REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT

NATIONAL ASSEMBLY

THE HANSARD

VOL. II NO. 47

THE HANSARD

Thursday, 15th June 2023

The House met at 2.40 p.m.

[The Speaker (Hon. Moses Wetang'ula) in the Chair]

PRAYERS

Hon. Speaker: Hon. Members, we have quorum to transact business. Clerk-at-the-Table, you may call out the Orders.

PAPERS

Hon. Speaker: Leader of the Majority Party.

Hon. **Peter Masara** (Suna West, ODM): On a point of order, Hon. Speaker.

Hon. Speaker: Order**.** Who is calling for a point of order? Hon. Masara?

Hon. Peter Masara (Suna West, ODM): Hon. Speaker, I am seeing something very strange happening today. You must be respected. The Members of UDA Party are crossing the Floor as if this is a street in Sugoi. This is Parliament. You must respect the Speaker when you come here. That is very wrong. They are just walking haphazardly. You must respect the seat of Parliament.

(Loud consultations)

Hon. Speaker: Order, Hon. Masara. Take your seats, Hon. Members.

Hon. Masara, you do not have to prosecute your point of order laced with poison. It is, indeed, out of order for any Member to cross the aisle without bowing, but you do not have to be derogatory in any way.

(Applause)

Proceed, Leader of the Majority Party.

Hon. Kimani Ichung'wah (Kikuyu, UDA): Thank you, Hon Speaker, although Sugoi is a very important village in this country.

(Applause)

Hon. Speaker, I beg to lay the following Papers on the Table:

1. Report of the National Government Budget Implementation Review for the first nine months of the Financial Year 2022/2023 from the Office of the Controller of Budget.
2. County Government Budget Implementation Review Report for the first nine months of the Financial Year 2022/2023 from the Office of the Controller of Budget.
3. The Performance Audit Report of the Auditor-General on construction of small dams and water pans by the Ministry of Water, Sanitation and Irrigation and implementing agencies for June 2023.

4. The Annual Report and Financial Statements for the Financial Year 2021/2022 from the Office of the Controller of Budget.

Thank you, Hon. Speaker.

Hon. Speaker: Chairperson of the Special Funds Accounts Committee, Hon. Fatuma.

Hon. Fatuma Mohammed (Migori, Independent): Hon. Speaker, I beg to lay the following Paper on the Table:

Report of the Special Funds Accounts Committee on its Consideration of the Report of the Auditor General on the Financial Statements of the:

(a) Women Enterprise Fund.
(b) Coffee Cherry Advance Revolving Fund.
(c) Strategic Food Reserve Trust Fund.
(d) Equalisation Fund.
(e) Mechanical and Transport Fund.
(f) National Research Fund.
(g) Youth Enterprise Development Fund.
(h) Uwezo Fund.
(i) Civil Service Housing Scheme Fund.

Thank you, Hon. Speaker.

Hon. Speaker: Thank you, Hon. Fatuma.

Next Order.

NOTICE OF MOTION

REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS FOR NINE FUNDS

Hon. Speaker: Hon. Fatuma, under this Order, please give a notice of Motion.

Hon. Fatuma Mohammed (Migori, Independent): Thank you, Hon. Speaker. Notice of Motion, Chairperson Special Funds Accounts Committee. Consideration of the Report of the Auditor General...

Hon. Speaker: Order, Hon. Fatuma. Just say; ‘‘I beg to give notice of the following Motion:’’

Hon. Fatuma Mohammed (Migori CWR, Independent): Thank you, Hon. Speaker. I beg to give notice of the following Motion:

THAT, this House adopts the Consideration of the Report of the Auditor-General on the Financial Statements for the:

(a) Women Enterprise Fund.
(b) Coffee Cherry Advance Revolving Fund.
(c) Strategic Food Reserve Trust Fund.
(d) Equalisation Fund.
(e) Mechanical and Transport Fund.
(f) National Research Fund.
(g) Youth Enterprise Development Fund.

Hon. Speaker: Thank you, Hon. Fatuma.

What Hon. Fatuma has given as notice, expunge the first statement she made. Start in *The Hansard* with “I beg to give notice …” so that the record is proper.

Thank you Fatuma. Next

QUESTIONS AND STATEMENT

Hon. Speaker: Hon. Members we have no Questions.

Do you have your Thursday Statement, Leader of the Majority Party?

STATEMENT

BUSINESS FOR THE WEEK
OF 19TH TO 23RD JUNE 2023

Hon. Kimani Ichung'wah (Kikuyu, UDA): Hon. Speaker, pursuant to the provisions of Standing Order 44(2)(a), I rise to give the following Statement on behalf of the House Business Committee which met on Tuesday, 13th June 2023 to prioritise the business for consideration during the week.

As Members are aware, this week, the House concluded the general debate on the Budget Estimates of Revenue and Expenditure for the Financial Year 2023/2024 and the Medium-Term and adopted the Annual Estimates with amendments in the Committee of Supply. Additionally, the House concluded the Second Reading of the Finance Bill, 2023 after the Departmental Committee on Finance and National Planning tabled its report on the Bill. I would like to commend the Committee and, indeed, the House for the steadfast commitment and participation during this important business which has sometimes gone late into the night.

Members will note that I had previously conveyed that the Cabinet Secretaries for Labour and Social Protection and Lands, Public Works, Housing and Urban Development were scheduled to appear before the House on the afternoon of Wednesday, 14th June 2023 to respond to the Questions in the Plenary of the National Assembly. However, due to priority business before the House, this has been postponed to a date that shall be communicated.

With regard to the business for Tuesday, next week the House is expected to consider the Finance Bill, 2023 at the Committee of the whole House and the Appropriations Bill, 2023 at all stages, once it is published. Debate on the following business will also continue next week:

1. The Report of the Departmental Committee on Environment, Forestry and Mining on the ratification of the Kigali Amendments on the Montreal Protocol on the Substances that Deplete the Ozone Layer.
2. The Report of the Departmental Committee on Environment, Forestry and Mining on the ratification of the Bamako Convention on the ban of the importation into Africa and the Control of Transboundary Movement and Management of Hazardous Waste within Africa.
3. The Report on United Nations Convention Against Corruption (UNCAC) and Global Parliamentarians Against Corruption (GOPAC) Annual General Meeting.
4. The Second Reading of the Statute Law (Miscellaneous Amendments) Bill, 2022.

Finally, the House Business Committee will reconvene on Tuesday, 20th June 2023 to schedule business for the rest of the week.

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

Thank You.

Hon. Speaker: Thank you.

Next.

Hon. Junet Mohammed (Suna East, ODM): On a point of order, Hon. Speaker.

Hon. Speaker: Yes, Hon. Junet.

Hon. Junet Mohammed (Suna East, ODM): Hon. Speaker, in line with the Statement that has been tabled by the Leader of the Majority Party, there is clarity in the House that the

Finance Bill is coming up for the Third Reading on Tuesday next week. Yesterday when we were debating the Finance Bill in the Second Reading, there was a lot of confusion. Many Members are saying that they did not know when the Question will be put, even though we have Standing Order 95 that allows anyone to stand up and ask for the Mover to reply. From the Statement that has now been tabled by the Leader of the Majority Party, there is clarity that the Third Reading is going to happen next week on Tuesday. Members must be aware of that, especially Members on our side. They can now prepare properly.

Thank you very much.

(Laughter)

Hon. Speaker: Yes Hon. Ichung'wah.

Hon. Kimani Ichung'wah: My good friend, Hon. Junet might not have heard me clearly. I said "from business beginning on Tuesday, in the course of the week". Next week, we will have the Third Reading and the Appropriations Bill, should it be published over the weekend. It could be Tuesday. Hon. Junet is a Member of the House Business Committee and he knows it is the House Business Committee that schedules business for the week. I believe when we meet on Tuesday, 20th June 2023, we will be able to schedule business for next week.

There should be no excuse for any Member of Parliament to be anywhere else other than in the National Assembly Chamber debating. Therefore, there were no surprises yesterday. Every Member of Parliament who has been elected by the people of Kenya from the constituencies should be in the House from Tuesday to Thursday. They are short four hours in the afternoon, another eight or so hours on Wednesday and another short four hours on Thursday and we are off to our constituencies. In the course of next week between Tuesday and Thursday when the House Business Committee schedules. The Order Paper will be published by Monday night.

Hon. Speaker: Hon. Junet, do you want to pursue that?

Hon. Junet Mohamed (Suna East, ODM): There is clarity now. The course of the week is a course that you have to… With your indulgence, Hon. Speaker, the mood of the House is that on Tuesday we have the Finance Bill. Can we agree tentatively here and ask the House to…

(Loud consultations and laughter)

Hon. Speaker: Order Hon. Members. For the avoidance of any doubt on Hon. Junet's point of order, many Members thought that by the vote of last evening, you concluded the Finance Bill. You did not. There is still the Committee of the whole House. The Bill as you passed yesterday is the Bill as published. The Committee itself has proposed amendments. There are many Members who I believe will also bring amendments to the Bill. That will be in the Committee of the whole House depending on what the House Business Committee, in which Hon. Junet sits, will give directions as to whether to start on Tuesday, Wednesday or whichever day. I believe that in the course of business, we should be able to start on Tuesday and proceed until we finish. If you want to truncate the process, you can finish on Tuesday; if you want to mount spirited competition including but not limited to Divisions, then we may be able to go on up to Thursday. Be aware that the Finance Bill is not done yet.

No more points of order. Yes, Senior Counsel.

Hon. (Dr.) Otiende Amollo (Rarieda, ODM): Hon. Speaker, I need your guidance on a procedural matter.

Unless it escaped my attention at one point, I am looking at Standing Order 244C in terms of the order in which things are to be done. It suggests to me that the budget highlights and revenue-raising measures which would be presented by the Cabinet Secretary come first under 244C(iv). On that same day, the Cabinet Secretary will then present a legislative proposal. It is that legislative proposal which once presented under Standing Order 245 constitutes and becomes the Finance Bill which then is later discussed. I want to understand a situation where the Finance Bill has already been introduced, comes to the Second Reading and the budget proposals have not been done and the proposal by the Cabinet Secretary has not been presented. What then were we discussing? It is my understanding that if we go that way, then it means we have dispensed with the presentation of the budget proposal by the Cabinet Secretary in which case I will seek your guidance on why the business you had indicated will be undertaken from 3.00 p.m.

Thank you, Hon. Speaker.

Hon. Speaker: Honourable Senior Counsel, the Standing Order you are citing was rendered nugatory by a decision of the court; that it has been a creation of the process we are undertaking.

(A Member spoke off record)

This process is not against any law. I hear somebody saying that you participated in the court case that rendered the Standing Order nugatory. What we are doing is procedural. We are not flouting any Standing Order in any way.

(A Member spoke off record)

It was not. Hon. Members, I have a short Communication. Senior counsel, we may pursue that argument later in my chamber if you so wish. The Communication is in relation to interruption of business.

(Laughter)

COMMUNICATION FROM THE CHAIR

INTERRUPTION OF BUSINESS FOR PRONOUNCEMENT OF THE BUDGET POLICY HIGHLIGHTS AND REVENUE-RAISING MEASURES FOR THE NATIONAL GOVERNMENT FOR THE FY 2023/2024

Hon. Members, Section 40 of the Public Finance Management Act of 2012 and Standing Order 244(C) requires the Cabinet Secretary (CS) for the National Treasury and Economic Planning 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 CS will be making this pronouncement shortly.

I wish to recognise the dignitaries present in the galleries today. They include members of Cabinet led by the Prime Cabinet Secretary, Hon. (Dr.) Wycliffe Musalia Mudavadi, EGH. Other guests present today include Principle Secretaries (PSs), chairpersons and chief executive officers of parastatals, senior government officials, members of the diplomatic corps, and development partners. On behalf of the National Assembly and on my own behalf, I welcome all of you to the National Assembly.

Before I invite the CS for the National Treasury and Economic Planning to make his pronouncement, I wish to remind the House, that in accordance with the provisions of Standing Order 244(C)(3), the CS shall be heard without question or clarification sought. Further, the provisions of the Parliamentary Powers and Privileges Act of 2017 apply to the CS during this

Sitting. It is not all the CSs present. It is only the CS for the National Treasury and Economic Planning.

Hon. Members, I now interrupt the business of the House to allow the CS for the National Treasury and Economic Planning to make a public pronouncement on the budget policy highlights and revenue raising measures for the national government for the Financial Year 2023/2024 and the Medium-Term Debt Management Strategy. The CS for the National Treasury and Economic Planning, Prof. Njuguna Ndung'u, CBS, you may now proceed. The Floor is yielded to you.

(Applause)

BUDGET POLICY HIGHLIGHTS AND REVENUE-RAISING MEASURES FOR THE NATIONAL GOVERNMENT FOR THE FY 2023/2024

The Cabinet Secretary, National Treasury and Economic Planning (Prof. Njuguna Ndung'u): Hon. Speaker, it is a great honour and privilege for me to present to this august House and the people of the Republic of Kenya the first Budget of the Kenya Kwanza administration.

(Loud consultations)

Hon. Speaker: Order, Members. Cabinet Secretary proceed.

The Cabinet Secretary, National Treasury and Economic Planning (Prof. Njuguna Ndung'u): Thank you, Hon. Speaker. It is a great honour and privilege for me to present to this august House and to the people of Kenya the first Budget of the Kenya Kwanza administration. It is the first Budget of the Kenya Kwanza Administration under the leadership of His Excellency Dr. William Samoei Ruto, the President of the Republic of Kenya and the Commander-in-Chief of Defence Forces.

I do this in compliance with Standing Order 241 of the National Assembly and Section 40 of the Public Finance Management Act of 2012. They require the CS for the National Treasury and Economic Planning to make pronouncement of the budget policy highlights and revenue raising measures of the national government.

This being the first Budget following the conclusion of the General Elections held in August, 2022, allow me to congratulate all Members who are were-elected and those serving for the first time in this august House.

(Applause)

I look forward to working closely with all of you as we implement the bottom-up economic transformation agenda designed to achieve a sustained economic recovery for improved livelihoods of all Kenyans.

Before I proceed, allow me to take this opportunity to express my deep appreciation to His Excellency the President for appointing me to the position of the CS of the National Treasury and Economic Planning, and entrusting me with the honour of overseeing the management of the macroeconomic policy and public financial management for this great nation. I also extend my sincere gratitude to His Excellency the President for his wise counsel during the preparations of these budget policy highlights and revenue raising measures. They will lay a strong foundation for our socio-economic transformation.

The 2023/24 Financial Year Budget has been prepared against a background of a challenging external and domestic environment. In addition, due to the COVID-19 Pandemic

Kenya has suffered a series of devastating negative and persistent shocks over the past years. They include the worst drought in decades as well as adverse spill over effects of the conflict in Eastern Europe and a tight global financial market condition. The combination of all these negative and continuing shocks are what we describe as a perfect storm that has confronted this new administration. The extreme climate change events have emerged as key drivers of food security and increased cost of living. Indeed, our people are currently confronted with increasingly high prices of basic food commodities, energy and transport. This calls for urgent and decisive interventions, especially on our supply response.

Hon. Speaker, in fulfilment of public participation requirements under the Constitution, we accorded Kenyans an opportunity to share their views on issues that needed to be addressed in this Budget. We received proposals and suggestions from many Kenyans. They have informed the priorities outlined in this Budget Statement. The key concerns raised by the public can broadly be clustered around five issues: one, the high cost of living; two, the high cost of unemployment; three, the high tax burden that is mostly among the youth; four, wastage of public resources; and, finally, the high public debt.

Having listened carefully to the concerns from the public and taking cognisance of the socio-economic and environmental challenges facing the country, the budget policy highlights seek to provide solutions to the said concerns as we all work towards accelerating economic recovery.

Proactively, the Kenya Kwanza Government has begun the journey to bring down the cost of living and improve the livelihoods, while at the same time fostering a sustainable inclusive economic transformation.

The Government has taken the long-term sustainable approach of subsidising production of goods instead of consumption, to respond to the rising cost of living.

In this regard, the Government has instituted immediate interventions that are aimed at providing short-term solutions to the high cost of living while at same time, building a momentum for the long-term economic vibrancy and transformation.

In particular, the Government has covered the following areas: First, through the E-Voucher Fertiliser Subsidy Programme availed six million of 50 Kilogram bags of subsidised fertilizer worth Ksh15 billion that are retailing at a cost of Ksh3,500 per bag which is a reduction from the market price of Ksh6,500 per bag, representing a subsidy of Ksh3,000 per bag. So far, the Government has registered five million farmers nationwide and issued over 2.5million E-Vouchers to registered farmers. As a result, Kenyan farmers have been able to plant at least 200,000 additional acres of food this year and used two million more kilograms of seeds. That is expected to improve the agricultural yields.

Secondly, the Government has granted duty waiver for importation of key food products such as: white maize, rice, yellow maize, soya beans, soya bean meal, assorted protein concentrates and food additives effective from 1st February 2023 to 6th August 2023. This has been in order to break the food stocks deficit and will lower the cost of food prices.

As a result of the drought and the mitigation measures and the climate adaptation programmes, the Government initiated a national tree planting campaign that seeks to enhance our national tree cover from 12 per cent to 30 per cent through a target of planting 15 billion trees by 2032. In addition, the Government has initiated new dam constructions to address the drought concerns and ensure Kenya has enough harvested water to facilitate a water management strategy for irrigation and food production.

Four, the Government has invested heavily in biotechnology research and uptake of drought tolerant crops to promote food security particularly, in marginalised areas. In the current year, over 250 metric tonnes of assorted drought tolerant seed valued at Ksh50 million have been distributed in Embu, Meru, Makueni, Machakos, Tharaka Nithi, Murang’a, Nyeri, Siaya and Busia counties.

Fifth, the Government has reformed the National Health Insurance Fund (NHIF) to meet the urgent needs of Kenyans at the bottom of the social economic structure by actualising its purpose as a social medical insurance facility. In addition, the Government has committed to deliver universal health coverage to ensure that every Kenyan attains dignified health care at a minimum subscription fee.

Finally, the Government has reviewed the policy on the energy sector with the aim of developing and diversifying these markets further, by improving resourcing and supply of cooking gas that inevitably has resulted in high cost that drive domestic inflation.

This has allowed additional players to be licensed and set purified petroleum gas facilities. A common use and bulk storage, and even a handling facility for Liquified Petroleum Gas (LPG) will be constructed through a private sector participation framework to enhance market certainty and stability in the use of LPG. This will cut costs of handling and evacuating gas from ships to the main land and hence allowing dealers to pass through the cost of relief to consumers.

In order to improve service delivery and support livelihoods and businesses as well as strengthen governance institutions, the Kenya Kwanza Government has since assumption of office, established financial inclusion Funds. This is commonly known as the Hustlers' Fund that was set up in November 2022, to provide access to affordable credit to individuals and Medium and Small Enterprises (MSEs), and to encourage savings.

This is an intervention that will remain at the bottom of the pyramid in order to access borrowing at the Fund. A customer only needs to register through his or her mobile phone.

Since the launch of the first product – the Hustler Fund Personal Loan, the Government has invested a total of Ksh11 billion. This money has been revolving within the Fund providing low interest at 8 per cent per annum and so far, 16.07 million Kenyans of which 7.1 million, are repeat customers, have actually accessed the Fund. So far, Ksh30.8 billion has been borrowed from this revolving Fund. In addition to borrowing, the Fund is designed to encourage savings. To date, Ksh1.5 billion has been saved as a mandatory savings, while Ksh17 million has been saved on a voluntary basis. We have witnessed a phenomenal growth in the number of transactions that currently stand at 43.5 million. The largest number of the times a single customer borrower has borrowed from the Fund is about 50 times indicating strong traction to the Hustlers' Fund.

To further empower the SMEs, the Government on 1st June 2023 launched the second product of the Financial Inclusion Fund that is aimed at facilitating Kenyans access funding through groups. This follows the phenomenal success of the Personal Loans Product under this initiative. This will allow trending groups such as *chamas* and saccos. The groups can now borrow loans from between Ksh20,000 to Ksh1 million.

Thirdly, we have redesigned the Competence-Based Education Curriculum (CBC) to make it responsive to our education needs.

Fourthly, I have employed over 30,000 teachers in a historic and unprecedented drive to improve the national teacher-pupil ratio and enhance performance.

Fifthly, the Government has introduced new funding model for higher education that will make the universities and technical trainings institutions to be fully inclusive financially, self-sufficient and also, capable of competing with their peers globally while contributing to our national socio-economic transformation.

Sixthly, the Government has established the National Open University in order to make higher education inexpensive, affordable, accessible, inclusive and attainable to all. The University will create its charter before the end of this month.

Seven, the Government has launched several affordable housing projects across the country transiting to about 36,000 housing units in just eight months.

Eight, the Government has proposed and moved with digitisation; and the digitised and automated services to the tune of Ksh3,570 of Government services through the E-Citizen platform that has enhanced access to Government services and brought greater convenience to citizens.

The Government targets to bring on board close to 5,000 services on the E-Citizen platform by the end of 2023.

Nine, the Government has launched Data Protection Registration System, to provide digital identity to all Kenyans in order to facilitate the transactions between the Government and its citizens.

Finally, we returned the port operations from Nairobi and Naivasha to Mombasa in order to reaffirm the coastal economy and give importers and especially, the business community, a choice on cargo clearance.

The Government has introduced a Government-to-Government arrangement for oil importation to provide a long-term supply plan of fuel and ease the monthly demand for the USA dollar in the country, in a situation where global dollar shortage was ensuing.

The Government has also appointed four Court of Appeal judges and two judges of the Environment and Land courts in line with the recommendations of the Judicial Service Commission to strengthen the Judiciary. Further, the Government escalated the actualisation of the Judiciary Fund that will increase allocation of resources towards enhancing access to justice.

The Government has enhanced the independence of the National Police Service (NPS) by granting them financial autonomy as envisaged in our Constitution.

(Applause)

Hon. Speaker, while we celebrate these achievements, we are aware that a lot remains to be done in order to decisively deal with the pressing socio-economic challenges, first, to reverse the effects of the recent past negative shocks, and second, to improve and accelerate the betterment of the livelihoods of Kenyans. It is for this reason that the Government is implementing the Bottom-Up Economic Transformation Agenda, popularly referred to as BETA, which is geared towards economic turnaround and inclusive growth. Aligned to this agenda, the theme for this year’s Budget is: “Bottom-Up Economic Transformation and Climate Change Mitigation/Adaptation for Improved Livelihoods of Kenyans.”

Consistent with this goal, the Government will scale up implementation of policy priorities and structural reforms under the Bottom-Up Economic Transformation Agenda as detailed in the 2023 Budget Policy Statement and the Fourth Medium Term Plan (MTP IV) currently under development that will guide attainment of these development objectives as well as the continuation of the Kenya Vision 2030 and the Sustainable Development Goals (SDGs). The strategy will involve increasing investments in five strategic sectors that have the largest impact and linkages to the economy, as well as on household welfare as the starting point. These include: Agricultural Transformation; Micro, Small and Medium Enterprise Economy; Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry. Special focus will be placed on the interventions that reduce the cost of living; create jobs; achieve more equitable distribution of income; enhance social security, expand the tax base for more revenues to finance development; and increase foreign exchange earnings to give us flexibility in that market.

We intend to implement the policy priorities within a sustainable fiscal framework. Overall, we have moderated our spending to ensure value for money and enhanced revenue mobilisation efforts to ensure that our public debt remains on a sustainable path. Prioritisation is critical because resources are scarce, thus limiting our capacity and desire to cover everything at once. In this regard, the budgeting process for the priority programmes under the Bottom-Up Economic Transformation Agenda will be managed through a value chain approach. This will ensure that resources are allocated to all the components along the value chain, thereby eliminating duplication of roles, removing any funding gaps, and enhancing efficient use of available budgetary resources.

It is now my privilege and honour to present the economic and fiscal policies underpinning the Government's Bottom-Up Economic Transformation Agenda for improved livelihoods of Kenyans. Thereafter, I will broadly outline the proposed resource allocations and revenue-raising measures that the Government will implement in the Financial Year 2023/2024 Budget.

Before I proceed to elaborate on programmes, let me start by highlighting the economic context in which this Budget has been prepared. I will start with the economic policy context and I will focus on the global economy. The Financial Year 2023/2024 Budget has been prepared against a background of increased uncertainties in the global economic outlook, reflecting continuing geopolitical tensions, particularly, the ongoing conflict in Eastern Europe and the pace of monetary policy tightening amidst concerns about financial sector stability in advanced economies. As a result, global economic growth is projected to slow down to 2.8 per cent in 2023 from 3.4 per cent in 2022. Economic prospects are also expected to slow down across regions and countries. Nevertheless, commodity prices in global markets, particularly of oil and food, have been easing due to improved and functioning supply chains.

Let me turn to the domestic economy. On the domestic scene, the economic growth for 2022 slowed down to 4.8 per cent from 7.6 per cent in 2021 due to the adverse impact of multiple shocks that affected the economy. Kenya's growth in 2022 was supported by growth in the services sectors while the agricultural sector contracted for the second consecutive year due to the prolonged drought effects that also contributed to a slowdown in growth in the manufacturing sector, as well as that of wholesale and retail trade sectors.

The economy is expected to rebound and expand by 5.5 per cent in 2023 up from 4.8 per cent in 2022, and maintain that pace over the medium-term. This growth will be supported by a broad-based private sector led growth, including continued strong performance of the services sector and recovery in the agriculture sector due to improved weather conditions during the March–May rainy season. This growth outlook will be reinforced by the interventions being implemented by the Government under the Bottom-Up Economic Transformation Agenda, including provision of 18 subsidised fertilisers and seeds to farmers during the planting season. Further, economic activity is expected to improve and drive aggregate demand expansion as international commodity prices ease, coupled with improved exports and resilient private sector consumption, as well as the ongoing public and private investment.

The Government will continue to support economic recovery by pursuing prudent macroeconomic policies geared towards reducing debt vulnerabilities and supporting sustainable and inclusive development. The inflation rate has remained above the 7.5 per cent upper bound target since June 2022. This is mainly due to high food and energy prices following adverse weather conditions and high global oil prices, but also compounded by a pass-through effect from domestic currency depreciation.

In order to anchor inflation expectations, the Central Bank of Kenya (CBK), through the Monetary Policy Committee, tightened the monetary policy during the last one year by raising the Central Bank Rate to 9.5 per cent in March 2023 from 7.5 per cent in May 2022. This monetary policy action together with improved agricultural production occasioned by the long rains and supported by the fertiliser subsidy programme and the ongoing importation of key food items, particularly maize, cooking oil, rice and sugar under the duty-free window are expected to ease the domestic prices of basic food items.

(Applause)

Already, inflationary pressures are easing with the inflation rate at 8.0 per cent in May 2023 from the high of 9.6 per cent in October 2022. The inflation rate is expected to return to the target range within the second quarter of the Financial Year 2023/2024. Credit to the private sector grew by 13.2 per cent in the 12 months to April 2023, supporting economic activity. Most sectors of the economy continue to receive positive credit flows.

Hon. Speaker, to further anchor inflation expectations, the Central Bank of Kenya (CBK) will continue to implement the reforms outlined in the White Paper on Modernization of the Monetary Policy Framework and Operations that are aimed at enhancing the effectiveness of monetary policy formulation and implementation to prevent monetary policy falling behind the curve. These reforms include refining macroeconomic forecasting frameworks in line with the changing structure of the economy, improving the functioning of the interbank market to strengthen monetary policy transmission and continued improvement of communication on monetary policy decisions.

Hon. Speaker, the fiscal policy stance over the medium-term aims at supporting the Government's Bottom-Up Economic Transformation Agenda through a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective liability management strategy, without compromising service delivery to citizens. This will improve the country's debt sustainability position.

Hon. Speaker, I now turn to the policy priorities of the Government for fostering economic transformation and improved livelihoods. The policy priorities and structural reforms for improved livelihoods start with Bottom-up Economic Transformation Agenda. This year's Budget places special emphasis on priorities under the Bottom-up Economic Transformation Agenda which is detailed in the 2023 Budget Policy Statement (BPS) that was approved by this House in March 2023. This Agenda is premised on the need to address the challenges that the economy is facing, stimulate economic recovery, bolster resilience while building on successes realised over time. The strategy will involve increasing investments in at least five sectors envisaged to have the largest impact and linkages to the economy, as well as on household welfare. The priority programmes are classified under two categories, namely, the core pillars and the enablers that aim at the creation of a conducive business environment for socio-economic transformation. Hon. Speaker, as indicated earlier in this Statement, the core pillars include: agricultural transformation; Micro, Small and Medium Enterprise (MSME) economy; housing and settlement; healthcare; and digital superhighway and creative Industry.

In order to make these programmes feasible, the Government will implement strategic interventions under the following key enablers: infrastructure; manufacturing; blue economy; the services sector, environment and climate change; education and training; women agenda; youth empowerment and development agenda; social protection; sports, culture and arts and governance.

Hon. Speaker, in order to realise the aspirations of the Bottom-up Economic Transformation Agenda, the Government will:

1. Continue to maintain macroeconomic stability and enhance security to foster a secure and conducive business environment for all Kenyans and their investments;
2. Intensify national infrastructure development and connectivity in roads, rail, port, energy and fibre optic infrastructure to lower the cost of movement of people and goods, lower the cost of doing business, thereby, enhancing profitability of businesses;

3. Enhance investment in key economic sectors for broad based sustainable economic recovery by promoting agricultural transformation, growth in manufacturing, environmental conservation and water supply, food security, climate change mitigation and adaptation, tourism recovery, and sustainable land use and management. Food security and climate change will also become a focal point for policy formulation going forward;
4. Expand access to quality social services in health, education and appropriate social safety nets for the vulnerable population; and
5. Support the youth, women and persons living with disabilities through government-funded empowerment programmes that leverage on partnerships with private sector organisations.

Hon. Speaker, the Government under the support of development partners is implementing a programme that aims at boosting revenue mobilisation and reduce total expenditure as a percentage of Gross Domestic Product (GDP). Thereby, providing a growth friendly fiscal consolidation plan designed to slow down the annual growth in public debt and implement an effective liability management strategy, without compromising service delivery to citizens. This fiscal consolidation plan targets to gradually reduce fiscal deficit, including grants from 6.2 per cent of GDP in the Financial Year 2021/2022 to 5.8 per cent of GDP in the Financial Year 2022/2023 to 4.4 per cent of GDP in the Financial Year 2023/2024 and further to 3.6 per cent in the Financial Year 2025/2026.

Hon. Speaker, we are truly grateful as a nation to our development partners who have over the years provided financial resources to support implementation of government programmes, policy and structural reforms. In particular, allow me to single out the multilateral institutions, specifically the World Bank, the International Monetary Fund (IMF), the European Union (EU), the African Development Bank, and the many bilateral donors, institutions and Governments that have walked the journey of socio-economic transformation with Kenya.

(Applause)

Kenya has continued to successfully implement the Extended Fund Facility and the Extended Credit Facility (EFF/ECF) arrangements supported by the IMF. We concluded the 5th review of the programme in May 2023. We agreed on an augmentation of access under the programme of 75 per cent of quota Special Drawing Rights (SDR) 407.1 million which is about US$ 544.3 million; an extension of the duration of the EFF/ECF arrangements by 10 months to April 2025 to allow sufficient time for meeting the programme objectives; and on a new 20-month Resilience and Sustainability Facility (RSF) arrangement with access of 75 per cent of quota that will run parallel with the EFF/ECF arrangements until April 2025.

Once approved by the IMF Executive Board in July 2023, Kenya will immediately access SDR 306.7 million which is about US$ 410 million, including from the augmentation of access under the ECF/EFF. This will bring the cumulative IMF financial support disbursed under the EFF and ECF arrangements to SDR 1,509 million which is about US$ 2,017 million. That is why we appreciate this multilateral institution.

The Government will also access an additional SDR 407.1 million which is about US$ 544.3 million under the new 20-month RSF arrangement upon successful next review. When combined with the RSF support, the cumulative IMF commitment to Kenya will amount to SDR 2.633 billion which is about US$3.52 billion by April 2025.

Hon. Speaker, as a stop gap measure to ease pressure on the domestic supply of petroleum products as well as ease pressure on the Kenya Shilling arising due to the global shortage of US dollar in the domestic market, we have introduced an innovative new Government-to-Government arrangement for fuel importation through Legal Notice No.3 of

2023 that allows for importation of petroleum products by the private sector through the current Open Tender System (OTS). To date, the monthly importation of petroleum products is approximately 740,000 metric tonnes of which 60 per cent is consumed in the domestic market while 40 per cent is for transit market in the region. This product is currently paid for using the United States (US) dollar, which puts a strain on foreign exchange availability and pressure on nominal exchange rate and ensuing exchange rate volatility in the market on a monthly basis.

Hon. Speaker, to contain the pressure of the US dollar availability in the market as well as the exchange rate volatility on a monthly basis, the Government entered into a memorandum of understanding with governments of oil producing countries under which framework agreements have been signed with petroleum exporting companies for the supply of petroleum products on extended credit period of 180 days.

The objective of this arrangement is: first, to ease the monthly demand for US dollars in the foreign exchange market that is driven by petroleum imports by extending time required to source for US dollars from the current five days to one hundred and eighty days. Second, to allow space to activate the interbank foreign exchange market thus stemming currency speculation. It was necessary to enter into this programme. Third, we intended to reduce the cost of petroleum products by leveraging on economies of scale that arise from having longer supply contracts of up to 270 days with potential suppliers. Fourth, we wanted to make sure that we avert supply disruption by safeguarding long-term supply contracts for petroleum products. Finally, to allow us, in future, to restructure the fuel pricing mechanism that will be dependent on market conditions. Currently, the fuel pricing mechanism coordinates expectations of price revisions on the 15th of every month, a situation that does not reflect appropriate market conduct as well as encourage diverse market development paths in this sub-sector.

I now turn to climate change mitigation and adaptation. Climate change has become a pressing issue globally. Like other economies, the Kenyan economy is vulnerable to its ravaging impacts. Indeed, we have just come out of the worst drought in 40 years which has claimed lives of people and livestock, while at the same time threatened livelihood of millions of Kenyans.

Given our vulnerability to climate change, it is imperative that we build a more climate resilient economy. For this reason, the Government has stepped up climate adaptation and mitigation efforts including green energy, smart agriculture, decarbonized manufacturing, e-mobility and green building, all aimed at the attainment of zero carbon by 2050.

The Government has committed to secure our future and to achieve a cleaner and safer environment for all Kenyans by reducing greenhouse gas emissions, halting and reversing deforestation, biodiversity loss and land degradation. In this regard, issues of climate change mitigation and adaptation have been mainstreamed in all Government programmes and across all levels of Government.

As part of drought mitigation measures and the climate adaptation programme, the Government is implementing a national tree planting campaign which is championed by His Excellency the President and seeks to enhance our national tree cover from 12 per cent to 30 per cent by 2032.

(Applause)

This will entail planting at least 15 billion trees over that period.

Climate financing has emerged as an important means of implementation of climate change and for promoting sustainable development and financial sector development. To enhance financial flows from the Green Climate Fund (GCF), the Government will continue to implement the National Green Climate Fund Strategy, which provides an elaborate framework of coordinating and attracting resources from the Green Climate Fund. The Government will also implement the Financing Locally-led Climate Action (FLLoCA) programme in collaboration with county governments and development partners to manage climate risks.

Further, to support our climate change efforts and catalyse additional climate finance from other official and private partners, we have agreed with the IMF on a new 20 months Resilience and Sustainability Facility (RSF) arrangement that will run parallel with the current programme arrangements until April, 2025.

Last year, the Government committed to fast-track the enactment of the Disaster Risk Management Bill and finalize the Public Finance Management (Disaster Risk Management Fund) Regulations. These are meant to strengthen disaster risk management in the country given that Kenya is predisposed to various disasters, some of which are exacerbated by the ravaging effects of climate change. These disasters often have a huge negative impact on the economy.

I wish to report that the relevant Departmental Committee of this House is in the process of considering a legislation on matters relating to disaster risk management. I urge this House to prioritise this matter to enable Kenya have an overarching framework on disaster risk management. I will later be submitting to this House the Public Finance Management (Disaster Risk Management Fund) Regulations, 2023 for consideration to enable the establishment of the Disaster Risk Management Fund.

On policy, legal and institutional reforms, the Government's Bottom–Up Economic Transformation Agenda (BETA) will be underpinned by sound and appropriate policy, legal and institutional reforms aimed at improving the business environment; increasing efficiency in public service delivery and strengthening accountability and transparency in public finance management. These reforms are outlined as follows:

First, procurement reforms. On a continuous basis, the Government reviews the procurement policies and procedures to ensure that we achieve efficiency and transparency, enhance good governance and promote savings in the procurement process. This is one critical area that the Government can achieve efficiency and unlock savings given the limited financial resources and fiscal space.

With this in mind, last year the national Treasury committed to this House to roll out an end-to-end e-Government Procurement system (e-GP) with a pilot phase commencing in July 2022 and a target date for full roll-out to all Ministries, Departments and Agencies in January 2023. I wish to report to this House that the process is still in progress albeit with some delays. The system will be rolled out by December 2023 to both the national and county governments. Once rolled out, all public procurement and asset disposal processes will be managed online through the system. The system will enhance efficiency and transparency in the procurement functions. The system will also ease cost of doing business with the Government and has capabilities of monitoring and tracking of all public procurement and asset disposal.

The Government remains committed to facilitate access to Government procurement opportunities and empower Micro, Small and Medium Enterprises (MSMEs) owned by Women, Youth and Persons with Disabilities.

(Applause)

This remains a key priority of the Government under the Bottom-Up Economic Transformation Agenda. For this reason, the National Treasury has re-engineered the Access to Government Procurement Opportunities (AGPO) portal to enable real-time registration and monitoring.The Ministry has also directed all procuring entities to ensure prompt payment of all contracts successfully implemented under AGPO to enable businesses owned by the target groups to access liquidity promptly.

A large number of State corporations rely on the Exchequer funding to service their payroll and other expenses. Over the years, bloated payrolls have remained a huge burden to the Exchequer, resulting in cumulated unserviced statutory obligations and pension liabilities running into billions of Kenya shillings. It has also been established that in most State corporations, a huge proportion of staff compliment comprises support staff and a thin compliment of technical staff, which gravely affects core service delivery. To address this challenge, the State Corporations Advisory Committee (SCAC) will immediately embark on an aggressive programme to rationalise staff establishment to keep it lean and strictly adhere to the 70 per cent technical staff and 30 per cent support staff ratio. In addition, the National Treasury shall henceforth approve budgets for hiring staff solely for State corporations that have received approval from SCAC, PSC and SRC jointly. This requirement is in addition to confirmation of the requisite funding.

To support restructuring of State corporations, the Cabinet approved the Privatisation Bill, 2023 that seeks to repeal the Privatisation Act, 2005 and streamline the privatisation processes in order to restructure State-Owned Enterprises (SOEs). This Bill was subsequently submitted to this House in May 2023. The Bill, once enacted, will enable the selected SOEs to achieve their full potential by entrenching commercial principles and reduce their reliance on Exchequer funding. I urge honourable Members to support the Government in this endeavour.

(Applause)

In the Financial Year 2022/2023, the Government initiated a number of reforms at the Kenya Power Company (KPC) and Kenya Airways (KQ), aimed at improving their efficiency, reducing costs and increasing revenue. To further enhance KPLC's financial sustainability, the government will restructure its balance sheet, mainly focusing on the huge loan balances, payables and receivables. This will in turn address its current huge liquidity gap. Towards this end, the government will implement a four-point action plan focusing on:

1. Transfer of all transmission assets/lines to the Kenya Electricity Transmission Company (KETRACO).
2. Settle outstanding Rural Electrification Schemes (RES) operations and maintenance costs, which has a deficit of Ksh19.4 billion as of June 2022 and ensure that KPLC and Rural Electrification and Renewable Energy Corporation (REREC) enter into a commercial contract for future RES Maintenance cost
3. Develop and implement a turnaround strategy that includes reduction of system losses from the current 22.4 per cent to 14.4 per cent by end of June 2025.
4. Establish a new governance structure at KPLC to give private shareholders fair representation, reflecting the company's shareholding structure.

With regard to KQ, the Government's policy stance is to turn around the airline and position it as a Pan-African carrier that will ensure it is run through profitability and sustainability objectives, eventually reducing the airline's dependency on budgetary support.

Hon. Speaker, as at 31st March 2023, the total outstanding pending bills amounted to Ksh537.2 billion, comprising Ksh450.2 billion for State corporations and Ksh79.3 billion for Ministries, Departments and Agencies (MDAs). During the same reporting period, county governments reported pending bills of Ksh159.7 billion. Management of the pending bills is a challenge. In the public eye, it will form an important benchmark upon which overall integrity of the government's style of financial management will be tested and judged. The delay in settling pending bills has led to deterioration of financial positions of businesses, in particular MSMEs, including businesses owned by women, youth and PWDs.

In view of the above, the National Treasury has prepared a Cabinet memo requesting the Cabinet to approve establishment of a pending bills verification committee to carry out a thorough analysis of the stock of all pending bills and advise on how the bills will be settled.

(Applause)

Once the outstanding pending bills are cleared by the verification committee, the National Treasury will direct all entities to ensure strict adherence to Public Finance Management Act, 2012 and clear pending bills as a first charge on the budget of the concerned entity in the subsequent financial year.

On the financial sector stability and development, the banking sector remained stable and resilient in 2022. Deposits held by the sector increased by 12.3 per cent while pre-tax profits increased by 22 per cent. On the other hand, gross non-performing loans, stood at 13.3 per cent in December 2022, a decline from 14.7 per cent in June 2022. The need to build resilience and exploit emerging opportunities has led to increased consolidation as well as regional expansion through acquisitions. This has led to strong institutions, supporting the stability of the banking sector. The sector is, therefore, expected to remain sound and stable in 2023, building on the reform initiatives and buffers built over the years.

In order to address consumer protection concerns arising from unregulated digital lenders, the Central Bank of Kenya (CBK) introduced the Digital Credit Providers Regulations, 2022 that were approved in May 2022, which provide regulations and guidelines for licensing and overseeing of previously unregulated digital credit providers. I am happy to report that by the end of March 2023, thirty-two digital credit providers had been licensed while others are at different approval stages. More importantly, CBK is working with other agencies and regulators, including the office of the Data Protection Commissioner, to ensure all digital credit providers are brought into the regulatory perimeter to protect consumers.

(Applause)

In an effort to transform Kenya's financial markets, CBK will soon launch the upgraded Central Securities Depository Code, named Dhow CSD. The upgraded CSD will improve financial market liquidity and enhance operational efficiency in the domestic debt market, further promoting market deepening and broadening financial inclusion through expansion of digital access and positioning Kenya as the preferred financial hub in the region. The CDS will also scale up services to the public, market participants and support diaspora investors via a versatile and highly scalable digital solution with a capacity to deliver seamless investor experience and convenience.

Hon. Speaker, since the launch of the National Payments Strategy 2022-2025 in February 2022, the Central Bank has implemented major initiatives to improve quality, access and affordability of payment services to Kenyans. These include implementation of mobile money interoperability, licensing of new payment service providers, and rollout of key standards that increase convenience of payment services in line with global best practice. Building on these gains, in the Financial Year 2023/24, the Central Bank together with other stakeholders will:

1. Undertake a comprehensive review of the National Payment System Act, 2011 and National Payment System Regulations, 2014 to modernise Kenya's payments legal and regulatory framework in line with emerging trends, innovations and enhance oversight for improved service delivery to Kenyans;

2. Develop and implement an interoperable payments platform to unlock cost-effective, real-time and retail payments across the banks, payment service providers, card schemes and other regulated financial institutions. This will further contribute to lowering the cost of these services, increase choice, competition, stability and widespread adoption of digital payments among Kenyans.

Hon. Speaker, in order to reduce money laundering vulnerability, the Central Bank has reviewed and enhances the banking sector Know Your Customer (KYC) and Customer Due Diligence (CDD) processes. This will further strengthen the effectiveness of the banking sector anti-money laundering and combating the financing of terrorism and proliferation of financing (ALM/CFT/PF) risk based supervisory framework. Indeed (ALM/CFT/PF) regime is important to uphold.

Hon. Speaker, let me turn to deposit insurance reforms. Financial stability risks have increased rapidly as the resilience of the global financial system has been tested by high inflation and rising interest rates. In order to enhance protection of depositors, the Kenya Deposit Insurance Corporation is in the process of reviewing the current coverage limit of Ksh500,000 with a view to ascertain its adequacy in protecting the MSMEs.

(Applause)

In addition, the Corporation has developed an Alternative Dispute Resolution (ADR) framework to address disputes between financial institutions that have been closed and their respective stakeholders, thereby fast-tracking release of available resources and winding up those banks under liquidation.

Hon. Speaker, let me turn to Capital Markets Development. The capital markets remain a critical catalyst in mobilisation of savings and investments towards productive enterprise in Kenya. In order to support MSMEs access financing via the capital markets, the Capital Markets Authority has developed the Capital Markets (Public Offers and Disclosures) Regulations, 2023 that will enable MSMEs raise debt and equity capital via the Nairobi Securities Exchange. The Authority is also implementing the Capital Markets (Investment Based Crowdfunding) Regulations, 2022 to support Kenyan start-ups to raise finance from both global and local investors.

(Applause)

Hon. Speaker, as part of these initiatives to support the real estate sector, the LAPTRUST IMARA Real Estate Investment Trusts (REIT) has been listed in the Nairobi Securities Exchange following the approval by the Capital Markets Authority. This will provide investors with a unique opportunity to invest in a diversified portfolio of income generating real estate assets.

Hon. Speaker, let me turn to pension reforms. Pension coverage in Kenya currently stands at 22 per cent of the working population leaving majority of Kenyans without a pension cover. This underscores the need to extend pension coverage to the informal sector, which constitutes the majority of our workforce. To this end, Hon. Speaker, the Government is working on a National Pensions Policy to address key concerns on coverage, portability of schemes, reciprocal arrangements to address concerns of Kenyans in the diaspora and mitigate the fragmentation in the sector. In furtherance of the ideals under the Bottom-Up Economic Transformation Agenda, the National Treasury has established an innovative scheme – the Kenya National Entrepreneurs Saving Trust (KNEST) with a focus on the population in the informal segment of our economy. In order to promote uptake of the scheme, we will deliberately form strategic partnership to facilitate voluntary pension contributions for individuals in this sector and to continue to explore options to provide diverse pension solutions for self-employed individuals.

Hon. Speaker, to effectively administer the public service pensions, the National Treasury will invest in modern technology and digital solutions to streamline pension processes and improve service delivery. In this regard, Public Service Schemes will develop user-friendly online platforms that allow the pensioners to access their pension statements, make inquiries and update their personal information conveniently. The Government continues to implement the Public Service Super Annuation Scheme with the end goal of easing the burden of pension payment by Government.

Hon. Speaker, let me turn to insurance reforms. In the past two years, the insurance sector has grown by Ksh36 billion from a premium of Ksh23 billion. The industry has also attracted investments from key multinational players. In order to further enhance growth of the sector; the Insurance Regulatory Authority has rolled out a Micro-Insurance Framework that will contribute to increase penetration coverage for individuals with low income. The Authority will strengthen private insurance's role in the Universal Health Coverage, promote crop and livestock insurance and support insurance for MSMEs.

Hon. Speaker, there are no deterrent measures under the Insurance Act to motivate accountability and observance of directors' duties as well as senior managers' professional responsibilities. To address this shortcoming, I have submitted to this House Insurance (Amendment) Bill, 2023 to provide for offences relating to the management of an insurer. In addition, the Bill contains other amendments aimed at enhancing the efficiency of the Insurance Regulatory Authority in regulating the insurance industry.

Hon. Speaker, let me turn to Sacco societies reforms. The Sacco industry is characterized by many small and medium size Saccos that find it difficult to effectively compete in the deposit taking and credit market. To address this challenge, the Sacco Societies Regulatory Authority (SASRA) is working on amendments to the Sacco Societies Act, 2008, that will provide for licensing and supervision of Shared Sacco Services platform. This initiative will improve efficiency and competitiveness of SACCOs through establishment of cost-sharing digital platform to enable small SACCOs achieve economies of scale while at the same time mainstreaming regulatory compliance in a cost-effective manner.

Hon. Speaker, 12 years ago, the Government introduced prudential regulations to secure the financial stability of SACCOs and boost savings for members. However, there has been lack of a resolution mechanism for financially distressed SACCOs. In order to address this challenge, the SACCO Societies Regulatory Authority has proposed amendments of the Sacco Societies Act, 2008 to provide for a framework for appointment of trustees to the Deposit Guarantee Fund (DGF) for Saccos in Kenya.

Let me turn to unacclaimed assets. The Unclaimed Financial Assets Authority Act does not provide for claimants to designate a beneficiary of their assets or to a cause of their choice and, therefore, any claim must be paid to the claimant. To address this, I have proposed to amend the Unclaimed Financial Assets Authority Act so as to empower claimants to designate beneficiaries of their unclaimed assets or to a cause of their choice.

Let me turn to ease of doing business. Hon. Speaker, in order to ease the cost of doing business and minimise compliance costs for the MSME, the Competition Authority of Kenya will exempt MSEs sector from merger notifications thus enabling start-ups, digital businesses, among others. Further, the Authority will monitor and conduct surveillance audits specifically in the manufacturing and agro-processing sectors so as to protect MSMEs from incidences of abuse of buyer power.

Secondly, the Competition Authority of Kenya will implement codes of practice to ensure that MSMEs in the retail and insurance sectors are protected from powerful buyers.

It will also screen and investigate infractions such as suspected cartels or abuse of dominance conducts such as excessive pricing, price discrimination, predatory pricing and margin squeeze to ensure a level playing field.

Lastly, the Competition Authority will actualise the initiative earlier started with the National Assembly to address the issue of price fixing by professional services to make the fees competitive and improve quality of services.

On consumer protection, the Authority will monitor and investigate emerging consumer issues on the utility sector, pharmaceuticals, digital financial services, e-commerce, insurance, aviation and safety of basic commodities. In addition, the Authority will seek redress through replacement or refunds to consumers affected by dark commercial patterns, scams and fraud under the digital economy.

Hon. Speaker, let me now turn to fiscal framework. The Government's fiscal policy for the FY 2023/24 and the medium-term budget aims at undertaking a growth-friendly fiscal consolidation plan to ensure debt sustainability. This will be achieved through improved revenue collection, primarily through broadening of the tax base, and containing overall expenditure to the target set while prioritising high impact social and investment expenditure.

The fiscal policy targets to grow total revenues to 17.9 per cent of GDP in the FY 2023/24 and above 18.3 percent of GDP over the medium- term. As part of the economic turnaround plan, the Government will scale up revenue collection efforts by the Kenya Revenue Authority to a target of Ksh4 trillion over the medium-term. In order to achieve this, the Government is undertaking a combination of both tax administrative measures and tax policy reforms.

Regarding tax policy, the Government will implement the National Tax Policy and finalise the Medium-Term Revenue Strategy (MTRS) for the period FY 2023/24 - 2026/27. The National Tax Policy, which is before this House, will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislation and management of tax expenditure. The Medium-Term Revenue Strategy comprises legal, administrative and policy measures to reform the tax system which is expected to boost tax revenues over the medium- term.

On tax administration, the Kenya Revenue Authority is implementing reforms to move towards seamless taxation by ensuring that its systems, taxpayers and businesses are integrated to allow for the automatic movement of data through machine-to-machine based processes, and where appropriate shift to real-time processing. This will enable the Kenya Revenue Authority monitor business transactions in real-time, therefore, sealing revenue leakages through tax avoidance and evasion

On expenditure reforms, the Government will sustain efforts to improve efficiency in public spending and ensure value for money by eliminating non- priority expenditures, retiring expensive and unsustainable consumption subsidies, reducing tax exemptions, scaling up the use of Public Private Partnerships financing for commercially viable projects, and rolling out an end-to-end e-procurement system.

To address the challenges of perennial low absorption of development partners funds that have denied Kenyans the full benefit of this financing, the Government will put in place policies and administrative measures to minimise payment of unnecessary fees and charges.

Hon. Speaker, let me turn to revenue collections. Supported by tax policy reforms and administration measures highlighted above, we project total revenue collection, including appropriation-in-aid and grants for the FY 2023/24 Budget to be Ksh2.96 trillion, equivalent to 18.2 per cent of GDP. Of this, ordinary revenue is projected at

Ksh2.57 trillion equivalent to 15.8 per cent of GDP, Ministerial Appropriation-ln-Aid is projected at Ksh 348.7 billion and grants are projected at Ksh42.2 billion.

On expenditure projections, total expenditure in the FY 2023/24 Budget is projected at Ksh 3.7 trillion equivalent to 22.6 per cent of GDP. Of this, recurrent expenditures will amount to Ksh2.53 trillion equivalent to15.6 per cent of GDP. Development expenditures, including allocations to domestic and foreign financed projects, Contingency Fund, Equalisation Fund and conditional capital transfers to county governments is Ksh743.5 billion equivalent to 4.7per cent of GDP. Equitable share to county governments is projected at Ksh385.4billion.

Hon. Speaker, I now turn to fiscal balance. Given the projected revenue and grants against the projected expenditure, the fiscal deficit is projected to decline to Ksh718.0 billion equivalent to 4.4 per cent of GDP in the FY 2023/24 from the projected Ksh840.9 billion equivalent to 5.8 per cent of GDP in the FY 2022/23. The fiscal deficit will be financed through net external financing of Ksh131.5 billion equivalent to 0.8 per cent of GDP and net domestic financing of Ksh586.5 billion equivalent to 3.6 per cent of GDP. Our medium-term fiscal consolidation policy targets to progressively reduce the level of fiscal deficit from the expected 5.8 per cent of GDP in the FY 2022/23 to 3.6 per cent of GDP in the FY 2026/27.

Let me turn to public debt management. Kenya`s public debt remains sustainable but with elevated risks of debt distress due to persistent global shocks that adversely affect liquidity ratios. Kenya’s public debt remains sustainable, but with elevated risks of debt distress due to persistent global shocks that adversely affect the liquidity ratios. The depreciation of the Kenyan shilling against major currencies and the rise of interest rates have elevated cost of debt service. Further, the depreciation of the currency has increased the size of the public debt stock as half of it is denominated in foreign currency.

Although the debt burden has risen, Kenya has not accumulated debt service arrears and the Government is committed to honour all public debt obligations as they fall due. Over the medium-term, revenue driven fiscal consolidation policy stands is expected to improve further the country’s debt sustainability ratios and debt carrying capacity.

The current limit of the debt as approved in 2020 by this House is Ksh10 Trillion. Guided by the best practice, the Government intends to change the public debt ceiling from a numerical number to a debt anchor in form of a ratio of public debt to GDP in present value terms. The proposed change to the debt ceiling provides an appropriate guide for optimal level of public debt based on the country’s ability to pay. This is the debt carrying capacity that can objectively be assessed as well as provide directions on information on debt accumulation or reduction from time to time.

In order to anchor debt ceiling in a statute, the National Treasury developed a Public Finance Management (Amendment) Bill, 2023 which has been submitted to this august House for enactment. The Bill was subjected to public participation in line with the requirements of the Constitution of Kenya on transparency and accountability in public policy formulation. I urge the Hon. Members to prioritise and consider this Bill favourably.

The external debt service is projected to increase to Ksh475.6 billion in the Financial Year 2023/2024 from Ksh242.1 billion in the Financial Year 2022/2023, mainly reflecting redemption of the US$2.0 billion Eurobond which is approximately Ksh241.8 billion with the current exchange rate. In preparation for the redemption of this maturing bond, the National Treasury and Economic Planning issued an expression of interest to bring on board a lead manager to advise the Government on liability management options towards the resolution of the Eurobond 2024.

I wish to assure Kenyans and investors that our fiscal positions remain strong and Government remains committed to meet all maturing obligations as and when they fall due including the maturing Eurobond for June 2024. Due to the limited fiscal space, the Government has strengthened the Public Private Partnership (PPP) framework to leverage on private sector expertise to deliver projects that have strong economic, commercial and environmental benefits that are also aligned to national priorities with sustainability and climate change as key considerations and drivers.

To ensure the sustainability of PPP projects, the Project Facilitation Fund (PFF) has been operationalised. The Fund will support project preparation, provide viability gap funding to projects as well as a source of liquidity to meet physical commitments and contingent liabilities that may arise from PPP projects. With the Fund in place and a robust legal and regulatory regime, the private sector has the necessary confidence and security to invest in PPP projects. Indeed, in the last financial year, the National Treasury successfully mobilised Ksh15 billion by achieving financial closure of two clusters of urban roads projects under the roads' annuity programme. The projects are currently in the construction phase. Additional projects that have closed include two renewable energy projects with a combined install capacity of 70 megawatts.

Further, to contribute towards Government's agenda on bulk water supply and food security, several high impact projects have been appraised and approved to proceed to the project development phase under the PPP model. These projects will provide production of additional 51,000 hectares to further strengthen the food security agenda which is a high priority for the Kenya Kwanza Administration. The bulk water will increase portable water supply by an estimated 200 cubic metres per day. The National Treasury and the Ministry of Water and Sanitation have developed a Water Purchase Agreement which will pave way for the private sector to develop projects in a sustainable way. The National Treasury is in the process of developing a 10-year infrastructure plan that will be crosscutting across various ministries to support delivery and prioritisation of projects.

To build on this, the National Treasury plans to mobilise an estimated Ksh100 billion in private sector capital through various priority sectors. The focus will be on priority investment and underlying key projects and programmes in each sector that deliver nationally significant infrastructure, drive growth and unlock private sector investment with greatest potential benefits to Kenyans. These sectors will include airports, sea ports, blue economy, water, agriculture, industrialisation, that is special economic zones, energy, including transmission lines, and digitisation among other key sectors in the economy.

Inclusion of local goods, works and services will be emphasised for each project to contribute to overall economic growth by encouraging local investments in PPP projects. To also strengthen local investment, the National Treasury will be holding a series of roundtables to build local capacity in the financial sectors to increase local financing of PPP projects. The National Treasury has embraced climate resilience and adaptation framework for PPP projects. This is to ensure that infrastructure projects are aligned to the realities of climate change. To achieve on the PPP mandate of scaling up private sector capital, the National Treasury will leverage on the continued support from development partners as well as other key institutions both in public and private sector including capital markets, pension funds and commercial banks in scaling up the private sector capital under the PPP framework.

Let me turn to Public Investments Management (PIM). In 2022, the House approved PIM Regulations, 2022. The objectives of the regulations are to provide national and county governments and their entities with a standardised approach in project cycle management to enhance transparency, accountability, prudent use of public resources and public participation. The Government will continue implementing the regulations to enhance efficiency in identification and implementation of priority, social and economic investment projects. This will further curtail runaway project costs, eliminate duplication and improve working synergy among implementation actors for timely delivery of the development projects. In the Financial year 2023/2024, the National Treasury will develop and roll out the Public Investment Management Information System (PIMIS). It automates public investment management processes as outlined in the regulations to ensure that only projects with highest social economic returns are undertaken and prioritissed for completion.

Let me turn to resource allocation under the Bottom-up Economic Transformation Agenda (BETA). The high rise of the budget allocation in the coming financial year provided in recognition of the need to restrain borrowing and utilisse revenues and grants projected in the fiscal framework. The proposed total programmed expenditures spending for the financial year 2023/2024 has been capped at Ksh3.68 trillion. As I mentioned earlier, the Government will implement strategic priorities under BETA that is geared towards economic turnaround and inclusive growth. The agenda focuses on five sectors that have been outlined. They have been outlined because they give the largest impact to the economy as well as lays the households' welfare. These include, for purposes of repeating: agricultural transformation, micro and small medium enterprise economy, housing and settlements, healthcare, digital superhighway, and creative industry.

To ensure the effectiveness and efficiency in the planned investment in the five sectors, Kenya Kwanza Administration has adopted the value chain approach to budgeting. In this regard, the Government has identified nine key value chain areas for implementation, namely: leather, cotton, dairy, edible oils, tea, rice, blue economy, national resources including minerals and forestry, and building materials. This will ensure that there is no break in the value chain, cycle of resource allocation for value chain, and that adequate resources are allocated to the entities along the value chain. Of importance, this will eliminate any form of duplication of both roles and budgeting to ensure that there are no gaps and thus ensure efficiency in resource allocation.

On agricultural transformation and inclusive growth, the Government will implement interventions to ensure food security in the country through climate change mitigation and adaptation, thereby reducing the cost of living. As part of the country's long-term food security plan, the Government working with private sector will continue to subsidisse fertiliser in order to make it available and improve productivity in counties. This intervention is also aimed at creating jobs as agriculture has the highest employment multiplying effect owing to its strong forward and backward linkages to other sectors of the economy.

In order to support our aspirations of attaining food and nutrition security, I propose to the National Assembly to effect budget allocations of Ksh49.9 billion to the relevant programmes in this Budget. Out of this, Ksh5 billion is proposed for the fertiliser subsidy programme, Ksh8.6 billion for the National Agricultural Value Chain Development Project, Ksh2.7 billion for the National Agricultural and Rural Inclusivity Projects, Ksh2.1 billion for the Kenya Cereal Enhancement Programme, Ksh2.8 billion for emergency locust response, Ksh1.4 billion for small-scale irrigation and value addition programmes, Ksh1.3 billion for Food Production and Nutrition Security Programme, Ksh500 million for Agricultural Sector Development Support Programme, and Ksh596 million for the Food Security and Crop Diversification Project.

To improve livestock production, I propose to the National Assembly to effect a budget allocation of Ksh3.7 billion to De-risking, Inclusion and Value Enhancement of Pastoral Economies Programme; Ksh2.1 billion for Livestock Value Chain Support Project, Ksh1.5 billion for Kenya Livestock Commercialisation Programme, and Ksh166 million for the Embryo Transfer Project.

I also propose to the National Assembly to effect budget allocation of Ksh350 million for the development of the Leather Industrial Park at Kinanie, Ksh220 million for livestock production, and Ksh132 million for leather value chain.

To enhance animal disease control, I propose to the National Assembly to effect budget allocations of Ksh130 million for sustainable tsetse fly and trypanosomiasis free areas in Kenya, and Ksh135 million for the establishment of the liquid nitrogen hydrogen plant.

The realisation of food and nutrition security also relies heavily on sustainable utilisation of the blue economy resources. To promote this, I propose to the National Assembly to effect budget allocation of Ksh2.6 billion for the Aquaculture Business Development Project, Ksh3.5 billion for Kenya Marine Fisheries and Socio-Economic Development Projects, Ksh1.2 billion for marine fish stock assessment, Ksh580 million for capacity building in deep sea fishing, Ksh142 million for rehabilitation of fish landing sites in Lake Victoria, Ksh141.5 million for aquaculture technology development and innovations transfer, Ksh500.7 million for Liwatoni Ultra-Modern Fish Hub, and Ksh88 million for development of the blue economy initiatives.

In order to increase agricultural productivity and enhance resilience to climate change risks in targeted small holder farming and pastoral communities in Kenya, I propose to the National Assembly to effect budget allocations of Ksh1.5 billion for the Climate Smart Agricultural Productivity Project, Ksh625 million to enhance Drought Resilience and Sustainable Livelihood Programme, and Ksh318 million towards Ending Drought Emergencies in Kenya Project. In addition, I propose to the National Assembly to effect budget allocations of Ksh300 million for the Crop Insurance Scheme to reduce the vulnerabilities of Kenyan farmers to disease and natural disasters.

To ensure legitimacy of land ownership, I propose to the National Assembly to effect a budget allocation of Ksh1.2 billion for processing and registration of title deeds, Ksh2.6 billion for settlement of the landless, Ksh755 million for digitisation of land registries, and Ksh138.3 million for construction of land registries.

Transforming the Macro, Small and Medium Enterprises, (MSMEs) economy will help us to tackle the key bottlenecks of MSMEs on limited access to credit. The Government rolled out in November 2022 a financial inclusion fund, popularly known as the Hustlers Fund with an initial target budget of Ksh20 billion in the current financial year. As an intervention to correct market failure problems at the bottom of the pyramid. This programme aims to lift those at the bottom of the pyramid through structured products in personal finance that includes savings, credit insurance and investment. This, together with other affirmative action funds like the Youth Enterprise and Development Fund (YEDF), the Women Enterprise Fund (WEF), the Uwezo Fund, and the MSMEs Credit Guarantee Scheme will increase access to affordable credit to targeted persons and sectors, and thereby increase their investments and allow for private-sector-led growth. To further support MSMEs, women and the youth of this country, I propose to the National Assembly to effect an additional budget allocation of Ksh10 billion towards the Hustlers Fund and Ksh300 million to SMEs in the manufacturing sector, Ksh182.8 million for the WEF, Ksh175 million for the YEDF and Ksh192 million to Uwezo Fund. These allocations will inevitably guarantee access to affordable credit to hustlers, households and MSMEs thus according them opportunity to make their rightful contribution to nation-building.

The cost of housing is a heavy burden to the majority of Kenyans and is the main factor driving the proliferation of slums in the country. The Government commitment is to turn the housing challenge into an economic opportunity to create quality jobs for over 100,000 young people graduating from Technical and Vocational Education and Training institutions (TVETs) every year directly into the construction sector and also indirectly through the production of building products. This, among others, will be achieved through facilitating the delivery of 250,000 houses per year and enabling affordable housing mortgages.

To ensure success of this initiative, I propose to the National Assembly to effect a budget allocation of Ksh35.2 billion for the Housing Programme. This includes Ksh7.3 billion under the Kenya Urban Programme (KenUP), Ksh5 billion to Kenya Mortgage Refinance Company for enhancement of the company’s capital as well as for own lending to primary mortgage lenders, Ksh3.2 billion for construction of affordable housing units as well as Ksh3.3 billion for the construction of social housing units.

(Applause)

Other key proposed allocations to the housing urban development and public works sector include Ksh5.5 billion for the Kenya Informal Settlement Improvement Project-Phase II; Ksh5.2 billion for the construction of markets; Ksh932 million for the maintenance of Government pool houses, Ksh1.1 billion for the construction of housing units for the National Police and the National Prisons; Ksh637 million for the Kenya Municipal Programmes; Ksh150 million for the construction of foot bridges, and Ksh300 million for the development of appropriate building technology.

The Kenya Kwanza Administration is committed and determined to realise the constitutional rights to health in the shortest time period by delivering a Universal Health Coverage (UHC) system. This entails promoting access to quality and affordable healthcare through the UHC programme. Towards this end, I propose to the National Assembly to effect a budget allocation of Ksh141.2 billion to the health sector to support various programmes aimed at supporting UHC. Specific proposed allocations for the various activities and programmes include Ksh18.4 billion for the UHC, Ksh3.7 billion for the Kenya COVID-19 Emergency Response Project, Ksh4.1 billion for Free Maternity Healthcare, Ksh5.9 billion for the Managed Equipment Services (MES) as well as Ksh1.7 billion to provide medical cover for the elderly and severely disabled persons in our society.

To lower cases of HIV/AIDS, malaria and tuberculosis, Ksh24.8 billion is proposed under the Global Fund, and Ksh4.6 billion to enhance vaccines and immunisation programmes. To promote early diagnosis and management of cancer and reduce the burden of treatment among Kenyans, I propose to the National Assembly to effect a Budget allocation of Ksh1.9 billion for construction of Cancer Centre at Kisii Level 5 hospital, Ksh500 million for strengthening of cancer centre management at the Kenyatta National Hospital (KNH), and an additional Ksh155 million is proposed for the establishment of regional cancer centres.

(Applause)

Further, to improve health service delivery, I propose to the National Assembly to effect the budget allocation of Ksh21.6 billion for the KNH, Ksh12.8 for the Moi Teaching and Referral Hospital (MTRH), Ksh8.8 for the Kenya Medical Training Colleges (KMTCs), Ksh3.3 billion for the Kenya Medical Research Institute (KEMRI), Ksh2.4 for the construction of the Kenya National Hospital Burns and Paediatric Centre, Ksh1.4 billion for the equipping of laboratories and classrooms for KMTCs, Ksh1.1 billion for renovation of KNH, Ksh1 billion for procurement of family planning and reproductive health commodities, Ksh1 billion for the procurement of equipment for the National Blood Transfusion Service, and Ksh352 million for the Digital Health Platform (DHP).

Hon. Speaker, the digital superhighway will play a critical role in enabling the Government to achieve the objectives of the bottom-up economic transformation agenda as well as in enhancing revenue collection via automation of VAT systems. Digitization and automation will increase productivity and competitiveness by providing quick access to the market and reducing information asymmetry as well as improving risk management. Promotion of music, theatre, graphic design, digital animation, fashion and crafts, among others will increase employment for the youth.

Implementation of these interventions is expected to stimulate economic recovery while at the same time securing sustainable and inclusive growth amidst emerging challenges, but more importantly improve the quality of growth from the public sector-investment-led growth to a dynamic private-sector-led growth. To achieve these aspirations, I propose to the National

Assembly to effect a budget allocation of Ksh15.1 billion to fund initiatives in the Information, Communication and Technology (ICT) sector. Specifically, this proposed allocation includes Ksh600 million for the Government shared service to fast-track the development of the Konza Technopolis City. I propose to the National Assembly to effect budget allocations of Ksh4.8 billion for the Horizontal Infrastructure Project, Phase I; Ksh1.2 billion for Konza Data Centre and Smart City facilities, and Ksh475 million for construction of Konza Complex Phase IB.

Other proposed allocations include Ksh5.7 billion for the construction of the Kenya Advanced Institute of Science and Technology (KAIST) at Konza Technopolis, Ksh1.3 billion for maintenance and rehabilitation of the National Optic Fiber Backbone Phase II expansion cable, and Ksh583 million for maintenance and rehabilitation of the Last Mile County Connectivity Network.

Having highlighted expenditures under the priority areas of the bottom-up economic transformation agenda, I now turn to other proposed areas of expenditure in this Budget that will support our path towards sustainable and resilient economic growth trajectory.

First, let me turn to investing in critical infrastructure. Hon. Speaker, the Government will continue to expand critical infrastructure in roads, railways, sea and airports to create an enabling environment for economic recovery and employment creation. Towards this end, I propose to the National Assembly to effect a budget allocation of Ksh244.9 billion to support construction of roads, bridges as well as their rehabilitation and maintenance. To expand the railway transport, I propose to the National Assembly to effect budget allocations of Ksh37.4 billion for the Standard Gauge Railway, Ksh579 million for rehabilitation of locomotives, and Ksh889 million for development of Nairobi Railway City to facilitate movement of goods and people. I propose to the National Assembly to allocate Ksh1.1 billion for the Nairobi Bus Rapid Transport Project, and Ksh300 million for the acquisition of ferries for Lake Victoria.

I have also proposed to the National Assembly to effect a budget allocation of Ksh727 million for the construction and expansion of airports and airstrips, Ksh500 million for smart driving license, and Ksh2.6 billion for infrastructure development in Dongo Kundu Special Economic Zone.

To support the production of reliable and affordable energy, I propose to the National Assembly to effect a budget allocation of Ksh62.3 billion. Out of this allocation, Ksh33.8 billion will cater for the National Grid System, Ksh12.1 billion will cater for rural electrification, Ksh11.4 billion will be for development of geothermal energy, Ksh3.2 billion will be for alternative energy technologies.

Hon. Speaker, let me move on to improving education outcomes. The ultimate means of ensuring an equitable society is through investment in education as part of human capital development. For this reason, the Government will continue to address inequalities in our education systems to level the playing field for all children irrespective of their background. To improve education outcomes in the country, I propose to the National Assembly to effect a budget allocation of Ksh628.6 billion to the education sector. Out of the proposed allocation, Ksh12.5 billion will cater for the free primary education, Ksh65.4 billion for the free day secondary education, including insurance under the National Health Insurance Fund for secondary school students; Ksh25.5 billion for junior secondary school capitation, Ksh5 billion to support examinations fee waiver, Ksh4.8 billion for recruitment of 20,000 intern teachers, Ksh1 billion for the promotion of teachers, Ksh4.9 billion for the school feeding programme and Ksh940 million for provision of sanitary towels.

(Applause)

In addition, Hon. Speaker, I propose to the National Assembly to effect a budget allocation of Ksh1.3 billion for training of teachers on Competency Based Curriculum (CBC) and Ksh400 million for the Digital Literacy Programme and ICT integration in our secondary schools.

To support infrastructure development and ensure safe learning in schools, I propose to the National Assembly to effect a budget allocation of Ksh6 billion for primary schools' and secondary schools' infrastructure, including classrooms for junior secondary schools; and Ksh1.9 billion for construction and equipment of technical training institutes and vocational training centres. Further, Ksh1.8 billion is proposed to increase access and improve the quality of technical and vocational education training programmes under the East Africa Skills Transformation and Regional Integration Project. I propose to the National Assembly to effect budget allocations to the education sector to include Ksh316.7 billion for Teachers' Service Commission, Ksh97.5 billion for university education, Ksh30.3 billion for Higher Education Loans Board, Ksh2.7 billion for Kenya Secondary Education Quality Improvement Project, and Ksh5.2 billion capitation for TVET students. A sum of Ksh980 million is proposed for Technical Vocational Education Training and Entrepreneurship, Ksh1.5 billion for promotion of youth employment and vocational training, and Ksh749 million for research, science, technology and innovation.

Hon. Speaker, let me now move to supporting manufacturing for job creation. In order to improve productivity in the manufacturing sector, as earlier indicated, the Government has adopted the value chain approach through the Bottom-Up Economic Transformation Agenda. This will address bottlenecks that impede the growth of the manufacturing sector in order to create jobs and enhance the economy's competitiveness. To further promote local industries, I propose to the National Assembly to effect a budget allocation of Ksh26.9 billion under the various implementing Ministries, Departments and Agencies. Out of this allocation, Ksh4.7 billion will support establishment of County Integrated Agro-Industrial Parks, Ksh3 billion will be used for construction of six Export Processing Zones flagship projects, Ksh3.1 billion for supporting access to Finance and Enterprise Recovery Project, Ksh500 million for the development of Special Economic Zones Textile Park in Naivasha, and Ksh1.8 billion for the construction of an effluent treatment plant at Kinanie.

In addition, in order to maximise the benefits from our cash crops, the Government will make further investment towards the revival of enhancement of output. In this respect, I propose to the National Assembly to effect a budget allocation to the revitalisation of cash crops - Ksh120 million for cotton, Ksh62 million for coconut, Ksh35 million for cashew-nuts, and Ksh150 for pyrethrum. I also propose to the National Assembly to effect a budget allocation of Ksh100 million for the modernisation of co-operative cotton ginneries, Ksh134 million for the National Edible Oils Crop Promotion Project, and Ksh270 million for Sugar Reforms Support Project.

Hon. Speaker, to equip the youth with essential internship opportunities, I propose to the National Assembly to effect a budget allocation of Ksh1.5 billion for the Kenya Industry and Entrepreneurship Project, Ksh300 million for the Kenya Youth Employment and Opportunities Project, Ksh332 million for the construction of industrial research laboratories and Ksh182.9 million for the Constituencies Industrial Development Centres.

(Applause)

Hon. Speaker, let me now turn to improving security. As we all know, security is critical for creating a safe environment for investment and protection of our citizens and their properties. For this reason, I propose to the National Assembly to effect a budget allocation of Ksh338.2 billion to support operations by the Kenya Defence Forces, the National Police Service, the National Intelligence Service and the Prison Services. The proposed allocation includes Ksh144.9 billion for the Kenya Defence Forces, Ksh98.6 billion for the National

Police Service, Ksh44.3 billion for the National Intelligence Service and Ksh31.3 billion for the Prison Services. I have also proposed Ksh8.8 billion for leasing police motor vehicles. To better equip the National Police Service, I have proposed an initial allocation of Ksh500 million for the police modernisation programme. I will later be requesting this august House for enhanced funding approval once the ongoing discussions on a comprehensive police modernisation programme are concluded.

In addition, to step up the war on crime and enhance support to the administration of justice, I propose to the National Assembly to effect a budget allocation of Ksh856 million to equip the National Forensic Laboratory. The improvement of the welfare of our disciplined forces is at the centre of the Kenya Kwanza Administration. To improve housing and accommodation for our Defence Forces, we shall fast track the delivery of staff houses through the Public Private Partnership (PPP) framework. We have already allowed the Kenya Defence Forces to retain the Ksh534 million currently collected from rental income, and apply it towards repayment of houses once complete.

In addition, as you are aware, His Excellency the President appointed a task force to review the terms and conditions of service of police officers, the Kenya Prisons Service, and the National Youth Service. We shall be presenting a funding proposal to this House once the discussions are concluded and adopted within government. Other proposed allocations include Ksh2.9 billion for group personal insurance for the National Police Service, the Kenya Prisons Service, and Ksh5.8 billion for medical insurance for the National Police Service and the Kenya Prisons Service.

Hon. Speaker, I will now move to protecting vulnerable groups. At the heart of the Government's development agenda is inclusion in society and employment opportunities for vulnerable members of society. In this regard, I propose to the National Assembly to effect a Budget allocation of Ksh38.2 billion for social protection and affirmative action in this Budget. Out of this proposed allocation, Ksh18 billion will cater for cash transfers to elderly persons, Ksh7.9 billion for orphans and vulnerable children, and Ksh1.2 billion for persons with severe disabilities. To ensure the elderly and other vulnerable groups under the Cash Transfer Programme do not take long waiting for their cash, we will prioritise payment by cash transfers alongside monthly Government payrolls as and when it is due.

The proposed allocation to vulnerable members of our society also includes Ksh5.6 billion for the Kenya Hunger Safety Net Programme and Ksh3.3 billion for the Kenya Social and Economic Inclusion Project. In addition, Ksh900 million will go to the Child Welfare Society of Kenya, Ksh400 million to the Presidential Bursary Fund for Orphans, and Ksh459 million for the National Development Fund for Persons with Disabilities. These allocations shall remain ring-fenced from any budgetary rationalisation. They will be fully funded in order to achieve the desired results.

Hon. Speaker, let me turn to equity, poverty reduction, women and youth empowerment programmes. The most pressing challenge in our country at the moment is lack of job opportunities for the youths. This has been exacerbated by the hard economic times following several negative shocks explained earlier in this Statement. In order to empower the youth and support businesses owned by youths and women, I propose to the National Assembly to effect a budget allocation of Ksh81.9 billion for these initiatives.

The proposed allocations include Ksh13.1 billion for the National Youth Service; Ksh602 million for the Kenya Youth Empowerment and Opportunities Project; Ksh300 million for establishment of Youth Empowerment Centres, and Ksh229.7 million to implement the Vijana Vuka na Afya (VIVA) Youth Programme. To support the film industry, I propose to the National Assembly to effect budget allocations of Ksh100 million to strengthen the film industry in Kenya, Ksh49 million for film location mapping, and Ksh100 million for the Kenya Film School.

Hon. Speaker, women participation in key sectors of our economy is critical. For this reason, the Government will sustain increased incomes for women through employment creation and supporting women-led enterprises. Further, we will strengthen women participation in decision-making in our governance and political institutions as well as reduce sexual and gender-based violence, and provision of affordable health services. To further empower our women, I propose to the National Assembly to effect a budget allocation of Ksh245 million to strengthen prevention and response to gender-based violence in Kenya. I propose an allocation of Ksh3 billion to the National Government Affirmative Action Fund (NGAAF).

To promote global equity, reduce poverty, and embrace social development, I propose to the National Assembly to effect budget allocations of Ksh53.5 billion to the National Government Constituencies Fund (NG-CDF) as well as Ksh10.9 billion to the Equalisation Fund to finance programmes in previously marginalised areas.

(Applause)

Hon. Speaker, let me now turn to stimulating growth of tourism, sports, culture, recreation and the arts. The Government has prioritised expanding the space for creativity, including freedom of expression and protection of intellectual property rights. We will also strengthen mainstreaming of arts and culture infrastructure and support cultural production and the creative economy. We are also cognisant of the brand value of Kenyans participating and excelling in the international sports arena as of ultimate importance to us. To support tourism, sports, culture and recreation, I propose to the National Assembly to effect a budget allocation of Ksh12.5 billion. This includes an allocation of Ksh6.4 billion under the Sports, Arts and Social Development Fund, Ksh4.1 billion to the Tourism Fund, and Ksh2 billion to the Tourism Promotion Fund.

Hon. Speaker, let me turn to environmental protection, water and natural resources. Environmental conservation and response to impacts of climate change are at the centre of the Government's socio-economic transformation agenda. To expand access to clean and adequate water for domestic and agricultural use, I propose to the National Assembly to effect a budget allocation of Ksh43.3 billion for water and sewerage infrastructure development, Ksh12.4 billion for water resources management, and Ksh.1.6 billion for water storage and flood control. In addition, I propose Ksh.19.7 billion for irrigation and land reclamation, and Ksh1.9 billion for water harvesting and storage for irrigation.

In order to support the environment and water conservation and respond to climate change, I propose to the National Assembly to effect a budget allocation of Ksh14.4 billion for forests and water towers conservation; Ksh3.8 billion for environment management and protection; Ksh3.6 billion for financing locally-led climate action projects, and Ksh1.5 billion for meteorological services. In addition, I have proposed an allocation of Ksh1.1 billion for human-wildlife conflict compensation; Ksh800 million for wildlife insurance; Ksh400 million for maintenance of access roads and airstrips in parks; Ksh319 million for drilling of boreholes in protected areas for provision of water for wildlife; and Ksh226 million for wildlife research facilities.

Turning to improvement of governance and sustaining the fight against corruption, the Government is committed to scale up the implementation of the provisions of the Constitution of Kenya, 2010, strengthen the rule of law, increase access to justice and ensure respect of human rights. To enhance good governance and scale up the fight against corruption, I propose to the National Assembly to effect budget allocations of Ksh3.9 billion for Ethics and Anti-Corruption Commission (EACC); Ksh3.6 billion for the Office of the Director of Public

Prosecutions (OPP); Ksh8 billion for the Criminal Investigations Services; and Ksh8 billion for the Office of the Auditor-General.

In addition, to embrace the oversight and legislative role of Parliament and access to justice, I propose to the National Assembly to effect a budget allocation of Ksh41 billion for Parliament, and Ksh23.2 billion for the Judiciary.

On completion of planned projects, in order to ensure value for money and timely realisation of benefits accruing from budgetary allocation and implementation of planned projects, Ministries, Departments and Agencies have identified projects for completion in the course of the financial year. The projects will be fast-tracked and protected from any budgetary adjustments. The National Assembly is requested to support this endeavour as this is consistent with the resolution of this House.

On transfer of resources from the National Government to the county governments, the county governments will receive a proposed allocation of Ksh385.4 billion as equitable share for the Financial Year 2023/2024. This is 23 per cent of the Financial Year 2019/2020 shareable revenue, which is the most recent audited and approved revenue by the National Assembly. This is above the minimum threshold required under Article 203(2) of the Constitution. In addition, on the county equitable share, the county governments will receive additional conditional and non-conditional allocations amounting to Ksh56.7 billion. This brings the total allocation to the county governments in the Financial Year 2023/2024 to Ksh442.1 billion. Part of this include Ksh425 million for the transfer of library services being a devolved function; Ksh2.9 billion as outstanding mineral royalties share to 32 county governments as stipulated in the Mining Act, 2016; and a consolidated grant of Ksh100 million per county for the aggregated industrial parks programme, which is meant to assist farmers in value addition and market access for their products.

Eminent to the Equalisation Fund in line with Article 204(1) of the Constitution of Kenya, Ksh7.9 billion has been allocated under the Equalisation Fund in the Financial Year 2023/2024. This represents 0.5 per cent of the Finance Year 2019/2020 Revenue, which is the most recent audited and approved revenue by the National Assembly.

In addition to this, we have allocated Ksh3 billion to cater for arrears for the previous years, bringing the total allocation under the Equalisation Fund to Ksh10.9 billion. Eminent to transfer of functions between the national Government and county governments, the National Treasury and Economic Planning, in collaboration with the Council of Governors and other institutions, developed a draft legislation to operationalise Articles 187 and 189 of the Constitution. This is on transfer of functions and cooperation between the Government and the county governments, and between county governments themselves. The proposed legislation has gone through public participation with County Government Executives, County Assemblies, and development partners, among others. I will shortly submit the Bill for Cabinet approval and onward transmission to Parliament.

Hon. Speaker, let me now turn to measures to enhance county governments' source revenue. The National Treasury and Economic Planning, the State Department of Lands, the Council of Governors and other stakeholders have developed the National Rating Bill, 2022, which went through the First Reading on 8th March 2023 in the National Assembly and thereafter submitted to the Departmental Committee on Lands in the National Assembly. The Bill provides, among other things, standards in the way rating and valuation is conducted in the country; how to deal with the properties' cross-cutting in more than one county government, procedure for claiming and payment of Contribution in Lieu of Rates (CILOR); and timely updating of valuation rolls by the county governments. More importantly, the Bill will repeal the outdated Valuation for Rating Act, Cap 266 and Rating Act, Cap 267 and align property rating legal regime with the devolved system of governance. Our appeal to the House is to consider and fast-track this Bill to unlock revenue potential to the county governments from property taxation as envisaged in Article 203(3).

Hon. Speaker, let me now turn to sharing of mineral royalty revenues. The Mining Act, 2016 assigns 70 per cent of the mineral royalties collected from mining companies to the national Government, 20 per cent to county governments and 10 per cent to communities. Since 2016, county governments and communities have not received their share of these royalties. To address this matter, I have submitted a framework for sharing Ksh2.9 billion shillings among 32 county governments for mineral royalties outstanding as at 30th June 2022 for consideration and approval by Parliament.

During the Intergovernmental Budget and Economic Council (IBEC)'s 17th Ordinary Session held on 31st May 2022, the IBEC considered and adopted a report and a framework for sharing of funds arising from contravention of county government legislation. In the next financial year, the National Treasury has proposed Ksh108 million to be shared among the beneficiary county governments. Enhancement of county governments has its own challenges. One such challenge is multiplicity of fees and charges imposed by county governments that increase the cost of doing business and negatively impacts on our competitiveness as a country.

Some county governments have imposed charges in a way that prejudices national economic policies, economic activities across county boundaries, or the national mobility of goods, services, capital or labour. As a result, the Ministry of National Treasury and Economic Planning has received many complaints from ministries, departments, State agencies, and the private sector relating to the un-coordinated manner in which counties are imposing multiple fees and charges.

Some neighbouring countries have complained that some of the charges imposed by county governments are against the East African Community (EAC) Customs Management Act and the EAC Common Market Protocol and may result in retaliatory measures and trade disruptions between Kenya and other partner States in the EAC. To address those issues, the Ministry of National Treasury and Economic Planning has re-submitted the County Governments (Revenue Raising Process) Bill, 2023 to Parliament for consideration and enactment. I urge this House to expedite the enactment of this Bill to promote our country's competitiveness in doing business and open up the country for investment.

Hon. Speaker, I will now turn to taxation measures focusing on tax policy measures aimed at generating revenue to finance the Financial Year 2023/2024 Budget. I will begin by highlighting key measures on custom duty as agreed by the ministers responsible for finance and economic affairs in the EAC during the pre-budget consultations meeting held in Arusha in May 2023. During the EAC Pre-Budget Consultations Meeting, the ministers noted the significant contribution of the manufacturing sector to job creation and economic growth in the region. Therefore, the ministers agreed on measures to prevent the proliferation of cheap imports into the region to protect local manufacturers from unfair competition and enable them to access raw materials and inputs at affordable prices. The agreed custom measures shall become effective from 1st July 2023.

One of the success stories of the EAC is the establishment of the EAC Customs Union as a single customs territory. To streamline the importation of goods into the customs territory, the EAC completed the comprehensive review of the Common External Tariff. This has been under implementation since 1st July 2022. The revised Tariff has a four-tariff band structure compared with the earlier three-tariff band structure. In the new structure, raw materials/inputs and capital goods are imported duty-free; intermediate goods are imported at the rate of 10 per cent, while finished goods, which are not available in the region, are imported at 25 per cent. Finally, all finished goods available in the region in sufficient quantities attract a Common External Tariff rate of 35 per cent. The revised tariff bands are meant to cater for goods with long value chains which require differentiated rates to promote investments.

Despite rice and wheat being among the staple food items in our countries, Kenya's production of those food items does not meet domestic demand. To meet domestic demand, Kenya will import rice at a rate of 35 per cent instead of 75 per cent under the EAC Common External Tariff. Further, to ensure that there is enough wheat to meet local demand while at the same time protecting wheat farmers from unfair competition from imported wheat, Kenya will import wheat under the EAC Duty Remission Scheme at 10 per cent instead of 35 per cent. The importation of wheat will be undertaken upon the recommendation by the Ministry of Agriculture and Livestock Development, which will ensure that wheat millers, as a priority, purchase local wheat before they are allowed to import.

In order to support local automotive assembly in the region, the EAC partner states agreed to continue importing raw materials to manufacture parts used in the assembly of motor vehicles, especially leaf springs, radiators and wiring harnesses under duty remission. In addition, the region agreed to extend the importation of Completely Knocked Down kits for the assembly of motorcycles at 10 per cent under duty remission as the region awaits the finalisation of the EAC Assembly Regulations.

Kenya has sufficient capacity to manufacture various products in the metal and allied sub-sector, thus providing employment opportunities to many Kenyans. To continue safeguarding this subsector, EAC ministers agreed that imported iron and steel products shall continue attracting a duty rate of 35 per cent with the corresponding specific rates for a further one year for Kenya.

Our hardworking farmers are capable of producing enough food to satisfy domestic demand. In particular, local demand for most vegetable products has been adequately served by our farm produce over the years. To protect those farmers from cheap imports, Kenya has been allowed to extend the import duty rate of 35 per cent, in addition to the specific import duty rates on vegetable products for a further one year.

The high cost of inputs of animal feeds coupled with other factors like unfavourable weather conditions make locally manufactured animal feeds expensive and, hence, contribute to food inflation. To promote local manufacturing and make animal feeds affordable to farmers, Kenyans will import inputs for the manufacture of animal feed duty-free under the EAC Duty Remission Scheme for one year.

Last year, we allowed manufacturers of baby diapers to access inputs for the manufacture of baby diapers duty-free. This was meant to lower the cost of manufacturing those essential products. I am happy to note that many companies have responded to this incentive by increasing production. To continue making those products affordable for our babies, EAC ministers allowed Kenya to extend the duty-free importation of inputs for the manufacture of baby diapers for a further one year. Moreover, to protect those manufacturers from competition from imported products, the region allowed Kenya to extend charging imported baby diapers at 35 per cent for a further one year.

The leather industry is one of the priority value chains under the Bottom-Up Economic Transformation Agenda. To support local value addition and protect the industry from unfair competition, the EAC partner states agreed to retain import duty on imported leather and footwear products at a rate of 35 per cent. In addition, Kenya was allowed to extend the duty-free importation of raw materials and inputs for the manufacture of footwear products.

Kenya has adequate capacity to meet local demand for roofing tiles. To facilitate access to Kenyan-made roofing tiles at affordable prices, Kenya was granted an extension of a duty-free window for importing inputs for the manufacture of roofing tiles for a further one year.

To protect Kenyan producers of paper and paper products from the proliferation of cheap imports, Kenya was allowed to import those goods at a rate of 35 per cent for the next one year. To protect local production of safety matches, particle boards and plywood, among other goods of timber, Kenya was allowed to extend the charging of specific rates of import duty in addition to ad valorem duty ranging from US$120 per metric tonne to US$200 per metric tonne on those goods. This is also meant to curb the under-valuation of the goods and safeguard revenues. Further, Kenya was allowed to charge a rate of 45 per cent on imported furniture to protect local manufacturers and producers.

Kenya has sufficient capacity to manufacture plastic and rubber products to supply domestic and regional markets. To protect local manufacturers, Kenya was allowed to impose an import duty rate of 35 per cent on those goods for one year instead of 25 per cent.

To protect the local assembly of smartphones and other mobile phones, Kenya was allowed to extend the import duty rate of 25 per cent on smartphones and other telephones for cellular networks or other wireless networks for one year. Further, Kenya was allowed to extend duty-free importation of inputs for the assembly of smartphones and other cellular phones.

Kenya has the capacity to produce billets for the manufacture of wire rods and other similar products to meet local demand. To protect the local manufacturers of those goods, Kenya was allowed to charge an import duty of 10 per cent on billets.

Hon. Speaker, I now turn to the tax measures proposed in the Finance Bill 2023. Let me start with the amendments to the Value Added Tax Act 2013. The high cost of Liquefied Petroleum Gas (LPG) contributes to the escalating cost of living and continued use of firewood and charcoal, which negatively affects our forest cover. To make LPG affordable, promote its uptake and encourage the use of clean energy sources, I am proposing to the National Assembly to zero-rate VAT on LPG.

(Applause)

Currently, exported services are subject to VAT at the rate of 16 per cent. This has caused an increase in the cost of exported services, hence affecting the competitiveness of our services in the global market. To increase competitiveness and encourage the exportation of taxable services, I propose to the National Assembly to remove VAT on exported taxable services.

Currently, tea purchased for local value addition, either from the factories or tea auction centres, is vatable. This affects the cash flows of tea exporters. To encourage local value addition of our tea, I propose to the National Assembly to remove VAT on tea purchased from factories or tea auction centres for value addition and subsequent export. This will improve cash flows for tea exporters involved in local value addition.

Hon. Speaker, currently, helicopters, aeroplanes and other aircraft of unladen weight not exceeding 2,000 kgs are subject to VAT. Further, some spare parts of tariff number 8803 are expressly exempt from VAT. However, VAT exemption on any other aircraft spare parts imported by aircraft operators or persons engaged in the business of aircraft maintenance is contingent upon recommendation by the competent authority responsible for civil aviation. This process creates an administrative burden on the taxpayer to comply with the requirements. We have also noted that the cost of aircraft maintenance and training activities has been high, prompting airlines to prefer undertaking those activities in other jurisdictions. To ease the process of VAT exemption of aircraft spare parts and encourage investment in this area, I propose to the National Assembly to remove VAT on all aircraft, simulators for training our pilots and aircraft spare parts. This proposal to expressly exempt all aircraft and spare parts of Chapter 88 from VAT will spur growth in the aviation sector and reduce the administrative burden of accessing its VAT exemption.

The international best practice is to charge VAT on all goods and services, especially those that have undergone some form of processing. This is not the case in our VAT regime, as some goods that have undergone some processing are exempted from VAT, while others are zero-rated. This has impacted the tax expenditure. To bring down the tax expenditure and also align with the international best practices, I propose to the National Assembly to rationalise goods and services in the First and Second Schedules of the VAT Act by transferring some goods and services from zero-rating to exempt status and from exempt status to taxable at the standard rate.

Over the years, petroleum products have received preferential tax treatment, gradually transitioning from exempt status in 2013 to 2018 and 8 per cent from 2019 to date. This is irrespective of the fact that suppliers of petroleum products claim other input tax at the general rate of 16 per cent. This means that the Government has been sharing the input tax burden with the businesses by subsidising the difference between the general rate of 16 per cent and the preferential rate of 8 per cent. As a result of those practices and outcomes, the oil marketers have been in a perpetual credit position and not paying VAT to the Exchequer. This practice is discriminatory as businesses in other sectors of the economy bear the input tax by recovering the same from output VAT charged on the final consumer.

Hon. Speaker, on reviewing the VAT rate on petroleum products to the standard rate, such businesses would, at the outset, recover the VAT credits that they have been carrying forward over the years, and Government would end up collecting VAT after some time. If the anomaly is not corrected at the earliest stage, the build-up of credits will continue to increase. If the Government seeks to charge VAT at the standard rate in future, it will take years for them to collect the much-needed revenue from this sector since the credits have to be exhausted before the businesses start paying VAT. The continued practice by the Government to subsidise the cost of fuel by levying a preferential rate of 8 per cent distorts the market. Yet, the economy should be operating on the principles of demand and supply. In this respect, I propose to the National Assembly to amend the VAT Act to remove the preferential rate on petroleum products so that the products will be subject to a standard VAT rate of 16 per cent.

The blue economy remains largely untapped, despite its huge potential. This is particularly due to low investments in maritime activities over the years. In order to spur investment and attract international sea freight in this sector, I propose to the National Assembly to zero rate inbound international sea freight offered by registered persons. The Government will continue exploring ways of providing more incentives to promote investment in this sector.

Currently, machinery used by pharmaceutical companies is exempt from VAT on importation. This is meant to complement the Government's efforts to ensure that all Kenyans have access to affordable healthcare. However, we have received numerous petitions to extend the exemption to locally purchased machinery to further boost access to healthcare services. In this regard, I propose to the National Assembly to amend the VAT Act to extend the exemption to machinery and equipment purchased locally for use in the manufacture of pharmaceuticals.

In order to address the escalation of tax expenditures and foster prudent utilisation of fiscal resources, I propose to the National Assembly to remove VAT exemptions in respect of taxable services supplied for the construction of specialised hospitals, goods and services for the construction of tourist facilities, goods worth more than Ksh2 billion purchased by manufacturers as well as plant machinery and equipment used in the construction of plastic recycling plants.

Currently, business transfer as a going concern is subject to VAT at a standard rate. Taxpayers have raised concerns that this discourages business re-organisation and the sale of the business. In this regard, I propose to the National Assembly to amend the VAT Act to exempt business transfers as a going concern. This is expected to encourage mergers and acquisitions, boosting business growth and efficiency.

Hon. Speaker, I now turn to proposed amendments to the Excise Duty Act, 2015. The Act provides for the remittance of Excise Duty to KRA by the 20th day of the following month.

In this era of technology, there is no justifiable reason to wait 20 days to report transactions to KRA. In order to cure the delay, I propose to the National Assembly to amend the Act to provide for the remittance of Excise Duty on betting and gaming activities within 24 hours after the closure of transactions.

(Applause)

Betting, gaming, prize competitions and lotteries are addictive in nature and have negative socio-economic effects on society. To discourage participation in those activities by Kenyans, especially school-going children, I propose to the National Assembly to increase the rate of Excise Duty on betting, gaming, prize competition and lotteries from the current rate of 7.5 per cent to 12.5 per cent.

There has been an increase in the importation of fish into the country, which has negatively affected the local fish industry. To promote and protect the local fish industry, which provides livelihood to many Kenyans, I propose to the National Assembly to introduce Excise Duty on imported fish at Ksh100,000 per metric tonne or 10 per cent of the excisable value, whichever is higher.

(Applause)

The Government charges specific Excise Duty on juices per litre. However, the supply of juices in powder form has increased. Based on the current tax regime on juices, powdered juice is not subject to Excise Duty. This creates an unfairness in the taxation of juices. In order to cure this problem and create a level-playing field, I propose to the National Assembly to introduce Excise Duty on powdered juice at a rate of Ksh25 per kilogramme.

Currently, specific Excise Duty rates are subject to annual adjustments for inflation. However, taxpayers are concerned with the frequent changes in specific Excise Duty rates through annual adjustments, creating uncertainty in prices and distorting the markets. In order to create certainty in the Excise Tax regime, I propose to the National Assembly to repeal the provision for annual adjustment for inflation.

Sugar consumption has been associated with various ailments, such as diabetes, which has become common in many families.

(Laughter)

To discourage sugar consumption, I propose to the National Assembly to introduce Excise Duty on imported sugar at Ksh5 per kilogramme, excluding sugar imported or purchased locally by registered pharmaceutical manufacturers for use in pharmaceutical products.

Consumption of alcohol, betting, gaming, lottery and prize competitions are extremely addictive and result in harmful repercussions in society, especially for the youth. In order to discourage those activities and consumption of alcoholic beverages, I propose to the National Assembly to introduce an Excise Duty at the rate of 15 per cent of the excisable value on fees charged on advertisements through television, print media, billboard and radio in promoting the same.

(Applause)

To promote inclusion and enhance access to internet data services, I propose to the National Assembly to reduce Excise Duty from 20 per cent to 15 per cent in respect of fees charged for telephone, internet data and money transfer by banks, money transfer agencies, and other financial service providers. In the same spirit, I propose to the National Assembly to reduce Excise Duty from 12 to 10 per cent of the excisable value of fees charged for money transfer services by cellular phone or payment service providers licensed under the National Payment System. This will encourage retail transactions at a more affordable rate and promote economic activity at Micro-Medium and Small Enterprises (MSME) and individual levels.

Locally produced cement has been facing stiff competition from imported cement. To protect and promote this industry, I propose to the National Assembly to introduce Excise Duty on imported cement at 10 per cent of the excisable value or Ksh1.50 per kilogramme, whichever is higher.

There has been an increase in importation of furniture, especially office furniture. This has negatively affected local carpenters and artisans, considering there is enough local capacity to make furniture. In order to protect local carpenters and artisans, I propose to the National Assembly to impose an Excise Duty on imported furniture at a rate of 30 per cent of the customs value, excluding the furniture originating from EAC countries.

Kenya has sufficient local capacity to produce paints, varnishes and lacquers. However, the proliferation of cheap imports has reduced the competitiveness of locally produced paints, varnishes and all associated products. To protect local paint manufacturers, I propose to the National Assembly to introduce Excise Duty at 15 per cent of the excisable value on imported paints, varnishes and similar products.

Hon. Speaker, I will now turn to amendments to the Income Tax Act. Let me highlight the changes proposed under the Income Tax Act. The current interest deduction restriction based on earnings before interest, taxes, depreciation and amortisation was introduced in 2021 to discourage tax planning. This restriction currently applies to both local and foreign financial institutions.

Hon. Speaker, I have received proposals from taxpayers who borrow loans from local financial institutions indicating that the restriction discourages their access to credit. To address this concern, I propose to the National Assembly to exclude interest on loans borrowed from local financial institutions from interest deduction restrictions.

In addition, Hon. Speaker, where interest on loans borrowed from non-residents is disallowed, I propose to the National Assembly to allow businesses to carry forward that interest for deductions in the next five subsequent years. This will align with the international best practice.

Hon. Speaker, in 2016, the Government introduced a simplified tax regime that requires landlords to pay tax on residential rental income at the rate of 10 per cent per month. To enhance compliance and encourage more landlords to pay tax under this regime, I propose to the National Assembly to reduce the tax rate for this regime from 10 per cent to 7.5 per cent per month.

(Applause)

Hon. Speaker, to support start-up companies, I propose to the National Assembly to amend the Income Tax Act to defer the taxation of gains on shares offered to employees in lieu of their salaries in a start-up company for five years or till the date employment ceases or till the date of sale of the shares, whichever comes earlier.

Hon. Speaker, upon retirement, most senior citizens have no access to medical cover and spend their little savings on healthcare services. To encourage employees to save for their post-retirement medical needs, I propose to the National Assembly to provide tax relief of 15 per cent of the contributions to a Post-Retirement Medical Fund or Ksh5,000 per month, whichever is lower.

(Applause)

In addition, Hon. Speaker, I propose to the National Assembly to exempt the investment income earned by Post-Retirement Medical Fund from Income Tax. This will reduce pressure on Government expenditure on medical care and accord retirees access to dignified healthcare.

Hon. Speaker, we have noted that family members have been using an exemption from Capital Gain Tax on transfers of property between related persons as an avenue to reduce their tax liability. To remedy the situation, I propose to the National Assembly to change the base of Capital Gain Tax from the sale of the property to the original cost before the transfer to the family member in instances where a property is transferred to a third party within a period of less than five years.

Hon. Speaker, despite the advantages brought about by digital platforms, the transactions usually conducted under the platforms are not in the tax net. I propose to the National Assembly to introduce a Digital Asset Tax at the rate of 3 per cent on the value of the digital asset transferred or exchanged.

Hon. Speaker, to further create equity and fairness, I propose to the National Assembly to introduce Withholding Tax at the rate of 5 per cent of the gross payment with respect to digital content monetisation. This will apply to incomes generated through media and digital platforms.

Hon. Speaker, currently, non-residents pay Withholding Tax on payments with respect to sales promotion, marketing and advertising services. To harmonise taxation treatment for residents and non-residents and ensure equity, I propose to the National Assembly to introduce Withholding Tax on the same services to residents at the same rate of 5 per cent of the gross amount.

Hon. Speaker, resident companies currently pay 30 per cent Corporate Tax while non-residents with permanent establishments pay 37.5 per cent on their gains or profit. This creates an impression that Kenya discriminates between residents and non-residents. To harmonise taxation treatment for residents and non-resident companies, I propose to the National Assembly to reduce the Corporate Tax rate for non-residents from 37.5 per cent to 30 per cent. Further, to ensure a level playing field, I propose to the National Assembly to introduce a tax on repatriated profits at a rate of 15 per cent, equal to the rate charged on dividends paid to non-residents.

Hon. Speaker, businesses deduct the diminution value of implements, utensils or similar articles used in the production process over a period of three years in the determination of taxable profits. To increase working capital for business, I propose to the National Assembly to amend the Income Tax Act to provide for a 100 per cent investment deduction of the value of those items in the first year of use.

Hon. Speaker, in 2020, the Government implemented various measures to cushion businesses from the adverse effects of the COVID-19 Pandemic; this included providing tax incentives during the period. With the easing of the COVID-19 Pandemic and the recovery of businesses, I propose to the National Assembly to lower the upper threshold for Turnover Tax from Ksh50 million to Ksh25 million and retain the lower threshold at Ksh1 million. In addition, I propose to the National Assembly that the Turnover Tax rate for this sector be at 3 per cent.

Hon. Speaker, last year, the Government provided various tax incentives to promote local manufacturing of human vaccines. To further support those manufacturers, I propose to the National Assembly to exempt the manufacturers in this sector from Withholding Tax on interest and royalties paid to non-residents.

Hon. Speaker, the current PAYE tax structure has three rates and bands applicable to 3.3 million employees. The bands are as follows: 10 per cent is applied to incomes up to

Ksh24,000 per month; 25 per cent is applied to the next Ksh8,333 per month, while 30 per cent is applied to incomes above Ksh32,333 per month.

Hon. Speaker, employees who fall under the first category who constitute about 42.5 per cent of the total employed workforce and earn a maximum of Ksh24,000 per month, do not pay any tax to the Government as the tax computed from this income is equal to the relief of Ksh2,400 per month under the Act.

The second category of employees constitute 37.2 per cent of the total working population and earn incomes of between Ksh24,000 and Ksh32,333 per month, pay tax at a rate of 25 per cent. The third category of employees that form 20.4 per cent of the total employees earn incomes above Ksh32,333 per month and pay tax at the highest rate of 30 per cent.

Hon. Speaker, the tax structure for PAYE means that the tax burden falls on 57.6 per cent of the total employed worker force. The tax structure is, therefore, regressive as an individual employee earning income above Ksh32,333 per month falls within the upper tax band at the rate of 30 per cent, leaving no significant gap between employees who do not pay tax as a result of tax relief and those earning higher incomes. In this respect, we have to review this taxation structure to make the tax bands more progressive, thus sharing the tax burden more uniformly across income groups.

As a start on this journey, I propose to the National Assembly to introduce two additional tax bands. A fourth band will be applicable to employees earning incomes between Ksh500,000 and Ksh800,000 per month at the rate of 32.5 per cent, and a fifth band will be applicable to employees earning incomes above Ksh800,000 per month at the rate of 35 per cent. As a result of this change, the employees who will pay tax at 30 per cent will be 19.5 per cent, while the two new tax bands will affect 26,676 employees who constitute about 0.8 per cent of total employed workers in the country.

We shall continue to review that PAYE structure to make it as progressive as possible and re-distribute the burden of tax incidence. Measures to enhance tax administration will be through the amendments to the Tax Procedures Act, 2015. Currently, KRA has no visibility on the transactions of trust largely due to a lack of requirement to report by trustees. This makes it difficult to ascertain the tax payable on the incomes paid to beneficiaries of trusts. In this regard, I propose to the National Assembly to amend the Tax Procedures Act to require all trustees administering trusts in Kenya to maintain and avail records required by Kenya Revenue Authority.

Hon. Speaker, to enhance tax compliance by use of technology, I propose to the National Assembly to amend the Tax Procedures Act, 2015, to require taxpayers to issue electronically generated tax invoices which can be tracked and traced through an Electronic Tax Invoice Management System (eTIMS). To streamline the tax administration and remove the pressure to abandon taxes and grant waivers of tax, I propose to the National Assembly to amend the Tax Procedures Act, 2015 to remove powers to abandon tax and waivers on penalties and interest that currently exist in the Act. To encourage taxpayers to pay outstanding tax debts, I propose to the National Assembly to introduce a one-year tax amnesty on penalties and interest on the accrued tax debts up to 31st December 2022. To benefit from the amnesty, taxpayers will be expected to clear principal taxes between 1st September 2023 and 30th June 2024. I urge all taxpayers to take advantage of the one-year amnesty to clean their tax ledgers by paying all their tax arrears.

Hon. Speaker, to enhance the power of the Commissioner-General to collect taxes from non-compliant taxpayers using agency notices, I propose to the National Assembly to amend the Tax Procedures Act, 2015 to expand the scope of agency notices to cover default in payment of instalment taxes, and in situations where a taxpayer has made a self-assessment and submitted tax returns, but has failed to pay the tax on the due date.

Submission of manual tax information to the Commissioner-General poses administrative challenges and delays decision-making. Therefore, I propose to the National Assembly to amend the Tax Procedures Act 2015 to require the Commissioner-General to provide a data management and reporting system that will allow taxpayers to submit standardised transactional data in real time electronically.

Impersonation of KRA officers is an offence under the Penal Code and poses revenue risks. We have witnessed increased cases of impersonation of Kenya Revenue Authority officers. To curb this vice, I propose to the National Assembly to amend the Tax Procedures Act, 2015 to provide for offences and sanctions relating to the impersonation of Kenya Revenue Authority officers.

Hon. Speaker, to enhance efficiency in the administration of tax refunds and boost the cash flow of businesses, I propose to the National Assembly to amend the Tax Procedures Act, 2015 to allow taxpayers who over-pay taxes to utilise the over-paid tax to offset both outstanding tax debts and future tax liabilities. In addition, I propose to the National Assembly to amend the Tax Procedures Act, 2015 to provide an additional 30 days for the determination of complex tax cases. This will provide more time for the Commissioner General to complete the audit and investigation process for complex tax refund cases.

Further, I propose to the National Assembly to amend the Tax Procedures Act, 2015 to require Kenya Revenue Authority to pay approved refunds within six months. In instances where approved refunds are not paid within this period, I propose to the National Assembly to further amend the Tax Procedures Act, 2015 to automatically offset the approved refunds against outstanding tax liabilities in other tax heads or future tax liabilities.

Let me turn to the proposed amendments to the Miscellaneous Fees and Levies Act, 2016. I had earlier stated that the Government is committed to lower the cost of LPG. In addition to removing VAT on LPG, I propose to the National Assembly to remove Import Declaration Fees and Railway Development Levy on LPG.

The Kenya Defence Forces (KDF) and the National Police Service (NPS) are exempted from Import Declaration Fees and Railway Development Levy with respect to equipment, machinery and motor vehicles for their official use. However, this does not extend to other goods, such as material supplies for official use. In this regard, I propose to the National Assembly to extend the exemption to all goods purchased or imported for official use by the KDF and the NPS.

Hon. Speaker, the aviation sector is critical in supporting tourism and transporting passengers and cargo. Currently, some aircraft and parts of the aircraft are exempt from Import Declaration Fees and Railway Development Levies. To further support this industry, I propose that the National Assembly extend the exemption to cover all aircraft, helicopters, aircraft engines and spare parts. Currently, imported goods are subject to Import Declaration Fee at the rate of 3.5 per cent and Railway Development Levy at the rate of 2 per cent.

On the other hand, raw materials and inputs imported by registered manufacturers are subject to a lower rate of 1.5 per cent for both the Import Declaration Fee and Railway Development Levy. Those differentiated rates pose administrative challenges and are avenues for revenue loss. To address those challenges, I propose to the National Assembly to harmonise those rates at 2.5 per cent for Import Declaration Fee and 1.5 per cent for the Railway Development Levy, applicable to all goods imported into the country.

I now turn to amendments to Betting Gaming and Lotteries Act Cap 131. Currently, the KRA is yet to enforce tax collection from betting, gaming price competition and lotteries activities due to a lack of an enforcement provision in the Betting Gaming and Lotteries Act. In this regard, I propose to the National Assembly to amend this Act to allow KRA to apply the provisions of the Tax Procedures Act in enforcing tax collection.

Regarding amendments to the Employment Act, to provide funds for the development of affordable housing and associated social and physical infrastructure, as well as the provision of affordable home financing strategy, I propose to the National Assembly to introduce an affordable housing levy through an amendment of the Employment Act 2007 to provide a mandatory levy payable by the employer and the employee at 1.5 per cent per month for an employee's gross monthly salary.

Given that the construction industry is labour intensive, we expect every housing unit constructed will create new jobs, both direct and indirect, among the professionals, youth, Micro, Small & Medium Enterprises (MSMEs) in general along the production value chain of affordable housing.

To support enterprises and businesses operating in this special economic zone, Hon. Speaker, through Government support, the special economic zone and Export Processing Zone (EPZ) continue to position our manufacturing sector as pacesetters in the region through exports and manufactured goods. Presently, the goods sold from those zones to the domestic market are subjected to Import Duty and other applicable taxes similar to goods imported from outside the East African Community (EAC) region. That taxation does not differentiate whether the inputs or raw materials used to produce such goods originate from the customs territory or outside the customs territory. To enhance market access, I propose to the National Assembly to amend the Export Processing Zone Act and the Special Economic Zone Act to exempt from Import Duty goods produced from the Special Economic Zone and EPZ that use inputs or raw materials originating from the customs territory when sold into the domestic market. This will encourage enterprises operating in the zones to purchase raw materials or even inputs from the domestic market.

(Applause)

In conclusion, Hon. Speaker, it is clear that we face many socio-economic challenges. The global economy may take a long time before the output gap is closed, and the cost of living may take a long time to be felt. To address those challenges, the Government has initiated policy, legal and institutional reforms to address those issues. His Excellency the President has already led the way and, under his leadership, we have already laid a firm foundation for the Bottom-Up Economic Transformation Agenda. The policy spelt out in this Budget builds on the momentum for the envisaged transformation that will lead to improved livelihoods for all Kenyans. I, therefore, urge Kenyans to join hands in making this transformation journey a reality. Thankfully, our country is endowed with the necessary resources and human capital to confront the contemporary economic and social challenges to create momentum for not only a higher and sustainable growth trajectory, but also an inclusive growth trajectory that will also create decent jobs and reduce poverty significantly.

This Budget underpins the country's resolve and commitment to fulfil its social contract to Kenyans by progressively improving their welfare. At this point, allow me to express my sincere gratitude to His Excellency the President, Dr. William Samoei Ruto, the President of the Republic of Kenya and the Commander-in-Chief of Defence Forces and His Excellency the Deputy President, Hon. Gachagua, for their counsel, guidance and support during the entire process of laying the foundation for the Bottom-Up Economic Transformation Agenda and finalising this Budget.

(Applause)

I also thank Her Excellency Madam Rachael Ruto, the First Lady of the Republic of Kenya and Her Excellency Pastor Dorcas Gachagua, the Second Lady of the Republic of

Kenya, for their support and contribution to the implementation of Government initiatives, especially on the environment and climate change action, financial inclusion and women empowerment.

My special appreciation goes to the Prime Cabinet Secretary, the Attorney General, my fellow cabinet secretaries, their respective principal secretaries, accounting officers and staff in the Government, Ministries, Departments and Agencies (MDAs) for their support and contribution in making this Budget.

I also extend my gratitude to the Chairman of the Presidential Council of Economic Advisors, Dr. David Ndii and all economic advisors at the Council for their critical input and guidance in supporting the Bottom-Up Economic Transformation Agenda. This team used their diverse frontier knowledge and worked closely in developing the Kenya Kwanza administrative Manifesto - The Plan - in the run-up to the 2022 General Election. We have produced and pooled most of the materials for this policy outline from the Plan, and that guidance has been very critical.

More specifically, I gained a lot of support from my colleague and friend, Dr. Kamau Thugge, Senior Advisor and Head of Fiscal Affairs and Budget Policy at the Executive Office of the President. He is the Governor-designate for the Central Bank of Kenya (CBK). We congratulate him.

My sincere appreciation first, to the Hon. Speaker of the National Assembly and your counterpart in the Senate, the Hon. Leaders of Majority and Minority Parties and the entire House leadership, including the respective Clerks of the National Assembly for the approval process and the budget estimates for the Financial Year 2023 and related documents.

Secondly, to the Hon. Chairpersons and Members of both the Budget and Appropriation Committee, Finance and National Planning Committee and all Departmental Committees in this House that helped us and my team to finalise the budget propositions.

I recognise and appreciate the management and staff of the National Treasury and Economic Planning, who have worked tirelessly for long hours, including weekends, to ensure that this Budget and supporting documents meet the legal guidelines.

We appreciate contributions from KRA, CBK, the AG’s Office, Commissioner of Revenue Allocation, financial sector regulators and various agencies under the National Treasury and Economic Planning.

Fifth, my gratitude goes to our multi-lateral and bilateral development partners for their continued technical and financial support. Further, I thank the private sector for its sustained contribution to the growth of our economy and even contribution to debates in terms of tax measures and policies.

Sixth, I appreciate the media and non-state actors for their active engagement and participation in the Financial Year 2023/24 budget process.

Hon. Speaker, I remain immensely grateful to my family for their support and inspiration as I execute my duties as the Cabinet Secretary for National Treasury and Economic Planning since my appointment to this docket last year.

Finally, my utmost gratitude goes to all Kenyans for their contributions, proposals and suggestions received during the finalisation of the budget proposals. We covered acres of materials that provided propositions from Kenyans. We are happy that we have provided a synthesis and balance of what they presented.

Hon. Speaker, before I resume my seat, you will recall that I have already submitted to this House the Budget Estimates and the Finance Bill, 2023, together with the accompanying documents, as required by the Public Finance Management Act. Today, I further submit the following documents to the august House and request that you graciously receive them:

1. The Budget Statement for the Financial Year 2023/2024.
2. The Budget Policy Statement, 2023.

3. The Estimates of Revenue, Grants and Loans for the Financial Year 2023/2024 Budget.
4. The Financial Statement for the Financial Year 2023/2024 Budget.
5. The Medium-Term Debt Management Strategy.
6. The Budget Highlights - the *Mwananchi* Guide for the Financial Year 2023/2024 Budget.
7. The Statistical Annex to the Budget Statement for the Financial Year 2023/2024.

I present the remaining documents to you, Hon. Speaker.

(The Cabinet Secretary handed the documents to Hon. Speaker)

(Applause)

Thank you, Hon. Speaker. I now take my seat.

(Applause)

Hon. Speaker: Order, Hon. Members. I wish to thank the Cabinet Secretary for the National Treasury and Economic Planning for ably making a public pronouncement of the Budget Policy Highlights for the National Government for the Financial Year 2023/2024 and the Medium-Term and the Revenue-Raising Measures. It took three hours and 20 minutes, to be exact.

In this regard, I confirm that in conformity with provisions of Sections 39 and 39A of the Public Finance Management Act, 2012 and Standing Order 244C, the Cabinet Secretary has already submitted to the National Assembly the relevant legislative proposals necessary to actualise the revenue-raising measures to finance the 2023/2024 Budget. This has since culminated in the Finance Bill, 2023, which is under consideration by the House.

Hon. Members, it is my pleasure to invite all Members, the Cabinet Secretary for the National Treasury and Economic Planning, the Prime Cabinet Secretary, other Cabinet Secretaries, and all invited guests to a reception at the Parliament Courtyard.

ADJOURNMENT

Hon. Speaker: Hon. Members, the time being 6.24 p.m., the House now stands adjourned until Tuesday, 20th June 2023, at 2:30 p.m.

The House rose at 6.24 p.m.

Published by
Clerk of the National Assembly
Parliament Buildings
Nairobi