ADDRESS TO THE NATION BY HIS EXCELLENCY HON. UHURU KENYATTA, C.G.H., PRESIDENT OF THE REPUBLIC OF KENYA AND COMMANDER-IN-CHIEF OF THE DEFENCE FORCES FROM STATE HOUSE, MOMBASA 14TH JANUARY 2020

Fellow Kenyans,
As our Children settle back in schooL after the December holidays, and as all 2019 KCPE candidates report to their respective Secondary Schools – in the Second year of 100% Transition, I again convey my best wishes for the New Year.

Today, I will spell out the areas that my administration intends to focus on over the next few months. The primary thrust of that strategy is economic. I want the economy to be a more important focus than politics. And this is because our practice throughout our history has been to pursue the political kingdom as opposed to the economic kingdom. But that focus has been

wrong. It is the reason we still have remnants of poverty despite the years of progress we have made.

Political Power pursued for its own sake will not make us the great nation we want to become. We must, therefore, use politics to shift the economy and address the plight of the most vulnerable members of our society. We must use politics to better the livelihoods of Kenyans. If we use politics as a means to a greater end, we will give politics meaning. And this is my intent for this year.

On the first area of focus to revitalize our economy so as to increase circulation of money in the economy. Clearing Pending Bills: I am pleased to note that following my directive in November 2019, that all verified and genuine pending bills be paid immediately, about 70 percent of pending bills owed by national and county government, and verified as payable, had been paid by 31st December.

Similarly, with the planned infrastructure bond of 150 billion shillings all infrastructure-related bills will be settled early this year and aid the completion of all ongoing road and infrastructure projects across our homeland.

On this, I appreciate the support I have received from Parliament, in appropriating budgetary resources that made it possible to make these payments.

Removal of the interest rate cap: You will recall that the law capping interest in Kenya came into force in 2016 and set the maximum lending rate at no more than four percentage points above the Central Bank Rate. The law was introduced following a public outcry against the high cost of credit. The implementation of the law was expected to lower the cost of credit and also increase access to credit.

Unfortunately, the law has had an adverse effect on the economy and reduced the amount of available credit.

The removal of the interest rate cap in November last year will facilitate the availability of more credit to businesses which will in turn increase the circulation of money. I urge the Central Bank to use the full range of instruments of regulation and policy at its disposal to prevent predatory lending and ensure that banks can offer loans at affordable interest rates.

Removing Constraints to the Growth of Micro, Small and Medium Enterprises (MSMEs). MSMEs are the lifeblood of our economy.

The sector accounts for more than 80 percent of all businesses in Kenya, create around 75 percent of the jobs and are key contributors to broad-based and inclusive economic growth. But MSMEs face many challenges, which reduce their competitiveness and constrain their growth and sustainability.

As a result, the contribution of MSMEs to the country's gross domestic product (GDP) is only 30 percent, a figure that could be much higher if we were to realise their full potential.

We are, therefore, putting several measures in place to re-start this powerful engine of our economy.

They include:

· Increasing access to affordable credit: Measures to enable MSMEs access affordable credit include the recently launched Stawi. This will provide unsecured credit to MSMEs, which, because of their informal nature and lack of collateral securities, had been locked out of the formal credit market.

· Five commercial banks have set aside 10 billion shillings to be lent to MSMEs at an interest rate of 9 percent per annum, in loan amounts ranging between 30, 000 to 250,000 shillings.

· Partnership between the government and MSMEs in the construction industry to provide doors and windows for the affordable housing programme.

· In line with one of the recommendations for policy change in the Building Bridges report, Biashara Centres will be established across the country to provide a huduma type of one-stop shop to provide business development services under one roof. The first Biashara Centre is fully functional at Kariobangi in Nairobi.

Fellow Kenyans,

My second intent for the year is to increase the money in the pocket of the farmer. This will be achieved by directing our anti-corruption efforts against those managing the agricultural sector and exploiting their positions for illegal gain and trading in conflict of interest. I am also directing action to increase the revenues to the farmer as opposed to the middle men and brokers.

Today I want to specifically deliver solutions on these issues to the tea and coffee sector.

Kenya remains a leading exporter of Black tea, accounting for nearly 20 percent of total global exports.

However, lately, the industry has been experiencing difficulties, particularly with regard to diminished earnings for the farmers. The following actions will be taken to address these concerns:
Pricing policy and mechanisms for smallholder farmers. The key concerns are on low tea prices, delayed payments, low initial payment by KTDA and fluctuations in net income of tea farmers.

Smallholder sub-sector management: Kenya Tea Development Agency (KTDA) Ltd has delivered a lot of value to farmers in the past but some operational and governance challenges have emerged in the last few years. Key among these is conflict of interest by directors and lack of clarity in the declaration of dividends by subsidiary companies.

It is clear the governance of KTDA and entire marketing of tea will require to be restructured if we are to assure our tea farmers get more revenue from their tea sales.

Empirical evidence abounds; as a result of poor corporate governance farmers who would be earning about 91 shillings per kilo for their tea, are currently earning about 41 shillings with 50 shillings per kilo going to brokers and middle men.

I hereby, direct the Competition Authority to take decisive and conclusive action to bring these practices to an end. I further direct the Ministry of Agriculture and the Ministry of Trade to take immediate measures to ensure that each of the subsidiaries has separate Governance structures; and that the profits from each of the subsidiaries is reflected in farmers' incomes.

Direct sales versus auction sales: For the longest time in the history of tea farming in Kenya, farmers would deliver their tea to tea buying centres, from where it was collected for delivery to the tea factories.

In the context of market liberalisation, farmers have the option of selling their tea to whomever they choose. The concern here is that certain people have taken advantage of this option to exploit farmers.

These middlemen, variously known as “soko-huru” or “mukohoro”, purchase tea from the farmers on a cash-on-delivery basis, and then sell it to KTDA in their own names. I direct the ministry of agriculture to ensure that the Tea Regulations 2019 incorporate appropriate mechanisms to ensure that, no one who is not a registered tea grower is allowed to sell it.

I further direct the Ministry of Agriculture to immediately explore the option of KTDA paying farmers no less than 50% of their deliveries as monthly payments with the balance being paid as annual bonus.

Value Addition: In 2018, Kenya exported 476 million kilograms of tea, earning 140 Billion shillings. Sri Lanka on the other hand exported 288 million kgs, which is about 60% of our exports. However, they earned an equivalent of 150 billion shillings.

The higher earning for lesser tea than ours is largely due to their ability to export close to 50% percent of their teas in value added form, compared to us who export 98% of our tea in bulk form.

To earn more value from our tea, we need to add value to it before exporting it. Going forward, I have directed the National Treasury, the Ministry of Trade and Industry, the Ministry of Agriculture and the Attorney General to finalise and gazette the newly developed Tea Regulations (2019) within the next two weeks.

These regulations include: establishment of the Green Leaf Pricing Formula Committee to determine the formula for pricing of green leaf; the establishment of a self-sustaining stabilisation fund to cushion farmers against price fluctuations and ensure implementation of guaranteed minimum returns; establishment of Kenya Tea Council; and regulation of the volume of teas sold through the Auction and through Direct Sales/ Direct Contracts to be set at 80% Auction and 20% Direct Sales window.

Fellow Kenyans,

The same problems of governance, conflict of interest, unscrupulous buying methods that are bedeviling our tea sector are very similar to those in the coffee sector. The Coffee Task Force, which I established in 2016,

completed its work and I am aware that the recommendations have not been implemented. I direct the Ministry of Agriculture to immediately implement the Task Force recommendations.

In addition to the above measures, for the coffee sector, I have directed the National Treasury to immediately operationalise the 3 billion shilling Cherry Revolving Fund within the next 30 days to cushion farmers from delayed payments, and enable them to the access finances to meet their daily cash flow requirements whilst awaiting payments for their produce.

My third intent is to support Producers and makers of entertainment. And this intent is both medium and long-term in outlook. In particular, I will focus on milk, potatoes, rice and banana producers in the agricultural sector and producers in the music and entertainment sectors.

In the agricultural sector, our farmers have continued to get high milk yields. However, due to the excess supply, they are receiving very low prices for their milk. The situation has been exacerbated by the incursion of powdered milk which is smuggled into Kenya from outside our Eastern Africa Region. This has caused financial hardship to dairy farmers.

As part of my intent and pledge to the milk farmers, I have given three practical directives.

One, I have directed the National Treasury to release 500 million shillings to the new KCC to purchase excess milk from farmers to convert it into powder milk for future use.

Two, I have directed the National Treasury to release a further 575 million shillings to new KCC for two milk plants, one in Nyeri and one in Nyahururu, to enhance their processing capacity. In sum, my intent is to boost the milk industry with 1.07 billion shillings in the immediate run as a way of supporting their efforts.

Three, and to protect our milk producers from illegal imports, I have directed the National Treasury to impose 16% VAT on milk products that have originated from outside the EAC. I have further directed KEBSs, Customs and the DCI to impound any powdered milk or milk products that does not meet Kenyan standards.

Fellow Kenyans,

Our potato, banana and rice farmers have been blessed with bumper harvests. And because their products are perishable in nature, they suffer immense loses when they cannot sell them on time.

As part of my intent and support to producers of perishable goods, I have issued two practice directions.
One, I have directed that the National Treasury to release 300 million shillings to the Micro and Small Enterprises Authority for the construction of cold storage and processing facilities in Nyandarua, Meru and Kisii.

Two, I have directed that the National Treasury releases 660 million shillings to the Kenya National Trading Corporation to purchase all the excess rice from Kano Plains and Mwea for onward selling to our disciplined forces, prisons services as well as our boarding schools. The two regions experienced bumper harvests and found themselves with excess rice in their stores.

Fellow Kenyans,

Producers in the entertainment industry are also a critical plank of our economy. Kenyans are highly talented and the music industry is potentially one of the most lucrative. Hundreds of our young men and women have invested an incredible amount of effort in the industry but are getting very low returns from their investment. We must allow their investments to pay off so that many more can follow them into one of the industries that we can do exceptionally well in.

Following numerous complaints from the producers in the industry, I directed the Ministry of ICT to work with all stakeholders to resolve the legacy issues that have plagued rights holders for decades.

I am pleased to note that progress has been made and an agreement has been reached between all the key stakeholders. The MoU signed on 20 December 2019 proposes a range of measures that will ensure genuine rights holders are appropriately compensated for their compositions.
Regarding Content Service Providers, my intent is to support the sector using a multi-pronged approach.
Content Service Providers who work with digital platforms such as SKIZA and Viusasa, will be eliminated. And this is because they sit outside the

Collection Management Organisations. My practical direction on this is to have all rights holders register on the National Rights Registry.

To receive royalties, Content Service Providers will be required to channel all payments of royalties through a single, centrally managed account at the Kenya Copyright Board. This will enable oversight by the regulator and ensure that the collection and distribution accounts are easily auditable.

The Kenya Copyrights Board, with assistance of the Ministry of ICT, has already reviewed and agreed on the Tariffs for 2020. These tariffs are to be gazetted and will form the basis on which compliance will be monitored. In this regard, I direct the Ministry of ICT, in consultation with the AG's office, to ensure the tariffs are gazetted within the next 30 days.

Further, I direct the Ministry to remove conditions requiring digital platform to only work through licensed Content Service Providers. This will enable musicians to work directly with platforms such as Sikiza.

I further direct the Ministry of Interior, Ministry of Tourism and Wildlife, and Ministry of ICT to ensure that public service vehicles, the hospitality industry, and broadcasters respectively, meet all their obligations in paying the required tariffs. This will be a basic requirement for renewal of any business licences for the broadcasting houses, matatus, hotels, bars and other such premises.

These new measures will see the rise of tariffs collected and will create immense savings on the processes of collecting royalties. It is estimated that the new system will see an increase in collections from a previous Sh. 200m per year to an estimated 2 billion shillings per year, a tenfold increase.

Fellow Kenyans,

My third intention is to provide support to Kenyans afflicted by natural disasters such as the recent floods and the ongoing locust invasion.

The unusually heavy rains that hit the country late last year, resulted in heavy flooding and landslides, which in turn caused at least 40 fatalities, displacement of families, loss of livestock and health risks. Most counties in the Coast, Eastern, North Eastern, North Rift, Mount Kenya, Western and Nyanza regions were severely affected.

My administration has mobilised funds and made available 5.2 billion shillings to provide relief food supplies, undertake a resettlement programme for the displaced communities, support reconstruction of homes that have been destroyed, address health concerns and reconstruct critical infrastructure, including water supplies.

I am closely monitoring the implementation of this disaster recovery operation to ensure that the affected households are able to regain some stability as soon as possible.
If you have any concerns about the implementation of the programme, I encourage you to share it with your county administration.

On Kenyans' health insurance. I am aware of proposed changes in the fees and structure of insurance benefits of the NHIF. Given my administration's commitment to providing affordable health care, I am directing the Ministry of health to immediately halt the implementation of this proposal to allow for further consultation.

My fourth intent speaks to the issue of corruption. Fellow Kenyans, I want to renew my pledge to you on this fight. I will not turn to the right or to the left. I will not soft-pedal or backpedal. I will make no covenants with evil doers or show mercy to those who rig our markets to enrich themselves.

As we soldier on in this fight, I seek the indulgence of the Judiciary. And I do so because no administration in the history of this country has prosecuted corruption cases the way I have.

From ministers to governors, senior government officers to procurement officers, I have been on the front line. And since I respect the principle of separation of powers, I have no powers of convicting the accused. I have done my part. And I will continue to do so.

Now the Judiciary should give us convictions as an indication that we are winning in this war. And to that extent I think it is a shame on our country that we prosecuted a case against drug traffickers and we could not get a conviction and within a year of them being arraigned in the United States they have been jailed for no less than 25 years. That is something that our Judiciary must come to terms with.

That said, however, I must note that my fight against corruption has given me one joyous result – deterrence! Public officers are now reluctant to

engage in corrupt practices because they are afraid. And instead of dealing with corruption after it has happened, our fight against corruption has ensured that we fight it at source.

More must be done. I direct the NIS to undertake a rigorous review of all cartel groupings that have become leeches sucking away the blood and sweat of hardworking Kenyans.

I want the review to pay particular attention to cartels operating in the public systems of budgeting, procurement, regulation and the illegal rigging of markets. It should also put the agricultural sector under the microscope.

Once this review is completed, I further direct the DCI to take necessary action, working alongside the DPP, to confront these cartels with every instrument available.

We cannot be a country where those who work hard are robbed of their profit by those too lazy to invest and produce. This is why I am and will continue to fight corruption to ensure that the fruits of our labour fill every heart with thanks giving. I invite all of you to continue working with me on this noble fight.

Finally, the sixth intent is political. We must give ourselves a different political template if we are to truly prosper and not be dragged down by never ending squabbling. Every so often, the nation must come together and renegotiate its nationhood. We did it in Lancaster in the 1960s leading to the Lancaster Consensus. We did it in the 1990s, then in 2008.

It is time for a new consensus. We are doing it through the BBI process. In this process of renegotiation, no voice will be wrong and all will be heard. The BBI process is inclusive, it should spell the end of ethnic majoritarianism.

It will be the end of winner-take-all politics. We are on a path to end the cycles of election crises. This is the only path to winning the economic kingdom.

The above outlined actions are just but the beginning. I want you to hold me accountable for delivering these intentions, and I want every leader in

the country, at every level, to stand and work to make the lives of our people better and more hopeful. Over the next few months, I shall be coming to you with further actions.

This will work will be carried out by the framework I established last January to coordinate and expedite the implementation of programmes and projects with potential to transform the lives of the Kenyan people. This framework, outlined in Executive Order No 1, 2019, provides a structured “One-Government Approach” to the implementation of national government programmes; and is intended to enhance efficiency, speed of delivery, and reduce wastage and leakage of public resources.

I am pleased to note that under this framework, major progress has been made in unblocking constraints to delivery, streamlining processes and fast tracking implementation in areas such as cargo logistics, contracting, local content in procurement, and processing of payments for works and goods procured by the government.

I thank the Cabinet Secretaries, Principal Secretaries, Governors, Regional and County Commissioners, and, indeed, the Private Sector and other stakeholders, who have worked, as a team, to deliver on these key milestones.

Going forward in line with the strategy l have outlined above and in order to enhance service delivery, make it more efficient and better to the Kenyan people, l have made changes and re-organized Government as follows:

1. Moved the State Department of Cooperatives from Ministry of Industrialization, Trade, Enterprise Development and Cooperatives to Ministry of Agriculture, Livestock and Fisheries and renamed them as;
   i) Ministry of Industrialization, Trade and Enterprise Development and;
   ii) Ministry of Agriculture, Livestock, Fisheries and Cooperatives.
2. Moved the State Department of Youth Affairs from Ministry of Public Service, Youth and Gender Affairs to Ministry of ICT and Innovations and renamed the Ministries as;
   i) Ministry of Public Service and Gender and;
   ii) ICT, Innovation and Youth Affairs.

I have made the following nomination for consideration by the National Assembly;

1. Hon Mutahi Kagwe, Cabinet Secretary for Health;
2. Ms Betty Chemutai Maina, Cabinet Secretary for Industrialization;
3. Amb Johnson Weru, Principal Secretary for Trade;
4. Dr Jwan Ouma, Principal Secretary for Vocational & Technical Training;
5. Mrs Mary Kimonye, Principal Secretary for Public Service;
6. Amb Simon Nabukwesi, Principal Secretary for University Education and Research;
7. Mr Solomon Kitungu, Principal Secretary for Transport and
8. Mr Enoch Momanyi Onyango, Principal Secretary for Physical Planning.

I have today re-assigned duties of Cabinet Secretaries and Principal Secretaries as follows;

1. Amb Raychelle A Omamo, Cabinet Secretary for Foreign Affairs;
2. Mrs Sicily K Kariuki, Cabinet Secretary for Water & Sanitation and Irrigation;
3. Hon Peter Munya, Cabinet Secretary for Agriculture, Livestock, Fisheries & Cooperatives;
4. Amb (Dr) Monica K Juma, Cabinet Secretary for Defence;
5. Mr Simon K Chelugui, Cabinet Secretary for Labour;
6. Hon (Amb) Ukur K Yatani, Cabinet Secretary for National Treasury and Planning;
7. Mr Joe Okudo, Principal Secretary, for Sports;
8. Dr Chris Kiptoo, Principal Secretary for Environment & Forestry;
9. Dr Kevit Desai, Principal Secretary for East Africa Community;
10. Dr Margaret W Mwakima, Principal Secretary for Regional Development;
11. Mrs Esther J Koimett, Principal Secretary for Broadcasting & Telecommunications;
12. Mr Peter Kaberia, Principal Secretary for Mining;
13. Ms. Safina Kwekwe, Principal Secretary for Tourism;
14. Prof Colletta A Suda, Principal Secretary for Gender.

Finally, I have made appointments of the the Chief Administrative Secretaries as follows:

1 Hussein Dado, Chief Administrative Secretary for Interior and Coordination of National Government;
2 Patrick ole Ntutu, Chief Administrative Secretary for Labour & Social Protection;
3 Andrew Tuimur, Chief Administrative Secretary for Water & Sanitation and Irrigation;

4 Abdul Bahari, Chief Administrative Secretary for Devolution & the A.S.A.L.S;
5 Lawrence Karanja, Chief Administrative Secretary for Industrialization, Trade and Enterprise Development;
6 Peter Ondoyo, Chief Administrative Secretary for Defence;
7 Maureen Magoma Mbaka, Chief Administrative Secretary for ICT, Innovation & Youth Affairs;
8 Winnie Guchu, Chief Administrative Secretary for State Law Office;
9 Wavinya Ndeti, Chief Administrative Secretary for Transport;
10 Zacharia Kinuthia Mugure, Chief Administrative Secretary for Education;
11 Mumina Bonaya, Chief Administrative Secretary for Education;
12 Linah Jebii Chelimo, Chief Administrative Secretary for Agriculture, Livestock, Fisheries & Cooperatives;
13 Anne Mukami Nyaga, Chief Administrative Secretary for Agriculture, Livestock, Fisheries & Cooperatives;
14 Mercy Mukui Mwangangi, Chief Administrative Secretary for Health and
15 Nadia Ahmed Abdalla, Chief Administrative Secretary for ICT, Innovation & Youth Affairs.
I would want Kenyans to note that seven of these appointments to the positions of Chief Administrative Secretaries are young people and some below the age of 30 years.

These Chief Administrative Secretaries will work with, and understudy their more experienced colleagues in Government with the aim of readying themselves to assume senior leadership positions in the near future.

I expect that these young trainee ministers, so to speak, will model to their fellow young people the high ideals of patriotism, excellency in public service and most of all, intergrity. I congratulate them for this appointment and look forward to working with them.

Fellow Kenyans,

I urge all of us to stay focused on our development path, and be guardians of our heritage and splendour.

Asanteni . God Bless Kenya