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COMMUNICATION FROM THE CHAIR

ON THE PROCESSING OF THE BUDGET POLICY STATEMENT, 2017

1. **Honourable Senators**, as you may be aware, section 25 of the Public Finance Management Act requires the National Treasury to prepare and submit the Budget Policy Statement to Parliament by the 15th February each year.
2. **Honourable Senators**, you may also note that the General Elections are scheduled to be held in August, 2017 and as such, the electioneering period will have an impact on the 2017/2018 budget process. Arising from this, the National Treasury after consultation with stakeholders, including relevant committees of Parliament has now submitted the Budget Policy Statement, together with other related documents, to Parliament for consideration.
3. In this regard **Honourable Senators**, by a letter Ref. No. Conf.MOF83/02TY.5/(14) dated 22nd November, 2016 and received in the office of the Clerk on 23rd November, 2016, the Principal Secretary for the National Treasury submitted the following documents for consideration and approval by Parliament-
 - a) The Budget Policy Statement, 2017;
 - b) The Medium Term Debt Management Strategy, 2017;
 - c) The Draft Division of Revenue Bill, 2017, and
 - d) The Draft County Allocation of Revenue Bill, 2017.
4. Consequently **Honourable Senators**, at Order No. 5 in today's Order Paper, I ~~will~~ allow^{ed} the Chairperson of the Standing Committee on Finance, Commerce and Budget to formally table these documents.

5. **Honourable Senators**, the Budget Policy Statement is an important tool as it sets out the broad strategic priorities and policy goals that will guide the national government and county governments in preparing their budgets both for the following Financial Year and over the medium term. It contains, among other things-

- i) an assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
- ii) the financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
- iii) the proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicative transfers to county governments; and
- iv) the fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.

6. In a nutshell it means that any proposal that Senators have regarding the Division of Revenue Bill and the County Allocation of Revenue Bill, including funds for conditional allocations to the counties, should be canvassed and forwarded to the National Treasury for possible factoring in the Budget Policy Statement, failure to which, it will be difficult for changes to be accommodated later on.

7. **Honourable Senators**, Section 25 (7) of the Public Finance Management Act provides as follows-

25 (7) Parliament shall, not later than fourteen days after the Budget Policy Statement is submitted to Parliament, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments.

8. Based on the importance of the Budget Policy Statement and the above timelines, I direct that ~~once tabled~~, the Budget Policy Statement be considered by all Standing Committees each concentrating on its mandate. The Standing Committees will then forward their recommendations to the Standing Committee on Finance, Commerce and Budget for consolidation and tabling of the report, not later than Wednesday, 30th November, 2016. The Senate should then debate and approve the report by Thursday, 1st December, 2016.

9. Please note that, pursuant to section 25 (8) of the Public Finance Management Act, the Cabinet Secretary of the National Treasury is

expected to take into account resolutions passed by Parliament in finalizing the budget for the relevant Financial Year.

10. **Honourable Senators**, I therefore urge you all to prioritize the scrutiny of the Budget Policy Statement taking into consideration our most important function of safeguarding devolution.

I thank you.

SEN. DAVID EKWEE ETHURO, E.G.H. E.B.S., M.P.
SPEAKER OF THE SENATE

24th November, 2016

