



REPUBLIC OF KENYA

Budget Statement

For the

Fiscal Year 2017/2018

(1st July – 30th June)

By

Mr. HENRY K. ROTICH, EGH

Cabinet Secretary for The National Treasury

March 30, 2017

**Theme: “*Creating Jobs, Delivering a Better Life
for All Kenyans*”**

**STATEMENT DELIVERED TO THE NATIONAL ASSEMBLY ON 30TH MARCH, 2017
BY MR. HENRY K. ROTICH, CABINET SECRETARY FOR THE NATIONAL
TREASURY, REPUBLIC OF KENYA, WHEN HIGHLIGHTING THE BUDGET POLICY
AND REVENUE RAISING MEASURES FOR FISCAL YEAR 2017/18**

1ST JULY, 2017 TO 30TH JUNE, 2018

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1. Introduction

1. **Mr. Speaker**, it is my singular pleasure to present the Budget for the FY 2017/18, the fifth Budget under the Jubilee Government. **Mr. Speaker**, this Budget is the first in our history to be presented before the month of June. **Mr. Speaker**, we have brought forward the reading of the Statement in order to allow the Honourable Members to approve the Appropriation Bill in time and focus on the elections scheduled for August 8, 2017.

2. **Mr. Speaker**, we have consulted our Partner States in the East African Community (EAC) on the timing of the budget presentation and have agreed that Kenya can proceed with an early presentation of the Budget while the other Partner States will present theirs at the same time in Mid-June 2017.

3. **Mr. Speaker**, mid this month, we were reminded, by His Excellency President Uhuru Kenyatta during his 2017 State of the Nation address in this Chamber, of an extraordinary Kenyan journey of four years of transformation, growth and deepening democracy. Kenyans are proud of these achievements as they have happened through collective participation, partnership and the usual dynamism of our private sector.

4. **Mr. Speaker**, four years ago, the Jubilee Administration inherited an economy which although had achieved several milestones, still had insufficient and expensive power with limited access, a century old railway, limited road network and port capacity, poorly equipped security forces, high maternal and child mortality, a poorly managed education sector, inadequate social protection for the poor and vulnerable, and disharmonized pay for public servants, among others. But today, and to use His Excellency the President's words again, "we celebrate a transformed Kenya."

5. **Mr. Speaker**, this transformation is the culmination of four years of working tirelessly to put in place policies and reforms to foster a rapid socio-economic transformation of our country. In this endeavour, **Mr. Speaker**, I feel very encouraged by the strong support we have received from Kenyans of all walks of life. Today, **Mr. Speaker**, I am happy to report to all Kenyans that we have made significant progress towards achieving our development goals. Specifically:

6. At the macro level, **Mr. Speaker:**

- The value of goods and services we produce has risen from Ksh 4,745 billion in 2013 to an estimate of Ksh 6,951 billion in 2016. As a result, our per capita income rose from Ksh 113, 210 in 2013 to an estimate of Ksh 152,671. Making us a lower medium income economy. This reflects the improvement of our business climate as indicated in the move from position 136 in 2013 to position 92 in the World Bank's Doing Business Indicators;
- Revenue collection has increased from Ksh 1,001.0 billion in 2013/14 to the projected Ksh 1,515.5 billion in 2016/17, a 51 percent increase;
- Since 2013, our economy has generated a total of 2.3 million new jobs. In 2015 alone, 841, 600 new jobs were created with similar levels expected in 2016;
- Kenyans and their properties are more secure today following the heavy investment in the security sector – The number of police vehicles has risen from 3,155 in 2013 to 6,363 in 2017.

7. With regard to infrastructure, **Mr. Speaker:**

- The movement of goods and people around the country has been made cheaper and more effective through expansion of most roads, seaports and airports. On the SGR, **Mr. Speaker**, after going over a century without a modern rail, we have in three years constructed a modern railway that will have significant positive spill-over effects on the economy;
- Today, more than 5.2 million Kenyans have been connected to electricity compared to 2.3 million in 2013. In four years, we have connected more Kenyans to the grid than in all years since independence! This, **Mr. Speaker**, is a remarkable achievement.

8. At the sectoral level, **Mr. Speaker:**

- More of our farmers now have access to subsidized fertilizer and seeds, enabling them to increase productivity of their lands, earn more incomes and indeed make Kenya more food secure,
- Reflecting our investment in security, the tourism sector, which was shrinking by 4.6 percent in 2013 is now expanding by 15 percent and creating jobs for our youth and women.

9. **Mr. Speaker**, we have also invested heavily in critical social sectors as well as on the less fortunate:

- We have equipped our hospitals with specialized medical equipment, and maternal health care is now free in all public hospitals;
- More of our children go to school without their parents worrying whether they can afford the school fees;
- Examination fees for both standard eight and form four candidates have been abolished; and
- Thousands of orphans and vulnerable children, people living with disabilities and the elderly in our society continue to receive cash transfers through the social safety net program.
- In order to empower Kenyans without title deeds, the Government has issued 2.5 million title deeds which, among other things, will facilitate access to capital. Going forward, the Government will be waiving land title search fees with immediate effect.

10. Finally, **Mr. Speaker**, on devolution:

- Since 2013, about Ksh 1 trillion will have been disbursed by end June 2017 to all the Counties to enhance service delivery. This is a clear demonstration of the Government's commitment to a strong devolved system of Government.

11. **Mr. Speaker**, while we celebrate these remarkable achievements, we should not be complacent. Having laid a firm foundation for businesses to thrive and expand, our focus is now to invest in accelerating job creation especially for the youth. This is why, **Mr. Speaker**, we have chosen as the theme for this year's budget, ***"Creating Jobs, Delivering a Better Life for All Kenyans"***. This budget builds on the transformation we have achieved so far and emphasizes the need to support the sectors with a high potential for creating jobs for our youth such as manufacturing and agriculture.

12. Among the strategies to be employed will include supporting domestic production and value-chains, boosting exports, encouraging entrepreneurship, continuing with business climate reforms, completing on-going infrastructure programmes, modernizing agriculture and agro-processing, protecting the vulnerable and supporting emerging growth sectors. All this will be accomplished within sustainable public finances in order to continue securing macroeconomic stability. In sum, **Mr. Speaker**, the 2017 Budget is about building on the recent successes and delivering jobs and prosperity to Kenyans.

13. **Mr. Speaker**, while finalizing this budget we consulted Kenyans from all walks of life. I want to thank the contributors for their keen interest in wanting Kenya to develop and prosper. Allow me, **Mr. Speaker**, to sample a few of the contributions.

14. **Mr. Speaker**, both **Mr. Muto** and **Mr. Suresh** from the Nairobi City County, underscored the need for the Government to allocate resources and to provide tax incentives to support industries. **Mr. Speaker**, I fully agree with this sentiment, the Government is keen on facilitating our industries to create jobs and expand our manufacturing base, including for exports. I will therefore, be detailing some tax incentives and other policy measures to boost our industries in line with the theme of this budget.

15. **Mr. Speaker**, I also agree with **Ms. Cherotich** from **Baringo County**, who emphasized the need to invest more in health, especially in maternal healthcare, to enable women, particularly in the rural and remote areas, to give birth with the help of skilled medical attendants. According to her, this will ensure that healthy babies are raised and it will also reduce mother and infant deaths. **Mr. Speaker**, as you are aware, maternal health care is a key initiative of the Jubilee Government. In this regard, we should all recognize the tremendous contribution of our First Lady, in championing maternal health care in all Counties. In this budget, we have provided resources for the requisite medical technology for all our public hospitals, and for the expansion of immunization coverage to reduce infant, child and maternal mortalities, in addition to continuing to fund free maternity care.

16. **Mr. Speaker**, this House approved the 2017 Budget Policy Statement in December and this paved the way for the preparation of Budget Estimates for the FY 2017/18 which Parliament approved yesterday. The estimates broadly reflect the priorities that I will elaborate shortly. In addition, I have submitted the Finance Bill, 2017, which contains the taxation and financial proposals that will further help achieve our goals.

2. Highlights of this Budget

17. **Mr. Speaker**, the main message of my Statement is that we have accomplished a lot in the past four years and have laid a solid foundation and built the infrastructure to support more

businesses to flourish and to achieve accelerated shared economic growth. This will help us create even more jobs and improve the lives of our people.

18. In this respect, **Mr. Speaker**, this budget will continue to empower businesses and entrepreneurs to invest, grow and create jobs. This budget will continue to implement our transformation agenda to build new roads, railway and other infrastructure that will generate new growth opportunities. We will also continue to prioritize social spending in support of education, health services and cash transfers to vulnerable groups. This budget will continue to support devolution through disbursement of resources, and maintaining transfers to County Governments at levels well above the constitutional threshold.

19. **Mr. Speaker**, in this budget, we shall continue to progressively reduce the fiscal deficit and ensure the continued sustainability of our debt. In this regard, in the FY 2017/18, we project the fiscal deficit to decline to 6.0 percent of GDP from an estimated 9.0 percent in the FY 2016/17. The sharp reduction of the deficit reflects reduced expenditures owing to the one off expenditures mainly those related to the General elections and the drought which are not expected to recur. Over the medium term, the deficit is expected to narrow to 4 percent of GDP by 2019/20 which will further lower our debt-to-GDP ratio.

20. **Mr. Speaker**, to further accelerate growth, create jobs and better the lives of Kenyans, I will be proposing tax incentives to:

- a) Support Growth and Domestic Production;
- b) Reduce Income Inequality;
- c) Promote Job Creation;
- d) Improve Tax Administration and Compliance; and
- e) Enhance Social Security and Welfare.

21. **Mr. Speaker**, with this background, the rest of my Statement will cover the economic context around which this budget is prepared and the progress made in various strategic areas aimed at creating jobs and delivering a better life for all Kenyans. Thereafter, I will share the

Fiscal Policy and the framework for FY 2017/18 budget and conclude with tax and other policy measures in the Finance Bill, 2017 that I have submitted today.

3. Context

3.1 Global Economic Outlook

22. **Mr. Speaker**, when I presented the budget last year, Brexit sounded like a mirage and the United States had just started a presidential election process whose outcome many could not have predicted. The global impact of these outcomes is yet to be felt. Nevertheless, **Mr. Speaker**, I sense an inward mood in a number of advanced economies which could lead to protectionist policies and potentially weaken global trade and investments which could have a negative impact on global trade and on our exports. If this materializes, we will have to take mitigating measures to safeguard our exports and financial flows into Kenya.

23. **Mr. Speaker**, global growth is projected at 3.4 percent in 2017 compared with an estimate of 3.1 percent in 2016. **Mr. Speaker**, economic growth for most sub-Saharan Africa countries, has been slower in recent years partly due to the fall in world commodity prices, lower demand from China, as well as a much weaker global economic environment. In 2017, economic growth for the sub Saharan Africa region is projected at 2.8 percent, up from an estimate of 1.6 percent in 2016. This slight recovery is supported by the firming up of oil prices, sustained infrastructure investment and buoyant service sectors.

3.2 Kenya's Growth and Resilience

24. **Mr. Speaker**, our economy has continued to register robust growth despite the slower global and regional growth. The economy grew by 5.9 percent, 6.2 percent and 5.7 percent in the first, second and third quarters of 2016 respectively, bringing the average growth for the first three quarters to 5.9 percent. In 2017, the economy is projected to further expand by 5.9 percent, but growth could be lower if the ongoing drought persists and the slowdown in private sector credit is not reversed.

25. **Mr. Speaker**, our economy is growing at twice the pace of global growth and more than twice that of Sub Saharan Africa. We are also growing faster than both Nigeria and South Africa whose growth is projected at 0.8 percent in 2017 for each country.

26. **Mr. Speaker**, the resilience of our economy reflects continued macroeconomic stability, lower import bill, investment in infrastructure and recovery in tourism. Our vibrant and dynamic private sector has also contributed to this resilience.

4. Agenda 2017/18 and Beyond: Creating Jobs, Delivering a Better Life for All Kenyans

4.1 Continuing with Improving the Business and Investment Climate

4.1.1 Macroeconomic Stability

27. **Mr. Speaker**, to support an environment where more jobs will be created, the Government is strongly committed to pursuing prudent fiscal and monetary policies that support strong economic growth, ensures price stability and maintains our debt at sustainable levels.

28. **Mr. Speaker**, our fiscal policy will continue to focus on prioritizing development expenditures to support growth, while curtailing growth of non-productive recurrent expenditures. Monetary policy will target to keep inflation within the target range of 2.5 percent on either side of 5.0 percent. To further reinforce price stability, our proposed fiscal policy will help keep interest rates low and stable and the exchange rate broadly stable and competitive to support our exports.

4.1.2 Business Regulatory Reforms

29. **Mr. Speaker**, the Government has significantly reduced the time and cost of opening and operating a business, thus making it easier for investors to start and run a business. This has been achieved as a result of the implementation of measures initiated by the dedicated Business Environment Delivery Unit at the Ministry of Industrialisation, and Enterprise Development.

30. **Mr. Speaker**, Kenya's business environment has improved remarkably. Over the past three years, Kenya's ranking in the World Bank's Doing Business indicators has improved from 136 to 92, largely due to reforms in getting credit, getting electricity and ease of starting a business. In 2016, we were ranked third out of the World's top ten reformers. **Mr. Speaker**, with the objective of achieving a rank below 50 in the medium term, we have passed appropriate legislations and processes to reduce the time, steps and costs associated with opening a business, obtaining construction permits, single business permits and property registration. **Mr. Speaker**, to further improve our ranking, I have allocated **Ksh 250 million** to support initiatives to the ease the cost of doing business.

31. **Mr. Speaker**, today, Kenya is a preferred investment destination in Africa with many major companies from across the globe starting operations in the country. As a result, foreign direct investment (FDI) has risen from about US dollar 0.514 billion in 2013, to at least US dollar 2.3 billion in 2016.

32. **Mr. Speaker**, in an effort to reduce obstacles that hinder faster growth of investment, the Government has established a One Stop Centre (OSC) for investors which will be operational by April 2017. The Government has also established e-regulation and will soon be establishing the e-Opportunities to enable investors interested in Kenya to search for investment opportunities available in Kenya from the comfort of their homes. These initiatives, in addition to the existing Huduma Centres, will provide comprehensive information to investors on licenses, permits and approvals that are currently offered in a multiplicity of Government agencies located in different parts of the city, further sustaining increased FDI inflows in the country.

33. **Mr. Speaker**, we are aware of complaints from our business community of double taxation of their activities by County Governments. This is not only bad for our investment climate but is also a violation of Article 209 of our Constitution. Accordingly, I will be making legislative proposals to Parliament that will set out how County Governments may raise revenues without violating the Constitution and raising the cost of doing business.

4.1.3 Improving National Security

34. **Mr. Speaker**, in the past four years, the Government has invested heavily in security in order to make Kenyans and their properties safe and secure. This investment has progressively reversed security threats, especially those posed by terrorism and this has seen the tourism sector make a strong come back with increased employment. In addition, to further secure the country and reduce crime rates, we have substantially increased the number of our police officers, to more than 98,732 compared to 78,885 in 2013. This has narrowed the ratio of police to the citizens to 1 officer to about 400 citizens, just about the United Nations recommendation of 1 officer to 450 citizens.

35. **Mr. Speaker**, our police officers have been equipped to respond faster to distress calls. In four years, we have acquired an additional 3,208 police service vehicles, thus significantly improving their mobility. To sustain police mobility and security operations, in FY 2017/18, I have allocated **Ksh 8.1 billion** for leasing of police service vehicles; **Ksh 24.8 billion** for police and military modernization; **Ksh 12 billion** for enhanced security operations; **Ksh 0.9 billion** for the construction and equipping of the national forensic laboratory; and **Ksh 2.0 billion** for securitizing our borders.

36. Today, **Mr. Speaker**, police officers have a comprehensive Medical Insurance Cover and Group Life Insurance Cover. To improve our police welfare, I have allocated **Ksh 5.1 billion** for Police and Prison Officers medical Insurance Scheme, **Ksh 1.7 billion** for Group Life Insurance for Police.

37. **Mr. Speaker**, to enhance community security and facilitate timely access to crime scenes, the Government invested in CCTV cameras and improved street lighting in major towns. The cumulative effect of investing in our security has seen a significant reduction in crime. For instance, in Nairobi alone, between 2014 and 2016, cases of robberies fell by 32 percent; motor vehicle thefts fell by 43 percent; and offences targeting individuals, such as muggings, also fell by 27 percent.

4.1.4 Better Government

4.1.4.1 Strengthening Governance Institutions

38. **Mr. Speaker**, the implementation of the Constitution and reforms in the Parliamentary and Judicial areas remain priorities of the Government. In order to strengthen the oversight and legislative role of Parliament and improve access to justice in the Judiciary, I am allocating, **Ksh 36 billion** to Parliament and **Ksh 18.1 billion** to the Judiciary in this budget.

39. **Mr. Speaker**, as we are all aware, Kenya will be going into elections in August this year. The Government is committed to free and fair elections. In addition to the **Ksh 19.3 billion** in the FY 2016/17 to cater for electoral related operations, we have allocated an additional **Ksh 21.4 billion** in the FY 2017/18 to the Independent Electoral and Boundaries Commission.

40. **Mr. Speaker**, the Government continues to prioritize the war against corruption. To this end, the Government has implemented the measures articulated in the National Call to Action Against Corruption, and strengthened various institutions that are mandated to fight corruption. To further support these institutions, I have allocated **Ksh 4.0 billion** to the Ethics and Anti-Corruption Commission; **Ksh 2.3 billion** to the Department of Public Prosecutions; **Ksh 210.7 million** to the Assets Recovery Agency; **Ksh 300 million** to Financial Reporting Centre; **Ksh 6.7 billion** to the Criminal Investigations Services; and **Ksh 6.1 billion** to the Office of the Attorney General.

41. **Mr. Speaker**, everyone has a role to play in the fight against corruption. In this connection, and working with the Government of the United Kingdom, we have traced and recovered Ksh 577 million from the Smith and Ouzman case and the Jersey case. The recovered amounts have been used to support the health sector and clean energy generation in the arid and semi-arid areas. To date, approximately Ksh 3 billion of corruptly acquired assets have either been recovered or preserved for recovery. No previous Governments have gone this far in the fight against corruption.

42. **Mr. Speaker**, to further fight graft, late last year and early this month, HE President Uhuru Kenyatta assented to the Bribery Act 2016, and the Proceeds of Crime and Anti-Money

Laundering (Amendment) Act, 2017, respectively, introduced tough sanctions against individuals guilty of economic crimes.

4.1.4.2 Supporting Devolution

43. **Mr. Speaker**, our support to devolution is clear. In the FY 2017/18, the National Treasury will be supporting County Governments to enhance their own-source revenue thereby strengthening their ability to offer better services to the public. To facilitate this, a policy has been finalized together with a legislative framework which I intend to submit to Parliament shortly.

44. **Mr. Speaker**, in FY 2017/18, we are providing to the Counties **Ksh 291.1 billion** as sharable revenue and another Ksh 38 billion conditional allocations, which includes support from our development partners. **Mr. Speaker**, this brings the total allocation to the County Governments to **Ksh 329.3 billion** which is equivalent to 35.2 percent of the most recent audited revenues approved by the National Assembly.

4.1.4.3 Building Cohesive Society

45. **Mr. Speaker**, our national development blueprint Vision 2030 envisions a nation that is moving to the future as one. In this budget, we have provided **Ksh 410 million** to the National Cohesion and Integration Commission and **Ksh 106 million** for national integration under the Ministry of Interior and National Coordination.

4.1.4.4 Public Financial Management

46. **Mr. Speaker**, in the FY 2017/18, the Government will continue to cut unnecessary expenditure and keep Government spending under control. To improve the implementation and absorption capacity of projects and curb non-priority expenditures, we have issued guidelines on how capital projects should be planned, appraised and evaluated before funds are finally committed in the Budget.

47. In addition, **Mr. Speaker**, to ensure prudent management of resources, the National Treasury is now in a position to operationalize the Treasury Single Account starting July this

year. Further, **Mr. Speaker**, to enhance public expenditure management, the National Treasury will review delivery processes such as transport services, financial and audit services in order to ensure value for money and efficiency in expenditure management.

48. **Mr. Speaker**, in his State of the Nation's address, HE President Uhuru Kenyatta, emphasized the need to trim the public sector wage bill and supported the recommendations of the SRC, which seek to reduce the salaries and allowances of state officers. We urge all stakeholders to support the work of SRC and ensure full implementation of the recommendations.

49. **Mr. Speaker**, beginning July 2017, salaries and allowances of all public servants will be harmonized as per the guidelines provided by the SRC following the job evaluation exercise which resulted in an upward review of salaries for teachers and doctors and other public officers. We have set aside Ksh 20 billion in this budget to implement the first phase of the new review cycle of SRC amounting to about Ksh 84 billion. In addition, and in the spirit of controlling the growth of the wage bill, new recruitments will remain frozen except for limited technical staff, security personnel, teachers and health workers. **Mr. Speaker**, these actions will release funds for priority social sectors and critical infrastructure.

4.1.4.5 Procurement Reforms

50. **Mr. Speaker**, the Government is in the process of improving the Public Procurement and Asset Disposal System, with the aim of managing our resources in an effective and efficient manner as provided for in the Constitution.

51. **Mr. Speaker**, the Public Procurement and Asset Disposal Act, 2015 came into force on 7th January, 2016. Following this and with the aim of strengthening the realization of the key principles and pillars of integrity, transparency, and accountability in the public procurement and asset system, we have now finalized development of Regulations and Code of Ethics for Suppliers of the National and County Governments.

52. **Mr. Speaker**, with the new Code of Ethics we expect accountability on the part of those who do business with the Government to be enhanced. This includes the private sector who

have not been subjected to the same parameters as State and Public officers in the fight against corruption until the recent enactment of the Bribery Act, 2016. **Mr. Speaker**, the Code is complementary to an earlier code issued to guide the activities of public officers responsible for procurement and disposal processes.

53. **Mr. Speaker**, in addition to the Code of Ethics, I will soon gazette the Public Procurement and Asset Disposal Regulations, 2017. These regulations aim at facilitating procurement at both levels of governments.

4.1.4.6 Financial Sector Reforms

54. **Mr. Speaker**, about 75.3 percent of Kenyans now have access to financial services, a massive growth from the 26.7 percent in 2006. This growth has been driven by the mobile phone technology. Today, more Kenyans buy goods and services, and pay their bills conveniently using their phones.

55. **Mr. Speaker**, the banking sector remains largely profitable with capital adequacy and liquidity ratios above the recommended thresholds, thus giving assurance to Kenyans that their money is in safe hands.

56. **Mr. Speaker**, over the last one and a half years, some commercial banks experienced challenges and were put either under statutory management or liquidation. Following this and the emergence of new financial risks in the sector, the Central Bank of Kenya (CBK) adopted a broad surveillance strategy to stabilize the sector around three pillars: (i) increasing transparency on shareholding; (ii) strengthening banks corporate governance; and (iii) ensuring banks adopt effective business models that will ensure resilience.

57. Further, **Mr. Speaker**, the CBK has continued to strengthen its supervision of the industry by: (i) increasing its supervisory staff component; (ii) working closely with international partners to enhance supervisory staff capacity; and (iii) rolling out onsite risk-based Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) inspections for commercial banks and micro-finance banks.

58. **Mr. Speaker**, the implementation of the Banking (Amendment) Act 2016, on capping interest rates has reduced the bank lending rates, and increased deposit rates offered to savers. The maximum lending rate now stands at 14 percent while interest earning deposits are now remunerated at 7.0 percent. **Mr. Speaker**, to progressively reduce the interest rate spread, we shall continue to implement reforms in this sector that were adopted under the Committee on Cost of Credit that I chaired in 2014.

59. **Mr. Speaker**, together with the Kenya Bankers Association and the CBK, we are undertaking a comprehensive assessment of the impact of the interest rate capping law, to assess its impact on credit expansion to the private sector which has slowed down from double digit levels a year ago to single digit levels, and the perceived impact on economic growth. The assessment will inform any intervention measures to be taken to ensure credit availability to the consumers.

60. **Mr. Speaker**, the Government remains committed to address the high cost of credit and expand access to credit in the economy. To this end, the Movable Property Security Rights Bill, 2016 was recently approved by the National Assembly should facilitate lower lending rates as it provides for borrowing using movable assets.

61. **Mr. Speaker**, the Nairobi International Financial Centre Bill was approved by the Cabinet in December 2016, and has been submitted to the National Assembly for approval. The enactment of this bill will kick start the establishment of the Nairobi International Financial Centre to position Nairobi as an international financial hub. **Mr. Speaker**, the Financial Services Authority (FSA) Bill which proposes to merge all non-bank financial sector regulators is currently undergoing legal drafting, and I will soon be submitting it to this House for approval.

62. **Mr. Speaker**, Islamic financing arrangement is becoming a major source of funding development expenditures worldwide. This financial arrangement is getting integrated within the global financial system and has the potential to boost prosperity and raise the standard of living of our people. Kenya intends to maximize its comparative advantage and position itself as a regional hub for Islamic finance products, in order to attract foreign direct investment. I, will therefore, propose legislative amendments to the Capital Markets Act, the Cooperatives

Societies Act and Sacco Societies Act to facilitate for shariah compliant finance products. In addition, I intend to amend the Public Finance Management Act to provide for issuance of Sukuk bond (Islamic bond) as an alternative source of financing our development projects. I also intend to amend the tax statutes to provide for equivalent tax treatment of these new financial products with the conventional financial products. In addition, I shall shortly be issuing regulations to facilitate development of Takaful Retirement Benefits Schemes in Kenya.

63. **Mr. Speaker**, the insurance industry in Kenya is restructuring into groups to enhance their capital base as well as take advantage of economies of scale and maximize on the expertise which is scarce. Currently, there are more than ten such insurance groups operating in Kenya and there is no sufficient legal and regulatory framework to ensure effective supervision. This implies that their inter-related risks are not monitored. In this regard, I propose to amend the Insurance Act to enhance supervision of insurance groups in Kenya and ensure financial stability in the sector.

64. **Mr. Speaker**, annual licensing of financial institutions is time consuming and is no longer necessary in this era of risk based supervision. Accordingly, the Government amended the Banking Act in 2015 to provide for perpetual licensing. In 2016, the same was extended to institutions licensed by the Retirement Benefits Authority. In this regard, I propose to amend the Insurance Act to further provide for perpetual licensing of insurers. However, the intermediaries such as insurance brokers, loss assessors, among others, will continue to be issued with annual licensing.

65. **Mr. Speaker**, with our economy increasingly becoming dynamic, some employers are opting to operate under a common Umbrella Retirement Benefits Scheme that provides retirement benefits to their employees unlike the current standalone retirement benefit schemes provided by employers for their own employees. A scheme covering employees from several employers has unique features that differ from ordinary occupational schemes and therefore needs a proper legal framework to regulate its operations. In this regard, the Umbrella Retirement Benefits Scheme Regulations have been prepared to govern the operations of these type of Schemes.

66. **Mr. Speaker**, Kenya is widely known for innovation in financial inclusion. Indeed, **Mr. Speaker**, last year, Mr. Mark Zuckerberg, the CEO and co-founder of the social networking site, Facebook, visited Kenya to meet with entrepreneurs and developers and learn how our M-Pesa works, and how it has transformed the lives of ordinary Kenyans. Well, **Mr. Speaker, WE HAVE DONE IT AGAIN!**

67. Last week, **Mr. Speaker**, I launched a special limited offer of the M-Akiba bond worth Ksh 150 million. This is a retail bond issued by the Government of Kenya and can be bought and sold via the mobile phone platform. The tax-free M-Akiba bond aims at promoting a savings and investment culture by Kenyans with a minimum investment amount of Ksh 3,000 and a maximum investment amount of Ksh 140,000 per day. **Mr. Speaker**, now “Wanjiku” will be able to invest her Ksh 3,000 or above, with no risk to her money and at higher interest rates than those offered by banks. I therefore, invite all Kenyans to invest in the bond, whose money will be used for infrastructure projects to further develop our country and move towards achieving our Vision 2030 development goals. Allow me, **Mr. Speaker**, to report that as of this morning a total of 68,399 Kenyans had registered with total buys of **Ksh 79.0 million**. This is more than half of the figure on offer of Ksh 150 million within just one week of the launch. So for, those who have not registered and are yet to buy, hurry up!! Registering and investing is as simple as dialling *889#.

68. **Mr. Speaker**, this new savings innovation is the first of its kind in the world, and to give it the full weight it deserves, HE the President will launch the main M-Akiba bond with an offer of Ksh 4.85 billion in June 2017. I invite all of you to attend this historic occasion.

4.2 Continuation of Infrastructure Development

4.2.1 Completing On-going Programmes

69. **Mr. Speaker**, over the last four years we have initiated a number infrastructure projects some of which have been completed, while others are nearing completion. We are targeting to complete all ongoing projects so that Kenyans can realise the benefits of the expanded infrastructure facilities.

70. **Mr. Speaker**, work is being done to construct and maintain roads in order to ensure that Kenyans can move across the country with ease. Since 2013, the Government has constructed 1,950km of new roads, and another 7000km are under different phases of construction.

71. **Mr. Speaker**, construction of the Outer Ring road in Nairobi and the dualling of Ngong Road are progressing well. To further enhance movement of Kenyans, ease transportation of goods, and reduce congestion on our roads, I have allocated a total of **Ksh 134.9 billion**, which includes **Ksh 63.6 billion** for on-going road construction; **Ksh 44.3 billion** for foreign financed roads; and **Ksh 27 billion** for low volume seal roads. Further, I have allocated **Ksh 49.3 billion** for road maintenance from the Road Maintenance Levy.

72. **Mr. Speaker**, we know that once completed the Standard Gauge Railway (SGR) will help to integrate domestic markets, link special industrial zones and bring global export markets closer home. That is why we have started construction works for the second phase (Nairobi – Naivasha). The construction of the first phase is nearing completion and Kenyans will soon enjoy a decent ride from Mombasa to Nairobi starting June 1st 2017. In this budget, **Mr. Speaker**, I have allocated **Ksh 75.6 billion** for the SGR, of which **Ksh 15.5 billion** will go to the completion of Phase I, **Ksh 59.7 billion** to the construction of Phase II, and **Ksh 0.4 billion** for the relocation of people along railway lines.

73. **Mr. Speaker**, the first phase of the second container terminal at the port of Mombasa is complete. This will improve cargo handling service at the port and strengthen Mombasa as a preferred port of call in East Africa. **Mr. Speaker**, to enhance services delivery in our ports, the Government will continue to develop several commercial ports including the Lamu Port, Kisumu Port as well as other smaller ports along the coastline. In this budget, we have allocated **Ksh 10 billion** for the LAPSET Project; **Ksh 3.6 billion** from our development partners for the Mombasa Port Development Project; and **Ksh 0.2 billion** for the maintenance of ferries.

74. **Mr. Speaker**, to further scale up the on-going airports expansion and modernization, I have allocated **Ksh 2.6 billion** for the upgrading of Malindi, Isiolo and Lokichogio Airports, and Suneka Airstrip. Going forward, the Government plans to commence the expansion of the

Eldoret International Airport to enable large cargo planes to land and position it as a transport hub.

75. **Mr. Speaker**, Kenyans are now paying less for their electricity owing to the increased power generation. Today, more than 2,282 MW of power is available on the national grid compared to the 1,664 MW available three years ago. With this additional power, Kenyan households and firms now have access to power, enabling them to conduct their businesses smoothly. **Mr. Speaker**, in this budget, I have allocated **Ksh 16.4 billion** to support exploitation of geothermal, wind and solar resources that Kenya is endowed with. These resources are expected to increase the clean energy mix cementing Kenya's position as a world leader in renewable energy.

76. **Mr. Speaker**, as promised by the Jubilee Government, the number of households connected to electricity has increased due to the reduction of both the connection time and cost. To date, more than 5 million households have been connected to power. An additional 14,045 primary schools have been connected to the power grid since 2013 to facilitate the digital literacy programme, and 810 public institutions have been connected to alternative (solar) power. **Mr. Speaker**, to support electricity transmission and connection in the country, in this budget I have allocated **Ksh 9.7 billion** for Last Mile Connectivity; **Ksh 7.3 billion** for electrification of public facilities; **Ksh 3 billion** for installation of transformers in constituencies; **Ksh 3.1 billion** for the national street lightning programme; **Ksh 1.3 billion** for Connectivity Subsidy; and **Ksh 1.53 billion** for installation of solar lanterns.

77. **Mr. Speaker**, the Government continues to support the exploration and distribution of oil and gas in the country. Accordingly, in this budget, I have allocated **Ksh 3.84 billion** for the exploration and distribution of oil and gas.

4.2.2 Targeting High Priority Infrastructure

78. **Mr. Speaker**, the Government will continue to target high priority infrastructure projects that maximize the welfare of Kenyans. Some of these projects will be funded by donors or under the public private partnership (PPP) arrangement. **Mr Speaker**, although we continue

allocating significant resources in the budget for infrastructure development, the funds are never enough to finance infrastructure development. The PPP arrangement as well as the donors will help to cover the existing infrastructure funding gap in energy generation, road expansion, and construction of hostels for various training institutions, construction of affordable housing in Urban Centres and the management of our solid waste.

4.3 Transforming Sectors to Create Jobs

4.3.1 Supporting Industries and Boosting Exports

79. **Mr. Speaker**, as earlier indicated, the theme for this year's budget is ***“Creating Jobs, Delivering a Better Life for all Kenyans”***. Under this budget, we intend to provide incentives that will create more jobs for our youth. In the past few years, manufacturing as a share of GDP has stagnated between 10-11 percent. We target to position manufacturing to become a key driver of our economy as envisioned in Vision 2030.

80. **Mr. Speaker**, over the last four years, we have laid down a solid foundation for industrialisation with our Economic Transformation Agenda. We firmly believe that it is the right time for Kenya to solidly move to middle income status. Therefore, some of the incentives I will be pronouncing today target are aimed at revamping certain industries, encouraging establishment of new ones and scaling up production in others. Additionally, on this path towards industrialisation, we will continue to support the leather, textile and apparels, the pharmaceutical and extractive industry in a manner that leverages the labour absorbing characteristics of these sectors.

81. **Mr. Speaker**, to further promote the development of industries, I have allocated a total of **Ksh 1.6 billion** for the leather industrial park development and textile development. To support the revival of our industries, I have set aside, **Ksh 450 million** for modernization of RIVATEX. In addition we are finalizing an export credit facility from India of US dollar 30 million to further equip RIVATEX. India Exim Bank has also provided a line of credit to IDB for on-lending to SMEs activities. We have also provided **Ksh 250 million** for the modernization of new KCC, to make it a strategic milk processor.

82. **Mr. Speaker**, with the SEZ Authority fully operational, the Government has started rolling out Special Economic Zones (SEZs) in key urban areas including Mombasa, Lamu and Kisumu, as part of the Vision 2030 goal to diversify manufacturing activities, create employment and boost Kenya's investment profile. Under the SEZs, the Government will provide a host of incentives for industries to operate in and boost creation of modern urban centers. These incentives include exemption on VAT, reduced corporate tax rates for a defined period, access to quality infrastructure, and one stop shops for licenses. Once operational, the SEZs will further facilitate importation of necessary raw materials and exporting of finished goods, thriving of agro-industrial activities, and allow for access to regional markets.

83. **Mr. Speaker**, to add value to our agricultural produce, the government will focus on the agro processing industry that will brand our tea, coffee, floriculture, horticulture, dairy and fruit products and textile. This will not only create jobs, but will ensure our exports remain competitive in the global market. Furthermore, Kenya will increase her low-cost manufacture of basic industries and textiles for export to the region, to exploit the opportunities within the AGOA initiative, as well as focus on new markets in Africa, Asia, Europe and Latin America.

84. **Mr. Speaker**, as a result of measures implemented in the recent past, Kenya has seen the return of investors into the automotive industry. These have included Volkswagen, Peugeot, Toyota and others. Indeed, the establishment of technical training and technology transfer mechanisms as part of the reinvigoration of the sector is a key building block. We do not want to lose the momentum gained. In this regard, **Mr. Speaker**, the Government in close engagement with stakeholders will complete the development of a Comprehensive Automotive Industry Development Policy for Kenya and finalize an actionable 10-year Automotive Industry Development Plan. With these interventions, the Government will be setting the automobile industry on a firm footing in order to enable it grow and create employment opportunities for the youth in Kenya and the region at large.

4.3.2 Cushioning and Modernizing Agriculture

85. **Mr. Speaker**, the importance of agriculture in contributing to the growth of the economy and generation of jobs and income cannot be overstated. The Government also recognizes that

without a strong, vibrant agricultural sector, a critical component of our industrialization strategy, namely, agro-processing, will not be achieved. Since 2013, the Jubilee Government has been initiating measures to cushion the agricultural sector, mechanize it and ensure it contributes to food security for all Kenyans.

86. **Mr. Speaker**, to reduce the dependency on rain-fed agriculture and ensure food security, the Government has rehabilitated and expanded national irrigation schemes by more than 27,000 acres between 2013 and 2016. **Mr. Speaker**, to further support the on-going irrigation projects countrywide; I have allocated a total of **Ksh 6.3 billion**. This includes **Ksh 0.9 billion** towards Bura Irrigation Project, **Ksh 2.1 billion** for the Mwea Irrigation Project, **Ksh 0.6 billion** for Galana – Kulalu; **Ksh 2.2 billion** for the National Expanded Irrigation Programme; **Ksh 0.2 billion** for smallholder irrigation programme; and **Ksh 0.3 billion** for community based irrigation projects.

87. **Mr. Speaker**, to help our farmers' hedge against adverse weather conditions, last year, the Government piloted insurance schemes for crops and livestock in various counties. Indeed, thousands of farmers in these counties benefitted from the premium subsidy, at a total cost of Ksh 452 million. In addition, many livestock farmers received compensation under the Scheme after their herds were depleted by the drought. **Mr. Speaker**, to support the crop and livestock insurance schemes, I have allocated **Ksh 0.7 billion** in this budget.

88. **Mr. Speaker**, our farmers now have access to fertilizer and inputs at affordable rates. Since 2013, the Government has distributed more than half a million tons of subsidised fertiliser to our farmers, cutting prices, and improving productivity. Two fertilizer-blending plants have been established with an annual capacity of 300,000 tons. **Mr. Speaker**, in order to improve yield and further reduce cost of inputs for our farmers, I have set aside **Ksh 4.1 billion** to subsidize fertilizer.

89. **Mr. Speaker**, to enable the country maintain adequate food reserves and ensure productivity of our lands, I have allocated **Ksh 1.3 billion** for the strategic grain reserves; and **Ksh 0.1 billion** for mechanization of agriculture. To diversify our agriculture, I have allocated **Ksh 0.1 billion** for the revival of the pyrethrum sector, and for the Miraa farmers, I have set

aside **Ksh 1 billion**. To enhance service delivery in the lands subsector, I have set aside **Ksh 1.6 billion** for Issuance of Title Deeds; and **Ksh 0.9 billion** for Digitization of Land Registries.

4.3.3 Tourism

90. **Mr. Speaker**, the tourism sector has picked up with significant rise in conference activities and foreign tourist arrivals. To further realize the multiple benefits of a robust tourism sector, the Government working with key stakeholders in the industry will continue to promote and develop new areas of tourism including sports, beach and medical tourism. The Tourism Regulatory Authority (TRA) has also been established to ensure proper conduct of Tourism service providers and bring order to the industry. **Mr. Speaker**, to further support this sector, I have allocated **Ksh 1.0 billion** for Tourism recovery, **Ksh 1 billion** for sustaining new markets and sitting booths, **Ksh 600 million** for capital lending to hoteliers and **Ksh 100 million** for restoration of Fort Jesus.

91. **Mr. Speaker**, recognizing the importance of aviation to the economy, FDI, tourist and other linkages, the government is keen to keep the positive trajectory that has been achieved at Kenya Airways (KQ) and is working with other stakeholders to ensure that the ongoing efforts to restructure the KQ balance sheet and place the company on a long term sound financial footing is achieved. In this regard, the government will play a critical role in providing the necessary support and bringing other key stakeholders together to achieve a successful turnaround.

4.3.4 Harnessing Natural Resources

92. **Mr. Speaker**, the mining sector is a key driver for jobs creation. Thousands of jobs have been created during the exploration and processing of minerals, with more indirect jobs created for offsite suppliers and services. With the additional twenty other minerals identified, and the endorsement of the new Mining Act 2016, the sector is poised to immensely contribute to the development of industries, wealth and job creation.

93. **Mr. Speaker**, to harness the potential of this sector, I have set aside **Ksh 200 million** for geological mapping and mineral exploitation, **Ksh 150 million** for geological databank, **Ksh 103 million** for mineral certification laboratory and **Ksh 140 million** for mineral audit support and a further **Ksh 140 million** for acquisition of survey equipment. We expect a further Ksh 6 billion support from China for Geo mapping once discussions are concluded.

94. **Mr. Speaker**, the early oil exploitation from Turkana oil fields will be started soon. This would be transported via road as plans are finalised to construct an oil pipeline from Lodwar to Lamu. Very soon, Kenya will join the league of oil exporting Nations.

4.3.5 Emerging Growth Sectors

4.3.5.1 Blue Economy

95. **Mr. Speaker**, we are aware of the potential of the blue economy. To facilitate the development of the blue economy, the Government has commissioned construction of offshore patrol boat to deter illegal fishing activities along the shores of our waters which deny the country an estimated Ksh 10 billion annually. Plans are also underway to develop designated fish ports at the coast to facilitate the landing of the catch by deep sea fishing vessels. **Ksh 0.4 billion** has been set aside for this purpose. **Mr. Speaker**, to further support the development of the blue economy, I have allocated **Ksh 0.3 billion** for aquaculture technology development and innovation transfers.

96. **Mr. Speaker**, Kenya has great potential to leverage its marine resources for purposes of creating wealth and employment. In this effort, the Government proposes a Coastal Fisheries Revival Package to facilitate primary, secondary and ancillary marine fisheries processing/production. This package will include strengthened enforcement measures to curb illegal, unreported and unregulated fishing in Kenya's Exclusive Economic Zone and support for a robust National Eat More Fish Campaign. I will later propose tax incentives to support the blue economy.

4.3.5.2 Knowledge Based Industries and Innovation

97. **Mr. Speaker**, the Jubilee Government promised to connect every county to Fibre Optic technology and improve service delivery through the use of ICT, in order to ease access to information by all Kenyans. Today, every county headquarters is connected to the fibre optic network, raising the number of internet users. As a result, Kenyans access Government services through Huduma Centres and other digital platforms, with ease and at a reduced cost. **Mr. Speaker**, to further enhance service delivery by Government agencies, I have set aside **Ksh 0.3 billion** for Single Window Support Project; and **Ksh 0.15 billion** for continued roll out of IFMIS to counties.

98. **Mr. Speaker**, Kenya is set to benefit from the establishment of the Kenya Advanced Institute of Science and Technology (KAIST) at Konza Technopolis with the support of South Korea. The establishment in Kenya of this world class Science and Technology Research University will enhance the quality of higher learning while nurturing a technologically advanced population producing creative young talents. Accordingly, **Mr. Speaker**, I have allocated **Ksh 0.6 billion** to development at Konza Technopolis.

4.4 Building Sustainable Communities for Better Life

4.4.1 Water and Sanitation

99. **Mr. Speaker**, Kenya remains a water-scarce country, with water coverage of 58 percent, sewerage of 25 percent and less than 1,000 cubic meters per capita of renewable freshwater resources.

100. **Mr. Speaker**, to bridge the water gap, several water supply projects were completed in the last financial year among them Narok, Masinga Kitui, Maua Phase I, Kisumu, Mombasa Lot I, Nyahururu, Othaya, Mukurweini, Lamu Island, further giving access to clean water to 950,000 people. On water storage, **Mr. Speaker**, the Government has completed Kiserian dam while the construction of Itare dam, targeted to serve Nakuru County is on-going.

101. **Mr. Speaker**, to further enhance and sustain measures to control floods, harvest rain and store water, I have allocated a total of **Ksh 36.7 billion** for Water Resource Management;

Water and Sewerage Infrastructure Development; Dam Construction; National Water Harvesting and Ground Water Exploitation; and **Ksh 0.5 billion** for Water for Schools.

102. **Mr. Speaker**, in recent times, Kenyans in many parts of the country have faced severe drought resulting in crop failure and water shortages. The Government has released funds to relevant implementing Ministries to undertake drought mitigation measures. Specifically, the National Government has disbursed a total of Ksh 7.3 billion while the County Governments have provided Ksh 2 billion, to cater for a doubling of food rations, cash transfers, scaling up of water trucking and storage for people, livestock and wildlife, distribution of water bowsers, repair and rehabilitation of boreholes and fuel subsidy for the boreholes.

4.4.2 Urban Housing

103. **Mr. Speaker**, the plan to develop 20,000 new housing units for the Police is underway. I have allocated **Ksh 1.4 billion** for construction of 1,500 housing units for police and Kenya Prisons in Nairobi. Under an initial phase involving the private sector using collaborative building material, we intend to scale this up with the funding support from AfDB, in collaboration with other partners.

104. Further **Mr. Speaker**, in the last budget statement, I introduced corporate tax incentive to encourage investors to enter into the housing sector by reducing the corporate tax rate for developers who construct at least 400 units per year. This was meant to provide more decent low cost housing for the fast growing demand for houses in the urban areas. I call upon investors to take up this incentive and construct the much needed houses for our people. Meanwhile, we will shortly be unveiling a comprehensive housing package that will incentivize the private sector to investing in low cost housing.

105. **Mr. Speaker**, to ensure civil servants acquire decent houses, I have allocated **Ksh 1.5 billion** for the Civil Servant Housing Scheme Fund.

4.4.3 Environment

106. **Mr. Speaker**, the Government remains committed to mitigate the impact of climate change, having signed the Protocol on Climate Change following the adoption of the Paris Agreement. The Government will continue to mainstream climate change measures into all its projects and programmes.

107. **Mr. Speaker**, through the Gazette Notice dated March 14, 2017, the Government banned the use, manufacture and importation of all plastic bags for commercial and household packaging beginning September 2017. As you are aware, plastic paper bags have been categorised as the leading cause of poor drainage and environmental degradation. With this ban, we aim to address these challenges and preserve our environment.

108. In this budget, **Mr. Speaker**, to further support environment conservation, I have allocated **Ksh 3.8 billion** for Environment Management and Protection and **Ksh 2.2 billion** for Meteorological Services.

4.5 Investing in Kenyans

4.5.1 Quality and Relevant Education

109. **Mr. Speaker**, the Government continues to enhance enrolment and increase capitation for free primary and secondary education. As directed by HE The President when receiving the results of the 2016 KCSE exams, and in an effort to enhance efficiency in the utilisation of resources, the Government is speeding up the implementation of the Education Information Management System to ensure that education data in the country is accurate, up-to-date, and available.

110. Further, **Mr. Speaker**, as from this year, the Kenya National Examinations Council (KNEC) as directed by the President, will cease the use of index numbers and instead ensure all registered examination candidates have unique personal identifiers (UPIs) in Student Registration Numbers (SRNs) that they will use throughout their education life. **Mr. Speaker**, to further support these initiatives, we have provided **Ksh 4 billion** for examinations fee waiver for all class eight and form four candidates who will be sitting for the KNEC exams.

111. **Mr. Speaker**, the Jubilee Government promised to provide both the free primary and free day Secondary education to all our children. To further support these programmes, I have allocated **Ksh 14 billion** for the Free Primary Education programme and **Ksh 33 billion** for the Free Day Secondary Education programme. In order to minimise absenteeism of students from schools which affects their academic performance, particularly in the arid and semi-arid areas, I have set aside **Ksh 2.5 billion** for the School Feeding Programme. Additionally, I have allocated **Ksh 0.5 billion** to support the provision for sanitary towels to our girls in schools. To further increase the ratio of teacher to student, I have set aside **Ksh 2 billion** for the recruitment of additional teachers. **Mr. Speaker**, all these interventions in the education sector also have a significant and direct impact on the cost of living for many Kenyans.

112. **Mr. Speaker**, as promised by the Jubilee administration, the Government has rolled out the Digital Literacy Programme to public primary schools across the country. The Government targets to finish distributing the remaining ones before the end of this year. To further entrench digital literacy among our children, and cover the remainder of the pupils across the county, I have allocated **Ksh 13.4 billion** for deployment of digital devices to schools. **Mr. Speaker**, to further support the development in our secondary schools, I have allocated **Ksh 0.3 billion** for the upgrading of National Schools.

113. **Mr. Speaker**, Kenya's education system is highly ranked regionally and globally. This means, Kenya has strength in its talent pool and could leverage to attract investors as well as become a strong exporter of talent in the region. Indeed, the ongoing curriculum review effort which shifts to a competency based framework is an essential part of the drive for retaining Kenya's competitive human resource advantage. Towards this end, the Government will concentrate on improving the technical, vocational training and university quality, attracting and retaining the best talent, producing job market ready talent domestically and for the world.

114. In this regard, **Mr. Speaker**, 60 Technical and Vocational Colleges (TVCs) have been constructed with an additional 70 TVCs still under construction and expected to be completed by June 2017. In addition, **Mr. Speaker**, the Government is also in the process of equipping the existing institutions with appropriate training equipment. To further support the growth of

technical institutions in the country, I have allocated **Ksh 6.0 billion** for technical, vocational education and training in this budget. As we forge towards industrialisation, the technical training institutes will become indispensable for developing skills needed in the industrial sector.

115. **Mr. Speaker**, enrolment in our universities both public and private has risen, owing to among others, the establishment of the Kenya Universities and Colleges Central Placement Service (KUCCPS) which has ensured equitable placement of learners in both public and private universities, as well colleges, a departure from the past when central admissions were the preserve of public universities. Acknowledging the importance of university education, I have provided **Ksh 83.8 billion** for University Education. Further, **Mr. Speaker**, to enable our students finance their university education, I have allocated **Ksh 10.1 billion** to the Higher Education Loans Board.

4.5.2 Access to Affordable Health Care

116. **Mr. Speaker**, the Government continues to implement programs to ensure Kenyans have access to safe, quality and cost-effective health services. So far, we have witnessed significant reductions in communicable diseases, maternal and infant deaths, and improvement in immunization coverage as well as increased access to ARVs. **Mr. Speaker**, to further improve immunization coverage and increase access to ARVs, I have allocated **Ksh 0.7 billion** for Vaccines; and **Ksh 0.6 billion** to the National Aids Control Council.

117. **Mr. Speaker**, to bring specialized medical care closer to Kenyans, we have equipped hospitals with specialized medical equipment. **Mr. Speaker**, we have set aside **Ksh 5.0 billion** for leasing of more medical equipment.

118. In addition, **Mr. Speaker**, the National Government in partnership with the County Governments has successfully implemented the free maternity programme and equipped more than 200 theaters for emergency surgery during delivery. As a result, the number of women delivering in health facilities has increased from 660,000 to 1.2 million annually. Subsequently, maternal deaths have dropped from 6,000 to 4,000 annually, thus, keeping an additional 2,000

mothers alive to nurture their children and families. **Mr. Speaker**, to further support the Free Maternal Healthcare programme, I have allocated **Ksh 4.3 billion** in this budget.

119. **Mr. Speaker**, as a further indication of the Government's commitment to improve health service delivery, I have allocated **Ksh 2.7 billion** for Doctors/Clinical Officers/Nurses internship programme; **Ksh 9.0 billion** for Kenyatta National Hospital; **Ksh 6.2 billion** for Moi Teaching and Referral Hospital; **Ksh 2.0 billion** for Kenya Medical Research Institute; **Ksh 0.7 billion** for the Cancer Services; and **Ksh 3.9 billion** for Kenya Medical Training College (KMTTC).

120. **Mr. Speaker**, the Jubilee Government promised to expand access to affordable healthcare. Since 2013, the number of Kenyans who access outpatient medical care through the National Hospital Insurance Fund (NHIF) has increased by more than 2 million. To further expand access to affordable healthcare, I have allocated, **Ksh 0.9 billion** for Free Primary Healthcare; **Ksh 0.3 billion** for Health Insurance Subsidy Programme (Elderly & Disabled); **Ksh 1.1 billion** for the rollout of universal health coverage.

4.5.3 Caring for the Vulnerable

121. **Mr. Speaker**, to alleviate poverty and ensure that the economic growth we are experiencing is shared, thousands of our orphans, and vulnerable children, people living with disabilities and the elderly in our society have continued to receive cash transfers through the National Safety Net Programs. To further support the plight of the less disadvantaged in society, combat poverty, and promote equity, the social protection safety net has been enhanced as follows: **Ksh 9.6 billion** for orphans and vulnerable children (OVC); **Ksh 7.9 billion** for cash transfers to the elderly persons; **Ksh 1.2 billion** for cash transfers to persons with severe disabilities; and **Ksh 0.4 billion** for National Development Fund for persons with disability.

122. **Mr. Speaker**, given the experience of the cash transfer programme to the elderly, the Government has decided to enhance coverage of the cash transfer programme to fully support all old persons above the age of 70 years. I therefore, propose that beginning January 2018, all persons above the age of 70 years will receive a cash transfer in the form of a monthly stipend

and NHIF cover that will be paid by the Government. Old persons covered under the existing over 65 years targeting people with disability will be continued. **Mr. Speaker**, this policy is an indication that the Government cares for the Senior Citizens in our society.

123. In addition, **Mr. Speaker**, to support the less fortunate families, I have set aside **Ksh 0.3 billion** for the rehabilitation of street families; **Ksh 0.5 billion** for Children Welfare Society; and **Ksh 0.4 billion** for the Presidential Secondary School Bursary Scheme. Further, I have set aside **Ksh 3.5 billion** for the Kenya Hunger Safety Net Programme; **Ksh 0.7 billion** for Emergency Relief; and **Ksh 7.7 billion** for the Equalization Fund.

124. **Mr. Speaker**, the Government remains committed to the completion of the on-going Economic Stimulus Projects (ESPs) to support service delivery at the constituency level. Accordingly, I have set aside **Ksh 100 million** for the completion of ESP; and **Ksh 250 million** for the completion of constituency industrial development centres. In addition, **Mr. Speaker**, I have set aside **Ksh 2.1 billion** for Affirmative Action to promote equity and for social development. I have also set aside **Ksh 30.9 billion** for the National Government Constituency Development Fund.

4.5.4 Empowering the Youth and Women

125. **Mr. Speaker**, since 2013, over 100,000 community youths have been engaged in various development programmes in the National Youth Service (NYS). Also, over Ksh 25 billion has been cumulatively availed through the Uwezo Fund, Women and Youth Enterprise Funds. **Mr Speaker**, over Ksh 26 billion worth of tenders have been awarded under the Access to Government Procurement Opportunities (AGPO) platform. These interventions demonstrate the commitment to empower our youth for their future prosperity.

126. **Mr. Speaker**, to continue supporting our youth and women, I am allocating **Ksh 18.3 billion** towards the youth empowerment programme which will help facilitate mentoring of youth on leadership, national values, and entrepreneurship skills and further entrench digital literacy. In addition, I am allocating **Ksh 0.6 billion** for Youth Enterprise Development Fund; **Ksh 0.7 billion** for Youth Employment and Enterprise (Uwezo Fund) and **Ksh 0.8 billion** for Women

Enterprise Fund. **Mr. Speaker**, going forward we shall review all the existing distinct funds to ensure there is no duplication and make them more relevant to today's youth requirements.

127. **Mr. Speaker**, in order to operationalize the Constitutional requirement under article 227(2,b), the Public Procurement and Asset Disposal Act, 2015 provided Preference and Reservations Clauses that offered the disadvantaged groups an express opportunity to competitively participate in public procurement without discrimination. The Preference and Reservations aims at promoting the local industries and enhancing participation by disadvantaged groups in public procurement.

128. **Mr. Speaker**, we are at an advanced stage of establishing the Preference and Reservation Secretariat which will oversee the implementation of Preference and Reservations as provided for in the Public Procurement and Asset Disposal Act 2015 to advance the interests of Youth, Women, PWDs and other disadvantaged groups in public procurement.

129. **Mr. Speaker**, the Secretariat will expand the Monitoring & Evaluation exercise to cover all procuring entities including the County governments. In order to ensure the target groups are benefiting from doing business with the government, the secretariat will among other responsibilities focus on monitoring to ensure that prompt payments are made for duly executed contracts to these disadvantaged groups under the Preference and Reservations.

130. **Mr. Speaker**, the Secretariat is expected to link Small and Medium Enterprises owned by the disadvantaged groups with the procuring entities through its mandate. Further, it is expected to ensure that preferences in public procurement are extended to candidates offering goods locally manufactured, assembled, mined, extracted or grown in Kenya. For purposes of ensuring sustainable promotion of local industry, all foreign tenderers participating in international tenders will be expected to source at least 40% of their supplies from Kenyan citizen contractors. This will enhance the competitiveness of the SMEs, spur economic growth and enhance job creation which will help in addressing the unemployment challenge. This **Mr. Speaker**, will not only add more jobs to the youth and women, but will also provide further impetus to our objective of industrialisation.

131. **Mr. Speaker**, to enhance the implementation of the tax incentive for employers who engage apprentices, last year I proposed to gazette some regulations. Since then, the Government has developed the regulations for implementation of the incentive. **Mr. Speaker**, the ongoing Youth Training and Internship Programmes will enhance the employability of Kenyan youth and increase income opportunities. This programme targets a total of 70,000 youths, aged between 16-29 years, who are unemployed with up to Form 4 level education, and will avail training and work experience to them in a real workplace.

4.5.5 Sports, Culture and Arts

132. **Mr. Speaker**, in order to constructively engage the youth, the government will focus on creating opportunities for the youth and help them to realize their potential, through sports, culture and arts. In this respect, there will be sporting activities at the counties to identify and nurture talent in sports. The government will provide opportunities for participation in culture and the artistic talents; and will support the preservation and promotion of our National heritage.

133. **Mr. Speaker**, the Government has over the last four years, trained and nurtured more than 73,700 talented youths in various sports disciplines, sensitized 694 persons and tested 231 athletes on anti-doping. The Government has further enhanced film monitoring and enforcement by issuing 1,043 film regulatory licenses and conducted 5,753 random inspections to ensure inappropriate content is not distributed to the public.

134. **Mr. Speaker**, through the proposed National Sports, Culture and Arts Fund, the Government will further continue to develop sports, arts and preserve our national heritage. The Government will upgrade 5 regional stadia in Kamariny, Chuka, Karatu-Ndarugu, Marsabit and Wote. In addition, the Government will continue to improve compliance with sports regulations, increase awareness on the fight against doping, and disseminate heritage knowledge. Further, the Government will complete the Ultra-modern National Library at Upper Hill in Nairobi, and fully operationalize the Kenya Film School. **Mr. Speaker**, to further support

these initiatives, I have allocated **Ksh 200 million** for construction of Sports Academy and **Ksh 550 million** for completion of the Ultra-Modern National Library.

5. Fiscal Policy and Budget Framework

135. **Mr. Speaker**, let me now turn to the financial projections for the 2017/18 budget.

5.1 2016/17 Budget Estimates

136. **Mr. Speaker**, implementation of the 2016/17 budget has progressed well but with challenges. We have had to deal with various challenges such as the ongoing drought, the various strikes, security and preparations of the 2017 general elections and additional expenditures for projects financed by development partners. In the course of the year, we had to make adjustments in the context of supplementary I to accommodate these emerging pressures. The result of the additional expenditures was a higher fiscal deficit of 9.0 percent of GDP, financed partly by external financing from development partners.

5.2 2017/18 Budget Projections

137. **Mr. Speaker**, our fiscal policy for FY 2017/18, aims to support rapid and inclusive economic growth, while ensuring a sustainable debt position. **Mr. Speaker**, in this budget we have taken a deliberate path of fiscal consolidation which reduces the fiscal deficit (inclusive of grants) from around 9.0 percent of GDP in the FY 2016/17 to about 4.0 percent of GDP in the FY 2019/20.

138. **Mr. Speaker**, we will maintain strong revenue effort by bolstering our tax administration procedures to minimize revenue leakages and leverage on information technology.. In FY 2017/18 budget therefore, revenue collection including Appropriation-in-Aid (AIA) is projected at Ksh 1,704.5 billion equivalent to 19.6 percent of GDP. Of this ordinary revenues is projected at Ksh. 1,549.4 billion (17.8 percent of GDP).

139. On the other hand, **Mr. Speaker**, total expenditure and net lending in this budget are projected at Ksh 2,287.9 billion equivalent to 26.3 percent of GDP. Of this, recurrent expenditure will amount to Ksh 1,347.3 billion equivalent to 15.5 percent of GDP, while development expenditure is projected at Ksh 640.3 billion equivalent to 7.4 percent of GDP. In addition, **Ksh 5.0 billion** has been set aside as contingency to cater for unseen expenditures.

140. **Mr. Speaker**, this means that the fiscal deficit for the FY 2017/18 will be Ksh 524.6 billion equivalent to 6.0 percent of GDP and will be financed through borrowing from both external and domestic sources. The net external financing will amount to Ksh 256.0 billion (2.9 percent of GDP) and will be mainly on concessional terms. Non-concessional external borrowing will be limited to projects with viable expected returns and the ceilings in the Medium-Term Debt Strategy. The domestic financing of the budget will therefore, comprise of Ksh 268.6 billion equivalent to 3.1 percent of GDP borrowing.

6. Taxation Measures

141. **Mr. Speaker**, the rest of my budget presentation outlines various tax measures I intend to introduce through the Finance Bill 2017 to create jobs and better the lives of Kenyans.

6.1 Support Growth and Domestic Production

142. **Mr. Speaker**, as earlier indicated in this statement, we consulted other Partner States in East African Community (EAC) and we agreed Kenya could proceed with an early presentation of the Budget. However, regarding matters relating to customs, we have evaluated various proposals from stakeholders for consideration by the EAC Ministers for Finance during the pre-budget consultations meeting to be held in May this year.

143. **Mr. Speaker**, measures that will be agreed upon by the EAC Ministers for Finance on matters relating to Customs will be communicated through the EAC Gazette and implemented from 1st July this year. Meanwhile, **Mr. Speaker**, the EAC Common External Tariff which sets out the rates of duty applicable on imported goods is undergoing a comprehensive review and the final outcome will be released once adopted by the EAC Council of Ministers.

144. **Mr. Speaker**, the Customs proposals contain measures to promote industrialization, encourage local investments, and create incentives in the agricultural and manufacturing sectors in order to make our products more competitive so as to protect local industries from cheap imports which create unfair competition.

145. **Mr. Speaker**, the Government has noted the huge potential for growth in the paint and resin manufacturing industry for matching the high demand in the construction industry. Illuminating kerosene is a critical input in this sector. So as to promote paint and resin manufacturing, I propose to amend the Excise Duty Act to allow refund of excise duty paid on illuminating kerosene used in the manufacturing of paints and resin by registered manufacturers.

146. **Mr. Speaker**, the VAT Act, 2013 introduced 16% VAT on all imported inputs for pest control products for local processing/formulation while, the imported finished products remain zero rated. This treatment has made locally manufactured pesticides more expensive than the imported products. In order to promote local manufacturers and reduce costs of production in agricultural sector, I propose to exempt VAT on all inputs used in the manufacture of pesticides.

147. **Mr. Speaker**, the tourism industry has been growing steadily despite adversities experienced in the industry. In order to promote tourism further and to make Kenya a tourism hub, I propose to exempt from VAT, locally assembled tourist vehicles. This measure has taken into consideration the current policy of the Government to encourage local motor vehicle assembling. Tourist operators will therefore be encouraged to buy the tourist vehicles locally.

148. **Mr. Speaker**, during the 2016 Budget Speech, I proposed measures to promote the health sector by exempting from VAT taxable goods used for construction of specialized hospitals with accommodation. This was a noble initiative on the part of the Government in order to promote the health sector. **Mr. Speaker**, I however note that this incentive excluded medical equipment and apparatus making it unattractive to investors. In order to address the challenges in the health sector, I propose to extend the incentives earlier granted by exempting from VAT medical equipment and apparatus for use in the specialized hospitals.

149. **Mr. Speaker**, I have proposed changes in the Capital Markets Act and Public Finance Management Act to accommodate Islamic finance products to enhance financial deepening. Consequently, I further propose to amend the tax statutes to provide for equivalent tax treatment of these products with the conventional financial products.

150. To support the Blue economy, **Mr. Speaker**, I propose to allow a 150% investment deduction allowance for capital expenditures in this sector. I am also proposing to exempt from VAT packaging materials and other inputs intended to support primary, secondary and ancillary marine fisheries and fish processing, and a 50% reduction in port charges for fisheries vessels.

6.2 Reduce Income Inequality

151. **Mr. Speaker**, last year, I expanded the tax bands by 10% and increased the personal relief by 10%. This year, I propose to amend the income Tax Act to expand the tax bands by another 10% and to increase the relief by another 10%. This will increase the number of low income earners exempt from tax by raising the lowest taxable income from Ksh. 11,135 per month to Ksh. 13,486. This measure will to a large extent increase the take home income of a majority of low income earners. In addition, I wish to conform that the exemption on bonuses, overtime and retirement benefits paid to the low income earners will remain.

6.3 Promote Job Creation

152. **Mr Speaker**, Kenya is positioning itself as a hub for motor vehicle assembly for the region. In order to enhance this position, I propose to amend the Income Tax Act to reduce the corporate rate of tax for new assemblers from 30% to 15% for the first five years. This measure will enhance the return for new investors and increase job opportunities for Kenyans.

153. **Mr. Speaker**, it is the government's policy to promote Foreign Direct Investment so as to expand the local economy and increase employment opportunities. To this end, I propose to amend the Income Tax Act to exempt dividends payable to non-residents by enterprises operating in Special Economic Zones (SEZ) in order to ensure that foreign investors get a good return for their investment. In addition, I propose to reduce the withholding tax on interest payable to non-residents by Special Economic Zones Enterprises from 15% to 5%.

154. **Mr. Speaker**, I also propose to amend the Income Tax act to allow enterprises licenced under SEZ to deduct 100% of the investment cost of building and machinery. This will enable such enterprises to recover cost of investment within the first year of utilisation.

155. **Mr. Speaker**, I further propose to amend the Miscellaneous Fees and Levies Act to exempt from export duty and Import Declaration Fees respectively goods exported to and imported by an enterprise licenced under the SEZ Act. These measures are meant to reduce the cost of doing business, inspire foreign direct investment, position Kenya as a premier business hub and increase employment opportunities.

156. **Mr. Speaker**, betting and gaming have become widespread in our society in an environment that is inadequately regulated. Its expansion is beginning to have negative social effects, in particular on the young and vulnerable members of our society, I therefore propose to raise taxes for betting, lottery, gaming and competition from the current rates of 7.5%, 5%, 12% and 15%, respectively, to a uniform tax rate of 50% for all categories. The proceeds will be put in the newly created National Sports, Culture and Arts Fund to support development of sports, culture and arts in Kenya.

6.4 Improve Tax Administration and Compliance

157. **Mr. Speaker**, following the enactment of the VAT Act 2013, it was important that Regulations be developed to support the smooth implementation of the Act. The VAT Regulations have been prepared and subjected to stakeholders' engagement as required. The Regulations have been aligned to the Tax Procedures Act, 2015 which consolidated procedures that are common into one legislation. I will therefore be publishing the VAT Regulations to support the smooth implementation of the VAT Act, 2013.

158. **Mr. Speaker**, we have received a number of proposals for consideration during the review of the Income Tax Act. Among the issues received for review include taxation of capital gains, compensating tax, taxation of pensions, taxation of extractive industries and taxation of cross border transactions, among others. We intend to address these issues during the overhaul of the current Income Tax Act, which we have already commenced.

159. **Mr. Speaker**, the draft Income Tax Act is expected to be published shortly for public input in accordance with the Constitution. Specifically, the new Income Tax Act is expected not only to simplify the administration of the Act, but also to reduce the cost of compliance by taxpayers. The review is also guided by the need to expand the tax base and to align the Act with the best practice and ensure certainty in the tax law.

160. **Mr. Speaker**, last year, I introduced tax amnesty for taxpayers willing to reinvest back home provided there was a conducive environment to facilitate such reinvestment. I have noted that there is need to clarify the circumstances under which the amnesty will be granted. Consequently, taxpayers willing to enjoy amnesty should declare the income for year 2016, file return and accounts for year 2016 by 30th June, 2018 and transfer back to Kenya the funds voluntarily declared under the amnesty. **Mr. Speaker**, I expect KRA to issue guidelines on the same and urge taxpayers to cash in on this amnesty and clean up their records with KRA.

161. **Mr. Speaker**, the Excisable Goods Management System has applied a uniform cost of stamps irrespective of the cost of the various products. The uniform charge for the stamps has brought challenges in respect of low cost products. In order to enhance tax administration, regulations that provide for differentiated prices based on the cost of the product will be gazetted shortly. Accordingly, the cost of stamps now ranges from Ksh. 0.50 to Ksh. 2.5 depending on the cost of the product.

162. **Mr. Speaker**, in order to discourage the consumption of illicit drinks, I have proposed 80% remission of excise duty in respect of locally manufactured beer made from locally produced sorghum, millet or cassava or any other produce, excluding barley. **Mr. Speaker**, the consumption of high value spirits has increased tremendously. Accordingly, I also propose to increase the tax rate of spirits from Ksh. 175 per litre to Ksh. 200 per litre. While the taxation of beer has not changed, the inflation adjustment that will be effected from 1st July, this year will increase government revenue in line with inflation. KRA will publish the new inflation adjusted tax rate for all excisable goods shortly.

163. **Mr. Speaker**, there has been industry concerns on current taxation of cigarette in our country. The current single tax structure of Ksh 2,500 per mille of cigarette has been

inequitable and has adversely affected demand for locally produced low value cigarette. To cushion the local cigarette manufacturers from the adverse financial effects due to loss in market, I have proposed a two tier tax structure of Ksh 2,500 per mille for cigarette with filters and Ksh 1,800 per mille for plain cigarette. This tax measure will ensure equity and fairness in the tobacco industry and prevent job losses in this sector.

6.5 Enhance Social Security and Welfare

164. **Mr. Speaker**, as you are aware, our country has faced challenging times as a result of drought. The Government has put in place measures to ensure that the impact of this disaster on the people of Kenya is alleviated. In addition, I propose to amend the Income Tax Act to allow a deduction for expenditure incurred on donations for the alleviation of distress during national disaster as declared by the President. Such donations should be channelled through the Kenya Red Cross, a County Government or any other institution responsible for national disaster.

165. **Mr. Speaker**, considering the hardship and the suffering associated with the recently declared national disaster as a result of the widespread drought in the country, white maize will be imported on a tax free basis for a period of four months. In addition, the dates and in order to support our Muslim brothers, the importation of dates during the period of Ramadhan will be done free of taxes.

166. **Mr. Speaker**, ordinary bread and maize flour are VAT exempt, which means they do not benefit from deduction of input tax. Therefore, the input tax is inbuilt into their selling price. In order to make these commodities affordable for the common Mwananchi, I propose to zero rate bread and maize flour to remove VAT altogether. Manufacturers, Wholesalers, and Retailers who sell such goods will be expected to reduce the prices of these basic commodities, failure to which, I will reverse the policy. In addition to further lower the cost to Wanchi, the importation of maize during the next four months will be duty free. I expect, therefore to see a reduction of prices for these basic commodities which enjoyed by majority of our people.

167. **Mr. Speaker**, it is the Government policy to increase and deepen the country's sources of infrastructure financing. In order to achieve this, there's need for the Government to support effective uptake of infrastructure financing products through tax neutrality for alternative measures for raising funds for such projects. I propose therefore to amend the VAT Act to exempt from VAT the transactions related to transfer of assets into Real Estate Investment Trusts (REITs) and Asset Backed Securities (ABS).

7. Conclusion

168. **Mr. Speaker**, Kenya's economic growth has outperformed the regional average for 8 consecutive years. We rightly deserve to be proud of our economic performance. However, **Mr. Speaker**, as I said at the beginning of my Statement, we should not be complacent. If anything, now is the time to redouble our efforts to build upon the foundations of success. Looking ahead, these achievements need to be deepened and broadened, so that the economy can be more resilient, and the benefits of growth can be more widely shared among all Kenyans.

169. **Mr. Speaker**, this budget will maximize social benefits for all Kenyans. It will support industries, create jobs and improve the quality of life of Kenyans. It will also help us realize a cleaner environment; provide quality social services (Health and Education), and enhance access to efficient public transport. In sum, it is a budget that carefully balances on the one hand the need to reduce the cost of living for the poor by enhancing social sector spending while continuing to strengthen the foundation for long-term economic growth, job creation and provision of incentives for rapidly moving towards industrialization of our economy.

170. As I conclude, **Mr. Speaker**, allow me to express my gratitude to His Excellency The President and His Excellency the Deputy President, for their guidance and wise counsel to me in managing the economic affairs of this country since the formation of this Government. I am very grateful to them. I would also like to thank my fellow Cabinet Secretaries and their Principal Secretaries for their support and contributions throughout the budget process.

171. **Mr. Speaker**, I am also sincerely grateful to:

- Speakers of both the National Assembly and Senate and their respective Clerks for overseeing the approval of submissions on the budget estimates for the FY 2017/18;
- Members of the Budget and Appropriations Committee led by Chairman Hon Mutava Musyimi and the other Departmental Committees of Parliament for the comprehensive and constructive engagement in reviewing the budget estimates for the Fiscal Year 2017/18;
- Majority Leader of the National Assembly, Hon Aden Duale, for his relentless support to get most of the legislative proposals on finance matters pass through the house;
- All members of the National Assembly and Senate for their cooperation and support;
- Management and Staff of the National Treasury under the able leadership of the Principal Secretary, Dr. Kamau Thugge, who have tirelessly worked long hours, including most weekends to ensure that this budget and supporting documents meet the legal deadlines; **Mr. Speaker**, this is a clear demonstration of their selfless service to this Country and we appreciate this extra effort by Officers of the National Treasury to this exercise;
- Management and Staff of the Central Bank of Kenya and the Kenya Revenue Authority for their contributions;
- Staff from the Attorney General's Office;
- Staff of the Parliamentary Budget Office for providing support on the budget process;
- Our bilateral and multilateral development partners, as well as our private sector for their contribution to our development agenda through their technical and financial support;
- The media for actively keeping Kenyans informed of the developments in the FY 2017/18 budget process.

172. **Mr. Speaker**, my utmost gratitude goes to Kenyans from all walks of life for their contributions, proposals and suggestions received during the finalization of this budget.

173. Finally, **Mr. Speaker**, allow me once again to thank all Members of Parliament for your support in facilitating legislative proposals in supporting our Economic Transformation Agenda over the last four years. As you go back to the electorate, I wish you well. My only appeal is that the campaign period will be peaceful to ensure that we do not reverse the economic gains we have achieved so far.

I Thank You, and

God Bless You, God Bless Kenya

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