finances to micro, small and medium enterprises through the Kenya Industrial Estate.

I have proposed Kshs2.6 billion for Dongo Kundu Special Economic Zone, Kshs295 million for the development of the Special Economic Zone Textile Park in Naivasha, Kinanie Leather Industrial Park and Athi River Textile Hub, Kshs50 million for the Freeport and Industrial Park Special Economic Zone in Mombasa. Other proposed allocations include Kshs410.4 million for the modernisation of RIVATEX and Kshs3.0 billion for supporting access to finance and enterprise recovery.

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 propose allocation of Kshs212.1 million for modernisation of cooperative cotton ginneries and a further Kshs250.4 million for the cotton industry revitalisation.

To equip our youth with essential training and internship opportunities, I have proposed allocation of Kshs1.3 billion for the Kenya Industry and Entrepreneurship Project, Kshs2.2 billion for the Kenya Youth Employment and Opportunities Project, Kshs500 million for Industrial Research Laboratories, and Kshs200 million for Constituency Industrial Development Centres.

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

To further support programmes under this Pillar, I propose an allocation of Kshs46.7 billion in this Budget. Out of this, Kshs4.2 billion will go to the National Agricultural and Rural Inclusivity Project, Kshs1.7 billion for the Kenya Cereal Enhancement Programme, Kshs1.9 billion for the Emergency Locusts Response, Kshs1.5 billion for the National Value Chain Support Programme, Kshs1.1 billion for the Agricultural Sector Development Support Programme II, Kshs1.5 billion for the Small-Scale Irrigation and Value Addition Project, and Kshs690 million for Food Security and Crop Diversification Project.

Hon. Speaker, the Government will further set aside Kshs2.7 billion for fertiliser subsidy to cushion farmers during the short rains from October to December 2022. This is in addition to the Kshs3 billion which was allocated in the Financial Year 2021/2022.

To improve livestock production, I propose Kshs500 million for free disease holding ground in Lamu, Kshs1.7 billion for the Kenya Livestock Commercialisation Programme, and Kshs121 million for livestock production under Big Four Agenda Initiative.

Hon. Speaker, to promote sustainable utilisation of the blue economy resources, I propose an allocation of Kshs1.9 billion for the Aquaculture Business Development Project, Kshs2.8 billion for the Kenya Marine Fisheries and Socio-Economic Development Project, Kshs1.3 billion for exploitation of living resources under the blue economy, Kshs1 billion for construction of fish processing plant in Lamu, Kshs270 million for coastal fisheries infrastructure development, Kshs210 million for rehabilitation of fish landing sites in Lake Victoria, Kshs204 million for aquaculture technology development and innovation transfers, and Kshs126.3 million for the development of the blue economy initiatives.

In order to increase agricultural production and enhance resilience to climate change risks in targeted small-holder farming and pastoral communities in Kenya, I have set aside Kshs147 million for the Climate Smart Agricultural Productivity Project, Kshs850 million to enhance drought resilience and sustainable livelihood, Kshs178 million towards ending drought emergencies in Kenya, and Kshs421 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 recommend Kshs1.1 billion for processing and registration of title deeds, Kshs769 million for digitisation of land registries, and Kshs130 million for construction of land registries.

Hon. Speaker, other proposed allocations include Kshs90 million for revitalisation of cotton industry, Kshs300 million for mitigation of Fall Army Worms, Kshs200 million for establishment of Liquid Nitrogen Plant, Kshs200 million towards the Embryo Transfer Project, and Kshs250 million for construction and refurbishment of the Leather Science Institute.

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

The Government continues to expand critical infrastructure in roads, rails, air and seaports to create an enabling environment for economic recovery and employment creation. Towards this end, I have proposed an allocation of Kshs212.5 billion to support construction of roads and bridges as well as their rehabilitation and maintenance.

(Applause)

The Standard Gauge Railway (SGR) presents a modern and efficient transport system that is safe, comfortable, and affordable for passengers and freight. To expand railway transport to the rest of the country, I proposeKshs18.5 billion for development of the SGR, Kshs1.1 billion for railways metro lines, Kshs439 million for rehabilitation of locomotives, and Kshs264 million for development of Enterprise Resource Planning (ERP) System for SGR.

Hon. Speaker, to support production of reliable and affordable energy, I propose a total of Kshs91.5 billion, excluding the provisions set aside under the Big Four Agenda initiatives. Out of this, Kshs62.9 billion will cater for transmission and distribution of power, Kshs18.5 billion for development of geothermal energy, Kshs9.3 billion for electrification of public facilities, and Kshs2 billion for development of nuclear energy, as well as exploration and mining of coal.

(Applause)

The security of our nation remains paramount and must be maintained to safeguard the considerable development gains. For this reason, I propose an allocation of Kshs317.8 billion to support operations of the National Police Service (NPS), Defence and the National Intelligence Service (NIS).

The proposed allocations include Kshs128.4 billion for Defence, Kshs46.4 billion for the NIS, Kshs122.2 billion for Police and Prisons Services, Kshs10.7 billion for leasing of police motor vehicles, Kshs1 billion for Police Modernisation Programme, Kshs1 billion for the National Communication and Surveillance System, and Kshs335 million for the equipment of the National Forensic Laboratory.

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

We are committed to provide access to quality education for our children and youth. This will, indeed, facilitate realisation of their full potential and enable them to contribute effectively to the development of the country. The allocations and efficiency in spending on education has been increased to improve outcomes. As a result, access to education at all levels has improved remarkably as evidenced by increased enrolment in the basic and tertiary institutions.

To further improve education outcomes, I propose a total of Kshs544.4 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, Kshs64.4 billion for free day secondary school education including insurance under the NHIF for secondary school students, Kshs5 billion for examinations fee waiver for Grade Six, Class Eight and Form Four candidates, and Kshs1.96 billion for the School Feeding Programme.

In addition, Hon. Speaker, I propose an allocation of Kshs1.2 billion for training of teachers on Competency Based Curriculum (CBC), Kshs310 million for the Digital Literacy Programme, and Information and Communications Technology (ICT) Integration in our secondary schools.

To support transition from primary education to junior secondary education under the CBC, Kshs4 billion has been set aside for the construction of classrooms to support school infrastructure development and ensure safe learning in our schools. I propose an allocation of Kshs2.8 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 (TVET) Programmes under the East Africa Skills Transformation and Regional Integration Project.

Other proposed allocations to the education sector include Kshs294.7 billion to Teachers Service Commission (TSC), Kshs91.2 billion for university education, Kshs15.8 billion to the Higher Education Loans Board (HELB), Kshs6.8 billion for the Kenya Secondary School Education Quality Improvement Project, and Kshs5.2 billion capitation for TVET students.

Further, Kshs527 million has been set aside for TVET and Entrepreneurship, Kshs971 million for promotion of youth employment and vocational training, and Kshs323 million for the National Research Fund.

Hon. Speaker, unleashing the productive potential of people living in poverty involves the removal of constraints through economic inclusion programmes. In this respect, the Government continues to support vulnerable groups through the Social Safety Nets Programmes *(Inua Jamii)*. To continue protecting this vulnerable segment, I have proposed an allocation of Kshs39.5 billion for social protection and affirmative actions in this Budget. Out of this allocation, Kshs17.5 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. The proposed allocation also includes Kshs5.1 billion for the Kenya Hunger Safety Net Programme, Kshs500 million for National Drought Emergency Fund, Kshs2.6 billion for the Kenya Development Response to Displacement Impact Project, and Kshs2.8 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 for the presidential bursary for the orphans, and Kshs459 million for the National Development Fund for Persons living with Disabilities.

Hon. Speaker, we acknowledge and support the critical role that youth and women play in nation building. Full and equal participation of youth and women across all spheres of the economy need to be accelerated and sustained. To further empower the youth and support businesses owned by youth, women and persons living with disabilities, I have recommended Kshs13.1 billion for the National Youth Service, Kshs2.2 billion for the Kenya Youth Empowerment and Opportunities Project, Kshs175 million for the Youth Enterprise Development Fund, Kshs170 million for the Women Enterprise Fund, and Kshs92.0 million for the Youth Employment and Enterprise Fund.

Hon. Speaker, to promote regional equity, reduce poverty and enhance social development, I have proposed Kshs44.3 billion for the National Government Constituency Development Fund (NG-CDF), Kshs2.1 billion for the National Government Affirmative Action Fund (NG-AAF), as well as Kshs7.1 billion for the Equalisation Fund to finance programmes in previously marginalised areas.

Hon. Speaker, we recognise the great opportunities that digital technologies offer in various sectors of the economy. Efficiently deployed, digital technologies have strong potential to accelerate economic recovery and improve livelihoods at relatively low cost for sustainable and inclusive development. For this reason, we have proposed an allocation of Kshs15.6 billion to fund initiatives in the Information, Communication and Technology sector. Specifically, this allocation includes Kshs620 million for Government shared services.

The Government is investing in the development of the Konza National Data Centre and Smart City Facilities. This National Data Centre was commissioned in July 2021 and is currently hosting client services including Government agencies and is a platform for the acceleration of innovation particularly among the youth in Kenya. We encourage all MDAs to take advantage of this modern facility.

To fast-track the development of the Konza Technopolis City, I have proposed an allocation of Kshs5.2 billion for the Horizontal Infrastructure Phase I, and Kshs3.8 billion for Konza Data Centre and Smart City Facilities. Other proposed allocations include Kshs2.7 billion for maintenance and rehabilitation of last mile connectivity network, Kshs1.2 billion for maintenance and rehabilitation of the National Optic Fibre Backbone Phase II Expansion Cable, and Kshs1.4 billion for installation and commissioning of Eldoret-Nadapal Fibre Optic Cable.

Hon. Speaker, to further support sports development and tourism recovery, I have proposed an allocation of Kshs15.8 billion for the Sports, Arts and Social Development Fund, Kshs3.2 billion for the Tourism Fund, Kshs1.8 billion for Tourism Promotion Fund, and Kshs125 million for refurbishment of the regional stadia.

Hon. Speaker, environmental protection and access to adequate supply of clean water is fundamental for the achievement of the socio-economic development envisioned by the Kenya Vision 2030. To expand access to clean and adequate water for domestic and agricultural use, I have proposed an allocation of Kshs45.9 billion for water and sewerage infrastructure development, Kshs16.0 billion for water resources management, and Kshs9.8 billion for water storage and flood control. In addition, I have set aside Kshs8.5 billion for irrigation and land reclamation and Kshs2.1 billion for water harvesting and storage for irrigation.

In order to support environment and water conservation, I propose to set aside Kshs10.2 billion for forests and water towers conservation, Kshs3.1 billion for environment management and protection, Kshs1.5 billion for Meteorological Service, and Kshs7.0 billion for wildlife conservation and management. Stronger institutions and effective policy implementation and management of resources improves service delivery, transparency and accountability. We shall continue to seek better public service delivery by building and sustaining strong, efficient and accountable institutions. In order to enhance good governance and scale up our fight against corruption, I propose an allocation of Kshs3.6 billion for the Ethics and Anti-Corruption Commission, Kshs3.4 billion for the Office of the Director of Public Prosecutions, Kshs8.4 billion for the Criminal Investigations Services, and Kshs6.4 billion for the Office of the Auditor General.

Additionally, to enhance the oversight and legislative role of Parliament and access to justice, I propose an allocation of Kshs50.2 billion to Parliament, and Kshs18.9 billion to the Judiciary.

In order to facilitate the 2022 General Elections, we allocated Kshs22.9 billion in the current FY 2021/22 and propose a further allocation of Kshs21.7 billion in the Financial Year 2022/23 to the Independent Electoral and Boundaries Commission (IEBC).

The county governments will receive a proposed allocation of Kshs370 billion as equitable share in the Financial Year 2022/23. This represents 27.3 per cent of the most recent audited and approved revenue raised nationally.

In addition to the equitable share of revenue raised nationally, the county governments will receive recommended conditional allocations amounting to Kshs37.1 billion, bringing the total allocation to the county governments in the Financial Year 2022/23 to Kshs407.0 billion.

We have also complied with the High Court ruling on conditional grants to county governments. In this regard, conditional grants have now been excluded from the Division of Revenue Bill 2022, unlike in the case of last financial year. I note with appreciation that this House has unlocked the stalemate on the County Governments Grants Bill. This Bill will provide a legal framework for transferring conditional grants to the county governments.

With regard to the transfer of functions between the national Government and county governments, in order to ensure that the process of transfer of functions between the national and county governments is clearly provided for in law, we are developing a legislation to operationalise Articles 187 and 189 of the Constitution on transfer of functions and cooperation between the national and the county governments. The proposed legislative framework will provide transparency in the administration of intergovernmental transfers in respect to transferred functions and cooperation between governments. Once completed, the legislative proposal will be submitted to this honourable House for consideration and approval.

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

Hon. Speaker, in order to support implementation of the County Government Own Revenue Policy, the National Treasury in collaboration with the Ministry of Lands and Physical Planning, Council of Governors (CoG) and other stakeholders, I have developed the National Rating Bill 2022 to replace the outdated Valuation of Rating Act, Cap.266 and Cap.267. This Bill was submitted to this Parliament in January 2022, and once enacted will guide valuation for rating and imposition of rates on rateable property.

Kenya has a wealth of mineral deposits. From the Financial Year 2016/2017 and 2019/2020, the Government collected a total of Ksh5.5 billion in royalties from extractive activities. This amount translates to an average of Ksh1.4 billion annually. Although mineral royalties are currently being received from 15 counties, 91 per cent of the payments are derived from extractive activities in only three counties, namely Kilifi, Kwale and Kajiado.

Following a presidential directive, the National Treasury has since developed a draft framework which provides for mechanisms for sharing of revenue from mineral royalties among the national Government, county governments and communities in line with Section 183 of the Mining Act, 2016. The Framework, which is currently being subjected to stakeholders consultation, will provide basis for ensuring that revenue raised from the mineral royalties trickle down to the county governments and communities where mining is taking place.

In line with Article 204(1) of the Constitution of Kenya, county governments have been allocated Ksh7.1 billion under the Equalisation Fund in the Financial Year 2022/2023, which represents 0.55 per cent of the most recent audited accounts of revenue received.

Following the High Court Ruling on Petition No.272 of 2016 of 5th November, 2019 quashing the guidelines of administration of the Equalisation Fund and ensuing disbandment of the Fund's Advisory Board, all expenditure of the Fund was stopped. To mitigate this, the National Treasury in collaboration with other stakeholders developed the Public Finance Management Regulations 2021, which were approved by Parliament in October 2021. Following the appointment of the Advisory Board and establishment of the secretariat, it is expected that completion of projects as identified under the first policy under the implementation of the programmes in the second and subsequent policies will now be fast-tracked.

Continued delays in payment of pending bills to entities that provide goods and services to both national and county governments has affected liquidity and operation of these entities. In a number of cases, it has led to closure of businesses, affecting the livelihoods of the suppliers. Though some progress was noted in the settlement of these pending bills by the national and county governments, we still have challenges where a number of suppliers are owed large sums of money. In this regard, I direct MDAs as well as county governments to clear all their pending bills by 30th June, 2022. In addition, we call upon all the MDAs and county governments to avoid accumulation of pending bills and ensure that payments are made as and when due.

Hon. Speaker, I now want to highlight the tax policy measures for the Financial Year 2022/2023 Budget, which are contained in the Finance Bill, 2022. I will also highlight customs measures that Kenya will be presenting for consideration by the East African Community (EAC) Ministers responsible for finance and economic affairs in their pre-budget consultation platform in May, 2022. These customs measures will become effective from 1st July, 2022. The proposed measures contained in the Finance Bill 2022, are expected to generate an additional Ksh50.4 billion to the Exchequer for the Financial Year 2022/2023 Budget.

As earlier indicated in this Statement, we consulted other partner states in the EAC, and Kenya was allowed to present its Budget Statement earlier than the other partner states. With regard to customs measures, we have evaluated various proposals that we intend to submit for consideration during the EAC pre-budget consultations by the EAC Ministers for Finance, which will be held later in May this year. The measures that will be agreed upon will be communicated through the EAC Gazette and implemented from 1st July this year.

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

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

Hon. Speaker, I now turn to the proposed amendments under the Value Added Tax Act. The outbreak of the COVID-19 pandemic and the ensuing socio-economic implications on Kenyans continue to impose a heavy burden on our health sector. In this regard, I have proposed more incentives to the sector by exempting from VAT plant and machinery for use by manufacturers of pharmaceutical products.

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

Assembly of motor vehicles and manufacture of motor vehicle parts locally has gained traction. In order to encourage more investment, especially in the manufacture of passenger motor vehicles locally, I propose to exempt from VAT inputs and raw materials used in the manufacture of passenger motor vehicles. Additionally, I propose to exempt locally manufactured passenger motor vehicles from VAT.

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

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

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

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

Hon. Speaker, last year, the Excise Duty Act was amended to introduce excise duty on all imported eggs. This was meant to protect local producers of eggs. However, we have noted that the tax has adversely affected the hatching business as there is insufficient local capacity to supply all the required eggs for hatching. To address the situation, I propose to exempt from excise duty eggs for hatching imported by licensed hatcheries upon recommendation by the responsible Cabinet Secretary (CS).

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

Hon. Speaker, currently, locally assembled motor vehicles are exempt from excise duty. In order to ensure the same treatment for manufactured passenger motor vehicles, I propose to exempt from excise duty locally manufactured passenger motor vehicles. This is aimed at encouraging investment in this sector and enhancing competitiveness of locally manufactured passenger motor vehicles.

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

Hon. Speaker, in the recent years, innovations in the tobacco industry have led to introduction of new products beyond e-cigarettes. These products continue to negatively affect the health of our citizens. The design of these products and their taxation regime makes them easily accessible to users, including to school children and the youth, thus leading to nicotine addiction and consequently smoking and use of other drugs. In order to prevent these habits and make the liquid nicotine used in these devices less accessible to users, including to school children and the youth, I propose to change the taxation regime for liquid nicotine from the current shillings per unit to an excise duty of Ksh70 per millilitre.

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

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

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

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

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

Hon. Speaker, the Tax Procedures Act empowers the Commissioner General, KRA to issue directions to the Land Registrar to put a caveat on land or restriction on transaction for taxpayers with tax arrears. It is noted that taxpayers may have other assets other than land, which the Commissioner can put a caveat or restriction on transfer to secure unpaid tax revenue. In this respect, I propose to amend the Tax Procedures Act to require registrars of ships, aircraft, motor vehicles and any other properties that may be used as security for unpaid taxes to restrict disposal or transaction of these assets upon receipt of direction of the Commissioner.

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

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

Hon. Speaker, the Statutory Instruments Act that became effective in 2013, provides for automatic expiry of statutory instruments after 10 years from the date of their publication. In this respect, there are several tax related regulations issued in accordance with the Act as well as some that were issued prior to the enactment of the Act that will expire after the 10 year period. The expiry of these instruments will negatively affect tax administration and revenue collection. In this regard, I propose to amend the Statutory Instruments Act to exempt the tax related regulations under various tax laws from automatic expiry provided under the Act.

Hon. Speaker, this administration has implemented socio-economic transformative programmes under a devolved system of Government that required enormous financial resources. At the same time the country was confronted by some degree of security challenges, the twin global challenges of the COVID-19 pandemic, climate change and the locust invasion that impacted on food security. In the midst of all these, the Government has successfully maintained macro-economic stability, achieved growth rates above that of the sub-Saharan Africa region and improved welfare of Kenyans.

In conclusion, therefore, our sustained investments since 2013 have significantly transformed our economy and strengthened our resilience. Encouraged by this, our economy has bounced back giving our people incredible optimism even in situations of extreme challenges. We are proud of our socio-economic achievements and seek to sustain higher economic growth so as to improve the welfare of our people. Considering the envisaged development agenda and the limited fiscal space, we have carefully balanced the difficult choices in resource allocation in order to finance the highest priorities that will propel this country to greater heights of prosperity.

I am confident that we have made the right decisions that will accelerate the pace of our economic growth. At this point, I wish to thank His Excellency the President, Hon. Uhuru Kenyatta, for his leadership and guidance which has transformed this country into a regional economic hub.

(Applause)

I also thank my fellow Cabinet Secretaries, respective Principal Secretaries and various accounting officers and staff in all Government ministries, departments and agencies for their support and contribution to the Financial Year 2022/2023 Budget. I also express deep gratitude to Kenyans for their rich and diverse contributions, proposals and suggestions that helped us to finalise this Budget.

My appreciation also goes, first, to you, Hon. Speaker of the National Assembly and your counterpart in the Senate, the Leader of the Majority Party, the Leader of the Minority Party, and the entire House leadership, including respective Clerks for overseeing the approval process of the Budget Estimates for the Financial Year 2022/2023 and the related documents.

Secondly, I appreciate the Hon. Members of the Budget and Appropriations Committee, the Finance and National Planning Committee, and all other Departmental Committees of this House as well as the staff of the Parliamentary Budget Office, for their constructive inputs during the approval process of the Budget.

Third, I recognise and appreciate the management and staff of the National Treasury who have worked tirelessly and for long hours to ensure that this Budget and the supporting documents were prepared within new timelines to enable the presentation of this Budget in April thus paving way for the August general elections.

Fourth, I thank the Kenya Revenue Authority, the Central Bank of Kenya, the Office of the Attorney General, the Commission on Revenue Allocation, the financial sector regulators and the various agencies under the Ministry of National Treasury and Planning for their contribution and advice during the Budget process.

Fifth, my gratitude goes to our multilateral and bilateral development partners for their continued technical and financial support. Further, I thank the private sector for their sustained contribution to the growth of our economy. Sixth, I appreciate the media and non-state actors for their active engagement and participation in the Financial Year 2022/2023 Budget process.

Allow me to once again thank all Hon. Members of the National Assembly and the Senate for their support in facilitating legislative proposals supporting the Government’s economic transformation agenda over the last 10 years. At this juncture I wish Hon. Members the very best as they seek to renew their mandates with the electorates during the upcoming general election. My hope is that the electioneering period will not distract us from our pursuit to solidify and sustain the economic growth trajectory we have realised over the years.

Lastly and not least, I remain immensely grateful to my family for their love, understanding, regular encouragement and above all their unfailing support as I steer my demanding duties at the Ministry of National Treasury and Planning since my appointment to the docket.

I thank you all and may God bless you.

(Applause)

Before I resume my seat, you will recall that I have already submitted to this House the Budget Estimates and the Finance Bill of 2022 together with the accompanying documents as required by the Public Finance Management Act, 2012. Today, I further submit the following documents to this august House and request that you graciously receive them:

(i) The Budget Statement for the Financial Year 2022/2023.
(ii) The Budget Policy Statement 2022.
(iii) The Estimates of Revenue, Grants and Loans for the Financial Year 2022/2023 Budget.
(iv) The Financial Statement for the Financial Year 2022/2023 Budget.
(v) The Medium Term Debt Management Strategy 2022.
(vi) The Budget Highlights—the Mwananchi Guide for the Financial Year 2022/2023 Budget.
(vii) The Statistical Annex to the Budget Statement for the Financial Year 2022/2023.

Thank you, Hon. Speaker.

Hon. Speaker: Hon. Members, that concludes the session by the Cabinet Secretary for the National Treasury on presentation of the Budget Highlights for the Financial Year 2022/2023.

ADJOURNMENT

Hon. Speaker: The time being 4.57 p.m., it is time for the House to rise. The House stands adjourned until Tuesday, 12th April 2022 at 2.30 p.m. Members and our guests are invited for a cup of tea at the rise of the House, at the Ministers' Parking Lot.

The House rose at 4.57 p.m.