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REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY



ELEVENTH PARLIAMENT – FOURTH SESSION

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE ESTIMATES OF REVENUE
AND EXPENDITURE FOR 2016/2017 AND THE MEDIUM TERM

JUNE 2016

PREFACE

Mr. Speaker, on behalf of the Members of the Budget and Appropriations Committee, and as required under Articles 204 and 221(5) of the Constitution, as well as sections 18(4) and 39(2) of the Public Finance Management Act 2012; it is with great pleasure that I present to this House the Committee's report on the 2016/17 Estimates of Revenue and Expenditure for the National Government, Parliament, Judiciary and the Equalization Fund submitted to the National Assembly by 30th April 2016 as required by law.

Mr. Speaker, this is the 6th annual budget to be prepared under the new Constitution order and the 4th under the current administration. Through the Constitution, the Public Finance Management Act, Standing Orders and subsidiary legislation; Parliament and in particular the National Assembly, has the unique responsibility of being the only organ vested with the authority to approve the National budget. In this regard, the National Assembly through the various Departmental Committees embarked on a thorough examination of the FY 2016/17 Budget Estimates of the Republic, with aim of promoting principles of public finance as indicated under Chapter Twelve of the Constitution.

Mandate of the Committee

Mr. Speaker, Article 221 (4 and 5) of the Constitution and the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. In this regard, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates among which is to:

- i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget, and
- ii. Discuss and review the estimates and make recommendations to the House.

Mr. Speaker, the Budget and Appropriations Committee as currently constituted comprises of the following Honourable Members:

1. **Hon. Mutava Musyimi, M.P.** - Chairperson
2. **Hon. Mary Emaase, M.P** - Vice Chairperson
3. Hon. Phillip Rotino, M.P
4. Hon. Ababu Namwamba, E.G.H M.P
5. Hon. Benjamin Langat, M.P.
6. Hon. Edick Omondi Anyanga, M.P
7. Hon. (Dr.) Eseli Simiyu, M.P
8. Hon. Ferdinand Waititu, M.P
9. Hon. Jackson Kiptanui, M.P.
10. Hon. Jamleck Kamau, E.G.H M.P.
11. Hon. Mohamed Shidiye, M.P.
12. Hon. Moses Lessonet, M.P.
13. Hon. Moses Ole Sakuda, M.P.

14. Hon. Nelson Gaichuhie, M.P.
15. Hon. Richard Onyonka, M.P
16. Hon. Shakeel Shabbir, M.P
17. Hon. Yusuf Hassan Abdi, M.P
18. Hon. Abdikadir O. Ahmed, M.P
19. Hon. Abdulaziz Farah, M.P.
20. Hon. Abdullahi Diriye M.P
21. Hon. Ahmed .I. Abass, M.P
22. Hon. Alice Ng'ang'a, M.P.
23. Hon. Bady Bady Twalib, M.P
24. Hon. Ben Momanyi, M.P
25. Hon. Christopher Nakuleu, M.P
26. Hon. Christopher Omulele, M.P.
27. Hon. Daniel Nanok, M.P.
28. Hon. Denittah Ghati, M.P.
29. Hon. Dennis Kariuki, M.P.
30. Hon. Francis Njenga, M.P.
31. Hon. Gideon Ochanda, M.P.
32. Hon. James Gakuya, M.P.
33. Hon. James K. Bett, M.P
34. Hon. Jonathan Lelelit, M.P.
35. Hon. Jones Mlolwa, M.P.
36. Hon. Joseph Limo, M.P.
37. Hon. Kathuri Murungi, M.P
38. Hon. Kenneth Okoth , M.P
39. Hon. K.K Stephen Kinyanjui, M.P.
40. Hon. (Maj.) Marcus Muluvi, M.P
41. Hon. Moses Kuria, M.P
42. Hon. Muriuki Njagagua, M.P.
43. Hon. Nasra Ibrahim, M.P.
44. Hon. Njogu Barua, M.P
45. Hon. Patrick Ole Ntutu, M.P.
46. Hon. Peter Weru, M.P.
47. Hon. Priscilla Nyokabi, M.P.
48. Hon. (Dr.) Reginalda Wanyonyi, M.P.
49. Hon. Richard Tongi, M.P
50. Hon. Samuel Gichigi, M.P.
51. Hon. Tiyah Galgalo, M.P.

Examination of the Budget Estimates

Mr. Speaker, as required by the Constitution and the Public Finance Management Act, the budget estimates and related documents for the three arms of government namely, National Government, Parliament, and Judiciary were submitted to the National Assembly by 30th April 2015. The Budget and Appropriations Committee examined and discussed the Estimates and has made recommendations which are contained in this report. Once approved by the House, these recommendations will form the basis for appropriation.

Mr. Speaker, in reviewing the 2016/2017 Budget Estimates, the Committee held seven (7) Sittings which included *two meetings* with the National Treasury. In line with the Constitution, the Committee also held public hearings on the proposed budget estimates from the 22nd to the 24th of May, 2016, to ensure that not only are the wishes of the public reflected in the broad budgetary policy but also to facilitate openness and accountability on financial matters as required under Articles 201 and 221(5) of the Constitution. The budget public consultations were held in the following five (5) centers; *West Pokot, Meru, Kilifi, Kisii and Makeni* counties.

Mr. Speaker, as required by the Standing Orders, the Budget Proposals for each Ministry, Department and Agency were submitted to the various Departmental Committees under whose purview the MDAs fall; for further scrutiny and recommendations to the Budget and Appropriations Committee. Afterwards, the Budget and Appropriations Committee held productive deliberations with the chairpersons of the departmental Committees and received written submissions with recommendations which have been taken into account in this report.

Acknowledgements

Mr. Speaker, the Budget and Appropriations Committee is grateful to the Departmental Committees, Liaison Committee and all the Members of Parliament who participated in the process for their hard work and dedication in making sure that Parliament lives up to its budgetary oversight mandate. The reports of the Departmental Committees on the 2016/17 budget estimates are hereby tabled as an addendum to this report.

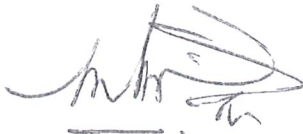
Mr. Speaker, I would also like to express my gratitude to members of the public who took time out of their busy schedules to participate in the budget consultations.

Lastly, the Committee is grateful to the Office of the Speaker, the Office of the Clerk of the National Assembly and the Parliamentary Budget Office for the unwavering support received as it discharged its mandate of reviewing the annual budget estimates.

Mr. Speaker,

It is therefore my pleasant undertaking, on behalf of the Budget and Appropriations Committee, to table this Report and recommend it to the House for adoption.

Signed



The Hon. Mutava Musyimi, M.P.
Chairman, Budget & Appropriations Committee
7th June, 2016

1.1 Legal basis for the Submission of the Budget Estimates

- 1) **Mr. Speaker**, the process of submission and approval of the Budget Estimates by the National Assembly is anchored in Article 221 of the Constitution, Section 38 of the Public Finance Management (PFM) Act, the PFM Regulations as well as the Standing Orders. In reviewing the Budget, the Committee considered these legal provisions to determine the extent to which they were adhered to in preparation of the Estimates. The committee identified that although attempts were made in order to comply with adherence of the law in some cases there was limited adherence. The key elements reviewed were the comprehensiveness of the estimates and related documents; information regarding the financing of the budget; and whether there was reliable, stakeholder consultation as well as adherence to recommendations by the National Assembly on the Budget Policy Statement and the previous year(s) budgets.

1.2. Compliance to the Budget Policy Statement, 2016

- 2) **Mr. Speaker**, broadly, the Budget Estimates as presented have complied to the provisions of the law. However, there are some issues of concern with regard to the extent of adherence which this Committee wishes to highlight. Firstly, the ceilings as approved in the Budget Policy Statement should form basis of the expenditure ceilings for 2016/17 and the Medium Term. However, some of these were not observed. Indeed, the memorandum by the Cabinet Secretary explaining resolutions adopted by the National Assembly indicates that some of the resolutions were not adopted.
- 3) Indeed, **Mr. Speaker**, the expenditures in the printed estimates are higher than that in the Budget Policy Statement by Kshs. 224.6 billion representing an 11 percent increase in total expenditure. Furthermore, the Consolidated Fund Services expenditures have been increased by Kshs. 35.2 billion, ministerial recurrent expenditure has been increased by Kshs. 39.3 billion, and development expenditure increased by Kshs. 150.2 billion.
- 4) **Mr. Speaker**, the Committee notes with concern that neither the National Government, nor the Judiciary or Parliament adhered to the Budget ceilings as contained in the Budget Policy Statement when preparing their Budget Estimates. Members of this House are aware that the resolution of the House on the BPS 2016 approved a total expenditure of Ksh 1,498.4 billion; this included Ksh 1,451.2 billion for the National Government, Ksh 29.4 billion for Parliament and Ksh 17.8 billion for the Judiciary. However, all the three arms of government did not abide by these ceilings when preparing their printed estimates. Thus there is a total net budget increase by Ksh 180.1 billion to Ksh 1,678.4 billion. This includes Ksh 175.7 billion for National Government, Ksh. 2.6 billion for Parliament and Ksh. 1.8 billion for Judiciary.
- 5) **Mr. Speaker**, the committee appreciates the National Treasury for availing to the National Assembly a list of development projects as requested earlier. However, going forward, a lot needs to be done to

ensure that the right base is established. The list provided is not comprehensive enough and it is difficult to differentiate between which projects are new and which ones are ongoing. Provision of more comprehensive information will facilitate further credibility in the budget by ensuring that there is transparency and accountability in the budget process.

- 6) **Mr. Speaker**, with regard to stakeholder consultation, the budget estimates as presented by all three arms of government did not include a report containing the views of the public. It is therefore not clear whether the public was consulted when the Estimates were being prepared as required by law.

EXPENDITURE FRAMEWORK UNDERPINNING THE 2016/17 BUDGET

1.3. Key highlights of the national budget

- 7) **Mr. Speaker**, the proposed expenditure estimates for 2016/17 amount to KSh. 2.27 trillion, up from Kshs. 2.09 trillion in 2015/16. This is equal to 30.8% the country's Gross Domestic Product. Other highlights include:
- i. Targeted revenue collection for 2016/17 of Kshs. 1.5 trillion up from KSh.1.2 trillion targeted in 2015/16.
 - ii. Kshs. 310 billion for Consolidated Funds Services (interest payments, pensions, etc);
 - iii. Recurrent expenditures amounting to Kshs. 858.1 billion
 - iv. Development Expenditure amounting to Kshs. 817.9 billion;
 - v. County Allocations amounting to Kshs. 284.8 billion.
 - vi. The contingency fund amounting Kshs. 5 billion.
 - vii. Equalization fund amounting Kshs. 6 billion.
- 8) **Mr. Speaker**, arising from the increased expenditure and the revenues highlighted above, the resulting budget deficit amounts to Kshs. 775.7 billion. This budget deficit is set to be funded through external grants amounting to Kshs. 72.6 billion, foreign financing amounting to Kshs.459.4 billion and domestic financing of Kshs. 243.7 billion (3.3% of GDP). **Mr. Speaker**, when compared to the fiscal framework of the BPS, the increments in expenditure will be largely financed from increments in borrowings and grants. The external borrowing is set to increase by Kshs.148.7 billion domestic borrowing by Kshs.58.9 billion and the external grants by Kshs. 12.8 billion.

FINANCING OF THE 2016/17 BUDGET ESTIMATES

Revenue Performance and Outlook

- 9) **Mr. Speaker**, in 2015/16 the National Government projected the total revenue to reach Kshs.1.295 trillion or Kshs. 1.184 trillion excluding Appropriation in Aid (AIA).
- 10) **Mr. Speaker**, a careful review of recent approved budget revenue estimates and end-of-period actual revenue, points to systematic overestimation of revenue. This is despite the fact that forecast errors should be lower if the growth of any given revenue component is stable. For the total revenues and through most of the revenue categories, the Government tended to overestimate revenue growth during budget approval by about 12 percentage points.
- 11) The concern here **Mr. Speaker**, is that when revenue eventually underperforms, the National Government is forced to either cut spending during the financial year through supplementary budgets or to ramp up domestic borrowing or external borrowing to cater for the difference. Over the four years reviewed, real revenue collections grew at a modest 14 percent while the Government believed that revenues would grow at 23 percent, invariably contributing to rising fiscal deficits and borrowing.
- 12) **Mr. Speaker**, the Committee is concerned that the continuous overestimation of revenue contributes to rising expenditure pressures. This **Mr. Speaker** is unsustainable and points to a need to reduce government spending and have more realistic revenue forecasts.
- 13) **Mr. Speaker**, the envisaged growth in ordinary revenue for 2016/17 will stand at 16.7 percent, compared to nominal growth in GDP of 12.6 percent. This implies that revenue is projected to grow faster than the economy. This phenomenon can only manifest itself if there are radical reform measures in revenue administration.
- 14) **Mr. Speaker**, as a result certain administrative efforts could be implemented to drive revenue growth in the medium term such as tax smoothing and a more concerted clamp down on tax cheating. Recent laws such as the Excise Duty Act and the VAT Act, clearly outlaw schemes designed to reduce tax liability of taxpayers. Other nascent measures include digitizing most revenue collection as well as curbing tax erosion from transfer pricing. This therefore implies that these measures must be adequately entrenched into all revenue collecting mechanisms or systems and must be properly implemented by all organizations in charge of revenue collection in order to achieve revenue sustainability.

1.2 Deficit Financing

- 15) **Mr. Speaker**, the government has highlighted that it intends to address debt sustainability issues by containing the overall fiscal deficit and putting emphasis on efficiency and effectiveness of public spending as well as enhanced revenue performance through broadening the tax base and improving revenue administration. The government borrowing plans are anchored on the approved 2016/17 Medium Term Debt Management Strategy.
- 16) However, **Mr. Speaker**, the country's continued fiscal expansion remains the greatest challenge to debt sustainability as we are forced to borrow to meet increasing expenditure demands. As such, despite commitments by the government to reduce the deficit levels over the medium term, this appears to be a moving target as the figures are continuously adjusted upwards. In the BPS 2016, the domestic borrowing for financial year 2016/17 was projected at Kshs.197.6 billion. However, in the proposed Estimates, the domestic debt is set to rise by Kshs.43.5 billion to Kshs. 241.1 billion. In light of the new developments of financing the new budget deficit, there is need for the Government to adhere to the Medium Term Debt Management Strategy 2016 as approved by Parliament.
- 17) **Mr. Speaker**, the level of deficit shows the direction of the country's fiscal policy. If the set targets are continuously flouted, then predictability of the budget is compromised and effectiveness of the country's deficit policies is diluted. In the proposed budget, the government is proposing to borrow approximately Kshs. 689.1 billion in the FY 2016/17 which is set to decrease to Kshs.522.2 billion in 2017/18 and Kshs. 481.3 billion in 2018/19. This is to bridge the budget deficit which is forecasted to grow to 9.3 percent, 6.4 percent, and 5.3 percent respectively in FY 2016/17, FY 2017/18 and FY2018/19.
- 18) **Mr. Speaker**, though current Debt Sustainability Analysis indicates that the level of debt in Kenya is generally sustainable at 48.5% against a threshold of 74%, it is important to underscore that the current debt level is slowly approaching the level set under the EAC convergence criteria of 50%. In addition, one of the Debt Sustainability Analysis indicators which is the ratio of debt service to revenue, is projected to go beyond the threshold of 30 percent over the period 2016/17. Indeed in 2017, this level is projected to bypass its limit by 4.7% on account of debt redemptions and interest costs that are expected to rise substantially in the Financial Year 2017/18. For this ratio to be within the laid limits, the Government must double its efforts of enhancing revenue mobilization.
- 19) Secondly, **Mr. Speaker**, the Committee is concerned that Kenya's public investment using borrowed funds has not yielded enough assets to warrant that borrowing. Over the period 2002/03- 2014/15, the allocation towards development grew by 29 times in nominal terms, with borrowing forming part of the development financing. However, the rate of completion of projects has been very low. As of June 2015, there were more than 1,000 projects which were classified as ongoing. The cost of completing these projects is estimated at Kshs.3 trillion. In a country where cost overruns in project implementation

is inevitable, it means the overall completion costs for these projects will eventually be more than Kshs.3 trillion.

- 20) Given that many development projects are donor financed **Mr. Speaker**, the Committee is concerned that the absorption capacity of donor financing is limited given the status of the various projects. As a result, the Committee urges caution with regard to obtaining additional donor financing and indeed recommends a slow down on uptake of debt to protect the country from debt repayments in the future which yielded insufficient returns to the economy.

ESTIMATES FOR THE EQUALIZATION FUND FOR 2016/17

- 21) **Mr. Speaker**, the Equalization Fund as established under Article 204 of the Constitution provides for annual separate appropriation of one half percent of all the revenue collected by the National Government each year, calculated on the basis of the most recent audited accounts. Appropriation under this Fund is towards basic but critical services such as water, roads, health facilities and electricity to marginalized areas, to the extent necessary to bring the quality of those services to the level generally enjoyed by the rest of the Nation.
- 22) **Mr. Speaker**, the proposed allocation for the FY 2016/17 is Kshs. 6 billion which together with an amount of Kshs.6.4 billion reflected as balance brought forward, brings the total Equalization Fund amount available for programmed projects across the 14 counties to Kshs.12.4 billion. Out of the total proposed allocation of Kshs. 12.4 billion, the Board's recurrent grant towards administrative services and operational activities is estimated at Kshs. 598.82 million while the remaining kshs. 11.801 billion is for development projects.
- 23) **Mr. Speaker**, the Committee notes with concern that over the last four fiscal years, all approved annual allocations for the purpose of the Fund have not been utilized despite continuous accumulation of financial resources into the fund. In 2016/17, some allocations have been made from the Fund targeting the 14 counties but it has since been established that some of the programmes identified are already ongoing. If this trend continues, the fund is not likely to create exclusive improvement in service provision and might not lead to the achievement of goals of the Equalization Fund as envisaged under the constitution.
- 24) **Mr. Speaker**, we also wish to point out that there is inordinate delay in the operationalization of the Equalization Fund which was partly attributed to lack of guidelines on the administration of the fund and implementation. It is recommended that proactive measures be put in place in order to avert further delays in the efficient and effective utilization of approved allocations as envisioned in the Constitution.
- 25) Finally, **Mr. Speaker**, it is further noted that Article 201 of the Constitution stipulates openness and accountability including public participation in financial matters. It is not clear whether the proposed

projects listed under respective counties have been subjected to public participation. This maybe important and necessary to avoid duplication especially where other MDAs or counties may have planned undertaking a similar project in the identified area.

- 26) **Mr. Speaker**, given that the allocations of the Fund have not been firmed up, the Committee resolved that it will engage the National Treasury with a view to finalizing the projects to be funded under the Equalization Fund.

Alignment with medium-term priorities and approved 2016 Budget Policy Statement (BPS)

- 27) **Mr. Speaker**, the Committee also reviewed the extent to which the Budget Policy Statement (BPS) guided the preparations of the Estimates. The BPS highlights major strategic priorities of the Government as contained in broader policy documents which guide the country's development Agenda. Section 25(8) of the Public Finance Management Act and PFM regulation 27 (4&5), indicates that once the Budget Policy Statement (BPS) has been adopted by Parliament, the resolution of the House shall serve as the basis of expenditure ceilings specified in the fiscal framework and that the ceiling of development expenditure as well as personnel emoluments shall be binding for the next two years. In addition, **Mr. Speaker**, Section 38 of the Public Finance Management Act requires the National Treasury to present a memorandum along with the Budget Estimates, explaining how the resolutions of the National Assembly have been taken into consideration.

Efficacy of capital budgeting framework

- 28) **Mr. Speaker**, the Committee also evaluated whether outlined interventions under the capital budget, meet the national development needs in a cost effective and timely manner. This includes projects whose benefits have been delayed or are taking too long to be implemented despite provisioning over the years.
- 29) **Mr. Speaker**, the Committee is pleased to note that the 2016/17 proposed Development Vote provides for item allocations under respective Project Heads unlike before where only item allocation was indicated and it was unclear which project was being undertaken. This is a step in the right direction as far as project allocation is concerned. However, there is need for more fiscal information on the same.
- 30) **Mr. Speaker**, the Committee notes that the current project allocations are not matched with approved estimates for the previous financial year to determine if the current proposed allocations are justified and further, if such projects are under/over funded. This poses a concern on whether current approved allocations for the FY 2016/17 actually reconcile with ongoing projects or interventions and whether the proposed allocations have taken into account the past allocations. Project design and appraisal as well

as costing have in the past been a challenge as far as allocation and expected outcomes are concerned.

31) **Mr. Speaker**, a comparison of a sample of projects as submitted in the Budget Estimates with earlier project profiles from various documents reveals inconsistencies in terms of actual names of such projects as well as movement of project allocations between votes. These inconsistencies may affect project outcomes. For instance, in the case of some projects in the State Department of Infrastructure and Ministry of Foreign Affairs and International Trade, the initial objective changes from construction to rehabilitation, thus greatly affecting the outcome. In addition, Mr. Speaker, the implications of frequent transfer of projects between votes may also affect project administration, implementation and monitoring since it's not clear who is responsible for actual implementation. This has a negative impact on output and delivery time. Going forward, there is need for consistency and continuity for the budget to be effective.

Justification of the allocations for results

32) **Mr. Speaker**, the Committee also assessed whether the budget estimates provide a comprehensive, accurate and reliable account of the public finances. As indicated earlier, the Committee observes that the information provided is in some instances not comprehensive enough to justify the budgetary allocations. This includes information on status of projects as well as information on flouted BPS ceilings and recommendations. Furthermore, some policies such as those on debt and revenue have not been well articulated. Clarity and comprehensiveness of budget information is important to justify budgetary allocations and how these will contribute to the country's development agenda; thereby enabling this House to make informed recommendations on the budget.

33) **Mr. Speaker**, several countries, including Morocco and Rwanda, have realized that equitable development cannot be achieved without integrating women, the youth, marginalized groups, persons with disability and the older persons in all aspects of budgeting and public spending. For instance, in Morocco it was recognized that failure to integrate girls with special needs, they would not attend school. Kenya has equally made notable strides through the constitution by recognizing the rights of role of youth, women, and marginalized and vulnerable groups. Recent budgets are increasingly being oriented towards addressing equality and equity principles in the constitution. Resources have been dedicated through various programs for the youth (Youth Enterprise Fund), for persons with disability, orphans and older persons, and women (Uwezo Fund and Women Enterprise Fund). Free maternity health care is similarly targeted at women.

34) **Mr. Speaker**, even though Kenya has progressed greatly on gender issues following the 2010 Constitution, the country is still far in integrating gender specific issues during budgeting, implementation and monitoring. With core institutions such as the Gender Commission and the Ministry of Gender and the UN Women, Kenya should be ready to quickly integrate GRB in all its fiscal policy

and budget processes. Given recent progress in PBB, alongside ongoing social orientation of the budget in line with the Constitution, through a few more steps Kenya is primed to easily join Morocco and Rwanda in Africa in integrating the concept of Gender Responsive Budgeting in its programmes, budgets and financing. In this regard, it is suggested that future budgets include specific gender sensitive programmes, sub-programmes, and associated performance information.

35) **Mr. Speaker**, similarly, disaggregated information on resources, programmes and subprogrammes targeting persons with disability, youth, and vulnerable persons should also be included. Such information will aid in oversight of budgets and improve overall budgeting to achieve the highest developmental goals for the benefit of every Kenyan.

Quality of proposed management and monitoring of the Budget

36) **Mr. Speaker**, the Committee also reviewed the plans put in place to manage, execute and monitor commitments made in the 2016/17 budget. This is necessary due to past experiences of in year adjustments through revised estimates where annual approved spending plans are subjected to reallocations in tandem with expected outputs and targets, putting in question the realism of the budget as designed and executed. Indeed, the practice of subjecting the budget to various supplementary budgets within the year adversely affects the credibility of the budget.

Stakeholder consultations

a) Public Hearings

37) **Mr. Speaker**, as required by the Constitution, the Budget and Appropriation Committee conducted public hearings of the 2016/17 Budget estimates on 23rd May 2016 in five (5) centers namely:

- i. **Meru Town** – for the residents of Marsabit, Laikipia, Meru and Tharaka Nithi Counties.
- ii. **Kapenguria Town**- for the residents of West Pokot and Trans Nzoia Counties.
- iii. **Mtito Andei Town**-for residents of Machakos, Makueni and Taita Taveta Counties.
- iv. **Kisii Town**–for the residents of Kisii and Nyamira Counties.
- v. **Malindi Town**- For the residents of Kilifi, Lamu and Tana River Counties.

38) **Mr. Speaker**, the purpose of the public hearing was to inform the committee on areas of concern for the allocation of resources in the 2016/17 budget and the medium term and to provide policy options that will guide the prioritization and allocations of funds in the upcoming budgets.

39) **Mr. Speaker**, the public engagements in the five (5) centers raised concerns on National Policy issues that tend to affect the large proportion of Kenyans across the country this includes:

- Lack of public consultation in allocations of projects funded by the Equalization fund as some of the identified projects are National Government projects funded through various Ministries and hence the public requested for public hearing before projects funded through the Equalization fund is initiated.
- That Makueni County with vast dry, semi- arid and undeveloped land is not considered by the National government in the Equalization Fund.
- The public raised concerns with the dilapidated state of police stations, police houses, chief's office, Assistant Commissioners offices and Commissioners offices.
- The public requested the National Government to undertake civic education on the Constitution so that they can understand its roles in the budget making process as well the functions undertaken by the two levels of government as spelt out in Schedule IV of the constitution.
- The public expressed concern that the high connectivity fees charged by KPLC despite the government connection fees guideline of Ksh. 15,000.
- The public informed the Committee that the mode of allocation, disbursement, identification and management of Cash Transfers are ineffective and therefore requested that the mode of identifications, disbursement and Management of the cash transfers system be reviewed by the government.
- The members of the public noted the important work undertaken by the village elders in terms of security and settling disputes in various communities however they are not provide any stipend to boost their morale to enhance their productivity and also the allocation of risk allowance to assistant chiefs.
- The public raised concerns that the current driving licenses for motorcyclists are bulky and not water proof and hence requested the government to design a better driving license for motorcyclists.

40) **Mr. Speaker**, the public hearing in each of the five centers proposed a number of projects to be financed in the 2016/17 budget and the medium term. These projects had been left out in the budget estimates for 2016/17 and were of great benefit to the region where the public hearing exercise was conducted.

41) **Mr. Speaker**, in Meru the public suggested the following projects that are of great benefit to the people in that region for consideration in the budget.

- i. Upgrading of four (4) existing dams namely Kimitu dam, Thigita dam, Uria dam and Kianjuru dam so as to enhance sufficient water supply for both domestic use as well as for irrigation purposes.
- ii. Fencing of the Meru national park by the Kenya Wildlife Service to reduce human-wildlife conflict.

- iii. Construction, rehabilitation and maintenance of major roads in the county.
- iv. Equipping of Meru level 5 Hospital with cancer screening equipment so as to improve the infrastructure for the main referral health facility for the upper –eastern region of the country.
- v. The residents of Tharaka Nithi County proposed that funding be provided for the Mugirirwa water project

42) **Mr. Speaker**, in Kapenguria, the public put forward the following important projects for consideration in the budget.

- i. The development of Chesta Teachers Training College since it's the only teachers training college in West Pokot County.
- ii. The development of Kacheliba water project in order to provide clean piped water for the resident of Kacheliba Constituency.
- iii. Development of Mtelo water project to provide clean piped water for the residents of Kapenguria and Pokot South Sub-Counties.
- iv. Construction of Kiapamayos-Sengelel Road
- v. Establishment of Huduma Centre in Kapenguria in order to bring government services closer to the people.

43) **Mr. Speaker**, in Mtito Andei the public noted the following projects for consideration in the budget.

- i. Fencing of Tsavo East and Tsavo West national park by Kenya Wildlife Service to reduce human-wildlife conflict in the area.
- ii. Development of Mzima Spring Line 2 to provide water to the residents of Voi and Mtito Andei town.
- iii. Establishment of a Mango processing plant in Makueni since mangoes farming is a source of livelihood in the region.
- iv. Construction of key roads in the region that includes: Kibwezi-Kitu-Mwingi Road, Ikanga-Koneyi-Tausa-Ndome-Ghazi Road, Mtito Andei-Inongoni-Loitoktok Road and Kyambalasi –Kikima-Tawa Road.

44) **Mr. Speaker**, in Kisii, the public noted the following projects:

- i. Expansion of Suneka Airstrip runways.
- ii. Construction of Ibeno Medical Training College to increase health personnel in the region.
- iii. Construction of the proposed Nyaguta Institute of Technology to enhance technical skills for the youth.
- iv. Tarmarcking of Daraja Moja-Nyamataro Road.

45) **Mr. Speaker**, in Malindi the public noted the following projects to be funded in the budget.

- i. The Construction of Malindi-Tsavo East national park road so as to promote the tourism sector and the blue economy.
- ii. The expansion and upgrading of Malindi Airport into International Standards to provide direct international flight for tourists.
- iii. Rehabilitation of Garsen-Hola-Bura-Madogo-Garissa Road to connect the Coast region to North Eastern part of the country.
- iv. Expansion and rehabilitation of Malindi –Mombasa Road
- v. Establishment of Technical Training Institute (TTIs) in Kilifi, Lamu and Tana River Counties.
- vi. Construction of Sabaki-Malindi-Mombasa-Bahamoyo Bypass so as to divert heavy commercial vehicles from the town thereby reducing traffic and accident
- vii. Equipping of Malindi Hospital to improve health care in the region.

b) Departmental Committees

46) Mr. Speaker, I will now highlight the issues raised by the departmental Committees on the budget proposals of the various Ministries, Departments and Agencies under their purview.

1. Departmental Committee on Defence and International Relations

i) Policy Issues

- 47) Mr. Speaker,** the committee observed that there appears to be a duplication of programmes under different state agencies. For instance in the Ministry of Foreign Affairs and International Trade, the international trade and investment promotion programme seems like a duplication of the roles of the Kenya Investment Authority which is mandated to promote investments as well as the Exports Promotions Council which promotes export worldwide. It is worth noting that the two Parastatals are not under the Ministry of Foreign Affairs and International Trade and receive policy direction from different ministries. There is need for harmonization of the same with a clear mandate to ensure justifiable resource allocations and proper output.
- 48) Mr. Speaker,** the objective of the Medium Term Expenditure Framework (MTEF) is to link planning and policy to allocation of resources in various spending agencies. Accordingly, every year, there is a medium term budget being approved alongside the budget for the financial year. It is noted however, that there is no consistency in resource allocation to some MDAs with the two outer years as approved in the Medium Term Expenditure Framework; for example, the Ministry of Foreign Affairs. Adherence to the relevant law and the recommended best international practice should be enforced to guide budgeting in the outer years.

- 49) **Mr. Speaker**, whereas inadequacy of funds has been highlighted as one of the challenges facing the MDAs in budget implementation; the report by the Auditor General points out wastage of resources by agencies in the course of budget implementation; highlighting fiduciary risks in the management of resources- funds are not properly accounted for, are not used for the intended purpose and do not represent value for money. It is also noted that ministries have been incurring pending bills at the end of the financial year and thereby affecting the implementation of the budget every year. The Ministries and Agencies should adhere to the accounting framework and should be rated on service delivery and accountability principle.
- 50) **Mr. Speaker**, the Programme Based Budget focuses on tying decisions on allocation of resources to expected outputs. Outputs are either goods or services delivered to the citizenry and they are prioritized based on the level of their expected impact to the society. An analysis of the outputs and targets of some MDAs in the 2016/2017 estimates does not find a correlation between resources allocated and the stated outputs/targets.
- 51) **Mr. Speaker**, the bulk of the budgetary allocation to Security agencies, notably Ministry of Defence and National Intelligence Service has remained classified and their expenditure is deemed recurrent even though in practice this is not the case. For instance the bulk of the allocation for the Ministry of Defence is 99% classified. However, during the visit by the Defence and foreign relations committee to various Military sites, it was noted that they were facilities which were lacking and were very essential. e.g. in Lamu, it was noted that the Hospital which takes care of soldiers in Somalia was ill equipped and required urgent budgetary support. It was also noted that the airstrip required a facelift to enable it have planes land at night amongst other equipments. It is important that these and similar issues are addressed through this budget.
- 52) **Mr. Speaker**, the Ministry of Foreign Affairs and International Trade operates with a budget allocation which is below their resource requirement. The Ministry therefore needs to reprioritize where to establish foreign missions and ensure that strategic places are prioritized in order to enable the country to attain its socio-economic development needs amidst the competing limited resources.
- 53) **Mr. Speaker**, the Ministry of Foreign and International Trade targets to sign Bilateral Trade Agreements (BTAs) However, the multilateral trading system under the WTO has eroded the impact of BTAs due to the principle of 'Most Favoured Nation' treatment .i.e. any concession or preferential treatment given by one member is accorded to all member states. The ministry needs to pursue policies which deepen economic integration within the continent and increase intra-Africa trade.

2. Departmental Committee on Energy, Communication and Information

i) Policy Issues

- 54) **Mr. Speaker**, according to the MTP 2 of the Vision 2030, the Konza Technology City was to have finalized access roads, telecommunications, water & sewerage connections and electricity by 2017. It

is noted that funding for drainage & sewerage and Konza Optic Fiber have not been included in the 2016/17 budget and hence this target may not be achieved.

- 55) **Mr. Speaker**, the Committee notes that the proposal to have Government advertising consolidated under one agency especially in universities and County Governments which are purchasing huge spaces in the print media should be actualized for economies of scale.
- 56) **Mr. Speaker**, the Committee observed that the Postal Corporation of Kenya has continued to incur losses in operating 284 loss making outlets to the tune of 650 million per annum as a member of the Universal Postal Union. This obligation to meet social and economic objectives of the Kenyan citizens has affected the performance of the Corporation. The Universal Service Fund currently stands at Kshs. 2.7 billion with no withdrawals. The functions of the Postal Corporations of Kenya should be reviewed to reflect the current needs and technological changes.
- 57) **Mr. Speaker**, the Committee observed that Kenya has lost 100% of the Rwandan fuel export market and 30% of the Ugandan market to Tanzania due to diesel fuel adulteration. This is because of the difference in prices of diesel and kerosene in Kenya yet Tanzania has equal pricing for the two. The pricing is because of the difference in fuel taxes for diesel and kerosene. The Committee therefore proposes that the government should consider reviewing the taxes.

3. Departmental Committee on Administration and National Security

i) Policy Issues

- 58) **Mr. Speaker**, the Committee proposed an audit to ascertain whether there is value for money in the Leasing programme for motor vehicles for the police and the National Administration given that the vehicles are fueled in specific outlets which are far apart particularly in far flung areas of North Eastern Region, North Rift among other areas.
- 59) **Mr. Speaker**, it was observed that in the 2013/2014 financial year, the Government allocated Kshs. 1.2 billion for rapid development of 2,000 police housing Units through the National Housing Corporation. In the 2014/2015 financial year, the funds were directed through the Ministry of Lands, Housing and Urban Development. This unclear mode of disbursement had seriously affected housing projects within the Service. There is need to have the money disbursed through the parent Ministry just like it is done for the Military, whose housing projects are being implemented through the Ministry of Defence.
- 60) **Mr. Speaker**, the Committee also noted that the police vetting programme has taken an inordinately longer time than was expected given the rate at which the Commission is working coupled with lack of resources. There is need for the National Police Service Commission to adopt a new vetting model that does not require face to face interviews with officers, apart from the cases where an officer is required to shed light on matters that are not clear. This will be cost effective and faster.

61) **Mr. Speaker**, the committee observed that the recurrent vote for the State Department for Coordination of National Government comprises 95% of total allocation leaving the development vote with only 5%. The imbalance in allocation had severely hampered strategic development interventions in the probation and prison service. Police and Prison officers have continued to live in pathetic conditions as a result of limited investment in prison service housing. Additional development allocation for the police and prison officers housing should be considered. Civil servants should also pay directly to the National Hospital Insurance Fund (NHIF) rather than disbursing the same through the State Department of Public Service and Youth Affairs.

ii) Financial Proposals

A. Proposed Reallocations

62) **Mr. Speaker**, the Committee proposes to reallocate Kshs. 50 million under 'Policing Services Programme' to 'Government Printing Services Programme' in State Department of Interior to facilitate the modernization of equipment.

63) **Mr. Speaker**, the Committee also proposes to reallocate Kshs. 100 million under 'Policing Services Programme' to 'Planning Policy Coordination and Support Services Programme' in the State Department of Interior. This will be for National Cohesion and Integration Commission to facilitate cohesion and integration activities ahead of the 2017 General elections.

B. Proposed Reductions

64) **Mr. Speaker**, the Committee proposes the following reductions:

1. Reduce recurrent allocation under 'State House Affairs Programme' in Presidency by Kshs. 25 Million.

65) Reduce recurrent allocation under 'Planning, Policy Coordination and Support Programme' in State Department of Interior' by Kshs. 100 million.

C. Proposed Increments

Mr. Speaker, the Committee proposes the following increments:

66) Increase recurrent allocation under 'General Administration, Planning and Support Services Programme' in Public Service Commission by Kshs. 25 million to facilitate payment for gratuity for the secretariat staff and pension scheme.

- 67) Increase recurrent allocation for Independent Policing Oversight Authority by Kshs 80 million to facilitate decentralization of its services by establishing five regional offices
- 68) Increase recurrent allocation for National Police Service Commission by Kshs. 20 million to effectively provide oversight and monitor the process of recruitment of Police Constables as stipulated in article 246 of the Constitution and also strengthen its Secretariat.

4. Departmental committee on Transport, Public Works and Housing

- 69) **Mr. Speaker**, the committee recommended that a clear line of finance be provided for pertaining to programs falling under the State Department of Maritime Affairs. This will enhance transparency and effectiveness in the implementation of these projects as well as help in achieving its objectives of having Kenya as a maritime entity.

5. Departmental Committee on Agriculture, Livestock and Fisheries

i) Policy Issues

- 70) **Mr. Speaker**, the Committee proposed the setting up of an intergovernmental institution that shall coordinate the various functions that are being concurrently undertaken by the two levels of government for instance extension services in the Ministry of Agriculture, Livestock and Fisheries, fertilizer subsidy programs and marketing of produce.
- 71) **Mr. Speaker**, the committee reiterated the need for the National Government to coordinate donor supported programmes in the counties by establishing a structured mechanism to implement donor funded programmes for functions that are devolved and provide counter-part funding where required ensuring successful completion of the said projects.
- 72) **Mr. Speaker**, the committee observed that that there were uncompleted Economic Stimulus projects in every constituency and recommended that the National Government should complete the projects under the Ministry of Agriculture, Livestock Fisheries for them to serve the intended purposes.

ii) Financial Proposals

A. Proposed Reduction:

- 73) **Mr. Speaker**, the Committee proposes a reduction of **Kshs. 350 million** from the State Department for Agriculture under Crop Development and Management Programme meant for fertilizer subsidy.

B. Proposed Increment

- 74) **Mr. Speaker**, the Committee recommends an increment of **Kshs 350 million** to the State Department for Livestock under livestock resources management and development programme for Embryo Transfer Programme in the Agriculture Development Cooperation (ADC) Lanet Farm.

6. Departmental Committee on Lands

i) Policy Issues

- 75) **Mr. Speaker**, the Committee observed from the various submissions that information on settlement is still scarce particularly on the operations of the Settlement Fund. Further, the criteria of determining the squatters to be settled are a concern since the proposed list of schemes does not tally with the petitions and reports before the Committee. It was noted that settlement schemes that include Likiji in Laikipia County have been the committee's priority from the Budget Policy Statement Stage and therefore recommended for provision of the same.

ii) Financial Proposals

a. Proposed Increment

- 76) **Mr. Speaker**, the Committee proposes an increment to **vote 1112 - Ministry of Lands & Physical Planning**, by **KSh. 200 million**, of which **KSh. 90 million** is for the settling people in Lekiji farm in Laikipia (Land settlement program) and **KSh. 110 Million** for the construction of land registries in Kajjado West and Nyandarua west district, both under Land Policy and Planning Program.

b. Proposed reductions

- 77) **Mr. Speaker**, the Committee proposes a reduction of **vote 2021 - National Land Commission**, by **KSh. 200 million** from the National Land Information Management System Program to **vote 1112** Ministry of Lands and Physical Planning (Land policy & Planning Program) for Lekiji farm settlement.

c. Proposed reallocations

- 78) **Mr. Speaker**, the Committee proposes the following reallocations:

- Reallocate **KSh. 100 million** under **vote 2021 - National Land Commission**, from National Land Information Management System Program, to the Land Dispute and Conflict Resolutions Program in the National Land Commission;

- Reallocate **KSh. 300 million** under vote 1112 - **Ministry of Lands & Physical Planning**, from Land Policy and Planning Program (Development planning and Land reform sub-program) to Land Policy and Planning Program (land settlement sub program and Physical Planning) to resettle people in Lekiji Farm in Laikipia County

7. Departmental Committee on Environment and Natural Resources

i) Policy Issues

- 79) **Mr. Speaker**, the Committee observed with concern that there was over **Kshs. 313 million** short -fall in the salary requirements for the regional authorities (KVDA, LBDA, ENSDA, CDA, and ENNDA) and KWS with a salary shortfall of **Kshs. 574 million**. The employees of these SAGAS have gone for months without pay. The committee felt that this was likely to hinder the implementation of the development projects. The Committee further noted with concern, that the above agencies are greatly overstuffed, hence the deficit in salary requirement. Thus, unless remedial measures such as voluntary retrenchments are adopted, the problem will escalate.
- 80) **Mr. Speaker**, the committee noted that the water projects under the Equalization Fund have not been subjected to public participation. Furthermore, the Committee felt that the fund is being applied retroactively; a case in point being the Garissa Sewerage Project which is being funded under the Equalization Fund and yet the project started in 2005 before the Equalization fund came into effect in 2010. Indeed, the Committee noted a general lack of information on the status of the Fund and the projects thus funded.
- 81) **Mr. Speaker**, the Committee noted that Water for Schools project has an allocation of Kshs. 530 million which intends to supply water services in ASAL areas and the target for FY 2016/2017 is to provide 100 schools in ASAL areas with boreholes. The Committee recommended that the project should not be confined to ASAL areas only but should be implemented nationally as there are other needy schools which are not in the ASAL areas. The committee observed that due to the discrepancy in the revenue collected by the Ministry of Mining and that which is recorded by the National Treasury, there is need to enhance accountability and transparency in the reporting of revenue collected by Ministries and state agencies.

ii) Financial Proposals

A. Proposed reallocations

- 82) **Mr. Speaker**, the Committee proposes the following reallocations:
- Reallocate **KSh. 1.4 billion** under vote 1103 - **State Department for Water Services**, from National Water Conservation & Pipeline Corporation (Water Resources Management program) to Water Services Boards under (Water Resources Management Program) for water harvesting and ground water exploitation. The water services boards include:

- ⊥ Coastal water services boards – KSh. 200 million
- ⊥ Rift Valley water services boards - KSh. 200 million
- ⊥ Northern water services boards - KSh. 200 million,
- ⊥ Lake Victoria North water services boards - KSh. 200 million
- ⊥ Lake Victoria South water services boards - KSh. 200 million
- ⊥ Tana Athi water services boards, - KSh. 200 million
- ⊥ Tana water services boards - KSh. 200 million

- Reallocate KSh. 80 million under vote 1191 - Ministry of Mining, within Mineral Resource Development Program towards carrying out granite assessment in Vihiga, Western Kenya.

8. Departmental Committee on Labor and Social Welfare

i) Policy Issues

83) Mr. Speaker, the committee observed that there was no legal framework for implementation of social protection. Indeed, the current implementation strategy is operated by multiple circulars and ministerial directives thereby creating confusion and many loopholes.

84) Mr. Speaker, the Committee also noted that there is currently no impact assessment done with regard to the cash transfer programme and therefore the colossal sums of money so far disbursed cannot be justified. It is important to note that despite the National Assembly providing funds for the exercise in the financial year 2015/16 the ministry has failed to do so.

ii) Financial Proposals

A. Proposed Reallocations

85) Mr. Speaker, the Committee proposes the following reallocations:

- Reallocate Kshs. 251.7 million under 'Social Development and Children Services' in Vote 1185 to the following programmes:
 - ⊥ Items 2210802 and 2210310 in Social Development Field Services - Headquarters by Kshs. 131.7 million. This include Kshs. 50 million to facilitate social assistance programmes for the creation of a comprehensive legal framework for community development; and Kshs. 81.7 million to undertake an impact assessment survey on social assistance and prepare a report through public participation with a view of bringing efficiency in social assistance programmes.
 - ⊥ Item 2630101 The Child Welfare Society of Kenya (CWSK) by Kshs. 120 million for children emergency response and rescue services

9. Departmental Committee on Justice and Legal Affairs

i) Policy Issues

86) **Mr. Speaker**, the Committee recommended that the IEBC seeks ways of carrying out at least two massive voter registration exercises before the next general election; probably in November/December of 2016 and the scheduled February/March 2017 voter registration

ii) Financial Proposals

A. Proposed Reductions

87) **Mr. Speaker**, the Committee proposes the following reductions:

- Reduce recurrent allocation for 'Management of Electoral Process Programme' under Independent Electoral and Boundaries Commission (IEBC) by Kshs. 400 million. The reduction will be from the following:
 - ✚ Provision for legal fees under the Cost of Compliance and Litigation by Kshs. 200 million
 - ✚ Printing, Advertising and information supplies and services under the Voter Education by Kshs. 200 million

B. Proposed Increments

88) **Mr. Speaker**, the Committee proposes the following increments:

- Increase recurrent allocation for Governance, Legal Training and Constitutional Affairs Programme' under Office of the Attorney General and Department of Justice by Kshs. 300 million.
The increment is for the following:
 - ✚ Kenya School of Law by Kshs. 120 million,
 - ✚ Council of Legal Education by Kshs. 80 million
 - ✚ Kenya Law Reform Commission by Kshs. 100 million.
- Increase recurrent allocation for Public Prosecution Services Programme under Office of the Director of Public Prosecution by Kshs. 100 million. The increment will be used as seed money for car loan and mortgage scheme.

10. Departmental Committee on Health

i) Policy Issues

89) **Mr. Speaker**, the committee observed that there was a major re-organization of sub-programs in the Ministry and this has resulted in significant increases and reductions in the allocation of overall expenditure of all programs. The Committee noted that these deviations often impact on actualization of policies and the concomitant resources as detailed in the Budget Policy Statement. Indeed, the Public Finance Management Act requires that the basis for the budget for any particular year is the Budget Policy Statement.

ii) Financial Proposals

A. Proposed Reductions

90) **Mr. Speaker**, the Committee proposes the following reductions:

- Reduce Kshs 200 million in Ministry of health under General Administration, Planning and Support Services Programme meant for the upgrade of health centers in slums.
- Reduce Kshs 250 million in Ministry of health under Health Policy Standards and Regulation Programme allocated to Social Health Insurance.

B. Proposed Increments

91) **Mr. Speaker**, the Committee proposes the following increments:

- Increase Kshs. 320 million in Ministry of health under Preventive, Promotive and RMNCAH programme of which Kshs. 200 million to operationalize the National Cancer Centre programme and Kshs. 120 million for Family Planning Maternal Child Health unit under the Reproductive Maternal Neonatal child and adolescent health sub-programme.
- Increase Kshs. 100 million in Ministry of Health under Health, Research and Development programme towards expansion of Kenya Medical Training Colleges.
- Increase Kshs. 30 million to the Emergency Interventions/relief project under the General Administration sub-programme

11. Departmental Committee on Education

i) Policy Issues

92) **Mr. Speaker**, the Committee highlighted the declaration of revenue by universities as an issue of concern. Often, the exact amount of revenue collected by these agencies remains scanty. In the same line, there is no formula that guides the allocation of resources to universities. The Ministry of Education and the Teachers Service Commission should develop the modalities of sharing the available resources especially in the Counties including offices and vehicles to minimize wastage.

ii) **Financial Proposals**

93) **Mr. Speaker**, the Committee proposes the following reductions:

- Reduce **Kshs. 15.79 million** in State Department for Education under the following programmes:
 - ↓ General Administration, Planning and Support Services by Kshs. 11,936,798
 - ↓ Primary Education by Kshs. 2,646,360
 - ↓ Secondary Education by Kshs. 1,127,970
 - ↓ Quality Assurance and Standards by Kshs. 86,985
- Reduce **Kshs. 2.43 million** in State Department for Science and Technology under the following programmes:
 - ↓ Technical, Vocational Education and Training by Kshs 491,000
 - ↓ General Administration Support and Planning by Kshs 1,369,570
 - ↓ Research, Science, Technology and Innovation by Kshs 316,050
 - ↓ University Education by Kshs 261,065
- Reduce **Kshs. 1.54 million** in Teachers Service Commission under General Administration Support and Planning Programme.
- Reduce **Kshs. 260 million** in the State Department for Science and Technology under the University Education Programme for the following universities:
 - ↓ Egerton University by Kshs. 50,000,000
 - ↓ Moi University by Kshs. 50,000,000
 - ↓ Maseno University by Kshs. 50,000,000
 - ↓ Kisii University by Kshs. 50,000,000
 - ↓ Technical University of Kenya by Kshs. 30,000,000
 - ↓ Technical University of Mombasa by Kshs. 30,000,000

C. **Proposed Increments**

94) **Mr. Speaker**, the Committee proposes the following increments:

- **Allocate Kshs. 260 million** to the State Department for Science and Technology under the University Education Programme for the establishment of Turkana University College which will be a constituent college of Masinde Muliro University.
- **Increase the allocation to the Add Kshs 19.8 million** to the State Department for Science and Technology under Research, Science, Technology and Innovation Programme for Biosafety Appeals Board.

12. Departmental Committee on Finance, Planning and Trade

i) Financial Proposals

A. Proposed Reductions

95) **Mr. Speaker**, the Committee proposes a total reduction of **Ksh. 3.8725 billion** from the following votes:

Vote 1171: Ministry of Industry, Investment and Trade (KSh. 1.335 billion)

- Reduce capital allocation Kshs 1.335 billion under industrial development and investment programme in Vote 1171 from the following:
 - ⊖ Freeport and Industrial Parks by Kshs. 300 million
 - ⊖ Kenanie Leather Industrial Park by Kshs. 235 million
 - ⊖ Ease of Doing Business by Kshs. 250 million
 - ⊖ Athi River Textile by Kshs. 500 million
 - ⊖ Modernization of RIVATEX by kshs. 50 million

Vote 1181: Ministry of Tourism (KSh. 80 million)

- Reduce capital allocation Kshs. 80 million under Tourism Development and Promotion Programme from the following:
 - ⊖ Rehabilitation of Tsavo Ballroom by Kshs. 50 million
 - ⊖ Maragua Warehouse by Kshs. 30 million

Vote 1031/32: Ministry of Devolution and Planning (KSh. 657.2 million)

- Reduce KSh. 192 million of the proposed capital expenditure from the State Department of Devolution for Special Initiatives Programme under Model Street Family Rehabilitation Centre.

- Reduce KSh. 389 million of the proposed capital expenditure in the State Department of Planning from National Statistical Information Service programme under Kenya Statistical Programme for Results.
- Reduce KSh. 76.2 million of proposed recurrent expenditure for General Administration, Planning and Support Services under Headquarter Administrative Services.

Vote 1071: The National Treasury (KSh. 1.8003 billion)

- Reduce capital allocation **Kshs. 436.9 million** under General Administration, Planning and Support Services Programme from the following:
 - ↓ Rehabilitation and Expansion of Herufi Data Centre by Kshs. 220.7 million
 - ↓ Upgrading, Integration of Pension Management by Kshs. 31 million
 - ↓ Equity and subscriptions in International Financial Institutions by Kshs. 47.7 million
 - ↓ Establishment of secure and coordinated border control by Kshs. 17 million
 - ↓ Treasury-Bima-Herufi Security System – car scanners, fire system, CCTV by Kshs.10.5 million
 - ↓ State Officers and Public Officers Car Loan Scheme Fund by Kshs. 100 million
 - ↓ Public Sector Accounting Standards Board by Kshs. 10 million
- Reduce capital allocation **Kshs. 1,213.4 million** under Public Financial Management Programme from the following:
 - ↓ Renewal of Oracle Licences, Annual support for IFMIS Applications and Hardware by Kshs.100 million
 - ↓ Development, Implementation of IFMIS Academy & Oracle SOA Suite by Kshs.100 million
 - ↓ Installation, Operationalization of Data Recovery by Kshs. 456.4 million
 - ↓ Provision of Procure to Pay –System Integration for Parastatals by Kshs. 400 million
 - ↓ The National Sub-County Treasury Services by Kshs. 157 million
 - ↓ Reduce capital allocation Kshs. 150 million under Economic and Financial Policy Formulation & Management Programme from Professional capacity development for policy analysts

A. Proposed Increases (KSh. 3.8725 Billion)

96) **Mr. Speaker**, the Committee proposes an increment in MDAs totaling KSh. 3.8725 billion to be distributed as follows:

Vote 1171: Ministry of Industry, Investment and Trade (KSh. 1.180 billion)

- Increase **KSh. 100 million** to Industrial Development and Investment Programme for the following:
 - ⊥ Numerical Machining Complex (NMC) by Kshs. 50 million for modernization and expansion of foundry plant and fabrication workshop.
 - ⊥ Industrial Development and Investment by Kshs. 50 million for Revival of Kisumu Cotton Millers (KICOMI) textile factory in Kisumu

- Increase **KSh. 980 million** to Standards and Business Incubation Programme for the following:
 - ⊥ Kenya Accreditation Service (KENAS) by Kshs. 20 million. Towards accreditation of motor vehicle inspection centre.
 - ⊥ Kenya Industrial Research Development Institute (KIRDI by 160 million). Towards enhancement of research and development.
 - ⊥ Kenya Anti-Counterfeit Agency by Kshs. 50 million to be used for acquisition of regional exhibits warehouses for seized goods.
 - ⊥ Kenya Industrial Estates (KIE) by Kshs. 650 million for onward lending to the SMEs in manufacturing sector
 - ⊥ Kenya Industrial Property Institute (KIPI) by Kshs. 50 million towards digitization of intellectual property rights administration infrastructure
 - ⊥ Constituency Industrial Development Centres (CIDCs) by Kshs. 50 million for equipping of Constituency Industrial Development Centres
 - ⊥ Increase **KSh. 70 million** to General Administration, Planning and Support Services Programme for Purchase of project vehicles at the Ministry headquarters
 - ⊥ Increase **KSh. 30 million** to Cooperative Development and Management Programme for Sacco Societies Regulatory Authority (SASRA) towards development and implementation of risk based supervision framework.

Vote 1131/32: Ministry of Devolution and Planning (KSh. 1.5925 billion)

- Increase **KSh. 1.5925 billion** to the State Department of Devolution for Lake Basin Development Authority (LBDA) towards payment for pending bills for construction a mall in Kisumu.

Vote 1181: Ministry of Tourism (KSh. 1.1 billion)

- Increase KSh. 800 million for Tourism Development and Promotion Programme for the following:
 - ⊥ Tourism Finance Corporation by Kshs. 600 million for onward lending in line with the corporation's mandate
 - ⊥ Ronald Ngala Utalii College by Kshs. 200 million for construction and civil works

- Increase KSh. 300 million to Trade Development and Promotion towards the construction of access road to Meru National Park.

RECOMMENDATIONS

97) **Mr. Speaker**, having considered the above matters, the Committee recommends as follows

A. Financial Year 2016/17 Budgetary Allocation

That **Ksh. 1.62 trillion** be allocated to the Executive; **Ksh. 28.4 billion** to Parliament and **Ksh. 19.02 billion** to the Judiciary as expenditure for Financial Year 2016/17

B. Policy prescriptions

- (i) Given the reorganization of the National Government, the National Treasury should ensure that this reorganization is reflected in the budget and that the key performance indicators correspond with their respective programmes
- (ii) In order to link policy, planning and budgeting, the Committee should ensure that the Budget Estimates mirror the resolutions in the Budget Policy Statement (BPS) as approved by this House. Any adjustments from the ceilings approved by Parliament should be based on a concrete decision by the National Treasury and the said decision be communicated to the National Assembly when presenting the Budget Estimates. This same concern was raised in the reports of the 2014/15 budget and the 2015/16 budget but it appears this was not taken seriously.
- (iii) The National Treasury should ensure that the monthly exchequer releases are on programme basis to facilitate proper monitoring and evaluation of projects as contained in the budget
- (iv) The Controller of Budget should compile an annual report on the status of key outputs aligned with outputs and key performance indicators as approved by Parliament
- (v) There is need to harmonize programmes across the various Ministries, Departments and Agencies to address the duplication of roles, reduce resource wastage and establish clear policy direction.
- (vi) The National Treasury should ensure that targets specified under the various MDAs are SMART, that is; specific, measurable, achievable, realistic and time bound. As it is, some targets in the budget are lacking in these key elements and as such, the resources allocated to them are not justifiable
- (vii) The National Government should ensure adherence to the Medium Term Expenditure Framework (MTEF) as approved in the budgets to ensure consistency in resource allocation to some MDAs with the two outer years as approved in the Medium Term Expenditure Framework; for example, the Ministry of Foreign Affairs.

- (viii) The National Government should ensure that the Programme Based Budget focuses on tying decisions on allocation of resources to expected outputs and that there is a clear correlation between resources allocated and the stated outputs/targets.
- (ix) Measures should be put in place to subject the expenditure of the Ministry of Defence and National Intelligence Service to proper scrutiny in order to ensure accountability in the use of public resources.
- (x) There is need to ensure that key projects such as the Konza Technology City received adequate funding to ensure that this target is achieved in line with Vision 2030.
- (xi) Government advertising should be consolidated under one agency to ensure economies of scale.
- (xii) The functions of the Postal Corporations of Kenya should be reviewed to reflect the current needs and technological changes.
- (xiii) The Government should review fuel taxes to address differences in prices of diesel and kerosene in Kenya.
- (xiv) An audit should be carried out to ascertain whether there is value for money in the Leasing programme for motor vehicles for the police and the National Administration given that the vehicles are fueled in specific outlets which are far apart particularly in far flung areas of North Eastern Region, North Rift among other areas.
- (xv) Funds for police housing Units should be disbursed through the parent Ministry to ensure continuity of the project
- (xvi) The National Police Service Commission should adopt a new vetting model that does not require face to face interviews with officers, apart from the cases where an officer is required to shed light on matters that are not clear. This will be cost effective and faster.
- (xvii) Additional development allocation for the police and prison officers housing should be considered. Civil servants should also pay directly to the National Hospital Insurance Fund (NHIF) rather than disbursing the same through the State Department of Public Service and Youth Affairs.
- (xviii) An intergovernmental institution should be set up that shall coordinate the various functions that are being concurrently undertaken by the two levels of government for instance extension services in the Ministry of Agriculture, Livestock and Fisheries, fertilizer subsidy programs and marketing of produce.
- (xix) The National Government should coordinate donor supported programmes in the counties by establishing a structured mechanism to implement donor funded programmes for functions that are

devolved and provide counter-part funding where required ensuring successful completion of the said projects

(xx) The National Government should complete the projects under the Ministry of Agriculture, Livestock Fisheries for them to serve the intended purposes

C. Increments

98) **Mr. Speaker, the Committee proposes the following increments:**

- (i) Increase recurrent allocation for 'Governance, Legal Training and Constitutional Affairs Programme' under State Law Office and Department of Justice by Kshs. 300 million. The increment is for the following:
 - ⊕ Kenya School of Law by Kshs. 120 million for subsidization of tuition fees charged
 - ⊕ Council of Legal Education by Kshs. 80 million for subsidization of examination fees charged
 - ⊕ Kenya Law Reform Commission by Kshs. 100 million
- (ii) Increase recurrent allocation for Public Prosecution Services Programme under Office of the Director of Public Prosecution by Kshs. 100 million. The increment will be used as seed money for car loan and mortgage scheme.
- (iii) Increase recurrent allocation under 'General Administration, Planning and Support Services Programme' in Public Service Commission by Kshs. 25 million to facilitate payment for gratuity for the secretariat staff and pension scheme.
- (iv) Increase recurrent allocation for Independent Policing Oversight Authority by Kshs. 80 million to facilitate decentralization of its services by establishing five regional offices.
- (v) Increase recurrent allocation for National Police Service Commission by Kshs. 20 million to effectively provide oversight and monitor the process of recruitment of Police Constables as stipulated in article 246 of the Constitution and also strengthen its Secretariat.
- (vi) **Increase Kshs. 320 million in Ministry of health under Preventive, Promotive and RMNCAH programme** of which Kshs. 200 million to operationalize the National Cancer Centre programme and Kshs. 120 million for Family Planning Maternal Child Health unit under the Reproductive Maternal Neonatal child and adolescent health sub-programme.
- (vii) **Increase Kshs. 100 million in Ministry of Health under Health, Research and Development programme** towards expansion of Kenya Medical Training Colleges.

- (viii) **Increase Kshs. 30 million** to the Emergency Interventions/relief project under the General Administration sub-programme
- (ix) **Allocate Kshs. 260 million** to the State Department for University Education under the University Education Programme for the establishment of Turkana University College which will be a constituent college of Masinde Muliro University.
- (x) **Add Kshs 19.8 million** to the State Department for University Education under Research, Science, Technology and Innovation Programme for Biosafety Appeals Board.
- (xi) The Committee recommends an increment of **Kshs 350 million** to State Department for Livestock under livestock resources management and development programme for Embryo Transfer Programme in the Agriculture Development Cooperation (ADC) Lanet Farm
- (xii) Increase **KSh. 120 million** to Industrial Development and Investment Programme in the State Department for Investment and Industry for the following:
- ⊕ Numerical Machining Complex (NMC) by Kshs. 50 million for modernization and expansion of foundry plant and fabrication workshop.
 - ⊕ Industrial Development and Investment by Kshs. 50 million for Revival of Kisumu Cotton Millers (KICOMI) textile factory in Kisumu
 - ⊕ Kenya Accreditation Service (KENAS) by Kshs. 20 million for accreditation of motor vehicle inspection centre.
- (xiii) Increase **KSh. 960 million** to Standards and Business Incubation Programme in the State Department for Investment and Industry for the following:
- ⊕ Kenya Industrial Research Development Institute (KIRDI by 160 million). Towards enhancement of research and development.
 - ⊕ Kenya Anti-Counterfeit Agency by Kshs. 50 million to be used for acquisition of regional exhibits warehouses for seized goods.
 - ⊕ Kenya Industrial Estates (KIE) by Kshs. 650 million for onward lending to the SMEs in manufacturing sector
 - ⊕ Kenya Industrial Property Institute (KIPI) by Kshs. 50 million towards digitization of intellectual property rights administration infrastructure
 - ⊕ Constituency Industrial Development Centres (CIDCs) by Kshs. 50 million for equipping of Constituency Industrial Development Centres
- (xiv) Increase **KSh. 70 million** to General Administration, Planning and Support Services Programme in the State Department of Investment and Industry for Purchase of project vehicles at the Ministry headquarters
- (xv) Increase **KSh. 30 million** to State Department for Cooperatives under 'Cooperative Development and Management Programme' for Sacco Societies Regulatory Authority (SASRA) towards development and implementation of risk based supervision framework.

- (xvi) Increase **KSh. 1.5925 billion** to the State Department for Planning and Statistics for Lake Basin Development Authority (LBDA) towards payment for pending bills for construction a mall in Kisumu.
- (xvii) Increase KSh. 800 million for Tourism Development and Promotion Programme under the Ministry of Tourism for the following:
 - ⊕ Tourism Finance Corporation by Kshs. 600 million for onward lending in line with the corporation's mandate
 - ⊕ Ronald Ngala Utalii College by Kshs. 200 million for construction and civil works
- (xviii) Increase KSh. 300 million to Trade Development and Promotion under the Ministry of Tourism towards the construction of access road to Meru National Park
- (xix) Increase **vote 1112 - Ministry of Lands & Physical Planning**, by **KSh. 200 million**, of which **KSh. 90 million** is for the settling people in Lekiji farm in Laikipia (Land settlement program) and **KSh. 110 Million** for the construction of land registries in Kajiado West and Nyandarua west district, both under Land Policy and Planning Program.
- (xx) Increase vote 1132 State Department for Sports Development by Kshs. 50 million under the Sports programme for development of Athletics training camp.
- (xxi) Increase vote 1133 State Department of Arts and Culture by Kshs. 130 million under culture programme for refurbishment of monuments including Tom Mboya memorial.

D. Reductions

99) Mr. Speaker, with respect to reductions, the Committee proposes the following:

- (i) Reduce recurrent allocation for 'Management of Electoral Process Programme' under Independent Electoral and Boundaries Commission (IEBC) by Kshs. 400 million. The reduction will be from the following:
 - ⊖ Provision for legal fees under the Cost of Compliance and Litigation by Kshs. 200 million
 - ⊖ Printing, Advertising and information supplies and services under the Voter Education by Kshs. 200 million
- (ii) Reduce recurrent allocation under 'State House Affairs Programme' in Presidency by Kshs. 25 Million.

- (iii) Reduce recurrent allocation under 'Planning, Policy Coordination and Support Programme' in State Department of Interior' by Kshs. 100 million.
- (iv) Reduce Kshs 200 million in Ministry of health under General Administration, Planning and Support Services Programme meant for the upgrade of health centers in slums.
- (v) Reduce Kshs 250 million in Ministry of health under Health Policy Standards and Regulation Programme allocated to Social Health Insurance.
- (vi) Reduce **Kshs. 15.79 million** in State Department for Basic Education under the following programmes:
- ⌞ General Administration, Planning and Support Services by Kshs. 11,936,798
 - ⌞ Primary Education by Kshs. 2,646,360
 - ⌞ Secondary Education by Kshs. 1,127,970
 - ⌞ Quality Assurance and Standards by Kshs. 86,985
- (vii) Reduce **Kshs. 491,000** in State Department for Vocational and Technical Training under the programme Technical, Vocational Education and Training
- (viii) Reduce **Kshs. 1.94 million** in State Department for University Education under the following programmes:
- ⌞ General Administration Support and Planning by Kshs 1,369,570
 - ⌞ Research, Science, Technology and Innovation by Kshs 316,050
 - ⌞ University Education by Kshs 261,065
- (ix) Reduce **Kshs. 1.54 million** in Teachers Service Commission under General Administration Support and Planning Programme.
- (x) Reduce **Kshs. 260 million** in the State Department for University Education under the University Education Programme for the following universities:
- ⌞ Egerton University by Kshs. 50,000,000
 - ⌞ Moi University by Kshs. 50,000,000
 - ⌞ Maseno University by Kshs. 50,000,000
 - ⌞ Kisii University by Kshs. 50,000,000
 - ⌞ Technical University of Kenya by Kshs. 30,000,000
 - ⌞ Technical University of Mombasa by Kshs. 30,000,000
- (xi) Reduce **Kshs. 350 million** from the State Department for Agriculture under Crop Development and Management Programme meant for fertilizer subsidy.

- (xii) Reduce capital allocation Kshs 1.335 billion under industrial development and investment programme in State Department for Investment and Industry from the following
- ⌞ Freeport and Industrial Parks by Kshs. 300 million
 - ⌞ Kenanie Leather Industrial Park by Kshs 235 million
 - ⌞ Ease of Doing Business by Kshs. 250 million
 - ⌞ Athi River Textile by Kshs. 500 million
 - ⌞ Modernization of RIVATEX by kshs. 50 million
- (xiii) Reduce capital allocation in Ministry of Tourism, Kshs. 50 million under Tourism Development and Promotion Programme from the Rehabilitation of Tsavo Ballroom
- (xiv) Reduce capital allocation in State Department for Trade, Kshs. 30 million under Trade Development and Promotion Programme from the Maragua Warehouse.
- (xv) Reduce KSh. 192 million of the proposed capital expenditure from the State Department for Special Initiatives Programme under Model Street Family Rehabilitation Centre in the Ministry of Devolution and Planning
- (xvi) Reduce KSh. 389 million of the proposed capital expenditure in the State Department of Planning and Statistics from National Statistical Information Service programme under Kenya Statistical Programme for Results in the Ministry of Devolution and Planning.
- (xvii) Reduce KSh. 76.2 million of proposed recurrent expenditure from State Department for Devolution under General Administration, Planning and Support Services Programme for Headquarter Administrative Services in the Ministry of Devolution and Planning.
- (xviii) Reduce capital allocation Kshs. 436.9 million under General Administration, Planning and Support Services Programme in the National Treasury from the following:
- ⌞ Rehabilitation and Expansion of Herufi Data Centre by Kshs. 220.7 million
 - ⌞ Upgrading, Integration of Pension Management by Kshs. 31 million
 - ⌞ Equity and subscriptions in International Financial Institutions by Kshs. 47.7 million
 - ⌞ Establishment of secure and coordinated border control by Kshs. 17 million
 - ⌞ Treasury-Bima-Herufi Security System – car scanners, fire system, CCTV by Kshs. 10.5 million
 - ⌞ State Officers and Public Officers Car Loan Scheme Fund by Kshs. 100 million
 - ⌞ Public Sector Accounting Standards Board by Kshs. 10 million
- (xix) Reduce capital allocation Kshs. 1,213.4 million under Public Financial Management Programme in the National Treasury from the following:

- ⊥ Renewal of Oracle Licences, Annual support for IFMIS Applications and Hardware by Kshs. 100 million
- ⊥ Development, Implementation of IFMIS Academy & Oracle SOA Suite by Kshs. 100 million
- ⊥ Installation, Operationalization of Data Recovery by Kshs. 456.4 million
- ⊥ Provision of Procure to Pay –System Integration for Parastatals by Kshs. 400 million
- ⊥ The National Sub-County Treasury Services by Kshs. 157 million

(xx) Reduce capital allocation Kshs. 150 million under Economic and Financial Policy Formulation & Management Programme from Professional capacity development for policy analysts in the National Treasury.

(xxi) Reduce **vote 2021 - National Land Commission**, by **KSh. 200 million** from the National Land Information Management System Program to **vote 1112** Ministry of Lands and Physical Planning (Land policy & Planning Program) for Lekiji farm settlement.

(xxii) Reduce capital allocation for vote 1152 State Department for Energy under the power transmission and distribution programme (grants to Kenya power) by Kshs. 180 million

E. Re-allocations

Mr. Speaker, with respect to reallocations, the Committee proposes the following:

- (i) Reallocate Kshs. 50 million under 'Policing Services Programme' to 'Government Printing Services Programme' in State Department of Interior to facilitate the modernization of equipment.
- (ii) Reallocate Kshs. 100 million under 'Policing Services Programme' to 'Planning Policy Coordination and Support Services Programme' in the State Department of Interior. This will be for National Cohesion and Integration Commission to facilitate cohesion and integration activities ahead of the 2017 General elections.
- (iii) Reallocate Kshs. 251.7 million under 'General Administration Planning and Support Service Programme' in State Department of Labour to 'the following programmes:
 - ⊥ Social Development and Children Services Programme' Kshs. 170 million. of which Ksh 50 million is for creating a comprehensive legal framework for social protection cash transfers programmes and Kshs 120 million as current grant to Child Welfare Society of Kenya (CWSK) for children emergency response and rescue services.

- ‡ National Social Safety Net Programme Kshs. 81.7 million. This will be for contracted professional services to undertake an impact assessment survey
- (iv) Reallocate KSh. 100 million under vote 2021 - National Land Commission, from National Land Information Management System Program, to the Land Dispute and Conflict Resolutions Program in the National Land Commission.
- (v) Reallocate KSh. 300 million under vote 1112 - Ministry of Lands & Physical Planning, from Land Policy and Planning Program (Development planning and Land reform sub-program) to Land Policy and Planning Program (land settlement sub program and Physical Planning) to resettle people in Lekiji Farm in Laikipia County;
- (vi) Reallocate **KSh. 1.4 billion from State Department for Water Services**, National Water Conservation & Pipeline Corporation (Water Resources Management program) to Water Services Boards under (Water Resources Management Program) for water harvesting and ground water exploitation. The water services boards include:
 - ‡ Coastal water services boards – **KSh. 200 million**
 - ‡ Rift Valley water services boards - **KSh. 200 million**
 - ‡ Northern water services boards - **KSh. 200 million**,
 - ‡ Lake Victoria North water services boards - **KSh. 200 million**
 - ‡ Lake Victoria South water services boards - **KSh. 200 million**
 - ‡ Tana Athi water services boards, - **KSh. 200 million**
 - ‡ Tana water services boards - **KSh. 200 million**
- (vii) Reallocate **KSh. 80 million in Ministry of Mining** from nationwide airborne Geo-physical survey in Mineral Resource Development Program to carrying out granite assessment in Vihiga, Western Kenya.

The Committee further recommends that this House resolves to:

- a) Approve the Report of the Budget and Appropriations Committee on the Budget Estimates for the National Government, the Judiciary and Parliament for the Financial Year 2016/2017;
- b) Approve a total budget of **Ksh. 1,674,321,238,405** to meet the expenditure during the year ending 30th June 2017 in respect of the votes as attached in Schedule 1 and that this schedule forms basis for enactment of the Appropriation Act;
- c) Approve a total of Ksh. 6 billion for the Equalization Fund and that Schedule 2 forms the basis for the enactment of the Equalization Fund Appropriation Bill; and

- d) Approve that the National Treasury allocates Kshs. 1 billion for projects identified during the Public Hearings in the various counties and that this be distributed in line with schedule 3.

SCHEDULE 1: EXPENDITURE ESTIMATES FOR NATIONAL GOVERNMENT, PARLIAMENT, JUDICIARY AND EQUALIZATION FUND FOR 2016/17

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|---|---|-------------------|----------------|---------------------|---------------|-------------------|----------------|-----------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| 1011 The Presidency | Total | 7,968,324,669 | 481,340,000 | (25,000,000) | - | 7,943,324,669 | 481,340,000 | 8,424,664,669 |
| | 0702000 P2 Cabinet Affairs | 1,738,042,805 | 109,000,000 | | | 1,738,042,805 | 109,000,000 | 1,847,042,805 |
| | 0703000 P3 Government Advisory Services | 1,014,751,864 | - | | | 1,014,751,864 | - | 1,014,751,864 |
| | 0704000 P4 State House Affairs | 3,051,340,000 | 311,020,000 | (25,000,000) | | 3,026,340,000 | 311,020,000 | 3,337,360,000 |
| | 0734000 P.6 Deputy President Services | 2,164,190,000 | 61,320,000 | | | 2,164,190,000 | 61,320,000 | 2,225,510,000 |
| 1021 State Department for Interior | Total | 103,007,039,319 | 22,854,796,889 | (100,000,000) | - | 102,907,039,319 | 22,854,796,889 | 125,761,836,208 |
| | 0601000 P.1 Policing Services | 78,116,044,959 | 12,306,700,000 | (150,000,000) | | 77,966,044,959 | 12,306,700,000 | 90,272,744,959 |
| | 0602000 P.2 Planning, Policy Coordination and Support Service | 18,658,053,467 | 8,868,600,000 | - | | 18,658,053,467 | 8,868,600,000 | 27,526,653,467 |
| | 0603000 P3 Government Printing Services | 706,550,000 | 128,200,000 | 50,000,000 | | 756,550,000 | 128,200,000 | 884,750,000 |
| | 0605000 P.4 Population Management Services | 5,469,315,727 | 1,551,296,889 | | | 5,469,315,727 | 1,551,296,889 | 7,020,612,616 |
| 1023 State Department for Correctional Services | 0624000 P.3 Betting Control, Licensing and Regulation Services | 57,075,166 | - | | | 57,075,166 | - | 57,075,166 |
| | Total | 19,209,032,569 | 1,050,000,000 | - | - | 19,209,032,569 | 1,050,000,000 | 20,259,032,569 |
| | 0604000 P1 Correctional services | 18,940,161,054 | 1,034,700,000 | | | 18,940,161,054 | 1,034,700,000 | 19,974,861,054 |
| | 0623000 P.2 General Administration, Planning and Support Services | 268,871,515 | 15,300,000 | | | 268,871,515 | 15,300,000 | 284,171,515 |
| | Total | 4,717,330,425 | 40,506,246,464 | - | 1,203,500,000 | 4,717,330,425 | 41,709,746,464 | 46,427,076,889 |
| 1034 State Department for Planning and Statistics | 0706000 P1 : Economic Policy and National Planning | 1,082,789,842 | 36,077,779,004 | | | 1,082,789,842 | 36,077,779,004 | 37,160,568,846 |
| | 0707000 P2 : National Statistical Information Services | 1,833,333,297 | 1,464,520,660 | | (389,000,000) | 1,833,333,297 | 1,075,520,660 | 2,908,853,957 |
| | Total | 1,833,333,297 | 1,464,520,660 | | | 1,833,333,297 | 1,075,520,660 | 2,908,853,957 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|--|---|-----------------------|----------------------|---------------------|----------------------|-----------------------|----------------------|-----------------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| 1032 State Department for Devolution | 0708000 P3: Monitoring and Evaluation Services | 52,987,395 | 111,996,800 | | | 52,987,395 | 111,996,800 | 164,984,195 |
| | 0709000 P4: General Administration Planning and Support Services | 578,135,493 | 34,575,000 | | | 578,135,493 | 34,575,000 | 612,710,493 |
| | 0711000 P6 Gender & Youth Empowerment | 125,150,000 | 375,000 | | | 125,150,000 | 375,000 | 125,525,000 |
| | 1013000 P.7 Integrated Regional Development | 1,044,934,398 | 2,817,000,000 | | 1,592,500,000 | 1,044,934,398 | 4,409,500,000 | 5,454,434,398 |
| | Total | 725,651,492 | 2,424,000,000 | (76,200,000) | | 649,451,492 | 2,424,000,000 | 3,073,451,492 |
| 1033 State Department for Special Programmes | 0712000 P7: Devolution Services | 515,439,802 | 2,304,000,000 | | | 515,439,802 | 2,304,000,000 | 2,819,439,802 |
| | 0732000 P.3 General Administration, Planning and Support Services | 210,211,690 | 120,000,000 | (76,200,000) | | 134,011,690 | 120,000,000 | 254,011,690 |
| | Total | 1,405,811,247 | 5,303,345,330 | - | (192,000,000) | 1,405,811,247 | 5,111,345,330 | 6,517,156,577 |
| 1041 Ministry of Defence | 0713000 P 8 Special Initiatives | 697,197,686 | 192,000,000 | | (192,000,000) | 697,197,686 | - | 697,197,686 |
| | 0733000 P 9 Accelerated ASAL Development | 708,613,561 | 5,111,345,330 | | | 708,613,561 | 5,111,345,330 | 5,819,958,891 |
| | Total | 98,654,161,519 | 45,000,000 | - | - | 98,654,161,519 | 45,000,000 | 98,699,161,519 |
| | 0801000 P 1: Defence | 97,019,046,637 | 45,000,000 | | | 97,019,046,637 | 45,000,000 | 97,064,046,637 |
| 1052 Ministry of Foreign Affairs | 0802000 P.2 Civil Aid | 450,000,000 | - | | | 450,000,000 | - | 450,000,000 |
| | 0803000 P 3 General Administration, Planning and Support Services | 1,185,114,882 | - | | | 1,185,114,882 | - | 1,185,114,882 |
| | Total | 17,206,235,947 | 3,000,000,000 | - | - | 17,206,235,947 | 3,000,000,000 | 20,206,235,947 |
| 1063 State Department for Basic Education | 0714000 P 1 General Administration Planning and Support Services | 4,783,349,188 | 234,000,000 | | | 4,783,349,188 | 234,000,000 | 5,017,349,188 |
| | 0715000 P.2 Foreign Relation and Diplomacy | 12,422,886,759 | 2,766,000,000 | | | 12,422,886,759 | 2,766,000,000 | 15,188,886,759 |
| | Total | 58,795,601,201 | 8,395,219,512 | (15,798,113) | - | 58,779,803,088 | 8,395,219,512 | 67,175,022,600 |
| | 0501000 P.1 Primary Education | 17,080,368,187 | 5,960,212,400 | (2,646,360) | | 17,077,721,827 | 5,960,212,400 | 23,037,934,227 |
| | 0502000 P 2 Secondary Education | 33,222,184,987 | 1,632,136,500 | (1,127,970) | | 33,221,057,017 | 1,632,136,500 | 34,853,193,517 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|---|--|-----------------------|-----------------------|----------------------|------------------------|-----------------------|-----------------------|-----------------------|
| | | Recurrent | Development | Recurrent | Development | Development | Total | |
| | 0503000 P.3 Quality Assurance and Standards | 4,073,952,977 | 430,202,500 | (86,985) | | 4,073,865,992 | 430,202,500 | 4,504,068,492 |
| | 0508000 P.8 General Administration, Planning and Support Services | 4,419,095,050 | 372,668,112 | (11,936,798) | | 4,407,158,252 | 372,668,112 | 4,779,826,364 |
| 1064 State Department for Vocational & Technical Training | Total | 2,325,020,852 | 4,200,999,358 | (491,000) | - | 2,324,529,852 | 4,200,999,358 | 6,525,529,210 |
| | 0508000 P.8 General Administration, Planning and Support Services | 50,000,000 | - | | | 50,000,000 | - | 50,000,000 |
| | 0505000 P.5 Technical Vocational Education and Training | 2,275,020,852 | 4,095,999,358 | (491,000) | | 2,274,529,852 | 4,095,999,358 | 6,370,529,210 |
| | 0507000 P.7 Youth Training and Development | - | 105,000,000 | | | - | 105,000,000 | 105,000,000 |
| 1065 State Department for University Education | Total | 60,569,604,318 | 10,944,095,026 | 82,829,363 | (65,000,000) | 60,652,433,661 | 10,879,095,026 | 71,531,528,707 |
| | 0508000 P.8 General Administration, Planning and Support Services | 700,223,620 | - | (1,369,570) | | 698,854,050 | - | 698,854,050 |
| | 0504000 P.4 University Education | 56,443,698,196 | 10,916,091,685 | 79,738,935 | (80,000,000) | 56,523,437,131 | 10,836,091,685 | 67,359,528,816 |
| | 0506000 P.6 Research, Science, Technology and Innovation | 3,425,682,502 | 28,003,341 | 4,459,998.0 | 15,000,000 | 3,430,142,500 | 43,003,341 | 3,473,145,841 |
| 1071 The National Treasury | Total | 36,850,857,285 | 39,269,720,315 | (110,000,000) | (1,690,300,000) | 36,740,857,285 | 37,579,420,315 | 74,320,277,600 |
| | 0717000 P1 : General Administration Planning and Support Services | 30,773,807,323 | 4,943,181,832 | (100,000,000) | (326,900,000) | 30,673,807,323 | 4,616,281,832 | 35,290,089,155 |
| | 0718000 P2: Public Financial Management | 4,604,027,982 | 32,914,098,483 | (10,000,000) | (1,213,400,000) | 4,594,027,982 | 31,700,698,483 | 36,294,726,465 |
| | 0719000 P3: Economic and Financial Policy Formulation and Management | 1,084,514,599 | 1,412,440,000 | | (150,000,000) | 1,084,514,599 | 1,262,440,000 | 2,346,954,599 |
| | 0720000 P4: Market Competition | 340,000,000 | - | | | 340,000,000 | - | 340,000,000 |
| | 0206000 P6 Government Clearing Services | 48,507,381 | - | | | 48,507,381 | - | 48,507,381 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|---|---|-----------------------|------------------------|----------------------|--------------------|-----------------------|------------------------|------------------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| 1081 Ministry of Health | Total | 29,090,110,838 | 31,179,819,184 | (100,000,000) | 100,000,000 | 28,990,110,838 | 31,279,819,184 | 60,269,930,022 |
| | 0401000 P.1 Preventive, Promotive & RMNCAH | 1,405,268,363 | 5,861,413,933 | 120,000,000 | 200,000,000 | 1,525,268,363 | 6,061,413,933 | 7,586,682,296 |
| | 0402000 P.2 National Referral & Specialized Services | 16,546,311,082 | 7,032,021,896 | | | 16,546,311,082 | 7,032,021,896 | 23,578,332,978 |
| | 0403000 P.3 Health Research and Development | 5,388,388,324 | 108,500,000 | | 100,000,000 | 5,388,388,324 | 208,500,000 | 5,596,888,324 |
| | 0404000 P.4 General Administration, Planning & Support Services | 5,700,575,283 | 10,139,883,355 | (220,000,000) | (200,000,000) | 5,480,575,283 | 9,939,883,355 | 15,420,458,638 |
| 1091 State Department of Infrastructure | 0405000 P.5 Health Policy, Standards and Regulations | 49,567,786 | 8,038,000,000 | | | 49,567,786 | 8,038,000,000 | 8,087,567,786 |
| | Total | 29,039,085,190 | 147,711,782,851 | - | - | 29,039,085,190 | 147,711,782,851 | 176,750,868,041 |
| | 0202000 P.2 Road Transport | 29,039,085,190 | 147,711,782,851 | | | 29,039,085,190 | 147,711,782,851 | 176,750,868,041 |
| 1092 State Department for Transport | Total | 5,780,740,412 | 175,806,596,000 | - | - | 5,780,740,412 | 175,806,596,000 | 181,587,336,412 |
| | 0201000 P.1 General Administration, Planning and Support Services | 308,893,621 | 354,000,000 | | | 308,893,621 | 354,000,000 | 662,893,621 |
| | 0203000 P.3 Rail Transport | 248,310,000 | 156,285,000,000 | | | 248,310,000 | 156,285,000,000 | 156,533,310,000 |
| | 0204000 P.4 Marine Transport | 406,976,003 | 16,720,000,000 | | | 406,976,003 | 16,720,000,000 | 17,126,976,003 |
| | 0205000 P.5 Air Transport | 4,368,713,538 | 2,147,596,000 | | | 4,368,713,538 | 2,147,596,000 | 6,516,309,538 |
| 1093 State Department for Maritime Affairs | 0216000000 Road Safety | 447,847,250 | 300,000,000 | | | 447,847,250 | 300,000,000 | 747,847,250 |
| | Total | 237,159,288 | - | - | - | 237,159,288 | - | 237,159,288 |
| | 0204000 P.4 Maritime & Shipping Services | 237,159,288 | | | | 237,159,288 | | 237,159,288 |
| 1094 State Department for Housing & Urban Development | Total | 862,299,444 | 19,289,020,000 | - | - | 862,299,444 | 19,289,020,000 | 20,151,319,444 |
| | 0102000 P.2 Housing Development and Human Settlement | 485,420,915 | 7,270,100,000 | | | 485,420,915 | 7,270,100,000 | 7,755,520,915 |
| | 0105000 P.5 Urban and Metropolitan Development | 288,450,780 | 12,018,920,000 | | | 288,450,780 | 12,018,920,000 | 12,307,370,780 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|---|---|-----------------------|-----------------------|---------------------|--------------------|-----------------------|-----------------------|-----------------------|
| | | Recurrent | Development | Recurrent | Development | Development | Total | |
| 1095 State Department for Public Works | 0106000 P 6 General Administration Planning and Support Services | 88,427,749 | - | | | 88,427,749 | - | 88,427,749 |
| | Total | 897,187,546 | 2,047,000,000 | - | - | 897,187,546 | 2,047,000,000 | 2,944,187,546 |
| | 0103000 P 3 Government Buildings | 431,724,123 | 1,867,000,000 | | | 431,724,123 | 1,867,000,000 | 2,298,724,123 |
| | 0104000 P 4 Coastline Infrastructure and Pedestrian Access | 77,103,859 | 180,000,000 | | | 77,103,859 | 180,000,000 | 257,103,859 |
| 1105 State Department for Environment | 0106000 P 6 General Administration Planning and Support Services | 388,359,564 | | | | 388,359,564 | - | 388,359,564 |
| | Total | 2,979,114,030 | 4,246,619,731 | - | - | 2,979,114,030 | 4,246,619,731 | 7,225,733,761 |
| | 1010000 P.1 General Administration, Planning and Support Services | 400,759,424 | - | | | 400,759,424 | - | 400,759,424 |
| | 1011000 P.2 Environment Management and Protection | 1,508,273,152 | 3,145,619,731 | | | 1,508,273,152 | 3,145,619,731 | 4,653,892,883 |
| 1106 State Department for Natural Resources | 1012000 P.3 Meteorological Services | 1,070,081,454 | 1,101,000,000 | | | 1,070,081,454 | 1,101,000,000 | 2,171,081,454 |
| | Total | 11,322,343,046 | 3,592,000,000 | - | - | 11,322,343,046 | 3,592,000,000 | 14,914,343,046 |
| | 1011000 P.2 Natural Resources Management and Protection | 11,322,343,046 | 3,592,000,000 | | | 11,322,343,046 | 3,592,000,000 | 14,914,343,046 |
| | Total | 3,624,591,649 | 39,606,072,000 | - | - | 3,624,591,649 | 39,606,072,000 | 43,230,663,649 |
| 1103 State Department for Water Services | 1001000 P.2 General Administration, Planning and Support Services | 560,191,031 | 56,000,000 | | | 560,191,031 | 56,000,000 | 616,191,031 |
| | 1004000 P.3 Water Resources Management | 3,064,400,618 | 39,550,072,000 | | | 3,064,400,618 | 39,550,072,000 | 42,614,472,618 |
| | Total | 933,008,351 | 18,107,929,750 | - | - | 933,008,351 | 18,107,929,750 | 19,040,938,101 |
| | 1004000 P.3 Water Storage and Flood Control | - | 5,830,000,000 | | | - | 5,830,000,000 | 5,830,000,000 |
| 1104 State Department for Irrigation | 1014000 P.4 Irrigation and Land Reclamation | 933,008,351 | 12,277,929,750 | | | 933,008,351 | 12,277,929,750 | 13,210,938,101 |
| | Total | 2,188,601,179 | 3,641,480,000 | - | 200,000,000 | 2,188,601,179 | 3,841,480,000 | 6,030,081,179 |
| | 1014000 P.4 Irrigation and Land Reclamation | 933,008,351 | 12,277,929,750 | | | 933,008,351 | 12,277,929,750 | 13,210,938,101 |
| | Total | 2,188,601,179 | 3,641,480,000 | - | 200,000,000 | 2,188,601,179 | 3,841,480,000 | 6,030,081,179 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|--|---|----------------------|------------------------|---------------------|---------------|----------------------|------------------------|------------------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| 1122 State Department for Information Communications and Technology and Innovation | 0101000 P.1 Land Policy and Planning | 2,188,601,179 | 3,641,480,000 | | 200,000,000 | 2,188,601,179 | 3,841,480,000 | 6,030,081,179 |
| | Total | 909,425,207 | 22,313,000,000 | - | - | 909,425,207 | 22,313,000,000 | 23,222,425,207 |
| 1123 State Department for Broadcasting & Telecommunications | 0207000 P1: General Administration Planning and Support Services | 287,854,207 | - | | | 287,854,207 | | 287,854,207 |
| | Total | 128,184,795 | 22,313,000,000 | | | 128,184,795 | 22,313,000,000 | 22,441,184,795 |
| 1132 State Department for Sports Development | 0208040 SP 2.4 E-Government Services | 493,386,205 | | | | 493,386,205 | | 493,386,205 |
| | Total | 2,050,126,830 | 658,000,000 | - | - | 2,050,126,830 | 658,000,000 | 2,708,126,830 |
| 1133 State Department for Arts and Culture | 0207000 P1: General Administration Planning and Support Services | 287,854,207 | | | | 287,854,207 | | 287,854,207 |
| | Total | 1,554,822,623 | 428,000,000 | | | 1,554,822,623 | 428,000,000 | 1,982,822,623 |
| 1152 State Department for Energy | 0209000 P3: Mass Media Skills Development | 207,450,000 | 230,000,000 | | | 207,450,000 | 230,000,000 | 437,450,000 |
| | Total | 3,606,950,551 | 1,505,000,000 | - | 50,000,000 | 3,606,950,551 | 1,555,000,000 | 5,161,950,551 |
| 1153 State Department for Energy | 0901000 P.1 Sports | 3,025,610,315 | 1,505,000,000 | | 50,000,000 | 3,025,610,315 | 1,555,000,000 | 4,580,610,315 |
| | Total | 581,340,236 | | | | 581,340,236 | | 581,340,236 |
| 1154 State Department for Energy | 0905000 P 5 General Administration, Planning and Support Services | 50,000,000 | | | | 50,000,000 | | 50,000,000 |
| | Total | 2,651,046,449 | 856,000,000 | - | 130,000,000 | 2,651,046,449 | 986,000,000 | 3,637,046,449 |
| 1155 State Department for Energy | 0902000 P.2 Culture | 1,360,160,290 | 530,000,000 | | 130,000,000 | 1,360,160,290 | 660,000,000 | 2,020,160,290 |
| | Total | 604,567,692 | 126,000,000 | | | 604,567,692 | 126,000,000 | 730,567,692 |
| 1156 State Department for Energy | 0904000 P 4 Library Services | 636,318,467 | 200,000,000 | | | 636,318,467 | 200,000,000 | 836,318,467 |
| | Total | 50,000,000 | | | | 50,000,000 | | 50,000,000 |
| 1157 State Department for Energy | 0905000 P 5 General Administration, Planning and Support Services | 50,000,000 | | | | 50,000,000 | | 50,000,000 |
| | Total | 2,078,552,046 | 115,963,331,715 | - | (180,000,000) | 2,078,552,046 | 115,783,331,715 | 117,861,883,761 |
| 1158 State Department for Energy | 0211000 P 1 General Administration Planning and Support Services | 321,820,594 | 131,836,986 | | | 321,820,594 | 131,836,986 | 453,657,580 |
| | Total | 321,820,594 | 131,836,986 | | | 321,820,594 | 131,836,986 | 453,657,580 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|--|--|----------------------|-----------------------|---------------------|----------------------|----------------------|-----------------------|-----------------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| 1153 State Department for Petroleum | 0212000 P2 Power Generation | 796,614,962 | 21,491,500,000 | | | 796,614,962 | 21,491,500,000 | 22,288,114,962 |
| | 0213000 P3 Power Transmission and Distribution | 797,818,604 | 93,441,994,729 | | (180,000,000) | 797,818,604 | 93,261,994,729 | 94,059,813,333 |
| | 0214000 P4 Alternative Energy Technologies | 162,297,886 | 898,000,000 | | | 162,297,886 | 898,000,000 | 1,060,297,886 |
| | Total | 91,151,598 | 4,208,400,000 | - | - | 91,151,598 | 4,208,400,000 | 4,299,551,598 |
| 1161 State Department for Agriculture. | 0215000 P5 Exploration and Distribution of Oil and Gas | 91,151,598 | 4,208,400,000 | | | 91,151,598 | 4,208,400,000 | 4,299,551,598 |
| | 0107000 P1: General Administration Planning and Support Services | 2,557,041,724 | 888,000,000 | | (350,000,000) | 2,557,041,724 | 888,000,000 | 3,445,041,724 |
| | 0108000 P2: Crop Development and Management | 5,829,187,677 | 11,211,165,821 | | (350,000,000) | 5,829,187,677 | 10,861,165,821 | 16,690,353,498 |
| | 0109000 P3: Agribusiness and Information Management | 199,847,294 | 929,100,000 | | | 199,847,294 | 929,100,000 | 1,128,947,294 |
| | Total | 1,889,938,320 | 11,392,135,480 | - | 350,000,000 | 1,889,938,320 | 11,742,135,480 | 13,632,073,800 |
| 1162 State Department for Livestock. | 0112000 P 6: Livestock Resources Management and Development | 1,889,938,320 | 11,392,135,480 | | 350,000,000 | 1,889,938,320 | 11,742,135,480 | 13,632,073,800 |
| | 0111000 P5: Fisheries Development and Management | 1,653,196,791 | 2,530,000,000 | | | 1,653,196,791 | 2,530,000,000 | 4,183,196,791 |
| | Total | 1,653,196,791 | 2,530,000,000 | - | - | 1,653,196,791 | 2,530,000,000 | 4,183,196,791 |
| 1164 State Department for Fisheries and the Blue Economy | 0301000 P.1 General Administration Planning and Support Services | 542,731,229 | 303,600,000 | | 70,000,000 | 542,731,229 | 373,600,000 | 916,331,229 |
| | 0302000 P.2 Industrial Development and Investments | 1,221,125,924 | 4,988,370,000 | | (1,165,000,000) | 1,221,125,924 | 3,803,370,000 | 5,024,495,924 |
| | Total | 2,668,815,153 | 5,564,787,000 | - | (165,000,000) | 2,668,815,153 | 5,379,787,000 | 8,048,602,153 |
| 1172 State Department for Investment and Industry | 0303000 P.3 Standards | 904,958,000 | 272,817,000 | | 930,000,000 | 904,958,000 | 1,202,817,000 | 2,107,775,000 |
| | | | | | | | | |
| | | | | | | | | |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | |
|--|---|-------------------|----------------|---------------------|--------------|-------------------|----------------|
| | | Recurrent | Development | Recurrent | Development | Development | Total |
| 1173 State Department for Cooperatives | and Business Incubation | | | | | | |
| | Total | 3,120,950,523 | 500,000,000 | - | 30,000,000 | 3,120,950,523 | 530,000,000 |
| | 0304000 P.4 Cooperative Development and Management | 3,120,950,523 | 500,000,000 | | 30,000,000 | 3,120,950,523 | 530,000,000 |
| 1174 State Department for Trade | Total | 2,919,282,136 | 275,000,000 | - | (30,000,000) | 2,919,282,136 | 245,000,000 |
| | 0307000 P.3 Trade Development and Promotion | 2,919,282,136 | 275,000,000 | | (30,000,000) | 2,919,282,136 | 245,000,000 |
| | Total | 1,541,165,024 | 65,000,000 | - | - | 1,541,165,024 | 65,000,000 |
| 1183 State Department for East African Integration | Total | 1,541,165,024 | 65,000,000 | | | 1,541,165,024 | 65,000,000 |
| | 0305000 P.1. East African Affairs and Regional Integration | 1,541,165,024 | 65,000,000 | | | 1,541,165,024 | 65,000,000 |
| | Total | 1,553,543,257 | 477,200,000 | (251,700,000) | - | 1,301,843,257 | 477,200,000 |
| 1184 State Department for Labour | 0906000 P.1: Promotion of the Best Labour Practice | 427,290,036 | 66,000,000 | | | 427,290,036 | 66,000,000 |
| | 0907000 P.2: Manpower Development, Employment and Productivity Management | 527,486,429 | 411,200,000 | | | 527,486,429 | 411,200,000 |
| | 0910000 P.5. General Administration Planning and Support Services | 598,766,792 | | (251,700,000) | | 347,066,792 | |
| 1185 State Department for Social Protection | Total | 7,856,436,032 | 14,821,800,000 | 251,700,000 | - | 8,108,136,032 | 14,821,800,000 |
| | 0908000 P.3: Social Development and Children Services | 2,842,792,355 | 860,800,000 | 251,700,000 | | 3,094,492,355 | 860,800,000 |
| | 0909000 P.4: National Social Safety Net | 4,963,643,677 | 13,967,000,000 | | | 4,963,643,677 | 13,967,000,000 |
| 1191 Ministry of Mining | 0910000 P.5. General Administration Planning and Support Services | 50,000,000 | 4,000,000 | | | 50,000,000 | 4,000,000 |
| | Total | 697,364,217 | 3,890,321,429 | - | - | 697,364,217 | 3,890,321,429 |
| | 1007000 P.1 General Administration Planning and Support Services | 278,715,461 | | | | 278,715,461 | |
| | | | | | | | 4,587,685,646 |
| | | | | | | | 278,715,461 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|--|--|-----------------------|-----------------------|---------------------|----------------------|-----------------------|-----------------------|-----------------------|
| | | Recurrent | Development | Recurrent | Development | Development | Total | |
| | 1008000 P.2 Resources Surveys and Remote Sensing | 177,630,496 | 340,000,000 | | | 177,630,496 | 340,000,000 | 517,630,496 |
| | 1009000 P.3. Mineral Resources Management | 241,018,260 | 3,550,321,429 | - | - | 241,018,260 | 3,550,321,429 | 3,791,339,689 |
| 1201 Ministry of Tourism | Total | 2,354,228,209 | 3,992,000,000 | - | 1,050,000,000 | 2,354,228,209 | 5,042,000,000 | 7,396,228,209 |
| | 0306000 P.2: Tourism Development and Promotion | 2,354,228,209 | 3,992,000,000 | | 1,050,000,000 | 2,354,228,209 | 5,042,000,000 | 7,396,228,209 |
| 1211 State Department for Public Service and Youth Affairs | Total | 13,038,823,969 | 12,648,065,996 | - | - | 13,038,823,969 | 12,648,065,996 | 25,686,889,965 |
| | 0710000 P.5: Public Service Transformation | 5,450,449,288 | 1,736,156,048 | | | 5,450,449,288 | 1,736,156,048 | 7,186,605,336 |
| | 0711000 P6: Youth Empowerment | 7,583,074,851 | 10,911,909,948 | | | 7,583,074,851 | 10,911,909,948 | 18,494,984,799 |
| | 0709000 P4: General Administration Planning and Support Services | 5,299,830 | - | | | 5,299,830 | - | 5,299,830 |
| 1212 State Department for Gender | Total | 1,125,441,006 | 3,496,900,000 | - | - | 1,125,441,006 | 3,496,900,000 | 4,622,341,006 |
| | 0706000 P1 : Community Development | - | 2,130,000,000 | | | - | 2,130,000,000 | 2,130,000,000 |
| | 0711000 P6: Gender Empowerment | 1,125,441,006 | 1,366,900,000 | | | 1,125,441,006 | 1,366,900,000 | 2,492,341,006 |
| 1252 State Law Office and Department of Justice | Total | 3,735,232,362 | 379,000,000 | 300,000,000 | - | 4,035,232,362 | 379,000,000 | 4,414,232,362 |
| | 0606000 P.1 Legal Services | 1,611,039,117 | 9,000,000 | | | 1,611,039,117 | 9,000,000 | 1,620,039,117 |
| | 0607000 P.2 Governance, Legal Training and Constitutional Affairs | 1,449,406,113 | 300,000,000 | | | 1,749,406,113 | 300,000,000 | 2,049,406,113 |
| | 0609000 P. 4 General Administration, Planning and Support Services | 674,787,132 | 70,000,000 | | | 674,787,132 | 70,000,000 | 744,787,132 |
| 1271 Ethics and Anti-Corruption Commission | Total | 2,691,080,000 | 100,000,000 | - | - | 2,691,080,000 | 100,000,000 | 2,791,080,000 |
| | 0611000 P.1 Ethics and Anti-Corruption | 2,691,080,000 | 100,000,000 | | | 2,691,080,000 | 100,000,000 | 2,791,080,000 |
| 1281 National Intelligence Service | Total | 25,346,000,000 | - | - | - | 25,346,000,000 | - | 25,346,000,000 |
| | 0804000 P.1 National Security Intelligence | 25,346,000,000 | - | | | 25,346,000,000 | - | 25,346,000,000 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | |
|--|---|-------------------|-------------|---------------------|---------------|-------------------|----------------|
| | | Recurrent | Development | Recurrent | Development | Development | Total |
| 1291 Office of the Director of Public Prosecutions | Total | 2,025,584,100 | 98,550,000 | 100,000,000 | - | 2,125,584,100 | 2,224,134,100 |
| | 0612000 P.1 Public Prosecution Services | 2,025,584,100 | 98,550,000 | 100,000,000 | - | 2,125,584,100 | 2,224,134,100 |
| 1311 Office of the Registrar of Political Parties | Total | 826,916,880 | - | - | - | 826,916,880 | 826,916,880 |
| | 0614000 P.1 Registration, Regulation and Funding of Political Parties | 826,916,880 | - | - | - | 826,916,880 | 826,916,880 |
| 1321 Witness Protection Agency | Total | 379,542,900 | - | - | - | 379,542,900 | 379,542,900 |
| | 0615000 P.1 Witness Protection | 379,542,900 | - | - | - | 379,542,900 | 379,542,900 |
| 2011 Kenya National Commission on Human Rights | Total | 428,785,600 | - | - | - | 428,785,600 | 428,785,600 |
| | 0616000 P.1. Protection and Promotion of Human Rights | 428,785,600 | - | - | - | 428,785,600 | 428,785,600 |
| 2021 National Land Commission | Total | 1,334,548,504 | 300,000,000 | 100,000,000 | (300,000,000) | 1,434,548,504 | 1,434,548,504 |
| | 0113000 P.1. Land Administration and Management | 156,404,226 | - | - | - | 156,404,226 | 156,404,226 |
| 2031 Independent Electoral and Boundaries Commission | Total | 1,095,244,269 | - | - | - | 1,095,244,269 | 1,095,244,269 |
| | 0114000 P.2. General Administration, Planning and Support Services | 1,095,244,269 | - | - | - | 1,095,244,269 | 1,095,244,269 |
| 2061 Commission on Revenue Allocation | Total | 42,900,002 | - | 100,000,000 | - | 142,900,002 | 142,900,002 |
| | 0115000 P.3. Land Disputes and Conflict Resolutions | 42,900,002 | - | 100,000,000 | - | 142,900,002 | 142,900,002 |
| 2071 Public Service | Total | 40,000,007 | 300,000,000 | - | (300,000,000) | 40,000,007 | 40,000,007 |
| | 0116000 P.4. National Land Information Management System | 40,000,007 | 300,000,000 | - | (300,000,000) | 40,000,007 | 40,000,007 |
| 2031 Independent Electoral and Boundaries Commission | Total | 18,965,800,000 | 765,209,700 | (400,000,000) | - | 18,565,800,000 | 19,331,009,700 |
| | 0617000 P.1. Management of Electoral Processes | 18,965,800,000 | 765,209,700 | (400,000,000) | - | 18,565,800,000 | 19,331,009,700 |
| 2061 Commission on Revenue Allocation | Total | 355,781,774 | - | - | - | 355,781,774 | 355,781,774 |
| | 0724000 P.1 Inter-Governmental Revenue and Financial Matters | 355,781,774 | - | - | - | 355,781,774 | 355,781,774 |
| 2071 Public Service | Total | 1,154,370,000 | 39,000,000 | 25,000,000 | - | 1,179,370,000 | 1,218,370,000 |
| | 0725000 P.1 General | 858,361,963 | 39,000,000 | 25,000,000 | - | 883,361,963 | 922,361,963 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|--|---|------------------------|--------------------|---------------------|-------------|------------------------|--------------------|------------------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| Commission | Administration, Planning and Support Services | | | | | | | |
| | 0726000 P.2 Human Resource management and Development | 183,856,044 | - | | | 183,856,044 | - | 183,856,044 |
| | 0727000 P.3 Governance and National Values | 112,151,993 | - | | | 112,151,993 | - | 112,151,993 |
| 2081 Salaries and Remuneration Commission | Total | 533,040,000 | - | - | - | 533,040,000 | - | 533,040,000 |
| | 0728000 P.1 Salaries and Remuneration Management | 533,040,000 | - | | | 533,040,000 | - | 533,040,000 |
| 2091 Teachers Service Commission | Total | 193,993,888,900 | 100,000,000 | (1,540,250) | - | 193,992,348,650 | 100,000,000 | 194,092,348,650 |
| | 0509000 P.1 Teacher Resource Management | 187,874,006,553 | - | | | 187,874,006,553 | - | 187,874,006,553 |
| | 0510000 P.2 Governance and Standards | 62,185,250 | - | | | 62,185,250 | - | 62,185,250 |
| 2101 National Police Service Commission | 0511000 P.3 General Administration, Planning and Support Services | 6,057,697,097 | 100,000,000 | (1,540,250) | | 6,056,156,847 | 100,000,000 | 6,156,156,847 |
| | Total | 415,340,000 | - | 20,000,000 | - | 435,340,000 | - | 435,340,000 |
| | 0620000 P.1 National Police Service Human Resource Management | 415,340,000 | - | 20,000,000 | | 435,340,000 | - | 435,340,000 |
| 2111 Auditor General | Total | 4,182,880,000 | 224,000,000 | - | - | 4,182,880,000 | 224,000,000 | 4,406,880,000 |
| | 0729000 P.1 Audit Services | 4,182,880,000 | 224,000,000 | | | 4,182,880,000 | 224,000,000 | 4,406,880,000 |
| 2121 Controller of Budget | Total | 561,269,850 | - | - | - | 561,269,850 | - | 561,269,850 |
| | 0730000 P.1 Control and Management of Public finances | 561,269,850 | - | | | 561,269,850 | - | 561,269,850 |
| 2131 Commission on Administrative Justice | Total | 468,632,000 | - | - | - | 468,632,000 | - | 468,632,000 |
| | 0731000 P.1 Promotion of Administrative Justice | 468,632,000 | - | | | 468,632,000 | - | 468,632,000 |
| 2141 National Gender and Equality Commission | Total | 416,270,878 | - | - | - | 416,270,878 | - | 416,270,878 |
| | 0621000 P.1: Promotion of Gender Equality and Freedom from | 416,270,878 | - | | | 416,270,878 | - | 416,270,878 |

| Vote | Programme | Printed Estimates | | BAC Recommendations | | Revised Estimates | | |
|---|---|-------------------|-----------------|---------------------|-------------|-------------------|-----------------|-------------------|
| | | Recurrent | Development | Recurrent | Development | Recurrent | Development | Total |
| | Discrimination | | | | | | | |
| 2151 Independent Policing Oversight Authority | Total | 411,338,899 | - | 80,000,000 | - | 491,338,899 | - | 491,338,899 |
| | 0622000 P 1 Policing Oversight Services | 411,338,899 | - | 80,000,000 | - | 491,338,899 | - | 491,338,899 |
| Sub - Total | | 817,007,728,476 | 803,894,049,551 | (121,200,000) | 121,200,000 | 816,886,528,476 | 804,015,249,551 | 1,620,901,778,027 |
| Sub- Total Parliament | | | | | | | | 28,400,000,000 |
| 2051 Judicial Service Commission | Total | 711,000,000 | 1,000,000,000 | - | - | 711,000,000 | 1,000,000,000 | 1,711,000,000 |
| | 0619000 P 1 General Administration, Planning and Support Services | 711,000,000 | 1,000,000,000 | | | 711,000,000 | 1,000,000,000 | 1,711,000,000 |
| 1261 The Judiciary | Total | 12,859,460,378 | 4,449,000,000 | - | - | 12,859,460,378 | 4,449,000,000 | 17,308,460,378 |
| | 0723000 P.1 Dispensation of Justice | 12,859,460,378 | 4,449,000,000 | | | 12,859,460,378 | 4,449,000,000 | 17,308,460,378 |
| Sub- Total | | 13,570,460,378 | 5,449,000,000 | - | - | 13,570,460,378 | 5,449,000,000 | 19,019,460,378 |
| Equalization Fund | Total | | 6,000,000,000 | - | - | | 6,000,000,000 | 6,000,000,000 |
| Grand Total | | | | (121,200,000) | 121,200,000 | 830,456,988,854 | 815,464,249,551 | 1,674,321,238,405 |

SCHEDULE 2: EXPENDITURE ESTIMATES FROM THE EQUALIZATION FUND

| County/Programme | Amount (Ksh) |
|-----------------------------------|-----------------------|
| 1. Garissa | 783,480,000 |
| 2. Isiolo | 746,900,000 |
| 3. Kilifi | 763,500,000 |
| 4. Kwale | 795,300,000 |
| 5. Lamu | 722,200,000 |
| 6. Mandera | 967,600,000 |
| 7. Marsabit | 886,200,000 |
| 8. Narok | 809,500,000 |
| 9. Samburu | 869,700,000 |
| 10. Tana River | 859,000,000 |
| 11. Turkana | 1,050,200,000 |
| 12. Taita Taveta | 751,700,000 |
| 13. Wajir | 929,800,000 |
| 14. West Pokot | 866,100,000 |
| Fund's Administrative Expenditure | 598,820,000 |
| Total | 12,400,000,000 |

SCHEDULE 3: EXPENDITURE FOR PROJECTS IDENTIFIED THROUGH PUBLIC HEARINGS

| Counties | | Allocations (Ksh) | Projects to be funded | |
|--------------|-----------------|----------------------|-----------------------|-------|
| 1. | Meru | 30,303,030 | Roads | |
| 2. | Marsabit | 30,303,030 | Water | |
| 3. | Laikipia | 30,303,030 | Water | |
| 4. | Bomet | 30,303,030 | Water | |
| 5. | Tharaka Nithi | 30,303,030 | Water | |
| 6. | West Pokot | 30,303,030 | Roads | |
| 7. | Trans Nzoia | 30,303,030 | Roads | |
| 8. | Taita Taveta | 30,303,030 | Water | |
| 9. | Machakos | 30,303,030 | Water | |
| 10. | Makueni | 30,303,030 | Water | |
| 11. | Lamu | 30,303,030 | Roads | |
| 12. | Kilifi | 30,303,030 | Roads | |
| 13. | Tana River | 30,303,030 | Roads | |
| 14. | Kisii | 30,303,030 | Water/Health | |
| 15. | Nyamira | 30,303,030 | Water | |
| 16. | Elgeyo Marakwet | 30,303,030 | Water | |
| 17. | Turkana | 30,303,030 | Water | |
| 18. | Busia | 30,303,030 | Roads | |
| 19. | Siaya | 30,303,030 | Roads | |
| 20. | Baringo | 30,303,030 | Water | |
| 21. | Mandera | 30,303,030 | Water | |
| 22. | Nandi | 30,303,030 | Roads | |
| 23. | Muranga | 30,303,030 | Roads | |
| 24. | Kajiado | 30,303,030 | Roads | |
| 25. | Kirinyaga | 30,303,030 | Roads | |
| 26. | Kiambu | 30,303,030 | Roads | |
| 27. | Migori | 30,303,030 | Roads | |
| 28. | Kericho | 30,303,030 | Roads | |
| 29. | Vihiga | 30,303,030 | Roads | |
| 30. | Nairobi | Embakasi South | 30,303,030 | Roads |
| | | Embakasi North | 30,303,030 | Roads |
| | | Dagoretti | 30,303,030 | Roads |
| | | Kamkunji | 30,303,030 | Roads |
| Total | | 1,000,000,000 | | |

Minutes of the 9th Sitting of the Budget and Appropriations Committee (BAC)
Held on Tuesday, 7st June , 2016 at 10:00 am Mini- Chambers, County Hall

Present

- | | |
|-------------------------------------|------------------|
| 1. Hon. MutavaMusyimi,M.P- | Chairperson |
| 2. Hon. Mary Emaase, M.P- | Vice Chairperson |
| 3. Hon. James Gakuya, M.P. | |
| 4. Hon. Njogu Barua, M.P | |
| 5. Hon. Richard Tongi,M.P | |
| 6. Hon. Phillip Rotino, M.P | |
| 7. Hon. Jamleck Kamau, M.P. | |
| 8. Hon. Mohamed Shidiye, M.P. | |
| 9. Hon. Jackson Kiptanui, M.P. | |
| 10.Hon. Christopher Omulele, M.P. | |
| 11.Hon. Francis Njenga, M.P. | |
| 12.Hon. Gideon Ochanda, M.P. | |
| 13.Hon. Kathuri Murungi, M.P | |
| 14.Hon. K.K Stephen Kinyanjui, M.P. | |
| 15.Hon. Muriuki Njagagua, M.P. | |
| 16.Hon. Ababu Namwamba, EGH, M.P | |
| 17.Hon. Moses Ole Sakuda, M.P. | |
| 18.Hon. Yusuf Hassan, M.P | |
| 19.Hon. James K. Bett, M.P | |
| 20.Hon. Kenneth Okoth, M.P | |
| 21.Hon. Samuel Gichigi, M.P | |
| 22.Hon. Shakeel Shabbir, M.P | |
| 23.Hon. Moses Lessonet, M.P. | |
| 24.Hon. Abdullahi Diriyem.P | |
| 25.Hon. Ahmed.I. Abass,EGH,M.P | |
| 26.Hon. Jones Mlolwa, M.P. | |
| 27.Hon. Tiyah Galgalo, M.P. | |
| 28.Hon. Abdulaziz Farah, M.P. | |
| 29.Hon. Abdikadir O. Ahmed, M.P | |
| 30.Hon. Ben Momanyi, M.P | |
| 31.Hon. Christopher Nakuleu, M.P | |

- 32.Hon. Daniel Nanok, M.P
- 33.Hon. Nasra Ibrahim, M.P.
- 34.Hon. Patrick Ole Ntutu, M.P
- 35.Hon. Joseph Limo, M.P.
- 36.Hon. Richard Onyonka, M.P

ABSENT

1. Hon. Nelson Gaichuhie, M.P.
2. Hon. (Maj.) Marcus Muluvi,M.P
3. Hon. Benjamin Langat, M.P.
4. Hon. Alice Ng'ang'a, M.P.
5. Hon. Peter Weru, M.P.
6. Hon. Jonathan Lelelit, M.P.
7. Hon. (Dr.) Reginalda Wanyonyi, M.P.
8. Hon. Bady BadyTwalib, M.P
9. Hon. DenittahGhati, M.P.
- 10.Hon. Dennis Kariuki, M.P.
- 11.Hon. Edick Omondi Anyanga, M.P
- 12.Hon. Moses Kuria, M.P
- 13.Hon. Priscilla Nyokabi, M.P.
- 14.Hon. Ferdinand Waititu, M.P
- 15.Hon. (Dr.) EseliSimiyu, M.P.

Budget committee secretariat in attendance

1. Ms. Lucy Makara
2. Mr. Robert Nyaga
3. Mr. Frederick Muthengi
4. Mr. Abdinasir Moge
5. Mr. Damson Kachumbo
6. Ms. Millicent Ojimbo
7. Mr. Benjamin Ngimor
8. Mr. James Chacha

AGENDA

1. Preliminaries
2. Confirmation of the minutes of the previous meetings
3. Matters arising
4. Agenda
 - Consideration of reports from the public hearings
 - Adoption of the draft report
5. Any Other Business

MIN BAC/09/2016/01: Preliminaries

The chair called the meeting to order at 10:30 am and led with a word of prayer.

MIN BAC/09/2016/02: confirmation of minutes

The committee confirmed 8 sets of minutes held

- i. 1st Set of minutes held on 3rd May 2016
- ii. 2nd Set of minutes held on 3rd May 2016
- iii. 3rd Set of minutes held on 10th May 2016
- iv. 4th Set of minutes held on 25th May 2016
- v. 5th Set of minutes held on 30th May 2016
- vi. 6th Set of minutes held on 31st May 2016
- vii. 7th Set of minutes held on 31st May 2016
- viii. 8th Set of minutes held on 7th June 2016.

MIN BAC/09/2016/03: matters arising

The committee discussed on how to best to oversight the Parliamentary Service Commission. The committee agreed that the Commission be invited for them to shed more light on the expenditures with 2015/16 as a base line.

The chair, Departmental Committee on Health presented some amendments to earlier report presented when the BAC was meeting the Chairs from Various Departmental Committees. The committee reinstated the kshs.45 million that was erroneously reduced from emergency. This effectively reduces the overall allocation to the Ministry of Health by kshs 450 million and reallocates the savings as follows;

- i. Increase the allocation to preventive, promotive and RMNCAH programme by KSh 320 million.
- ii. Increase research and development programme by Kshs 100 million
- iii. Increase by KSh 30 million to emergency and interventions / relief projects under general administration sub program.

MIN BAC/09/2016/05: Agenda

1. Consideration of reports from the Public Hearings

The committee divided the Kshs.1 billion equally between 33 counties with Nairobi divided into 4 counties. The allocations were made to the following sectors in the respective counties

| County | sector |
|-----------------------|---|
| MARSBIT----- | water |
| Meru----- | road |
| Laikipia----- | water |
| Tharaka- Nithi----- | water |
| Transzoia-nzoia ----- | roads |
| West pokot ---..... | roads |
| Machakos----- | water |
| Makueni----- | water |
| Taita taveta..... | water |
| Kisii----- | water/health (nyatieko water project, IBENO KMTC), |
| nyamira- | water |
| Lamu----- | roads, |
| Tanariver-..... | roads |
| kilifi- | roads |
| Elgeyo marakwet..... | water |
| Turkana-..... | water |
| Busia--- | roads |
| Siaya- | roads |
| Baringo--- | water |
| Mandera--- | water |
| Nandi---- | roads |

| | |
|----------------------|-------|
| Muranga— | roads |
| Kajiado---- | roads |
| Kirinyaga— | roads |
| Kiambu— | roads |
| Migori---- | roads |
| Kericho--- | roads |
| Vihiga--- | roads |
| Bomet--..... | water |
| Embakasi south-..... | roads |
| Dagoreti..... | roads |
| Embakasi north..... | roads |
| Kamakunji..... | roads |

MIN BAC/09/2016/06: Adoption of the Draft Report

After deliberations and going through the report clause by clause, the Committee adopted the report.

MIN BAC/09/2016/07: Any Other Business

There been no any other business the chair adjourned the meeting at 12:20 pm.

Signed



.....

Chairperson

.....7.6.16.....

Date

MINUTES OF THE 8TH SITTING OF THE BUDGET AND APPROPRIATIONS
COMMITTEE (BAC) HELD ON MONDAY, 6TH JUNE, 2016 AT 10:00 AM
MINI- CHAMBERS, COUNTY HALL

Present

- | | |
|--|------------------|
| 1. Hon. MutavaMusyimi,M.P- | Chairperson |
| 2. Hon. Mary Emaase, M.P- | Vice Chairperson |
| 3. Hon. (Dr.) Eseli Simiyu, M.P. | |
| 4. Hon. James Gakuya, M.P. | |
| 5. Hon. Njogu Barua, M.P | |
| 6. Hon. Richard Tongi,M.P | |
| 7. Hon. Phillip Rotino, M.P | |
| 8. Hon. Jackson Kiptanui, M.P. | |
| 9. Hon. Christopher Omulele, M.P. | |
| 10.Hon. Francis Njenga, M.P. | |
| 11.Hon. Gideon Ochanda, M.P. | |
| 12.Hon. Kathuri Murungi, M.P | |
| 13.Hon. K.K Stephen Kinyanjui, M.P. | |
| 14.Hon. Muriuki Njagagua, M.P. | |
| 15.Hon. Ababu Namwamba, EGH, M.P | |
| 16.Hon. Benjamin Langat, M.P. | |
| 17.Hon. Moses Ole Sakuda, M.P. | |
| 18.Hon. James K. Bett, M.P | |
| 19.Hon. Jonathan Lelelit, M.P. | |
| 20.Hon. Samuel Gichigi, M.P | |
| 21.Hon. Ahmed.I. Abass,EGH,M.P | |
| 22.Hon. Abdikadir O. Ahmed, M.P | |
| 23.Hon. (Dr.) Reginalda Wanyonyi, M.P. | |
| 24.Hon. Tiyah Galgalo, M.P. | |
| 25.Hon. Abdulaziz Farah, M.P. | |
| 26.Hon. Nasra Ibrahim, M.P. | |
| 27.Hon. Shakeel Shabbir, M.P | |
| 28.Hon. Moses Lessonet, M.P. | |

- 29.Hon. Richard Onyonka, M.P
- 30.Hon. Daniel Nanok, M.P.
- 31.Hon. Christopher Nakuleu, M.P
- 32.Hon. Jones Mlolwa, M.P.
- 33.Hon. Joseph Limo, M.P.
- 34.Hon. (Maj.) Marcus Muluvi,M.P
- 35.Hon. Ben Momanyi, M.P

ABSENT

1. Hon. Nelson Gaichuhie, M.P.
2. Hon. Abdullahi DiriyeM.P
3. Hon. Peter Weru, M.P.
4. Hon. Bady BadyTwalib, M.P
5. Hon. Denittah Ghati, M.P.
6. Hon. Dennis Kariuki, M.P.
7. Hon. Edick Omondi Anyanga, M.P
8. Hon. Jamleck Kamau, M.P.
9. Hon. Mohamed Shidiye, M.P.
- 10.Hon. Patrick Ole Ntutu, M.P.
- 11.Hon. Priscilla Nyokabi, M.P.
- 12.Hon. Ferdinand Waititu, M.P
- 13.Hon. Yusuf Hassan, M.P
- 14.Hon. Alice Ng'ang'a, M.P.
- 15.Hon. Kenneth Okoth, M.P
- 16.Hon. Moses Kuria, M.P.

Other Members of Parliament Present

1. Hon. Alois M. Lentomaga, MP
2. Hon. James Lomeren, Mp
3. Hon. Isaack Shaaban, MP
4. Hon. Adan Mohamed Nooru, MP
5. Hon. Fatuma Ibrahim Ali, MP
6. Hon. Saney Ibrahim Abdi, MP

7. Hon. M. A. Haji, MP
8. Hon. Joseph Samal, MP
9. Hon. Andrew Mwadime, MP
10. Hon. David Pkosing, MP
11. Hon. Samuel Moroto, MP

Representatives of the Parliamentary Service Commission

- | | |
|--------------------------|-----------------------|
| 1. Mr. Michael Sialai | Senior Deputy Clerk |
| 2. Mr. Clement Nyandiere | Director General |
| 3. Dr. George Waka | Ag. Director, Finance |
| 4. Mr. Irungu Kigondu | Chief Finance Officer |

Representative from the National Treasury

- | | |
|--------------------------|--|
| 1. Mr. Henry Rotich | CS, National Treasury |
| 2. Mr. Francis Anyona | Director, Budget Department |
| 3. Mr. Albert Mwenda | Ag. Director, IGFR Department |
| 4. Mr. Geoffrey Malombe | Snr. Assistant Accountant General |
| 5. Mr. John K. Njeru | Snr. Economist, Macro & Fiscal Affairs |
| 6. Mr. Livinstone Bumbe | Assistant Director, Debt Management |
| 7. Isabella Kogei | Parliamentary Liaison Officer |
| 8. Miriam Musyok | Snr. Economist |
| 9. Mr. Jackson Kinyanjui | Director, RMD, National Treasury |

Budget Committee Secretariat in Attendance

- | | |
|--------------------------|--------------------------|
| 1. Mr. Martin Masinde | Senior Deputy Director |
| 2. Ms. Lucy Makara | Chief Fiscal Analyst |
| 3. Mr. Robert Nyagah | Chief Fiscal Analyst |
| 4. Mr. Fredrick Muthengi | Principle Fiscal Analyst |
| 5. Mr. Abdinasir Moge | Fiscal Analyst |
| 6. Mr. Danson Kachumbo | Fiscal Analyst |
| 7. Mr. James Chacha | Fiscal Analyst |
| 8. Mr. Vitalis Ndambuki | Office Assistant |

AGENDA

1. Preliminaries
2. Meeting with Parliamentary Service Commission and the National Treasury
3. Meeting Equalization Fund Caucus and the National Treasury
4. Adoption of the Report on the 2016/17 Budget Estimates
5. Any Other Business

MIN BAC/08/2016/01: Preliminaries

The Chairman called the meeting to order at 10:30 am and started with a word of prayer. He again welcomed the representatives from the Parliamentary Services Commission to the Meeting.

The discussion with Parliamentary Commission revolved around why they needed Kshs.31.9 billion while members lack basic services like offices, washroom and Gym Facilities (shared by both Female and male MPs), quality food and water.

In its response, the Commission assured the members they have heard them and that their concerns were genuine and promised to address them.

MIN BAC/08/2016/02: Meeting with PSC and the National Treasury

The Chair gave the Parliamentary Service Commission to present their Budget with a view to clarify why they have not adhered to the BPS ceiling as recommended by the liaison Committee and approved by the House.

The commission, through the Director of Finance, informed the Committee that they tried as much as possible to adhere to the ceilings of Kshs.29.4 billion but found it difficult due to the following reasons;

- The office block under construction was fast tracked and therefore additional Kshs.500 million was sought over and above the Kshs.1 billion given in the BPS
- Additional Kshs.800 million for purchase of 40 acre land for Centre for Parliamentary Studies and Training (CPS&T)
- 30% increment to Constituency office allocations which amounted to additional Kshs.1.3 Billion

Members Concerns

The members raised the following concerns on the three items;

- the members were satisfied with accelerated speed in which the office block is been constructed and therefore had no problem with the additional request of **Kshs.500 million**
- The members noted that the cost of the 40 acre land was on the higher side and therefore the commission should work with **Kshs.150 million** with a suggestion of looking for land in Ngong that is going for **Kshs.3 million** per acre.
- members rejected the 30% increment for the Constituency offices since it was increased in the last Financial Year (2015/16)

The Cabinet Secretary, National Treasury

The Cabinet Secretary informed the committee that they are not privy to some of the information like the 30% increment especially when they are pursuing austerity measure in the areas of;

- domestic travel and subsistence
- foreign travel and subsistence
- printing and advertising
- purchase of land, offices and construction of new buildings

The CS, Further, informed the Committee that they have proposed **Kshs.24.7 billion** for FY 2016/17 which is below the draft BPS ceiling of **Kshs.27.4 billion** and the approved ceiling of **Kshs.29.4 billion**. This is because the commission has absorption issue in the current FY with a balance of **Kshs.4 billion** to expend in the next three of so weeks.

After deliberations, the CS accepted to increase the allocation to **KShs.27.4 billion** which was the Treasury ceiling in the Budget Policy Statement. However, the committee increased the amount to **Kshs.28.4 billion** with a promise of financing the extra **Kshs.1 billion**. The CS reluctantly accepted this new proposal noting that any increase has to be balanced with a reduction elsewhere.

MIN BAC/08/2016/03: Meeting with Equalization Fund Caucus and the National Treasury

The Chair welcomed the Members of Parliament from the fourteen (14) Counties that are scheduled to benefit from the equalization fund. The Members raised the following issues concerning the fund;

- Lack of consultation with the elected leaders from those Counties in the identification of the projects. Members reminded the CS that they agreed with him in earlier meetings that proper consultation is done before identifying projects.
- That most of the projects identified were ongoing projects funded through other government agencies. Members noted that equalization fund is now used to marginalize those Counties by putting it into projects that are already funded by the National Governments.
- That identified projects are not well distributed within the Counties for example, in Turkana County, 70% of the allocation from goes to projects in one Constituency.
- Identification of non-priority projects like in Samburu County where a project is identified for Funding in an area used by the British Army for Training and a road in Tana River County (makutano- Tana road) which is funded from Taita-Taveta's allocation.

Response by the CS, National Treasury

The CS informed Committee that the issue of identification of projects is always a problem but there is an Equalization Fund Board that will work with the elected leaders going forward.

On the projects, already funded, the CS informed the Committee that the Commission for Revenue Allocation (CRA) provided a policy on the fund and work had start on some projects funded from the fund.

After discussion, Members from the 14 Counties seemed not to have been satisfied with the responses and clarifications from the National Treasury and therefore a meeting was scheduled with CS on Tuesday, 14th June 2016 at 10:00am to agree on the projects.

MIN BAC/08/2016/04: Adoption of the Report on the 2016/17 Budget Estimates

The Parliamentary Budget Office took the Committee through the draft report on the Budget Estimates for 2016/17 FY. After a short deliberation, the Committee adopted the report

MIN BAC/08/2016/05: Any Other Business

There been no any other business the Chair adjourned the meeting at 3:15 pm. The next meeting will be held on Thursday, 9th June 2016 at 11: 00 am with the National Treasury to discuss donor funded projects with a view of reviewing their allocations downwards on account absorption capacity.



Signed

.....
Chairperson
.....

Date

7-6-16-

MINUTES OF THE 7TH SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE (BAC) HELD ON TUESDAY, 31ST
MAY, 2016 AT 2:00 PM MINI- CHAMBERS, COUNTY HALL

Present

- | | |
|--------------------------------------|------------------|
| 1. Hon. Mutava Musyimi, M.P- | Chairperson |
| 2. Hon. Mary Emaase, M.P- | Vice Chairperson |
| 3. Hon. (Dr.) Eseli Simiyu, M.P. | |
| 4. Hon. James Gakuya, M.P. | |
| 5. Hon. Njogu Barua, M.P | |
| 6. Hon. Richard Tongi, M.P | |
| 7. Hon. Phillip Rotino, M.P | |
| 8. Hon. Jackson Kiptanui, M.P. | |
| 9. Hon. Christopher Omulele, M.P. | |
| 10. Hon. Francis Njenga, M.P. | |
| 11. Hon. Gideon Ochanda, M.P. | |
| 12. Hon. Kathuri Murungi, M.P | |
| 13. Hon. K.K Stephen Kinyanjui, M.P. | |
| 14. Hon. Muriuki Njagagua, M.P. | |
| 15. Hon. Ababu Namwamba, EGH, M.P | |
| 16. Hon. Benjamin Langat, M.P. | |
| 17. Hon. Moses Ole Sakuda, M.P. | |
| 18. Hon. Yusuf Hassan, M.P | |
| 19. Hon. Alice Ng'ang'a, M.P. | |
| 20. Hon. James K. Bett, M.P | |
| 21. Hon. Jonathan Lelelit, M.P. | |
| 22. Hon. Kenneth Okoth, M.P | |
| 23. Hon. Samuel Gichigi, M.P | |

ABSENT

1. Hon. Nelson Gaichuhie, M.P.
2. Hon. Abdullahi Diriyem.P
3. Hon. Ahmed.I. Abass, EGH, M.P
4. Hon. Jones Mlolwa, M.P.

5. Hon. (Maj.) Marcus Muluvi, M.P
6. Hon. Peter Weru, M.P.
7. Hon. Abdikadir O. Ahmed, M.P
8. Hon. (Dr.) Reginalda Wanyonyi, M.P.
9. Hon. Tiyah Galgalo, M.P.
10. Hon. Abdulaziz Farah, M.P.
11. Hon. Bady Bady Twalib, M.P
12. Hon. Ben Momanyi, M.P
13. Hon. Christopher Nakuleu, M.P
14. Hon. Daniel Nanok, M.P.
15. Hon. Denittah Ghati, M.P.
16. Hon. Dennis Kariuki, M.P.
17. Hon. Edick Omondi Anyanga, M.P
18. Hon. Jamleck Kamau, M.P.
19. Hon. Mohamed Shidiye, M.P.
20. Hon. Moses Kuria, M.P
21. Hon. Nasra Ibrahim, M.P.
22. Hon. Patrick Ole Ntutu, M.P.
23. Hon. Priscilla Nyokabi, M.P.
24. Hon. Shakeel Shabbir, M.P
25. Hon. Moses Lessonet, M.P.
26. Hon. Ferdinand Waititu, M.P
27. Hon. Joseph Limo, M.P.
28. Hon. Richard Onyonka, M.P

In attendance

Departmental committee chairs and vice chairs

1. Hon. Elias Bare Shill, M.P V/Chair, Defence & foreign Relations
2. Hon. Samuel Gichigi, M.P Member, labour and social welfare
3. Hon. Samuel Chepkonga, M.P Chair, Justice and Legal Affairs

Budget committee secretariat in attendance

1. Mr. Joseph Ndirangu Committee Clerk/Fiscal Analyst

| | |
|-------------------------|---------------------------------|
| 2. Mr. Danson Kachumbo | Committee Clerk/ Fiscal Analyst |
| 3. Ms. Lucy Makara | Chief Fiscal Analyst |
| 4. Mr. Benjamin Ng'imor | Fiscal Analyst |
| 5. Mr. Abdinasir Moge | Fiscal Analyst |
| 6. Mr. Bernard Omondi | Sergeant At Arms |
| 7. Esther Ngechu | Sergeant At Arms |

AGENDA

1. Receiving submissions from the Departmental Committees
2. Any Other Business

MIN BAC/07/2016/01: PRELIMINARIES

The Chairman called the meeting to order at 2.30 p.m. and welcomed the Vice chair, Defence and Foreign Relations committee to make his presentation.

MIN BAC/07/2016/02: MEETING WITH DEPARTMENTAL COMMITTEE CHAIRPERSONS

1. *Vice Chair Defence and Foreign Relations Committee:* the vice chair presented the report on behalf of the departmental committee on defence and foreign relations on the proposed estimates for 2016/17 Financial Year.

He made the following **observations** in his report;

- It is observed that the 2016/17 budget proposals do not comply with the House resolutions on Budget Policy Statement. It is noted that Ministry of Foreign Affairs and International Trade surpassed the House Resolutions by KShs.7.697 billion. It is also noted that the Ministry of Defence and the National Intelligence Service had surpassed the House resolutions by KShs.1.7 billion and KShs.1.5 billion respectively. There is no adequate explanation given for non- adherence to the House Resolutions.

The committee recommended that the budget of the spending agencies be approved as proposed in the submitted estimates.

2. *Member, labour and social welfare:* since both the Chair and V/Chairperson were not present, a member of the Committee made the presentation on their behalf with following recommendations;

Areas for reduction;

As the ministry is not carrying out recruitment of beneficiaries for the social protection programmes in the 2016/17 financial year the Committee proposes the following reductions:-

- a) Item 2110201 temporary employees. ...Kshs. 5 million
- b) Item 2210101 electricity. ...Kshs. 5 million
- c) Item 2210203 courier and postal servicesKshs. 5 million
- d) Item 2210301 travel costs. ...Kshs. 10 million
- e) Item 2210309 field allowanceKshs. 10 million
- f) Item 2210502 publishing and printing services. ...Kshs. 5 million
- g) Item 2210702 remuneration of instructors and contract based training services Kshs 700,000
- h) Item 2630101 grant to national council for children s services ...Ksh. 30 million
- i) Item 2210704 hire of training facilities and equipment.Kshs. 5 million
- j) Item 2210710 accommodation allowance.Kshs 10 million
- k) Item 2210802 boards, committee conference and seminars at headquarters (114 1004600)....Kshs. 20 million
- l) Item 2211101 general office supplies. ...Kshs. 15 million
- m) Item 2211201 refined fuels and lubricants for transport. ...Kshs. 5 million
- n) Item 2220101 maintenance expenses motor vehicles. ...Kshs 5 million
- o) Item 2220205 maintenance of buildings and stations non residential. Kshs. 1 million
- p) Item 3111002 purchase of computers printers and other it equipment ..Kshss. 10 million
- q) Item 2630101 labour consular offices.Kshs.70 million
- r) Item 2630101 current grant to semi-autonomous agencies 1141005400. ...Kshs . 40 million

Total of savings is **Kshs.251.7** million which is proposed to be reallocated within the ministry as follows;

Proposed areas to increase

- a) Item 2210802 under Social Development Field services 1141004800 to create a comprehensive legal framework for the social protection cash transfers programmes..... **Kshs.50 million**
- b) Item 2630101 current grant to semi - autonomous agencies 1141004504 for children emergency response and rescue services **Kshs 120 million**
- c) Item 2210310 contracted professional services under 1141004800 to undertake an impact assessment survey and prepare a report with a view of bringing efficiency in the social protection programmes to be shared with stakeholders including parliament **Kshs 81.7 million**

Members concern and comments

The members raised the following concerns and comments;

- That the census of the Persons With Disabilities be done and the recommended Kshs.297 million be provided
- That rehabilitation of Tom Mboya Memorial in Rusinga Island was allocated funds but went to wrong line Ministry and therefore Kshs.30 million be provided and rehabilitation of Kapenguria and Fort Jesus to follow going forward
- Why NYS Programme was not rolled out in all Constituencies? This Model may make youth in some parts of the Country feel alienated, discriminated and neglected and therefore the need to raise with His Excellency the President of the Volatility of the Issue
- Whether there is an allocation for the issue of the Five Stadiums
- The need for the departmental committee to organize a Kamakunji with Ministry on the of Fund transfer to Vulnerable persons in the Society

In response the committee was informed that the NYS Programme will be rolled in 90 new constituencies and there is an allocation of Kshs.1 billion for the five stadiums.

3. *Chair, Departmental Committee for Justice and Legal Affairs:* The report on the budget estimates for spending agencies under the oversight of Justice and

Legal Affairs Committee was presented by the Chair of the Departmental Committee. The committee made following recommendations;

Reductions

- a) A reduction of Kshs.200 million from the IEBC's provision for legal fees under the Cost of Compliance and Litigation since it is anticipatory in nature.
- b) A further reduction of Kshs.200 million from the IEBC's provision for printing, Advertising and information supplies and services under the Voter Education since the proposed allocation of Kshs.622 million is on the higher side

Proposed Increases

- a) An additional allocation of Kshs.120 million for the subsidization of tuition fees charged by Kenya School of Law as A-I-A. Kenya School of Law will then reduce tuition fees payable by the students to make it affordable.
- b) An additional allocation of Kshs.80million for the subsidization of examination fees charged by Council of Legal Education as A-I-A. The Council of Legal Education will then stop charging any examination fees on students
- c) An additional allocation of Kshs.100 million for seed money for car loan and mortgage scheme for the office of the DPP to address high staff turnover.
- d) An additional allocation of Kshs.100 million for the Kenya Law Reform Commission.

Members Concerns

The members raised the following concerns with the Chair;

- Whether IEBC has enough funds to prepare the Country for Elections
- Why are law students treated special while other professionals are also going through the same predicament
- Whether we can explore the option of working with religious organizations in voter education and awareness
- The IEBC budget for Civic education be reduced by an Extra Kshs.50 million to be allocated to the Kenya Law Reform Commission for expanded

work they are expected to do in 2016/17 due disbandment of the CIC and Transfer of functions to KLRC.

In response, the Chair informed the Committee that most of the Critical areas under IEBC are funded and the remaining ones will be funded in 2017/18 FY. As to whether the law students are favoured, the Chair informed the committee that it is not mandatory for other Professionals like Engineers, Architects, and Doctors to have a post graduate diploma for them to enter the job Market.

The chair also informed the committee that it is an option for them to explore developing good rapport with religious institutions so that they can help in civic education and public awareness.

MIN BAC/07/2016/03: ANY OTHER BUSINESS

There being no any other business the chair adjourned the meeting at 4:20 pm. It was agreed that the next meeting will be held on Monday, 6th June, 2016 at 10:00 a.m. at the Mini-Chambers, County Hall.

Signed.....

Chairperson.....

Date..... 7.6.16.....

MINUTES OF THE 6TH SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE (BAC) HELD ON TUESDAY, 31ST
MAY, 2016 AT 10:00 AM AT MINI- CHAMBERS, COUNTY HALL

Present

- | | |
|---------------------------------------|------------------|
| 1. Hon. MutavaMusyimi, M.P- | Chairperson |
| 2. Hon. Mary Emaase, M.P- | Vice Chairperson |
| 3. Hon. (Dr.) Eseli Simiyu, M.P. | |
| 4. Hon. James Gakuya, M.P. | |
| 5. Hon. Njogu Barua, M.P | |
| 6. Hon. Richard Tongi, M.P | |
| 7. Hon. Phillip Rotino, M.P | |
| 8. Hon. Jackson Kiptanui, M.P. | |
| 9. Hon. Christopher Omulele, M.P. | |
| 10. Hon. Francis Njenga, M.P. | |
| 11. Hon. Gideon Ochanda, M.P. | |
| 12. Hon. Kathuri Murungi, M.P | |
| 13. Hon. K.K. Stephen Kinyanjui, M.P. | |
| 14. Hon. Muriuki Njagagua, M.P. | |
| 15. Hon. Ababu Namwamba, EGH, M.P | |
| 16. Hon. Benjamin Langat, M.P. | |
| 17. Hon. Moses Ole Sakuda, M.P. | |
| 18. Hon. Yusuf Hassan, M.P | |
| 19. Hon. Alice Ng'ang'a, M.P. | |
| 20. Hon. James K. Bett, M.P | |
| 21. Hon. Jonathan Lelelit, M.P. | |
| 22. Hon. Kenneth Okoth, M.P | |
| 23. Hon. Samuel Gichigi, M.P | |

ABSENT

1. Hon. Nelson Gaichuhie, M.P.
2. Hon. Abdullahi Diriye, M.P
3. Hon. Ahmed.I. Abass, M.P
4. Hon. Jones Mlolwa, M.P.
5. Hon. (Maj.) Marcus Muluvi, M.P

- 6 Hon. Peter Weru, M.P.
7. Hon. Abdikadir O. Ahmed, M.P
8. Hon. (Dr.) Reginalda Wanyonyi, M.P.
9. Hon. Tiyah Galgalo, M.P.
- 10.Hon. Abdulaziz Farah, M.P.
- 11.Hon. Bady BadyTwalib, M.P
- 12.Hon. Ben Momanyi, M.P
- 13.Hon. Christopher Nakuleu, M.P
- 14.Hon. Daniel Nanok, M.P.
- 15.Hon. Denittah Ghati, M.P.
- 16.Hon. Dennis Kariuki, M.P.
- 17.Hon. Edick Omondi Anyanga, M.P
- 18.Hon. Jamleck Kamau, M.P.
- 19.Hon. Mohamed Shidiye, M.P.
- 20.Hon. Moses Kuria, M.P
- 21.Hon. Nasra Ibrahim, M.P.
- 22.Hon. Patrick Ole Ntutu, M.P.
- 23.Hon. Priscilla Nyokabi, M.P.
- 24.Hon. Shakeel Shabbir, M.P
- 25.Hon. Moses Lessonet, M.P.
- 26.Hon. Ferdinand Waititu, M.P
- 27.Hon. Joseph Limo, M.P.
- 28.Hon. Richard Onyonka, M.P

In attendance

Departmental Committee Chairperson and Vice chairpesron

- | | |
|--------------------------------------|----------------------------|
| 1. Hon. Adan M. Nooru, CBS, MBS, M.P | Chair, Agriculture, |
| 2. Hon. Dr.Robert Pukose, M.P | Vice Chair, Health |
| 3. Hon. Julius Melly, M.P | Vice Chair, Education |
| 4. Hon. Benjamin Langat Trade | Chair, Finance, planning & |
| 5. Hon. Moses Ole Sakuda | Vice Chair, Lands |

Budget Committee Secretariat in Attendance

- | | |
|------------------------|------------------------------------|
| 1. Mr. Joseph Ndirangu | Committee Clerk/Fiscal Analyst III |
| 2. Ms. Lucy Makara | Chief Fiscal Analyst |
| 3. Mr. Abdinasir Moge | Fiscal Analyst III |
| 4. Mr. Bernard Omondi | Sergeant At Arms |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of previous meeting minutes
3. Matters arising
4. Agenda:
 - (i) Receiving submission on the 2016/17 budget estimates from Departmental Committees
5. Any Other Business

MIN BAC/06/2016/01: PRELIMINARIES AND CONFIRMATION OF AGENDA

The Chairman called the meeting to order at 10.30 a.m. and led the members with a word of prayer. The committee was informed on the meeting agenda before it. The committee was expected to receive submissions from the remaining eight (8) Departmental Committees.

MIN BAC/06/2016/02: CONFIRMATION OF PREVIOUS MEETINGS MINUTES

The Committee postponed the confirmation of the minutes to the next meeting. There were no matters arising.

MIN BAC/06/2016/03 RECEIVING SUBMISSION ON THE 2016/17 BUDGET ESTIMATES FROM DEPARTMENTAL COMMITTEES

1. *Education, Research and Technology:* The vice chair of the departmental committee on Education, Research and Technology took the members through the observations and recommendations of the committee on the 2016/17 budget estimates for spending agencies under the purview of the committee.

The departmental committee on education, Science and Technology made the following observations and made the below recommendations to be considered by the Budget and Appropriations Committee (BAC).

Observations: major observations noted by the committee include; That the budget ceilings as had been approved by the National Assembly at the Budget Policy Statement 2016 has not been adhered to by the National Treasury; That to some extent there is incompatibility between the performance summary as contained in the Budget Policy Statement 2016 and that of Program Based budget for 2016/17 yet these two documents need to link; That the government has allocated Kshs.0.4 Billion for purchase of sanitary towels for school girls under primary education Programme. However the number of girls to benefit from this initiative has not been captured under the performance summary in the Program Based Budget presented and this makes it difficult to hold to account the Executive on the implementation of this Programme.

Recommendations

- a) The Committee observed that the total proposed budget for the hospitality and supplies (Item number 2210800) for the State Department for Basic Education, State Department for Science and Technology and the Teachers Service Commission amounts to **Kshs.160.5 Million**. The Committee recommends cuts on this item by **15%** in State Department for Basic Education, **10%** in the State Department of Science and Technology and **5%** in the Teachers Service Commission as indicated in the table below:

| MDA | Item 2210800 allocation(Ksh | Reduction | Rationale for reduction |
|----------------------------------|---------------------------------------|------------|---|
| State Department of Education | 105,320,750 | 15,798,113 | The cut is aimed at reducing unnecessary spending and directing the savings to more |

| | | | |
|--|--------------------|-------------------|--|
| State Department of Science and Technology | 24,376,852 | 2,437,685 | pressing needs in the Ministry which are underfunded |
| Teachers Service Commission | 30,805,000 | 1,540,250 | |
| Total | 160,502,602 | 19,776,048 | |

The committee further recommended reductions in the development budget for following six universities as shown in the table below

| University/Head | Net Development Alloc in 2016/17 | Reduction |
|---------------------------------|----------------------------------|--------------------|
| Egerton | 330,042,801 | 50,000,000 |
| Moi | 350,078,854 | 50,000,000 |
| Maseno | 295,000,000 | 50,000,000 |
| Kisii | 344,846,149 | 50,000,000 |
| Technical University of Kenya | 256,259,757 | 30,000,000 |
| Technical University of Mombasa | 213,597,043 | 30,000,000 |
| Total | | 260,000,000 |

Recommended areas to increase

The Committee recommends that the realized savings of Kshs.279, 776,048 be reallocated as follows:

| Head/Project | Amount (Kshs Millions) | | | Justification |
|---|------------------------|-----|-------|---|
| | Recc | Dev | Total | |
| Establishment of Turkana University College | 80 | 180 | 260 | The establishment of the first public university in this region will go a long way in improving the education standards in this region |
| Biosafety Appeals Board | 4.8 | 15 | 19.8 | Increased allocation will bring the total allocation to this board to Kshs 39.8 million and this will assist in fully operationalizing of this Board to be able to execute its mandate effectively |
| Total | 84.8 | 195 | 279.8 | |

Committee observations

The members of the budget raised concern with the rationale of reducing development budget for the existing universities to start a new one. Members requested for information on how funds are distributed among the Universities and the criteria used. There was a concern on the Committee recommended the establishment of a university in Turkana. However, some members were of the opinion that equity must be practiced in resource allocations but with a caution of not damaging existing infrastructure in the existing universities.

In his response, the Vice Chair of the Departmental Committee for Education said they made the decision on basis that affected Universities collect their own internal revenues and the redistribution of the National Cake was meant to promote equity.

2. *Chair, Departmental Committee on Agriculture:* On behalf of the Departmental committee on Agriculture, Livestock and Cooperatives, the chair presented the report on the Budget estimates for 2016/17 FY. The committee made the following observations and recommendations.

Observations;

Despite devolving a number of functions of Agriculture as per fourth schedule-Part 2 of the Constitution of Kenya 2010, the Ministry continues to substantially fund and implement projects that fall under the functions of county government such as extensions services, fertilizer subsidy programs and marketing of produce.

The National governments continues to receive donor supports for activities under the purview of the County governments without establishing a structured mechanism to implement these projects for instance the Ministry is receiving a Kshs.6.57 Billion loan from Polish Government for modernization of dairy sector in the country and currently there is structured mechanism on how this project will be roll out in the counties.

The Government of Kenya in 2012 initiated the Economic Stimulus projects for aquaculture in every constituency and these projects were handed over to the country governments in the wake of the new Constitution when they were incomplete. However most of these projects are incomplete and require urgent funding if they are to serve the goals tapping into aquaculture potential.

In its recommendations on the 2016/17 budget estimates for spending agencies oversighted by the committee, the committee approves the budget as proposed with the following amendment;

- with the implementation of the donor support from Polish government on the modernization of the dairy sector in the country, there is an urgent need to enhance the quality of the dairy breeds available for the farmers, therefore the recommends that **Kshs.350** million be reallocated from the **Kshs.4.948** billion allocated to the Ministry of Agriculture, Livestock and Fisheries for Fertilizer Subsidy programme to Agricultural Development Corporation in to scale up the Embryo Transfer programme ADC Lanet Farm.
- The committee further requested that the government should as a matter of urgency allocate **Kshs. 5 billion** to the National Irrigation Board in the State Department of Irrigation to cater for the ongoing contractual obligation. The allocations to the National Irrigation Board in the State department of Irrigation for financial year 2016/17 were drastically reduce by 63% which if not remedied will lead to a total collapse the Irrigation sector in the country.

Committee observations

Members asked the chair whether there was an allocation towards Kenya Meat Commission (KMC), whether there is plan to privatize it and whether, the additional request of **Kshs.5 billion** was towards Galana/kulalu.

In his **response** the chair informed the committee that there is **Kshs.550** million for KMC for modernization and rehabilitation of the existing machines. On the privatization, the chair informed the committee that the end result will be privatization but there is need to refurbish and modernize the machines before selling the factory to private investors.

3. *Departmental Committee Chair on Health:* The report from the Committee was presented to the Budget and Appropriations Committee by the Vice Chair. The committee made the following observations in its report;

- There was major re-organization of sub-programs which has resulted in significant increases and reductions in the allocation of overall expenditure of all programs. The Committee therefore recommends for the Ministry to work closely with the National Treasury to ensure that programs are as were passed in the Budget Policy Statement to conform to the provisions of the Public Finance Management Act 2012.
- The Health sector capital expenditure in 2016/17 is highly dependent on donor financing. Among the key donor programs are reproductive health commodities; universal health coverage; procurement of vaccines; HIV/AIDS, TB and Malaria among others. All of which amount to strategic programs that require the Ministry of Health to put in place elaborate take over plans as proposed by the Committee in the previous years.
- Health sector conditional grants to County Governments amount to Kshs. 15.72 billion in 2016/17 (a quarter of the total proposed Health budget, of the Kshs.60 billion). The Committee observed that the Ministry lacks an elaborate plan to unbundle and hand over some of the County functions that continue to be resourced and implemented at the National level.

In its **recommendations** the committee made following adjustments to budget as presented in two tables bellow.

Recommended reductions (millions)

| Sub-Programme | Head/Project | Amount allocated | Amount to be reduced | Justification |
|---------------|--------------|------------------|----------------------|---------------|
| | | | | |

| | | | | |
|-----------------------------|---|-------|------------|--|
| Health Policy | Upgrade of Health Centres in slums (Strategic Intervention) | 700 | 200 | The absorption of the previous allocation was not complete and that additional resources for this project will be requested at the supplementary level later in the FY |
| Social Protection in Health | Social Health Protection (HISP) | 502.2 | 250 | The NHIF is yet to put in place the requisite infrastructure to facilitate the process of providing Social Health Insurance to the elderly resulting to low absorption capacity in this project. |
| General Administration | Emergency interventions /relief | 80.3 | 45.0 | Treasury has a budgetary provision to cater for emergencies under the Contingency fund. |
| TOTAL | | | 495 | |

Recommended increases (millions)

| Sub-Programme | Head/Project | Add (Rec) | Add (Dev) | Total | Justification |
|--|---|-----------|-----------|-------|---|
| National Referral Services | Kenyatta National Hospital grants | 70 | 45 | 115 | The additional recurrent will go towards Personnel emoluments where KNH had a gap. The Kshs 45 Million on development will go towards establishment of a critical care unit (ICU) |
| Reproductive Maternal Neonatal Child and Adolescent Health | Family planning .maternal child health unit | 50 | 0 | 50 | High dependence on donor funding on this project and the Kshs 50 million will be the Government contribution on Family Planning as a national security concern |
| Pre service and in service training | Kenya Medical Training Colleges (KMTC) Grants | 0 | 130 | 130 | Expansion of KMTC which is critical to the success of the MES flagship project and to further increase training of health care workers |

| | | | | | |
|--|---------------------------------|------------|------------|------------|---|
| Non communicable Diseases prevention and control | National Cancer Control Program | 0 | 200 | 200 | To operationalize the National Cancer Centre programme to comprehensively and wholistically deal with the worrying cancer situation in the country. The operationalization of this program will allow the creation of four fully equipped cancer hubs in the country which will also serve as research and teaching centres. The success of this programme will also assist in eliminating the strain the two major referral hospitals are facing in serving cancer patients. |
| TOTAL | | 120 | 395 | 495 | |

Committee Observations

Members asked whether there is a way that the elderly can benefit from the NHIF kitty and how the donor funded projects in the Counties are oversighted by the Committee.

In his response the Vice chair of the Departmental Committee for Health informed the committee that they there is a plan that all elderly registered with social service department to be registered with the NHIF and enjoy medical services. On the donor funded projects, the Vice chair informed the committee that they are organizing a retreat with the Counties and in attendance will 10 MPs from BAC,

10 MPs from Finance, Planning and Trade Committee and 10 MPs from Health Committee.

4. *Finance, Planning and Trade*: The chair took the members through the report from the Departmental Committee on budget estimates for FY 2016/17 for spending agencies under the committee.

The committee proposed following adjustments to the budgets of the spending agencies under its purview;

Proposed reductions

Ministry of Industry, Investment and Trade:

- Freeport and Industrial Parks –KSh. 300 million (the proposed allocation of KSh. 500 million for this project is not justifiable given the Ministry’s information to the Committee that it is only SEZ Authority to be established this fiscal year)
- Kenanie Leather Industrial Park – KSh. 235 million (the allocated KSh. 1.235 billion may not be absorbed going by the previous absorption capacity of less than 70%)
- Ease of Doing Business – KSh. 250 million (the proposed allocation of KSh. 500 million may not be justifiable given that this is largely a policy matter)
- Athi River Textile Hub – KSh. 500 million (allocated KSh. 2 billion may not be absorbed going by the previous absorption capacity of less than 70%)
- Modernization of RIVATEX – KSh. 50 million (budget rationalization)

Ministry of Tourism

- Rehabilitation of Tsavo Ballroom – KSh. 50 million (KICC should finance its own operations as profitable government entity considering revenue from

- the recent high level activities hosted such as the Global Entrepreneurship Summit, World Trade Organization's Ministerial Conference, among others)
- Maragua Warehouse KSh. 30 million (this is a county governments function)

Ministry of Devolution and Planning

- Model Street Family Rehabilitation Centre - KSh. 192 million (this is a county governments function)
- Kenya Statistical Programme for Results KSh. 389 million (the proposed allocation of KSh. 2.439 billion may not be absorbed in a single fiscal year).
- Headquarter Administrative Services – KSh. 76.2 million (expenditure rationalization)

The National Treasury

- Rehabilitation and Expansion of Herufi Data Centre – KSh. 220.7 million (rationalization of the proposed KSh. 420 million allocated to this project)
- Upgrading, Integration of Pension Management System – KSh. 31 million (rationalization of the proposed KSh. 131 million allocated for this project)
- Renewal of Oracle Licences, Annual support for IFMIS Applications and Hardware – KSh. 100 million (a need to rationalize the proposed allocation of KSh. 400 million considering comparable cost)
- Development, Implementation of IFMIS Academy & Oracle SOA Suite – KSh. 100 million (a need to rationalize the proposed KSh. 200 million for this project)
- Installation, Operationalization of Data Recovery Centre -- KSh. 456.4 million (an amount of 175M has already been proposed for the Equipping

and operationalization of Disaster Recovery Centre –Phase III in 2016/17 FY)

- Provision of Procure to Pay –System Integration for Parastatals – KSh. 400 million (rationalization of the proposed KSh. 750 million since the project may not be accomplished in a single fiscal year)
- Professional capacity development for policy analysts – KSh. 150 million (rationalization of the proposed allocation of KSh. 250 million in view of the fact that there is also likely to be another allocation under general administration for this purpose)
- Equity and subscriptions in International Financial Institutions – KSh. 47.7 million (expenditure rationalization)
- Establishment of secure and coordinated border control – KSh. 17 million (expenditure rationalization)
- Treasury-Bima-Herufi Security System – car scanners, fire system, CCTV – KSh. 10.5 million (expenditure rationalization)
- State Officers and Public Officers Car Loan Scheme Fund – KSh. 100 million (expenditure rationalization)
- Public Sector Accounting Standards Board – KSh. 10 million (expenditure rationalization)
- National Sub-County Treasury Services – KSh. 157 million (expenditure rationalization)

Proposed Increases (Ksh. 3.8725 Billion)

The proposed reductions in MDAs totalling to KSh. 3.8725 billion was proposed to be distributed as follows:

Ministry of Industry, Investment and Trade

- KSh. 50 million: Numerical Machining Complex (NMC) for modernization and expansion of foundry plant and fabrication workshop
- KSh. 20 million: Kenya Accreditation Service (KENAS) towards accreditation of motor vehicle inspection centres
- KSh. 70 million: Purchase of project vehicles at the Ministry headquarters
- KSh.30 million: Sacco Societies Regulatory Authority (SASRA) for development and implementation of risk based supervision framework
- KSh.160 million: KIRDI towards enhancement of research and development
- KSh. 50 million: Kenya Anti-Counterfeit Agency for acquisition of regional exhibits warehouses for seized goods
- KSh. 650 million: Kenya Industrial Estates (KIE) for onward lending to the SMEs in manufacturing sector
- KSh. 50 million: Kenya Industrial Property Institute (KIPI) for digitization of intellectual property rights administration infrastructure
- KSh. 50 million: Constituency Industrial Development Centres (CIDCs) for equipping of Constituency Industrial Development Centres
- KSh. 50: Revival of KICOMI textile factory in Kisumu

Ministry of Devolution and Planning

- KSh. 1.5925 billion: Lake Basin Development Authority (final payment to the contractors pending bills – LBDA Mall)

Ministry of Tourism

- KSh. 600 million: Tourism Finance Corporation for onward lending in line with the corporation's mandate

- KSh. 300 million: Construction of access road to Meru National Park
- KSh. 200 million: Ronald Ngala Utalii College for construction and civil works

Committee Observations

The members requested through the chair to what extent is each spending agency affected by the reductions and subsequent proposed increase. They therefore requested to be provided with specifics on how much was reduced from a spending agency and how much is reallocated back to the same agency through other activities of programmes. This way they can ensure there is parity in deductions and increases.

In his response, the Chair assured the members that he furnish them that information in the next meeting.

5. *Chair Departmental Committee on Lands:* the vice presented the report on behalf of the Departmental Committee. The Vice Chair made the following observations in his report.

Observations:

- The committee noted that information on settlement is still scarce particularly on the operations of the Settlement Fund. The criteria of determining the squatters to be settled are a concern to the committee since the proposed list of schemes does not tally with the petitions and reports before the Committee. Settlement schemes that include Likiji in Laikipia County have been the committee's priority from the Budget Policy Statement Stage;
- Both Government agencies have demonstrated low absorption rate/capacity in the development expenditure;

Recommendations

The committee proposed the following adjustments to the budget of the Spending Agencies;

- Kshs. 300M in Development planning and Land reform sub-programme be reallocated to land settlement sub programme in the Ministry of Lands and Physical Planning to resettle people in Lekiji Farmin Laikipia County;
- Kshs. 100M in the National Land Information Management System in the National Land Commission be reallocated to the Land Dispute and Conflict Resolutions sub programme in the National Land Commission;
- Kshs.90M and Kshs.110 M in the National Land Information Management System in the National Land Commission be reallocated to the land settlement sub programme in the Ministry of Lands and Physical Planning for settling people in Lekiji Farmin Laikipia County and Construction of Land Registries in Kajiado West and Nyandarua West respectively.

MIN BAC/06/2016/04: ANY OTHER BUSINESS

There been no any other business, the meeting was adjourned at 1:15 pm and chair informed the members that the next will start at 2:00 pm the same Venue to consider the reports of the remaining departmental committee and the public hearings.



Signed.....

Chairperson.....

Date..... 7.6.16.

MINUTES OF 5th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE (BAC) HELD ON MONDAY, 30TH
MAY, 2016 AT 10:00 AM AT MINI- CHAMBERS, COUNTY HALL

PRESENT

- | | |
|--------------------------------------|------------------|
| 1. Hon. Mutava Musyimi, M.P- | Chairperson |
| 2. Hon. Mary Emaase, M.P- | Vice Chairperson |
| 3. Hon. Christopher Omulele, M.P. | |
| 4. Hon. (Dr.) Eseli Simiyu, M.P. | |
| 5. Hon. Abdikadir O. Ahmed, M.P | |
| 6. Hon. Alice Ng'ang'a, M.P. | |
| 7. Hon. Ferdinand Waititu, M.P | |
| 8. Hon. Francis Njenga, M.P. | |
| 9. Hon. Gideon Ochanda, M.P. | |
| 10. Hon. Jackson Kiptanui, M.P. | |
| 11. Hon. James Gakuya, M.P. | |
| 12. Hon. Joseph Limo, M.P. | |
| 13. Hon. K.K Stephen Kinyanjui, M.P. | |
| 14. Hon. Kathuri Murungi, M.P | |
| 15. Hon. Kenneth Okoth, M.P | |
| 16. Hon. Moses Lessonet, M.P. | |
| 17. Hon. Muriuki Njagagua, M.P. | |
| 18. Hon. Njogu Barua, M.P | |
| 19. Hon. Phillip Rotino, M.P | |
| 20. Hon. Richard Onyonka, M.P | |
| 21. Hon. Richard Tongi, M.P | |

ABSENT

1. Hon. Benjamin Langat, M.P.
2. Hon. Moses Ole Sakuda, M.P.
3. Hon. Nelson Gaichuhie, M.P.
4. Hon. Abdullahi Diriye M.P
5. Hon. Ahmed.I. Abass, EGH, M.P
6. Hon. James K. Bett, M.P
7. Hon. Jones Mlolwa, M.P.
8. Hon. (Maj.) Marcus Muluvi, M.P
9. Hon. Peter Weru, M.P.

- 10.Hon. (Dr.) Reginalda Wanyonyi, M.P.
- 11.Hon. Samuel Gichigi, M.P.
- 12.Hon. Tiyah Galgalo, M.P.
- 13.Hon. Ababu Namwamba, EGH, M.P
- 14.Hon. Abdulaziz Farah, M.P.
- 15.Hon. Bady Bady Fwalib, M.P
- 16.Hon. Ben Momanyi, M.P
- 17.Hon. Christopher Nakuleu, M.P
- 18.Hon. Daniel Nanok, M.P
- 19.Hon. Denittah Ghati, M.P.
- 20.Hon. Dennis Kariuki, M.P.
- 21.Hon. Edick Omondi Anyanga, M.P
- 22.Hon. Jamleck Kamau, M.P.
- 23.Hon. Jonathan Lelelit, M.P.
- 24.Hon. Mohamed Shidiye, M.P
- 25 Hon. Moses Kuria, M.P
- 26.Hon. Nasra Ibrahim, M.P.
- 27.Hon. Patrick Ole Ntutu, M.P
- 28.Hon. Priscilla Nyokabi, M.P.
- 29.Hon. Shakeel Shabbir, M.P
- 30.Hon. Yusuf Hassan, M.P

IN ATTENDANCE

1. Hon. Amina Abdalla, M.P
2. Hon. Maina Kamanda, M.P.
3. Hon. Asman Kamama, MP

IN ATTENDANCE

1. Mr. Jeremiah Nyengenyee, CBS
2. Mr. Justin Bundi, CBS
3. Mr. Clement Nyandire
4. Dr. George Waka
5. Mr. Joel Irungu

DEPARTMENTAL COMMITTEES CHAIRPERSONS

Environment & Natural Resources
 Transport, Public Works and Housing
 Administration & Nat. Security

Parliamentary Service Commission

Clerk of Senate/Secretary to PSC
 Clerk of National Assembly
 Director General, Joint Services
 Ag. Director of Finance
 Deputy Director Finance

IN ATTENDANCE

1. Mr. Robert Nyaga
2. Ms. Lucy Makara
3. Mr. Benjamin Ng'imor
4. Mr. Joseph Ndirangu
5. Mr. James Chacha
6. Mr. Danson Kachumbo
7. Mr. Bernard Omondi
8. Mr. Vitalis Ndambuki

BUDGET COMMITTEE

SECRETARIAT

- Chief Fiscal Analyst
- Chief Fiscal Analyst
- Fiscal Analyst II
- Fiscal Analyst III
- Fiscal Analyst III
- Fiscal Analyst III
- Sergeant at Arms
- Office Attendant

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Meeting with Departmental Committee Chairs
3. Any Other Business

MIN BAC/05/2016/01: PRELIMINARIES

The Chairman called the meeting to order at 10.30 a.m. He apologised to the members for not starting the meeting on time and informed them that he had to clarify some issues with Parliamentary Budget Office with regards to Executive Order issued earlier the month. The executive order generally talked about the restructuring of government based on the formation of new ministries. He thereafter called upon the Chairperson of Environment & Natural Resources to make her presentation.

MIN BAC/05/2016/02: MEETING WITH DEPARTMENTAL COMMITTEE CHAIRPERSONS

1. *Chair of Environment & Natural Resource* gave a brief highlight of some key observations that the committee observed during reviewing of the Budget Estimates for the 2016/2017 Financial Year. One of the observations under ministry of water and irrigation were that the targets under the Programme based estimates for the FY 2016/2017 were different from the targets approved under the Budget Policy Statement 2016. Further,

there was a deviation in ceilings initially set by Parliament in the Budget Policy Statement 2016; this was also replicated in all the other Ministries Departments and Agencies under the Committee's purview

The Committee had raised its concern over the lack of adherence to the BPS which is the policy underpinning the budget; The committee further observed that the water projects under the equalization fund had not been subjected to public participation and they did not respond to the Community Needs. The ongoing water development projects were transferred to be financed under the equalization fund and in some cases the equalization funds were acting as Counter funds for donor projects

The following were the recommendations that committee made:

1. The Committee approves the proposed Budget estimates for the Financial Year 2016/2017;
2. The Committee notes that Water for Schools project has an allocation of Kshs. 530 million which intends to supply water services in ASAL areas and the target for FY 2016/2017 is to provide 100 schools in ASAL areas with boreholes. The Committee recommends that the project should not be confined to ASAL areas only but should be implemented nationally as there are other needy schools which are not in the ASAL areas;
3. The Committee notes that the country imports a substantial amount of granite products from China and therefore recommends that Kshs. 80 million be reallocated from the Kshs. 3 billion allocated to the Ministry of Mining to carry out the Nationwide Geo-physical survey, this funds will go towards carrying out granite assessment in Vihiga Western Kenya;
4. Due to the discrepancy in the revenue collected by the Ministry of Mining and that which is recorded by the

National Treasury, there is need to enhance accountability and transparency in the reporting of revenue collected by Ministries and state agencies. There should also be a clear status report on whether the Ministry is overestimating its revenue collections or whether there is revenue leakage on the part of the National Treasury.

5. The Committee requests for additional funding for the following:

- i) The government should allocate an additional Kshs. 887 million to offset salary pending bills in the 5 Regional Development Authorities mentioned and the Kenya Wildlife Service
- ii) Allocate Kshs. 2.5 billion to the Lake Basin Development Authority whose new complex mall risks being auctioned over a loan owed to Co-operative Bank of Kenya
- iii) Allocate Kshs. 580 million to Kimira- Oluch Smallholder's farm irrigation project for ongoing works
- iv) Allocate Kshs. 4.83 billion to Kenya Wildlife Service to enable the agency offset the pending bills of human-wildlife conflict compensation.

After deliberations, the chairman thanked the chair and called upon Chair of Transport, Public Works and Housing to make his presentation.

2. *Chair of Transport, Public Works and Housing* highlighted some of the observations that the committee observed. The chair noted that his committee identified the following key projects under the 2016/17 budget. These projects were:

- i. Ksh. 10 billion for LAPSSET for the construction of 3 berths,

- ii. Mombasa Port Development Project -- Ksh. 5.5 billion for the completion of 30% of the 2nd terminal,
- iii. construction of 270 km under the standard gauge railway,
- iv. construction of 2000 relocation housing units.
- v. purchase of two ferries,
- vi. terminal construction at Suneka air strip,
- vii. construction of Malindi expansion project,
- viii. Bomet Airstrip Rehabilitation

The chair informed members that the committee agreed with the ceilings in the 2016/17 budget estimates and approved them as they were. The committee further recommended that a clear line of finance be provided for pertaining to programs falling under the State Department of Maritime Affairs. This will enhance transparency and effectiveness in the implementation of these projects as well as help in achieving its objectives of having Kenya as a maritime entity.

After the presentation by the chair of transport, the chairman invited members to comment on the presentation. Members queried the following:

- i. Commencement of Phase II of SGR
- ii. Whether SGR will pass via Karen as it heads to Naivasha
- iii. Reclassification of roads
- iv. Whether Gilgil Weigh Bridge could be relocated off road so as to ease traffic
- v. Road 2000
- vi. Low Volume Seal Roads batch and Annuity program

After deliberations, the chairman thanked the chair and called upon the vice-chair of Energy, Communication and Information to make his presentation.

3. *Vice-chair of Energy, Communication and Information* gave a brief summary of some of the notable observations that the committee observed. The Committee observed that Kenya had lost 100 percent of the Rwandan fuel export market and 30 percent of the Ugandan market to Tanzania due to diesel fuel adulteration. This was because of the difference in prices of diesel and kerosene in Kenya yet Tanzania had equal pricing for the two. The pricing was because of the difference in fuel taxes for diesel and kerosene and therefore the government should consider reviewing the

taxes. In addition, the committee noted that the construction of Kitui coal power plant and Lamu power plant were in progress but the construction of a line to connect it to the national grid had not yet been started. Funding for the line from Kitui to Nairobi had not also been factored in the budget for 2016/17 or the medium term.

Despite the observations above, the committee noted that the estimates provided for the Ministry of Energy and Petroleum were sufficient for the FY 2016/17. Therefore, the committee recommended that the budget be approved as presented. The Ministry should therefore be allocated Ksh 122,341,435,359 which comprises of Ksh 2,169,703,644 for recurrent expenditure and Ksh 120,171,731,715 for development expenditure. The allocations for the programmes should also be maintained as presented in the programme based budget.

After the presentation by the vice-chair of Energy, Communication and Information, the chairman invited members to comment on the presentation. Members queried the following:

- i. Last Mile Connectivity project and the number of transformers per constituency
- ii. Exemption of VAT on postal services
- iii. Consideration of pricing Diesel and Kerosene the same price so as to prevent diesel fuel adulteration.

After deliberations, the chairman thanked the vice-chair of Energy, communication and information.

4. *Chair of Administration and National Security* gave a brief highlight of some key observations that the committee observed. The committee observed that there was need to conduct an audit to ascertain whether there was value for money in the Leasing programme for motor vehicles for the police and the National Administration given that the vehicles were fueled in specific outlets which were far apart particularly in far flung areas of North Eastern Region, North Rift among other areas. In the 2013/2014 financial year, the Government allocated Kshs. 1.2 billion for rapid development of 2,000 police housing Units through the National Housing Corporation. In the 2014/2015 financial year, the funds were directed through the Ministry of Lands, Housing and Urban Development. This unclear mode of disbursement had seriously affected housing projects within the Service. There is need to have the money disbursed through the

parent Ministry just like it is done for the Military, whose housing projects were being implemented through the Ministry of Defence.

The Committee recommended the following reallocations: -

1. Kshs. 100,000,000 is reallocated from 0601010 SP 1.1 Kenya Police Services under Policing Services Programme to National Cohesion and Integration Commission under sub-programme Peace Building, National Cohesion and Integration Commission (Planning Policy Coordination and Support Services programme) to facilitate cohesion and integration activities ahead of the 2017 General elections.
2. Kshs. 50,000,000 is reallocated from 0601010 SP 1.1 Kenya Police Services under Policing Services Programme to Government Printing Services 0603000 P3 to facilitate the modernization of equipment
3. Kshs. 25,000,000 is reallocated from 0704000 State House Affairs, under head 1011001801, Headquarters to Public Service Commission, P.1 0725000 General Administration, Planning and Support Services to facilitate payment for gratuity for the secretariat staff and pension scheme.
4. Kshs. 80,000,000 is reallocated from SP2.1 Planning, Policy Coordination and Support Services under State Department of Interior to Independent Policing Oversight Authority to facilitate decentralization of its services by establishing five regional offices.
5. Kshs. 20 million is reallocated from SP2.1 Planning, Policy Coordination and Support Services under State Department of Interior to National Police Service Commission, 0620000 P.1 National Police Service Human Resource Management to effectively provide oversight and monitor the process of recruitment of Police Constables as stipulated in article 246 of the Constitution and also strengthen its Secretariat

Other Recommendations

6. The National Treasury should remit payments for civil servants directly to the National Hospital Insurance Fund (NHIF) rather than disbursing the same through the State Department of Public Service and Youth Affairs

After the presentation, the chairman called upon members to react on the presentations. The members raised the following concerns:

1. Whether there was an allocation for Police Reservists
2. Whether there was an allocation to cater for the stipend for village elders

After deliberations, the chairman thanked the Chair of Administration and National Security and called upon Parliamentary Service Commission to make their recommendations. He informed members that the commission shall be presented by Senior Staff of Parliament.

MIN BAC/05/2016/03: MEETING THE PARLIAMENTARY SERVICE COMMISSION (PSC)

The PSC informed the Committee that Parliament Budget estimates for 2016/17 is Kshs. 31.996 billion. However, National Treasury wrote to Parliament stating that the ceiling for Parliament was Kshs. 24.68 billion and the budget estimates prepared did not use IFMIS to identify the available resources. The Committee was also informed that the Commission had a consultation with National Treasury during the approval of the Budget Policy Statement and they had agreed on a ceiling of Kshs. 29.4 billion. The additional funds requested in the FY 2016/17 estimates were to cater for:


3. 30 percent increment approved by PSC for Constituency Staff
4. The purchase of 40 acres of CPST land.
5. Kshs. 500 million to cater for payment certificates for the new office block being built.

After the presentation, the chairman called upon members to respond on the presentation made by PSC. Members raised various concerns regarding the services being delivered by the commission, delayed opening of the new office block for members and whether it was wise doing several development projects at once. Members also queried whether the commission was overstaffed.

The commission was able to respond to the queries and comments raised by members. The chairman informed the commission that he will take up the matter with National Treasury and query why there is a significant difference in Parliament Budget estimates for 2016/17.

MIN BAC/05/2016/04: ANY OTHER BUSINESS

The chairman thanked members for attending the meeting and informed members that during the next meeting the committee will continue to receive submissions from department committees on 2016/17 estimates. The meeting was adjourned at 5.30 pm. The next sitting will be on 31st May 2016.

SIGNED.....

CHAIRPERSON.....

DATE..... 7-6-16.....

MINUTES OF THE 4th SITTING OF THE BUDGET AND
APPROPRIATIONS COMMITTEE (BAC) HELD AT ON
WEDNESDAY, 25TH MAY, 2016 AT 10.00 AM AT BOMA HOTEL,
NDOVU CONFERENCE HALL

PRESENT

- | | |
|---|------------------|
| 1. Hon. Mutava Musyimi, M.P- | Chairperson |
| 2. Hon. Mary Emaase, M.P- | Vice Chairperson |
| 3. Hon. Phillip Rotino, M.P | |
| 4. Hon. Benjamin Langat, M.P. | |
| 5. Hon. Ferdinand Waititu, M.P | |
| 6. Hon. Jackson Kiptanui, M.P. | |
| 7. Hon. Moses Ole Sakuda, M.P. | |
| 8. Hon. Abdikadir O. Ahmed, M.P | |
| 9. Hon. Abdulaziz Farah, M.P. | |
| 10. Hon. Christopher Nakuleu, M.P | |
| 11. Hon. Ben Momanyi, M.P | |
| 12. Hon. Nelson Gaichuhie, M.P. | |
| 13. Hon. Richard Onyonka, M.P | |
| 14. Hon. Abdullahi Diriye M.P | |
| 15. Hon. Ahmed.I. Abass, M.P | |
| 16. Hon. Christopher Omulele, M.P. | |
| 17. Hon. Francis Njenga, M.P. | |
| 18. Hon. Gideon Ochanda, M.P. | |
| 19. Hon. James K. Bett, M.P | |
| 20. Hon. Jones Mlolwa, M.P. | |
| 21. Hon. Joseph Limo, M.P. | |
| 22. Hon. Kathuri Murungi, M.P | |
| 23. Hon. Kenneth Okoth, M.P | |
| 24. Hon. K.K Stephen Kinyanjui, M.P. | |
| 25. Hon. (Maj.) Marcus Muluvi, M.P | |
| 26. Hon. Muriuki Njagagua, M.P. | |
| 27. Hon. Peter Weru, M.P. | |
| 28. Hon. (Dr.) Reginalda Wanyonyi, M.P. | |
| 29. Hon. Samuel Gichigi, M.P. | |
| 30. Hon. Tiyah Galgalo, M.P. | |
| 31. Hon. Jonathan Lelelit, M.P. | |

ABSENT

1. Hon. Ababu Namwamba, FGH, M.P
2. Hon. Edick Omondi Anyanga, M.P
3. Hon. (Dr) Eseli Simiyu, M.P
4. Hon. Jamleck Kamau, M.P.
5. Hon. Mohamed Shidiye, M.P.
6. Hon. Moses Lessonet, M.P.
7. Hon. Shakcel Shabbir, M.P
8. Hon. Yusuf Hassan, M.P
9. Hon. Bady Bady Twalib, M.P
- 10.Hon. Daniel Nanok, M.P.
- 11.Hon. Denittah Ghati, M.P.
- 12.Hon. Dennis Kariuki, M.P.
- 13.Hon. James Gakuya, M.P.
- 14.Hon. Moses Kuria, M.P
- 15.Hon. Nasra Ibrahim, M.P.
- 16.Hon. Njogu Barua, M.P
- 17.Hon. Patrick Ole Ntutu, M.P.
- 18.Hon. Priscilla Nyokabi, M.P.
- 19.Hon. Richard Tongi,M.P

IN ATTENDANCE

1. Mr. Edward Ouko
2. Ms. Agnes C. Mite
3. Mr. Charles C. Mwitevi
4. Mr. Samuel Muchiri

AUDITOR GENERAL OFFICE

- Auditor General
Member
Member
Member

IN ATTENDANCE

1. Mr. Kamau Thugge
2. Mr. Geoffrey Mwau
3. Mr. Wohoro Ndohho
4. Mr. Jackson Kinyanjui
5. Mr. Geoffrey Malombe
6. Mr. Samuel Kiiru

NATIONAL TREASURY

- Ps. National Treasury
Member
Member
Member
Member

- | | |
|-----------------------|--------|
| 7. Ms. Miriam | Member |
| 8. Mr. Wambugu Samuel | Member |
| 9. Mr. Francis Anyona | Member |
| 10. Mr. Musa Kathanje | Member |

IN ATTENDANCE

BUDGET COMMITTEE

SECRETARIAT

- | | |
|--------------------------|---------------------------------|
| 1. Mr. Robert Nyaga | Chief Fiscal Analyst |
| 2. Ms. Lucy Makara | Chief Fiscal Analyst |
| 3. Mr. Fredrick Muthengi | Principal Fiscal Analyst/ Clerk |
| 4. Mr. Benjamin Ng'imor | Fiscal Analyst II |
| 5. Mr. Joseph Ndirangu | Fiscal Analyst III |
| 6. Mr. James Chacha | Fiscal Analyst III |
| 7. Mr. Danson Kachumbo | Fiscal Analyst III |
| 8. Ms. Esther Ngechu | Sergeant at Arms |
| 9. Mr. Vitalis Ndambuki | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Parliamentary Budget Office analysis on Auditor General Budget for 2016/17
3. Meeting with the Office of Auditor General
4. Meeting with National Treasury
5. Any Other Business

MIN BAC 04 / 2016/01: PRELIMINARIES

The Chairman called the meeting to order at 10.00 a.m. and opened it with a word of prayer. The Committee was informed that it had invited the Auditor General and National Treasury to appear before the Committee. The Auditor General was invited to discuss the ceilings of his office for 2016/17 budget estimates and also comment on the progress of the report of Socio- Audit of the 2010 Constitution.

The National Treasury had been invited to discuss issues raised during the previous committee meetings such as the ceilings in the 2016/17 estimates not being in tandem with the Budget Policy Statement, 2016 and to also comment on how the projects were identified in FY 2016/17 Estimates of Revenue to and Expenditure from The Equalization Fund.

MIN BAC 04/ 2016/02: PARLIAMENTARY BUDGET OFFICE
(PBO) ANALYSIS ON AUDITOR GENERAL
2016/17 BUDGET ESTIMATES

The Parliamentary Budget Office was invited to make a presentation on the analysis of estimates of recurrent and development expenditure of Auditor General for the financial year 2016/17 and medium term.

The analysis observed that Audit Report for FY 2014/15 had not been submitted to National Assembly and according to the Constitution, the Auditor General is expected to give reports on audit of government six months after the closure of the financial year.

The presentation also noted that there was non-adherence to House resolutions on Budget Policy Statement, 2016. The construction of office headquarters of Auditor General has been on-going since 2013/14 when the land was purchased and that it may take longer based on the current funding levels.

Finally, it was noted that the office had Pending bills amounting to Kshs. 261.7 million. The pending bills take the first charge in the succeeding financial often derail planned development and recurrent activities therefore compromising service delivery.

MIN BAC 04 / 2016/03: MEETING WITH OFFICE OF AUDITOR GENERAL

The Auditor General thanked the Committee for the invitation extended to his Office and took them through the budget estimates for his office for FY 2016/17. The Committee was informed that the Auditor General office requested for additional expenditure of Kshs. 1 billion over and above the submitted estimates in the recurrent expenditure as well as Kshs. 750 million over and above the development expenditure.

The additional Kshs. 1 billion for recurrent expenditure was as follows:

- | | | |
|------|---------------------------------------|-------------------|
| i. | Specialized Audits | Kshs. 200 Million |
| ii. | Audits | Kshs. 372 Million |
| iii. | Hire of additional staff | Kshs. 140 Million |
| iv. | Operating and administrative Expenses | Kshs. 288 Million |

The additional Kshs. 750 million for development expenditure was to acquire **Hub Offices** as follows:

- | | | |
|----|--------|-------------------|
| i. | Nakuru | Kshs. 150 Million |
|----|--------|-------------------|

| | | |
|------|---------|-------------------|
| ii. | Kisumu | Kshs. 150 Million |
| iii. | Eldoret | Kshs. 150 Million |
| iv. | Mombasa | Kshs. 300 Million |

After the presentation, the chairman called upon members to comment on the budget estimates. Members queried on:

1. Whether the office of Auditor General audited the donor funds
2. They noted with concern wastage of public funds especially at County level
3. Issues regarding pending bills
4. The Audit was Value for Money

The Auditor General was able to respond on most of the comments and questions asked by the Committee members. Thereafter the Chair, called upon him to comment on the leaked draft report of the Socio- Audit of the 2010 Constitution.

The Auditor General informed the committee, that the leaked draft report did not come from his office. However, he informed members that they had sent several drafts for peer review. He said that the possible leakage could have been as a result of the ongoing peer reviews on the document. He informed the committee that the final draft report was sent to National Treasury for comments and thereafter will be submitted to the National Assembly.

MIN BAC 04 / 2016/04: MEETING WITH NATIONAL TREASURY

The chairman called upon the National Treasury to make their presentation which highlighted on performance of FY2015/16 and its impact on the FY 2016/17 budget, the macroeconomic fundamentals underlying the preparation of the FY2016/17 Budget and the Medium Term, linkage between the FY2016/17 Budget and the second Vision 2030 Medium Term Plan (MTP11), the basis of deviation of the overall estimate from the 2016 approved BPS ceilings and the National Treasury Comments on the 2016/17 Parliamentary Service Commission and Judiciary Budgets in line with Section 37(b) of the PFM Act, 2012.

National Treasury informed the Committee that they had aligned programmes to reflect the new ministries and state departments. This was as a result of the reorganization of Government late last year and the issue of Executive Order No. 1/2016 by the Presidency in May 2016. The Committee was informed that

in the process of this re-organization, new votes will be created and some programmes and sub-programmes will be moved from one vote to another

National Treasury also informed the committee that KRA has VAT backlog, of which Kshs. 11.28 billion which was payable and that they are exploring modalities of settling the arrears within the FY 2016/17 budget. Finally, the National Treasury informed the committee that there is a proposal to consolidate all the legal fees across the government and allocate them under the State Law Office and Department of Justice. In addition, there was a proposal to consolidate all payments of subscriptions and international obligations across the government under the National Treasury to ensure not only compliance to international contractual obligations but also timely payment. After the presentation, the chair called upon members to comment on the presentation.

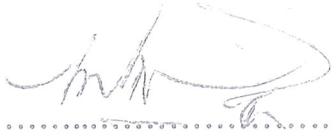
Members' concerns were:

1. Will the election mood currently being experienced in the country dampen the envisaged GDP growth rates of 6 percent in 2016?
2. Funding for political parties
3. Why there was no public consultation in regards to the projects identified in FY 2016/17 Estimates of Revenue to and Expenditure from The Equalization Fund
4. Why there was low absorption of donor funds

National treasury was able to respond to the comments and questions raised by the Committee. The Chairman said that the issues were weighty and there was need for National Treasury to appear before the committee again before the committee tables its report.

MIN BAC 04 / 2016/05: ANY OTHER BUSINESS

The chairman informed members that in the next sitting the Committee will be receiving the departmental committee reports on the estimates at County Hall, Parliament Buildings. Thereafter the chairman thanked members for the support and adjourned the meeting at 5.30 pm.



SIGNED.....

CHAIRPERSON.....

7-6-16

DATE.....

DEPARTMENTAL COMMITTEE RECOMMENDATIONS

DEPARTMENTAL COMMITTEE ON COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

A. Proposed Reductions

1. Reduce recurrent allocation for 'Management of Electoral Process Programme' under Independent Electoral and Boundaries Commission (IEBC) by Kshs. 400 million. The reduction will be from the following:
 - i. Provision for legal fees under the Cost of Compliance and Litigation by Kshs. 200 million
 - ii. Printing, Advertising and information supplies and services under the Voter Education by Kshs. 200 million

B. Proposed Increments

2. Increase recurrent allocation for 'Governance, Legal Training and Constitutional Affairs Programme' under State Law Office and Department of Justice by Kshs. 300 million. The increment is for the following:
 - i. Kenya School of Law by Kshs. 120 million for subsidization of tuition fees charged
 - ii. Council of Legal Education by Kshs. 80 million for subsidization of examination fees charged
 - iii. Kenya Law Reform Commission by Kshs. 100 million.
3. Increase recurrent allocation for Public Prosecution Services Programme under Office of the Director of Public Prosecution by Kshs. 100 million. The increment will be used as seed money for car loan and mortgage scheme.

DEPARTMENTAL COMMITTEE ON NATIONAL ADMINISTRATION AND SECURITY

A. Proposed Reallocations

4. Reallocate Kshs. 50 million under 'Policing Services Programme' to 'Government Printing Services Programme' in State Department of Interior to facilitate the modernization of equipment.
5. Reallocate Kshs. 100 million under 'Policing Services Programme' to 'Planning Policy Coordination and Support Services Programme' in the State Department of Interior. This will be for National Cohesion and Integration Commission to facilitate cohesion and integration activities ahead of the 2017 General elections.

B. Proposed Reductions

6. Reduce recurrent allocation under 'State House Affairs Programme' in Presidency by Kshs. 25 Million.

- 7 Reduce recurrent allocation under 'Planning, Policy Coordination and Support Programme' in State Department of Interior' by Kshs 100 million

C. Proposed Increments

- 8 Increase recurrent allocation under 'General Administration, Planning and Support Services Programme' in Public Service Commission by Kshs 25 million to facilitate payment for gratuity for the secretariat staff and pension scheme
- 9 Increase recurrent allocation for Independent Policing Oversight Authority by Kshs 80 million to facilitate decentralization of its services by establishing five regional offices
10. Increase recurrent allocation for National Police Service Commission by Kshs. 20 million to effectively provide oversight and monitor the process of recruitment of Police Constables as stipulated in article 246 of the Constitution and also strengthen its Secretariat

DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

A. Proposed Reallocations

11. Reallocate Kshs. 251.7 million under 'General Administration Planning and Support Service Programme' in State Department of Labour to 'the following programmes
 - i Social Development and Children Services Programme' Kshs. 170 million. of which Ksh 50 million is for creating a comprehensive legal framework for social protection cash transfers programmes and Kshs 120 million as current grant to Child Welfare Society of Kenya (CWSK) for children emergency response and rescue services.
 - ii National Social Safety Net Programme Kshs 81.7 million. This will be for contracted professional services to undertake an impact assessment survey.

DEPARTMENTAL COMMITTEE ON HEALTH

A. Proposed Reductions:

12. Reduce Kshs 245 million in Ministry of health under General Administration, Planning and Support Services Programme. This consists of Kshs 200 million meant for the upgrade of health centers in slums and Kshs. 45 million allocated for emergency interventions
- 13 Reduce Kshs 250 million in Ministry of health under General Administration, Planning and Support Services Programme allocated to Social Health Insurance

B. Proposed Increments:

- 14 Increase Kshs. 115 million in Ministry of health under National Referral and Specialized Services programme as capital grants to Kenyatta National Hospital (KNH) to cater for personnel emolument (Kshs 70 Million for recurrent) and establishment of a critical care unit (Kshs 45 Million for development)

15. Increase Kshs. 250 million in Ministry of health under Preventive, Promotive and Reproductive Maternal Neonatal Child and Adolescent Health (RMNCAH) programme of which Kshs. 200 million to operationalize the National Cancer Centre programme and Kshs. 50 million for Family Planning.
16. Increase Kshs. 130 million in Ministry of health under Health, Research and Development programme towards expansion of Kenya Medical Training Colleges.

DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH AND TECHNOLOGY

A. Proposed Reductions:

17. Reduce **Kshs. 15.79 million** in State Department for Basic Education under the following programmes:
 - i. General Administration, Planning and Support Services by Kshs. 11,936,798
 - ii. Primary Education by Kshs. 2,646,360
 - iii. Secondary Education by Kshs. 1,127,970
 - iv. Quality Assurance and Standards by Kshs. 86,985
18. Reduce **Kshs. 491,000** in State Department for Vocational and Technical Training under the programme Technical, Vocational Education and Training
19. Reduce **Kshs. 1.94 million** in State Department for University Education under the following programmes:
 - i. General Administration Support and Planning by Kshs 1,369,570
 - ii. Research, Science, Technology and Innovation by Kshs 316,050
 - iii. University Education by Kshs 261,065
20. Reduce **Kshs. 1.54 million** in Teachers Service Commission under General Administration Support and Planning Programme.
21. Reduce **Kshs. 260 million** in the State Department for University Education under the University Education Programme for the following universities:
 - i. Egerton University by Kshs. 50,000,000
 - ii. Moi University by Kshs. 50,000,000
 - iii. Maseno University by Kshs. 50,000,000
 - iv. Kisii University by Kshs. 50,000,000
 - v. Technical University of Kenya by Kshs. 30,000,000
 - vi. Technical University of Mombasa by Kshs. 30,000,000

C. Proposed Increments:

22. **Allocate Kshs. 260 million** to the State Department for University Education under the University Education Programme for the establishment of Turkana University College which will be a constituent college of Masinde Muliro University.
23. **Add Kshs 19.8 million** to the State Department for University Education under Research, Science, Technology and Innovation Programme for Biosafety Appeals Board.

DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND COOPERATIVES

A. Proposed Reduction:

24. Mr. Speaker, the Committee recommends a reduction of **Kshs. 350 million** from the State Department for Agriculture under Crop Development and Management Programme meant for fertilizer subsidy

C. Proposed Increment

25. The Committee recommends an increment of **Kshs 350 million** to State Department for Livestock under livestock resources management and development programme for Embryo Transfer Programme in the Agriculture Development Cooperation (ADC) Lanet Farm

DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING AND TRADE

A. Proposed Reductions (- KSh. 3.8725 Billion)

26. Reduce capital allocation Kshs 1.335 billion under industrial development and investment programme in State Department for Investment and Industry from the following:
- i. Freeport and Industrial Parks by Kshs. 300 million
 - ii. Kenanie Leather Industrial Park by Kshs. 235 million
 - iii. Ease of Doing Business by Kshs. 250 million
 - iv. Athi River Textile by Kshs. 500 million
 - v. Modernization of RIVATEX by kshs. 50 million
27. Reduce capital allocation in Ministry of Tourism, Kshs. 50 million under Tourism Development and Promotion Programme from the Rehabilitation of Tsavo Ballroom
28. Reduce capital allocation in State Department for Trade, Kshs 30 million under Trade Development and Promotion Programme from the Maragua Warehouse
29. Vote 1031/32: Ministry of Devolution and Planning (KSh. 657.2 million)
- i. Reduce KSh. 192 million of the proposed capital expenditure from the State Department for Special Programmes for Special Initiatives Programme under Model Street Family Rehabilitation Centre.
 - ii. Reduce KSh. 389 million of the proposed capital expenditure in the State Department of Planning and Statistics from National Statistical Information Service programme under Kenya Statistical Programme for Results

- iii. Reduce KSh. 76.2 million of proposed recurrent expenditure from State Department for Devolution under General Administration, Planning and Support Services Programme for Headquarter Administrative Services.

1071 The National Treasury (KSh. 1.8003 billion)

30. Reduce capital allocation Kshs. 436.9 million under General Administration, Planning and Support Services Programme from the following:
 - i. Rehabilitation and Expansion of Herufi Data Centre by Kshs. 220.7 million
 - ii. Upgrading, Integration of Pension Management by Kshs. 31 million
 - iii. Equity and subscriptions in International Financial Institutions by Kshs. 47.7 million
 - iv. Establishment of secure and coordinated border control by Kshs. 17 million
 - v. Treasury-Bima-Herufi Security System – car scanners, fire system, CCTV by Kshs. 10.5 million
 - vi. State Officers and Public Officers Car Loan Scheme Fund by Kshs. 100 million
 - vii. Public Sector Accounting Standards Board by Kshs. 10 million
31. Reduce capital allocation Kshs. 1,213.4 million under Public Financial Management Programme from the following:
 - i. Renewal of Oracle Licences, Annual support for IFMIS Applications and Hardware by Kshs. 100 million
 - ii. Development, Implementation of IFMIS Academy & Oracle SOA Suite by Kshs. 100 million
 - iii. Installation, Operationalization of Data Recovery by Kshs. 456.4 million
 - iv. Provision of Procure to Pay –System Integration for Parastatals by Kshs. 400 million
 - v. The National Sub-County Treasury Services by Kshs. 157 million
32. Reduce capital allocation Kshs. 150 million under Economic and Financial Policy Formulation & Management Programme from Professional capacity development for policy analysts.

B. Proposed Increases (KSh. 3.8725 Billion)

Vote 1172: State Department for Investment and Industry

33. Increase KSh. 120 million to Industrial Development and Investment Programme for the following:
 - i. Numerical Machining Complex (NMC) by Kshs. 50 million for modernization and expansion of foundry plant and fabrication workshop.
 - ii. Industrial Development and Investment by Kshs. 50 million for Revival of Kisumu Cotton Millers (KICOMI) textile factory in Kisumu
 - iii. Kenya Accreditation Service (KENAS) by Kshs. 20 million for accreditation of motor vehicle inspection centre.

34. Increase **KSh. 960 million** to Standards and Business Incubation Programme for the following
- i Kenya Industrial Research Development Institute (KIRDI by 160 million). Towards enhancement of research and development
 - ii Kenya Anti-Counterfeit Agency by Kshs 50 million to be used for acquisition of regional exhibits warehouses for seized goods
 - iii. Kenya Industrial Estates (KIE) by Kshs 650 million for onward lending to the SMEs in manufacturing sector
 - iv Kenya Industrial Property Institute (KIPI) by Kshs 50 million towards digitization of intellectual property rights administration infrastructure
 - v. Constituency Industrial Development Centres (CIDCs) by Kshs. 50 million for equipping of Constituency Industrial Development Centres
35. Increase **KSh. 70 million** to General Administration, Planning and Support Services Programme for Purchase of project vehicles at the Ministry headquarters
36. Increase **KSh. 30 million** to State Department for Cooperatives under 'Cooperative Development and Management Programme' for Sacco Societies Regulatory Authority (SASRA) towards development and implementation of risk based supervision framework
37. Increase **KSh. 1.5925 billion** to the State Department for Planning and Statistics for Lake Basin Development Authority (LBDA) towards payment for pending bills for construction a mall in Kisumu

Vote 1181: Ministry of Tourism

38. Increase KSh. 800 million for Tourism Development and Promotion Programme for the following:
- i Tourism Finance Corporation by Kshs. 600 million for onward lending in line with the corporation's mandate
 - ii. Ronald Ngala Utalii College by Kshs. 200 million for construction and civil works
- 39 Increase KSh. 300 million to Trade Development and Promotion towards the construction of access road to Meru National Park

DEPARTMENTAL COMMITTEE OF LANDS

Proposed Increment

40. Increase vote 1112 - Ministry of Lands & Physical Planning, by **KSh. 200 million**, of which **KSh. 90 million** is for the settling people in Lekiji farm in Laikipia (Land settlement program) and **KSh. 110 Million** for the construction of land registries in Kajiado West and Nyandarua west district, both under Land Policy and Planning Program.

Proposed reductions

41. Reduce vote 2021 - National Land Commission, by KSh. 200 million from the National Land Information Management System Program to vote 1112 Ministry of Lands and Physical Planning (Land policy & Planning Program) for Lekiji farm settlement.

Proposed reallocations

42. Reallocate KSh. 100 million under vote 2021 - National Land Commission, from National Land Information Management System Program, to the Land Dispute and Conflict Resolutions Program in the National Land Commission;
43. Reallocate KSh. 300 million under vote 1112 - Ministry of Lands & Physical Planning, from Land Policy and Planning Program (Development planning and Land reform sub-program) to Land Policy and Planning Program (land settlement sub program and Physical Planning) to resettle people in Lekiji Farm in Laikipia County;

DEPARTMENTAL COMMITTEE OF ENVIRONMENT & NATURAL RESOURCES

Proposed reallocations

44. Reallocate KSh. 1.4 billion from State Department for Water Services, National Water Conservation & Pipeline Corporation (Water Resources Management program) to Water Services Boards under (Water Resources Management Program) for water harvesting and ground water exploitation. The water services boards include:
- i. Coastal water services boards – KSh. 200 million
 - ii. Rift Valley water services boards - KSh. 200 million
 - iii. Northern water services boards - KSh. 200 million,
 - iv. Lake Victoria North water services boards - KSh. 200 million
 - v. Lake Victoria South water services boards - KSh. 200 million
 - vi. Tana Athi water services boards, - KSh. 200 million
 - vii. Tana water services boards - KSh. 200 million
45. Reallocate KSh. 80 million in Ministry of Mining from nationwide airborne Geo-physical survey in Mineral Resource Development Program to carrying out granite assessment in Vihiga, Western Kenya.

REPUBLIC OF KENYA



PARLIAMENTARY SERVICE COMMISSION

PARLIAMENTARY BUDGET OFFICE

**UNPACKING THE ESTIMATES OF REVENUE AND
EXPENDITURE FOR 2016/17 AND THE MEDIUM TERM**

May 2016

Disclaimer

The Parliamentary Budget Office (PBO) is a non-partisan professional office of the Parliament of the Republic of Kenya. The primary function of the Office is to provide professional advice and objective analysis in respect of the budget, finance and the economy.

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THE KEY MESSAGE

- ✓ The total level of compliance is 57.14 percent; key concerns include lack of clarity on whether the public was consulted as there is no report that informs how the views of the public was factored in the 2016/17 budget estimates.
- ✓ The resolution of the House on the BPS 2016 approved a total expenditure of Ksh. 1,498.4 billion; this included Ksh 1,451.2 billion for the National Government, Ksh 29.4 billion for Parliament and Kshs. 17.8 billion for the Judiciary. However, all the three arms of government did not abide to these ceilings when preparing their estimates. In overall terms, the budget increased by Kshs.132.9 billion to stand at Kshs.1, 678.4 billion.
- ✓ GDP growth estimate of 6.0 percent in 2016 is unlikely to be met due to exogenous shocks such as the 2017 election's fever coupled with weak outlook of global economy. Overall, the budget for 2016/17 appears to build on policies that have been put in place in the previous years and expenditure has increased broadly in line with these policies. In 2016, the pace of growth is therefore likely to remain, on average, on the same level as what was recorded in 2015 (5.6 percent). This is expected to rise to about 5.8 percent in 2017.
- ✓ Realistic macroeconomic projections underpinning any budget provide the building blocks of a reasonable resource envelope. This in turn gives credibility to the budget and avoids adjustments in the course of the year. The 2016/17 resource envelope forecast is based on weak fundamentals emanating from an optimistic GDP forecast amid uncertainties with regard to absorptive capacity of donor funded development expenditure.
- ✓ The principle behind the resolution of the House and the guidelines from Treasury to have the development budget to include a list of projects reconcilable to development budget estimates was so as to ensure it is possible to have adequate information on all projects, including the spatial distribution. The list that has been provided is not comprehensive as it does not show the total cost of the project, the start date; the actual allocation to date and the balance. In addition, there are some projects that have allocations even in the financial years that are beyond their completion dates and are more than their total costs.
- ✓ Despite enhanced investment in agriculture, the country is yet to achieve food security and with inadequate rainfall over most parts of the country, there is a high likelihood of food shortage and high food prices.
- ✓ The declining number of tourists is a worrying trend to the economy in terms of loss of jobs and reduced foreign exchange earnings.

- ✓ Debt policies are not well articulated therefore it is hard to evaluate whether fiscal consolidation will be achieved or not. In the BPS, 2016, the domestic borrowing for financial year 2016/17 was projected at Ksh. 197.6 billion; however, in the estimates submitted the domestic debt is set to rise by Kshs.43.5 billion to Ksh. 241.1 billion. This clearly shows the budget is not driven by any policy as the aspirations as espoused in the BPS on fiscal consolidation were not adhered to. A case in point is that the 2016/17 deficit, including grants is projected to stand at 10.1 percent.
- ✓ The level of debt in Kenya is approaching unsustainable levels and is expected already the ratio of debt service to revenue has reached its limit of 30 percent and is expected to bypass its limit in the 2017 by 4.7 percentage points on account of debt redemptions and interest rate costs that are expected to rise substantially in the FY 2017/18.
- ✓ The implementation of Program Based Budgeting (PBB) was to ensure that budget is based on expected results. In an art shell, PBB was supposed to focus on expected services and goods rather than the inputs. A review of the estimates in particular the program based estimates its clear that there is inconsistency between the narrative in estimates and the targets in the programmes as provided in the estimates. In addition, a number of ministries their performance targets in most cases are not SMART (Specific, Measurable, Achievable, Realistic and Time bound)
- ✓ The 2017 pre-election mood has set in too early. The country will benefit more if its citizenry engage more of their time in activities for creating more wealth than those related to activism and that reduce the wealth already created leading to loss of income in some sectors.

I. INTRODUCTION

- 1) The 2016/17 budget estimates submitted to National Assembly for approval are the 4th under the current administration. The theme for this year's budget estimates is "*sustaining prosperity in a volatile global economy*". The budget has been prepared against a backdrop of uncertainties caused by both the external and internal factors affecting the macroeconomic environment of Kenya's economy. The weak global economic outlook occasioned by a decrease in aggregate demand in Europe and China, the strengthening of the US dollar and decrease in commodity prices could negatively affect the country's export earnings.
- 2) Regionally, Kenya is slowly losing its comparative advantage of being a hub of the region. This is a result of policies that are not in tandem with its East African counterparts. As seen recently, Uganda has decided to build its crude-export pipeline through Tanzania. Furthermore, the country is operating a deficit which is large, which means it may be difficult for the country to achieve a 3 percent fiscal deficit in 2021 as required in the criterion for macroeconomic convergence of East Africa economies.
- 3) The slowdown in development programmes that has been caused by low revenue collection as well as delay in exchequer issues, has also brought forth uncertainty as to whether the numerous projects in the various sectors of the economy are attainable within the specified timeframe in various policy documents. In addition, the election mood currently being experienced as the country is gearing itself for the 2017 general elections have dampened the investment mood of the country as most investors are practising the wait and see approach.

1.1 Legal basis for the Submission of the Budget Estimates

- 4) The submission and approval of the 2016/17 budget estimates by National Assembly is anchored in the Constitution pursuant to Article 221, the Public Finance Management ((PFM) Act, 2012 (section 38), Public Finance Management Act (PFM) Regulations and Standing Orders. The National Government and Judiciary submitted their respective budget estimates pursuant to Article 221(3) to Parliament on the 28th of April 2016 while Parliament submitted its budget estimates to National Assembly on the 27th April 2016.
- 5) The analysis of the 2016/17 Budget Estimates shall be divided as follows: Introduction and Legal Underpinning, Macroeconomic Environment underpinning the 2016/17 budget, Fiscal Framework for 2016/17, Government transformation programs, Highlights of Ministerial Expenditures, Analysis of CFS Expenditures and Analysis of Equalization fund.

1.2 Criteria for Assessing the 2016/17 Medium Term Budget

- 6) The analysis identifies and employs various overarching criteria with a view to assess and gauge the responsiveness of the 2016/17 medium term budget with respect to some of the measures outlined and expected performance. The aim of the criteria is to reinforce and underscore major strength of the budget but also highlight gaps and inadequacies that have in the past contributed and pose fiscal and budgetary risks that need to be addressed in line with international best practices. Listed below are five key criteria for overall assessment in which the analysis further expounds in the various sections:
- (i) **Comprehensiveness, Clarity and credibility:** It is critical to assess whether the Budget as designed and submitted is within clear and credible limits for fiscal policy, quality of assumptions underpinning macroeconomic outlook as well as revenue projections upon which the expenditure framework is premised. Budget credibility also focuses on consistency between proposed allocation and expected targets with comparisons on past programme and fiscal and macroeconomic targets and performance
 - (ii) **Alignment with medium-term priorities and approved 2016 Budget Policy Statement (BPS):** This criterion is a critical indicator to assess whether the estimates of Revenue and Expenditure are aligned with the medium-term strategic priorities of government as provided for in the thematic pillars underpinning the Medium Term Budget Policy Statement. This is necessary to highlight allocations towards unplanned interventions at the expense of ongoing projects and programmes that are underfunded and unfunded. In addition, it is important to gauge to what extent the Budget Policy Statement guided the preparations of the estimates.
 - (iii) **Efficacy of capital budgeting framework:** The areas under focus under the capital budgeting framework is to evaluate whether outlined interventions meet the national development needs in a cost-effective approach especially where in the past allocations to some projects and programmes lack evidence of appraisal and evaluation profile. The analysis highlights project whose benefits have been delayed or are taking long to be implemented despite provisioning over the years. The assessment also reviews the adequacy of capital projects data beyond the traditional approved/proposed allocations which to a larger extent informs the constitutional imperatives of transparency and accountability in the use of public finances. Moreover, the push for development interventions to be assessed on account of asset creation or renewal necessary for meaningful and sustainable growth is critical. The criterion also highlights on cases of externally funded component that have registered below target absorption rate on account of low disbursements or poor utilization that further occasion additional costs in form of forgone opportunities and cost overruns.

(iv) **Justification of the allocations:** The goal is to assess whether the budget estimates provide for comprehensive, accurate and reliable account of the public finances.

(v) **Quality of proposed management and monitoring of the Budget:** The intention is to assess for concrete plan to manage, execute and monitor the commitments made in FY 2016/17 Budget in comparison with current budget under implementation. This is partly informed by the experiences of in year adjustments through revised estimates where annual approved spending plans are subjected to reallocations not in tandem with expected outputs and targets putting into question the realism of the budget as designed and executed, and new impetus to deepen national government budget reforms as well as the boosting nascent efforts at sub national levels.

II. LEGAL COMPLIANCE OF BUDGET ESTIMATES OF 2016/17

7) Table 1: below shows a review of the adherence of the submitted budget estimates to legal provisions.

Table 1: Review of adherence of budget estimates to legal provisions

| Key Element | Detailed Requirements | Legal Provisions | Compliance Rate | Comments |
|--|---|------------------------|-----------------|---|
| 1. Timelines: <i>Were the estimates of 2016/17 and medium term submitted to the National Assembly on time? i.e. by 30th April.</i> | 1.1 National Government | Constitution, PFM Act, | 2.5 out of 2.5 | National Government submitted their estimates on 28 th April, 2016 |
| | 1.2 Parliamentary Service Commission | PFM Regulations | 2.5 out of 2.5 | Parliament submitted their estimates on 27 th April, 2016 |
| | 1.3 Judiciary | Standing Orders | 2.5 out of 2.5 | Judiciary submitted their estimates on 28 th April, 2016 |
| 2. Comprehensiveness of the estimates and related documents: <i>Do the estimates provide enough details?</i> | 2.1 The ceilings approved in the report on 2016 Budget Policy Statement, shall serve as the basis of the expenditure ceilings for 2016/17 and medium term | | 1.0 out of 2.5 | Most of the ceilings were not adhered to. See table 8 and 9 |
| | 2.2 Fiscal responsibilities principles: explanation of how the budget relates to the principles. | | 1.0 out of 2.5 | Information provided for in the Budget Summary indicates that some of the principles such as the threshold of compensation to employees |
| | 2.3 List of all projects been implemented in the financial year 2016/17 and the medium term | | 0 out of 2.5 | There is no comprehensive list of all projects being funded leading to lack of transparency and openness |
| | 2.4 Allocation to state corporations/all entities on those that are to receive appropriated funds | | 2.5 out of 2.5 | Information Provided |
| | 2.5 Detailed estimated expenditure by vote and programme indicating both recurrent and development expenditure | | 2.5 out of 2.5 | Information is provided |
| | 2.6 Summary of budget policies | | 1.5 out of 2.5 | Some policies are not well articulated. |

| Key Element | Detailed Requirements | Legal Provisions | Compliance Rate | Comments |
|---|--|--|------------------|--|
| | including policies on revenue, expenditure, debt and deficit | | 2.5 | Such as debt and revenues policies in the Budget Summary |
| | 2.7 Information on revenue allocations to county governments from the national government's share, including conditional and unconditional grants | | 2.5 out of 2.5 | Information is provided |
| | 2.8 Information on estimated revenue by broad economic classification | | 2.5 out of 2.5 | Information has been provided |
| 3. Financing proposals: <i>Do the estimates provide reliable information of the government's financing of the budget?</i> | 3.1 On anticipated deficit / surplus for the financial year and the MT and the proposed source of financing | Constitution, PFM Act, PFM Regulations | 1.0 out of 2.5 | Though the information is provided, the framework is may be based on unrealistic GDP growth level |
| | 3.2 On loans and guarantees made to and by the national government, including an estimate of principal, interest and other charges to be paid by the national government in the financial year in respect of those loans | | 1.5 out of 2.5 | The information provided does not indicate interest and other charges to be paid in the financial year |
| | 3.3 On payments to be made and liability to be incurred by the National Government for which an Appropriation Act is not required. | | 2.5 out of 2.5 | Information has been provided. |
| | 3.4 Information regarding payments to be made and liabilities to be incurred that need constitutional approval or legislative authority for such payments | | 1.5 out of 2.5 | Limited information provided |
| 4. Public Participation: <i>Were the key stakeholders consulted during preparation of the estimates?</i> | 4.1 Do the estimates comply with the CRA policy: on revenue allocated to, and expenditures projected from, the equalisation Fund over the medium term. | Constitution, PFM Act, PFM Regulations | 0 out of 2.5 | The criterion used by National Treasury does not comply with CRA recommendations |
| | 4.2 Did the National Government consult the public when preparing their estimates? | | 0 out of 2.5 | National Government have not attached a report that informs on the views of the public |
| | 4.3 Did Parliament consult the public when preparing their estimates? | | 0 out of 2.5 | Parliament have not attached a report that informs on the views of the public |
| | 4.4 Did Judiciary consult the public when preparing their estimates? | | 0 out of 2.5 | Judiciary have not attached a report that informs on the views of the public |
| 5. Adherence on the recommendations by National Assembly on the BPS and previous year(s) budgets | 5.1 Memorandum explaining how the resolutions adopted by the National Assembly on the BPS have been taken into account | PFM Act, PFM Regulations | 1.5 out of 2.5 | The memorandum has been included in the budget summary document but some of the resolutions were not adhered to. |
| | 5.2 A statement specifying the measures taken by the national government to implement any recommendations made by the National Assembly with respect to the budget for previous financial year or years. | | 1.5 out of 2.5 | No information provided after the year 2015/16 |
| Total Level of Compliance | - | - | 30.0 out of 52.5 | 57.14 % |

Emerging Issues

- 8) *A review of the documents submitted to National Assembly indicate that there are some issues of concern in regards to the extent of its adherence. These issues are:*
- i) The spending agency ceilings in the adopted report BPS by the House were not adhered to as required under section 25(8) and 27(4) of the PFM Act and PFM Regulations respectively.*
 - ii) Some of the fiscal responsibility principles spelt out in PFM section 15 and PFM Regulations 26 (1) have not been adhered to. The 2016/17 budget estimates have failed to factor in compensation to employees of state owned enterprises. Furthermore, revenues are unrealistic. The revenues projected are not in tandem with the forecasted revenues in Budget Policy Statement, 2016.*
 - iii) The memorandum by the Cabinet Secretary explaining resolutions adopted by National Assembly on the BPS, indicates that some of the resolutions were not adopted. The resolutions not adopted include: The house resolved Kshs. 1 billion for Economic Stimulus Programme (ESP) however they were allocated Kshs. 0.5 billion. In addition, although a list of projects has been provided in the development estimates, it's difficult to evaluate the new and ongoing projects.*
 - iv) Debt policies are not well articulated therefore it's hard to evaluate whether fiscal consolidation will be achieved.*
 - v) There is no information in regards to the principle, interest and other charges for the new loans for the upcoming financial year.*
 - vi) No publication of citizens' budget (Mwananchi's guide) on National Treasury Website as required under PFM regulations 6(2).*

III. MACROECONOMIC ENVIRONMENT UNDERPINNING THE 2016/17 BUDGET

“Who is really feeling the 5.6 percent economic growth? It is perhaps a paradox that the continued economic growth of above 5 percent as witnessed in the past 5 years has not put a dent to poverty. Could this be because those who benefit from growth are often those who own wealth?” from the desk of a fiscal analyst

3.1 Introduction

- 9) The 2016/17 budget provides the opportunities that Kenya may exploit to achieve the Vision 2030 targets. For this to happen, there is urgent need for the country to put in measures on how to constrain its expenditure while still focusing on providing an investor friendly environment for the private sector to thrive. Factors which had been counted on to propel this growth include a stable macroeconomic environment with inflation remaining within the single digits and the exchange rate remaining stable as well as increased investment levels due to ongoing major development projects such as the Standard Gauge Railway, road construction and Geothermal development. This includes enhancing security and governance issues in order to enhance investor confidence and boost tourism as well as address corruption to enhance efficiency in utilization of public resources.
- 10) However, the 2016/17 budget has been prepared at a time when the country is grappling with serious internal and external challenges in its macroeconomic environment which may prevent it from becoming an Africa tiger. These include the following:

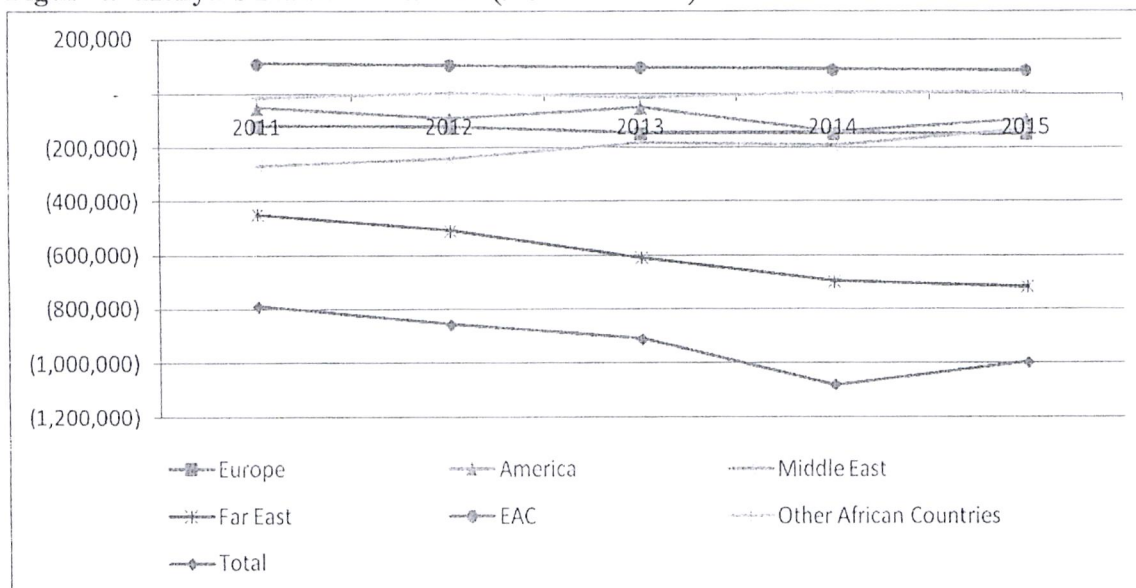
3.2 Economic Growth

- 11) The Kenyan economy grew by 5.6% in 2015 up from 5.3% in 2014. The growth was largely supported by agricultural sector (30%), manufacturing sector (10.3%), transport and storage (8.4%), real estate (7.6%), wholesale and retail (7.5%), and financial and insurance activities (6.9%). **Analysis of the GDP from an expenditure approach denotes that the economy has continued to be largely supported by private consumption (78.6%) while the government consumption supported only 14.5%.**
- 12) **The framework underpinning the 2016/17 Budget Estimates projects that the economy will expand in 2016 by 6.0% compared to 5.6% in 2015.** The growth will be supported by a strong output in agriculture due to a stable weather outlook; completion of key infrastructure projects in energy, rail and roads; stronger consumer demand and private sector investment; and a stable macroeconomic environment. The government bases the growth on its progressive focus on the five pillars

13) Downside risks still linger. For instance, the trade balance is still not in the country's favor with the total imports being more than the total exports by about Kshs. 1 trillion. The only region where Kenya's trade balance has been improving over the recent past is the Middle East and other African countries while the trade balance with the Far East has drastically deteriorated. The increase in imports from the Far East is explained by the substantial increase in import expenditure for railway construction materials from China.

14) It is crucial to note the Kenya's trade balance with the EAC has been gradually reducing albeit still positive. This is because the country has experienced a slower growth of export to the EAC while the growth of imports has significantly improved thus raising a worrying trend. Unlocking Kenya's export potential, a high priority.

Figure 1: Kenya's Balance of Trade (Kshs. millions)

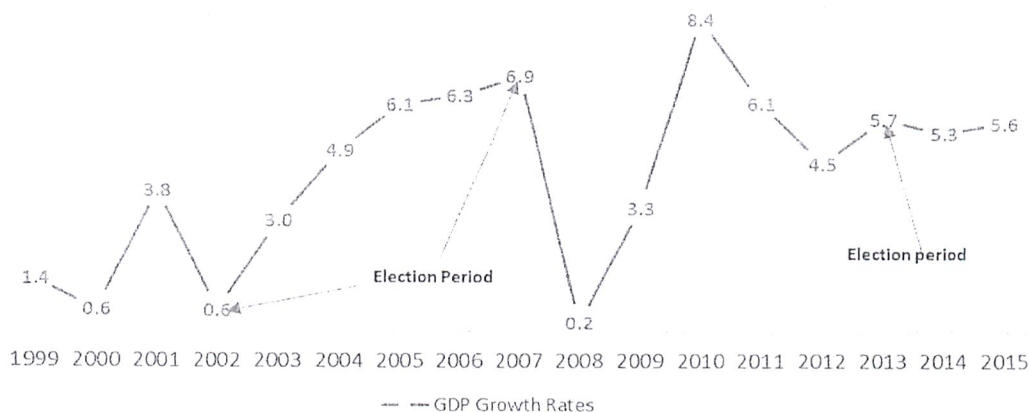


Source: Economic Survey 2016

- 15)** In the international scene, the low projected growth is likely to dampen trade outlook:
- i. In 2016, the Economy is poised to grown at 3.4 percent compared to the original forecast of 3.6 percent in January 2016.
 - ii. China is catching the cough, the growth forecast has been downgraded, and China is projected to grow at 6.3 percent amid huge capital outflows, slide in the currency and the summer stock market crush.
 - iii. In Europe, debt and unemployment levels continue to linger.
 - iv. Middle East and North Africa Region remains volatile in terms of oil shocks and political instability.

- v. In Sub-Saharan Africa, economic growth is expected to slow down to 4.5 percent in 2016 from 5.0 percent in 2015 due to subdued growth in the oil exporting countries due to declining oil prices; low commodity prices continue to have a negative knock on effect on Africa growth and particularly sluggish growth in South Africa presents a worrisome trend.
 - vi. Close home, the challenges affecting key regional (EAC) infrastructure projects as well limited commitment to key aggregates underpinning the monetary convergence may limit Kenya's growth.
- 16) Based on the above, it is forecasted that the economy will grow at 5.6% in 2016. Despite the stronger projections by the National Treasury, risks to the outlook still remain evident. **The country is still facing numerous macroeconomic challenges with the fiscal consolidation still a big challenge coupled with pressure on the domestic interest rates arising from the envisaged increase in expected domestic borrowing beyond the ceiling projected in the BPS 2016.** With the 2017 elections closing in, it is projected that the economy will be largely supported by the private consumption which is poised to grow by 7.1% and government consumption by 4.1%. The export growth is expected to be modest at 4.1% while import is projected to growth by 7.1%.
- 17) *Indeed, there are no significant policy adjustments to warrant growth leap of almost 400 basis points from 5.3 percent in 2014, 5.6 percent in 2015 to a projected growth of 6 percent in 2016. Thus economy likely to grow by 5.8 percent in 2016. The election fever may further dampen growth. Historically, election risk remains the greatest challenge going forward. From figure, 2 it is evident that election periods have coincided with low growth rates either during or after the election period*

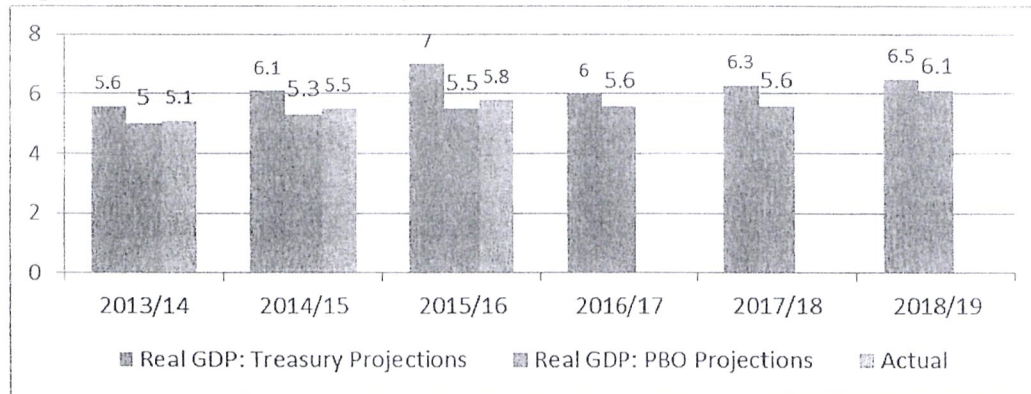
Figure 2: Kenya GDP growth rates showing the election periods



Source: KNBS

- 18) The last four years has witnessed an over projection of the real growth of the economy by the Treasury as compared to other institutions. This is shown in figure below.

Figure 3: Real GDP Growth (Historical trends)

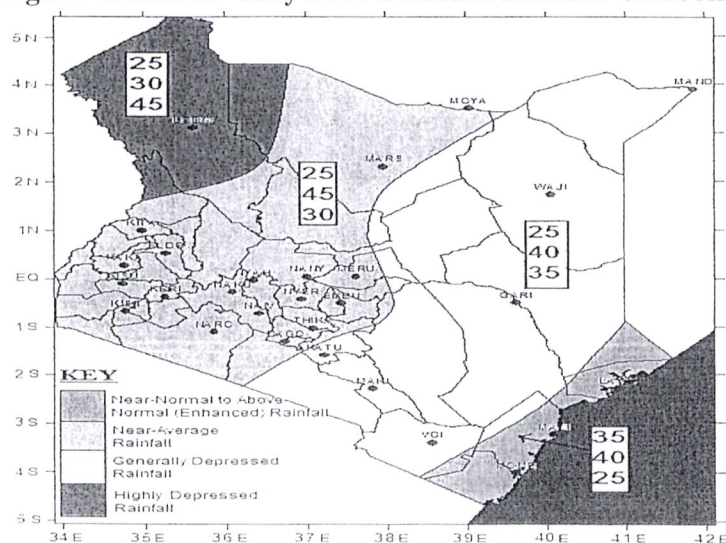


Source: PBO

3.3 Inflation

- 19) The overall inflation has been on the decline since the beginning of the financial year generally due to a reduction in the price of foodstuff and the sustained lower fuel prices. The near normal rains in the last few months may be the reason for the lower food prices and the continued stability in the exchange rate has allowed a pass through effect of the lower oil prices to be witnessed in the country. The 5.27 percent recorded in April 2016 is the lowest in the past two years. We project lower inflation of about 6.2% for 2016 compared to 6.5 percent recorded in 2015. **Despite the lower projected inflation regime, the food component contribution to inflation remains the highest.**

Figure 4: March- May 2016 Seasonal Rainfall Outlook



Source: Metrological Department 2016

- 20) Given the increasing deterioration of income among the poor over the past years, prices have risen more quickly for many of the things that low-income households spend a lot of their money on, such as food and nonalcoholic beverages as well as rent and utilities. As a result, these households are experiencing a higher rate of inflation than the public at large. This is shown in table 1.

Table 1: Trends in Contribution to Inflation Rate

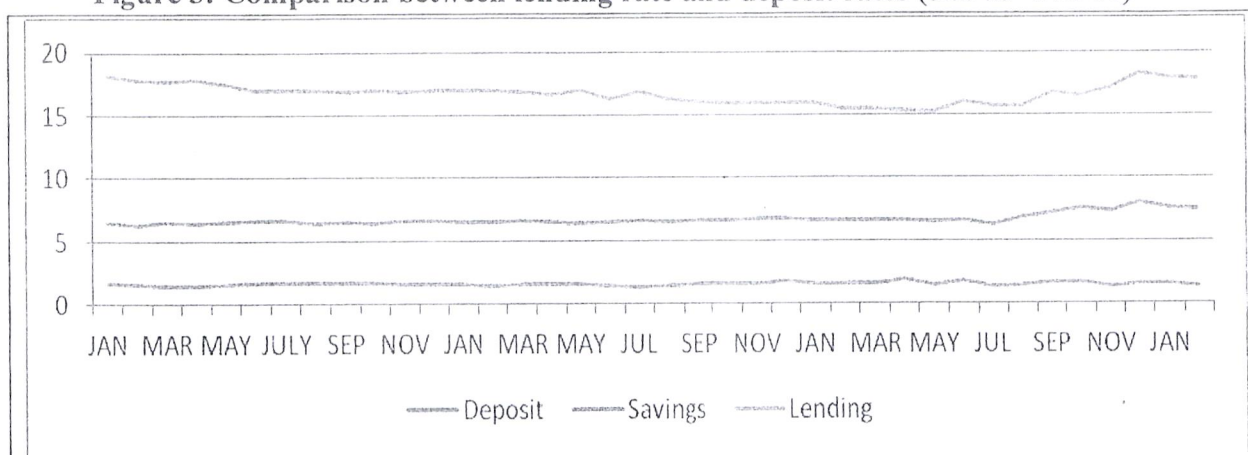
| | Contribution % | | | | | |
|--|----------------|--------------|--------------|--------------|--------------|--------------|
| | Oct. 2015 | Nov. 2015 | Dec. 2015 | Jan. 2016 | Feb. 2016 | Mar. 2016 |
| Food & Nonalcoholic Beverages | 65.21 | 67.93 | 64.39 | 62.79 | 61.81 | 57.27 |
| Alcoholic Beverages, Tobacco & Narcotics | 1.11 | 1.00 | 4.16 | 4.22 | 4.54 | 5.11 |
| Clothing & Footwear | 5.67 | 5.01 | 5.05 | 4.97 | 5.49 | 5.91 |
| Housing, Water, Electricity, Gas and other Fuels | 11.63 | 11.38 | 11.86 | 11.44 | 8.13 | 10.66 |
| Furnishings, Household Equipment & Routine Household Maintenance | 4.82 | 4.44 | 4.03 | 4.18 | 4.54 | 4.95 |
| Health | 2.52 | 2.32 | 1.97 | 2.38 | 2.69 | 2.73 |
| Transport | -2.02 | -1.61 | -0.81 | -0.28 | -0.43 | -0.45 |
| Communication | 0.70 | 0.65 | 0.69 | 0.72 | 1.62 | 1.71 |
| Recreation & Culture | 1.09 | 0.84 | 0.71 | 1.27 | 1.44 | 1.53 |
| Education | 2.02 | 1.90 | 1.72 | 1.77 | 2.16 | 2.24 |
| Restaurants & Hotels | 3.52 | 3.08 | 3.19 | 3.50 | 4.28 | 4.43 |
| Miscellaneous Goods & Services | 3.73 | 3.05 | 3.03 | 3.04 | 3.72 | 3.91 |
| Aggregation | 100 | 100 | 100 | 100 | 100 | 100 |

Source: KNBS, PBO Computations

3.4 Interest Rates

- 21) Since the beginning of FY 2015/16, the Central Bank Rate and the Kenya Banks' Reference Rate (KBRR) have remained constant at 11.5 percent and 9.87 percent respectively. However, the lending rates have gradually increased from 15.8 percent in July 2015 to a high of 18.3 percent as at February 2016. The deposit rates have also increased from 6.3 percent in July 2015 to 8 percent in February 2016. This indicates that the unchanged monetary policy stance has had little effect especially on the lending rates. The high lending rates impact negatively on the private sector growth.

Figure 5: Comparison between lending rate and deposit rates (Jan 13- Feb 16)



- 22) On the other hand, the interbank increased from 13.5 percent in July 2015 to a high of 19.9% in September 2015 but has gradually reduced since then to stand at 4.5% in February 2016. Similarly, the 91-day Treasury bill increased from 10.6% in July 2015 to a high of 21% in September 2015 but gradually reduced to 9.3% as at the last week of February 2016. This decline indicates increased liquidity in the money market.

3.5 Exchange Rate

- 23) In 2015, the shilling depreciated against all major international currencies but it was able to remain resilient at the beginning of 2016. The shilling was exchanging with the US dollar at Kshs. 101.2 in July 2015 but gradually weakened to a low of Kshs. 105.3 in September 2015 before it started gaining. As of January 2016 the Kenyan Shilling traded at Kshs. 102.3 against the US Dollar and has since stabilized. Since October 2015, the Shilling has been appreciating against the Sterling Pound to stand at Kshs. 147.5 and Kshs. 111.1 to the Euro as of January 2016.
- 24) The risks to the stability of the exchange rate include: the strengthening of the USA dollar that would make it costly to borrow in the international markets; a deteriorating trade balance owing to high imports and non performing export sector. However, going forward the exchange rate may depreciate in the coming months due to demand pressures occasioned by high absorption rates of development expenditures

Emerging Issues

25) *The following are the key emerging issues:*

- i. GDP growth estimate of 6.0 percent in 2016 is unlikely to be met due to exogenous shocks such as election's fever and weak outlook of global economy. Overall, the budget for 2016/17 appears to build on policies that have been put in place in the previous years and expenditure has increased based on some changes from the previous year's budget. The pace of growth is therefore likely to remain, on average, on the same level as it has been in the previous years. It is projected that the economy will grow by 5.6 percent in 2015 rising to 5.8 percent in 2017.*
- ii. Insecurity will continue hurting the economy not unless decisive measures are taken to address the crisis. This calls for concerted efforts amongst all citizens to promote safe communities.*
- iii. Though inflation has remained stable over the course of the previous year, it is slowly edging upwards and may increase further over the coming months due to the likelihood of food shortage.*
- iv. Despite enhanced investment in agriculture, the country is yet to achieve food security and with inadequate rainfall over most parts of the country, there is a high likelihood of food shortage and high food prices. The country should therefore prepare for provision of food support especially in Arid and Semi-Arid areas.*
- v. The declining number of tourists is a worrying trend to the economy in terms of loss of jobs and reduced foreign exchange earnings. Mitigation measures include tax rebates to hotels, tax rebates on domestic travel, infrastructure development particularly in touristic regions to improve linkages and extensive marketing the country as a tourist destination.*
- vi. There is likelihood of revenue underperformance as the revenue projections are based on a high GDP growth projection. Thus there may be need to use BPS ceilings as the baseline for review and approval of the budget*

IV. DEBT AND DEFICIT FINANCING

4.1 Deficit financing

- 26) The government has highlighted that it intends to address debt sustainability issues by containing the overall fiscal deficit and putting emphasis on efficiency and effectiveness of public spending as well as enhanced revenue performance through broadening the tax base and improving revenue administration. The government borrowing plans are anchored on the approved 2016/17 Medium Term Debt Management Strategy.
- 27) However, one of the key concerns is the country's continued fiscal expansion which remains the greatest challenge to debt sustainability as the country is forced to borrow to meet its increasing expenditure demands. As such, despite commitments by the government to reduce the deficit levels over the medium term, this appears to be a moving target as the figures are continuously adjusted upwards as illustrated in the table below:

Table 2: Primary Balance Projections

| | Financial Years(%GDP) | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|-----------------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| BPS 2012 | Balance(Commitment basis excl grants) | -5.2% | -6.3% | -5.6% | -4.9% | -4.6% | | | | |
| | Balance(Cash basis incl grants) | -4.5% | -4.8% | -4.3% | -3.8% | -3.5% | | | | |
| BPS 2013 | Balance(Commitment basis excl grants) | -5.5% | -6.1% | -7.0% | -5.5% | -4.9% | -4.8% | | | |
| | Balance(Cash basis incl grants) | -4.8% | -5.6% | -4.9% | -4.3% | -3.7% | -3.6% | | | |
| BPS 2014 | Balance(Commitment basis excl grants) | | -6.2% | -7.4% | -10.8% | -7.9% | -7.2% | | | |
| | Balance(Cash basis incl grants) | | -5.5% | -6.8% | -8.9% | -6.3% | -5.4% | | | |
| BPS 2015 | Balance(Commitment basis excl grants) | | | -5.8% | -6.5% | -8.8% | -8.2% | -6.2% | -4.8% | |
| | Balance(Cash basis incl grants) | | | -5.3% | -5.9% | -8.0% | -7.4% | -5.4% | -4.0% | |
| MTEF (2015/16 Budget) | Fiscal Deficit(Cash basis incl grants) | | | | | | -8.7% | -5.3% | -4.0% | |
| BPS 2016 | Balance(Commitment basis excl grants) | | | | | -9.3 | -9.2 | -7.7 | -6.2 | -4.9 |
| | Balance(Cash basis incl grants) | | | | | -8.6 | -8.0 | -6.8 | -5.4 | -4.1 |
| MTEF (2016/17 Budget) | (Cash basis incl grants) | | | | | | -10.1% | -9.3% | -6.4% | -5.3% |

Data Source: BPS various issues/ Budget Summary April 2016

- 28) The level of deficit shows direction of the country's fiscal policy. If the set targets are continuously flouted, then predictability of the budget is compromised and effectiveness of the country's deficit policies is diluted. In the proposed budget, the government is

proposing to borrow around Kshs. 689.1 billion in the FY 2016/17 which will decrease to Kshs.522.2 billion in 2017/19 and Kshs. 481.3 billion in 2018/19. This is to bridge the budget deficit which is forecasted to grow to 9.3 percent, 6.4 percent, and 5.3 percent respectively in FY 2016/17, FY 2017/18 and FY2018/19.

- 29) A close examination of the financing figures in the budget estimates submitted to Parliament (as shown in table 4) indicates that the figures do not correlate with the initial figures that were in the approved Budget Policy Statement, 2016 that was passed by the Parliament.

Table 3: Budget Deficit Financing in Estimates 2016/17 vs. BPS 2016/17

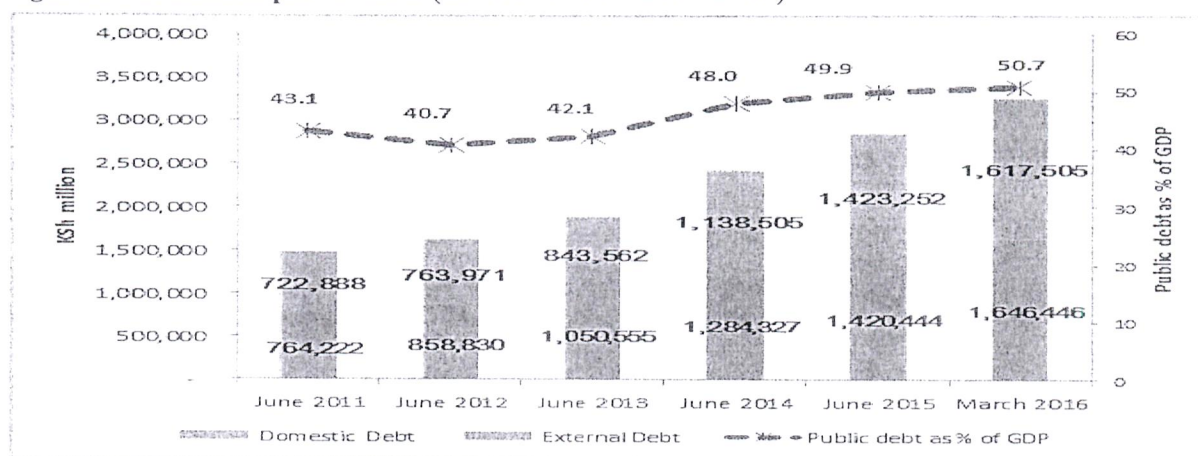
| | Budget Estimates for 2016/17 Financial Year (In billions) | | | BPS, 2016 (In billions) | | |
|---------------------------------|--|--------------|--------------|-------------------------|--------------|--------------|
| | 2015/16 | 2016/17 | 2017/18 | 2015/16 | 2016/17 | 2017/18 |
| Financing | 662.6 | 689.1 | 522.2 | 517.3 | 495.5 | 440.8 |
| Project Loans | 344.7 | 345.4 | 213.4 | 242.3 | 257.9 | 232.8 |
| Commercial Financing | 154.332 | 153.8 | 150 | 134.3 | 100.0 | 125.0 |
| Foreign Repayments Due | (38.79) | (43.6) | (132.2) | (38.4) | (47.1) | (132.2) |
| Domestic Loan Repayments | 2.8 | (11.424) | (11.5) | 0 | (15.4) | (15.6) |
| Domestic Borrowing | 191.2 | 241.1 | 302.3 | 168.2 | 197.6 | 228.0 |
| Program Support | 8.2 | 3.9 | 0 | 8.2 | 0 | 0 |

Source: National Treasury

4.2 Debt

- 30) Over the period June 2013 to March 2016, domestic debt on external debt has growth by 14 percent in annual terms. On the other hand, the annual growth rate of domestic stood at 13.6 percent over the same period. In total, over the same period, the public debt grew by 14 percent in annual terms. The figure below shows the trend in growth of public debt.

Figure 6: Trends in public debt (June 2011 to March 2016)



Source: National Treasury

4.3 Debt Sustainability Analysis

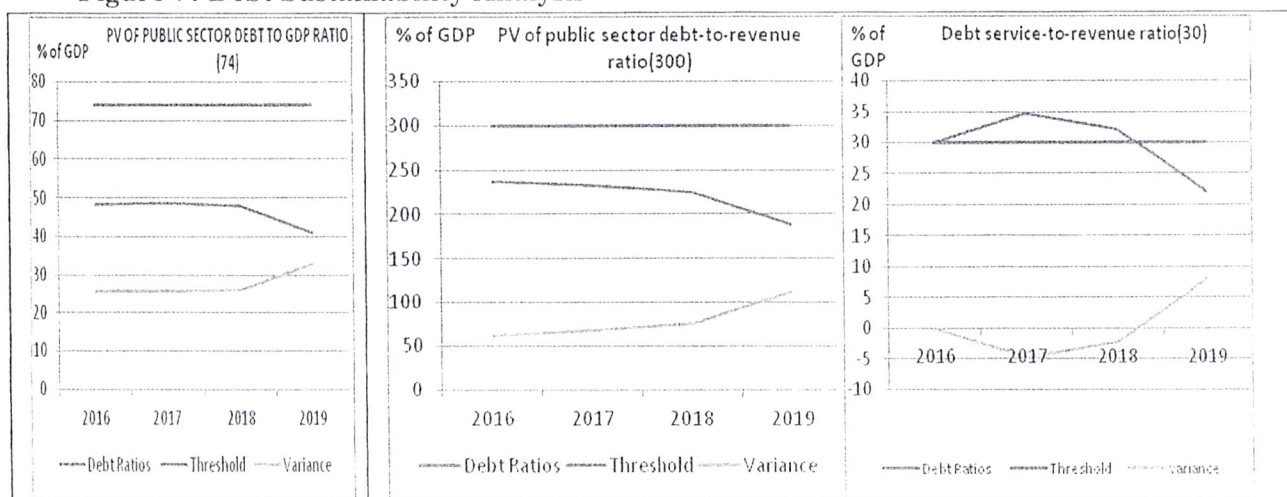
31) Debt sustainability analysis, compares debt burden indicators to thresholds over 20 -year projection period, if a debt burden indicator exceeds its indicative threshold then it would suggest that a risk of experiencing some form of debt distress. Currently DSA indicates that the level of debt in Kenya is generally sustainable. Even though the level of public sector debt to GDP is sustainable at 48.5% against a threshold of 74%. It is important to underscore that the current debt level is slowly approaching the level set under the EAC convergence criteria of 50%. In addition, one of the indicators of DSA, which is the ratio of debt service to revenue, is projected to go beyond the threshold of 30 percent over the period 2016/17. Indeed, in 2017, this level is projected bypass its limit in the 2017 by 4.7% on account of debt redemptions and interest rate costs that are expected to rise substantially in the FY 2017/18. For this ration to be within the laid limits, the Government must double its efforts of enhancing revenue mobilization (Table 4 and Figure7).

Table 4: Public debt sustainability thresholds and performance

| | Threshold | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 | 2035 |
|---|-----------|-------|-------|-------|------|-------|-------|------|-------|-------|
| PV of Public Sector Debt to GDP Ratio | 74 | 42.9 | 45.8 | 48.3 | 48.5 | 48.5 | 47.9 | 47 | 40.9 | 33 |
| PV of Public Sector Debt To Revenue Ratio | 300 | 221.1 | 231.8 | 237.8 | 232 | 228.1 | 224.5 | 218 | 187.6 | 148.5 |
| Debt Service - to - Revenue Ratio | 30 | 41 | 30.4 | 30 | 34.7 | 28.8 | 32.2 | 26.4 | 22 | 18.1 |

Source: Budget Summary FY 2016/17

Figure 7: Debt Sustainability Analysis



Source: National Treasury

- 32) Secondly, even if the borrowing is being used for development expenditure, the investment must be able to yield returns that far outweigh the cost of the loans. Is Kenya's public investment producing assets? Over the period 2002/03- 2014/15, the allocation towards development grew by 29 times in nominal terms. However, the rate of completion of projects has been very low. It is estimated that as of June 2015, there were more than 1,000 projects which were classified as ongoing. The estimated cost to complete these projects is estimated at Kshs.3 trillion. In a country where cost overruns in project implementation is inevitable it means the overall completion costs for these projects will be eventually be more than Kshs.3 trillion.

Emerging Issues

33) *The following are some of the key emerging issues:*

- i. The strategy of government is to reduce public debt over the medium term. However, the increase in budget deficit shows lack of commitment to debt sustainability in the long run. This is a worrisome trend since according to the Constitution Art.201 (c), the government is obliged to maintain debt levels sustainable for future generations also.*
- ii. There is a high likelihood that the framework is not fully financed. Indeed, the government may not be able to raise the revenue projected due to the fact that the revenue projection is premised on a higher growth trajectory.*
- iii. The new proposed level of financing is not accompanied with other supporting documents. For instance, in light of the new developments of financing the new budget deficit, there is need for the Government to adhere to the MTDS 2016 as approved by the Parliament.*
- iv. In the BPS, 2016 the domestic borrowing for financial year 2016/17 was projected at Kshs.197.6 billion, however in the estimates submitted the domestic debt is set to rise by Kshs.43.5 billion to Kshs.241.1 billion. This clearly shows the budget is not driven by any policy as the policies in the BPS were those of austerity and containing the deficit expansion. An expansion shows that the budget is tending to be more of supply driven rather than demand driven. This negates the government policy of facilitating private sector growth as this trend will crowd out the private sector. Even though, domestic borrowing appears to be decreasing in the medium term, judging from history, this could be a moving target.*

V. REVENUE PERFORMANCE AND OUTLOOK

- 34) The Government projected total revenue to reach Kshs.1.295 trillion in 2015/16, or Kshs. 1.184 trillion excluding Appropriation in Aid (AIA). This is compared with the original total revenue projection of Kshs. 1.358 trillion and Kshs. 1.255 trillion in ordinary revenue. Overall the revenue was revised downwards by Kshs.71 billion in ordinary revenue terms and Kshs.63 billion in total revenue (including AIA). Unlike the previous years, a summary indicating the global sum of the key revenue types has not been provided. This makes it difficult for a quick comparison with regard to the performance of the various revenue categories.
- 35) According to the National Treasury, (see the Quarterly Economic and Budgetary Review) the perennial underperformance of the AIA is attributable to underreporting by universities. Though no corrective measures have been proposed. But, little explanation is given for either underperformance or equally overestimation of corporate income tax and import VAT. Some of the likely plausible reasons for the low collection of import VAT is possible overestimation of the effect of the VAT Act 2013, or equally volume changes to VAT as a result of demand changes and exemptions of some VAT imports.
- 36) A careful review of approved budget revenue estimates and end-of-period actual revenue points to systematic overestimation of revenue. Despite the fact that forecast errors should be lower if the growth of given revenue components is stable (for instance, growth of income tax and import duty are stable and their shares in GDP are predictable using historical information compared to AIA), these revenue components are always overestimated. Table 5 shows a comparison between approved revenue estimates (forecasts) relative to actual revenue outturn, revealing substantial overestimation of revenue way above average trends. Notably, the deviation between the amount of revenue that was anticipated during budget approval by Parliament and the actual was highest in 2012/13 and 2013/14. Overestimation is particularly remarkable for import duties (69 percent relative to 17%) and the other taxes¹ (105 percent relative to a contraction by 12%) in 2013/14.

Table 5: Growth rates of revenue forecasts relative to actual revenue collections

| | 2011/12 | 2012/13 | 2013/14 | 2014/15 | 2015/16 | Average growth |
|----------------------------|---------|---------|---------|---------|---------|----------------|
| Approved Revenue Forecasts | | | | | | |
| Total Revenue | 18% | 28% | 33% | 21% | 23% | 24% |
| Ordinary Revenue | 17% | 26% | 34% | 18% | 22% | 23% |
| Import Duty | 21% | 30% | 69% | 15% | 11% | 29% |

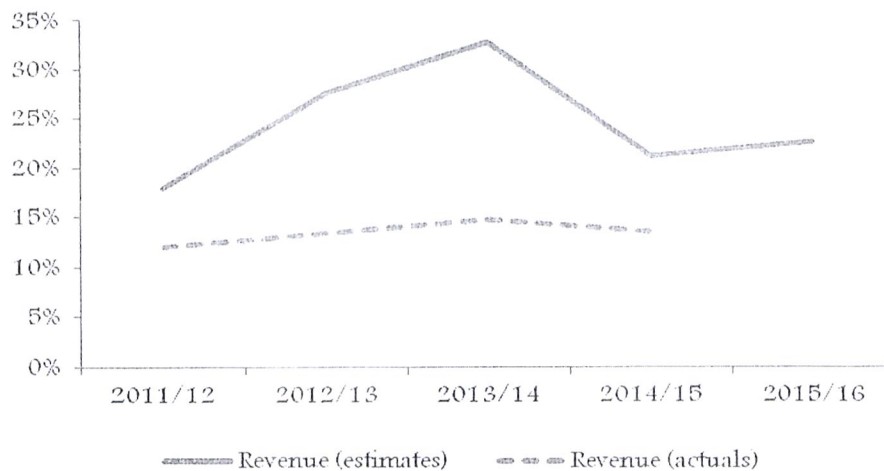
¹Comprising license fees, agency revenues, property taxes

| | | | | | | |
|------------------------|-----|-----|------|-----|-----|-----|
| Excise Duty | 16% | 17% | 17% | 17% | 23% | 18% |
| Value Added Tax | 19% | 26% | 24% | 15% | 19% | 21% |
| Income Tax | 13% | 23% | 22% | 21% | 23% | 20% |
| Other Taxes | 30% | 49% | 105% | 20% | 33% | 47% |
| AIA | 27% | 48% | 24% | 70% | 37% | 41% |
| Actual Revenue Outturn | | | | | | |
| Total Revenue | 12% | 13% | 15% | 14% | | 13% |
| Ordinary Revenue | 13% | 13% | 18% | 12% | | 14% |
| Import Duty | 12% | 11% | 17% | 10% | | 13% |
| Excise Duty | -2% | 9% | 19% | 14% | | 10% |
| Value Added Tax | 7% | 1% | 26% | 12% | | 11% |
| Income Tax | 21% | 19% | 21% | 13% | | 18% |
| Other Taxes | 24% | 19% | -12% | 9% | | 10% |
| AIA | -2% | 24% | -22% | 36% | | 9% |

Sources: QEBR (various issues); Budget Estimates (various issues)

- 37) As would be expected, revenues during budget approval are also quite high on average for two unstable revenue sources, namely 'other taxes' and AIA. On average, for the total revenues and through most of the revenue categories, the Government tended to overestimate revenue growth during budget approval by about 12 percent points. This hints that either the Government needed to cut spending during the financial year through supplementary budgets, or needed to ramp up domestic borrowing including external borrowing to cater for the difference. Over the four years reviewed, real revenue collections grew at a modest 14 percent while the Government believed that revenues would grow at 23 percent, invariably contributing to rising fiscal deficits and borrowing.
- 38) There is anecdotal evidence that revenue forecasts tend to correspond to rising expenditure pressures and governments overall borrowing plans. To avoid a financing gap during the budget approval process, domestic taxes are nudged to their limits so as to accommodate excess spending plans to curb debt financing whenever possible. With revenue collections repeatedly falling short of their target for several years since 2010, for example, and with rising spending pressures from the wage bills, expenditure allocations to counties, increased spending on infrastructure developments and social sector, debt financing took marked prominence.
- 39) Tax pressures have remarkably increased due to this fiscal stance. August to November 2015 macroeconomic shocks clearly mean that this stance, high Government spending, inflexible revenues, and borrowing, is unsustainable. Ambitious revenue targets tend to fuel more spending requests and indirectly appear to drive overall deficit and consequent borrowing. This stance should therefore give way to modest fiscal deficits, which means reduced Government spending growth, and realistic revenue forecasts.

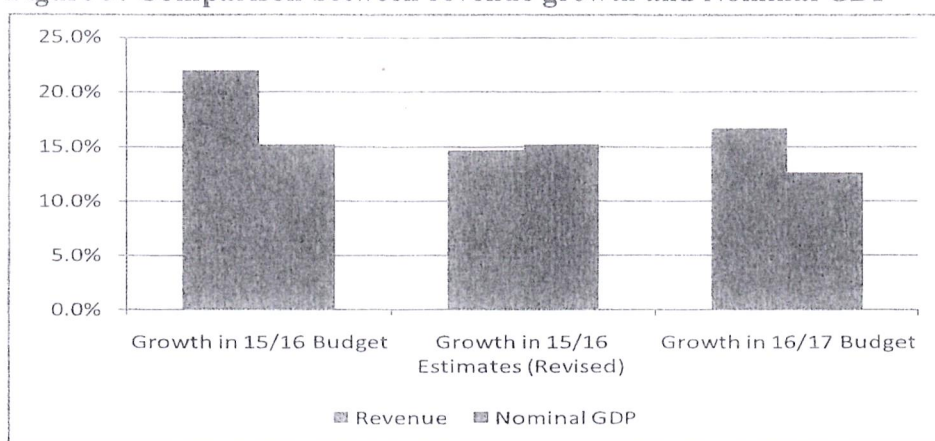
Figure 8: Growth Rates of Revenue Estimates and Actuals



Sources: QEBR (various issues); Budget Estimates (various issues)

- 40) To achieve credible revenue targets requires reduced Government spending pressures and improved forecasting of revenue. Additionally, certain measures may be implemented in the next financial year and the medium term to improve revenue performance. If tax smoothing takes precedence, then more buoyant taxes such as income tax and VAT will drive revenue growth in the medium term. Certain administrative efforts could also be implemented, among them a more concerted clamp down on tax cheating. Recent laws such as Excise Duty Act and the VAT Act clearly outlaw schemes designed to reduce tax liability of taxpayers. Other nascent measures include digitizing most revenue collection as well as curbing tax erosion from transfer pricing.
- 41) The 2016/17 revenue forecast depicts the same analogy as the one explained above. Indeed, the envisaged growth in ordinary revenue in 2016/17 will stand at 16.7 percent compared to nominal growth in GDP of 12.6 percent. This implies that revenue is projected to grow faster than economy. This phenomenon can only manifest itself if there are radical reform measures in revenue administration. It is important to point out that the initial ordinary revenue growth for 2015/16 was set at 21.9 percent. Owing to slowdown in economic growth among other variables the treasury projects the growth of ordinary revenue to stand at 14.6 percent by the close of June, 2016. The revised growth is broadly in line with the nominal growth of GDP, which projected to stand at 15.1 percent.

Figure 9: Comparison between revenue growth and Nominal GDP



VI. EXPENDITURE FRAMEWORK UNDERPINNING THE 2016/17 BUDGET

6.1 Analysis of 2016/17 Program Based Budgeting

42) The policy behind the adoption of programme based budgeting is to link the various programs being funded in the budget with its indicators and targets. This linkage enables one to track the efficiency of delivery of services to its citizens. The narrative for program based budgeting in the 2016/17 estimates is weak.

43) *The following are the emerging Issues:*

- i) There are some changes in programs in the 2016/17 estimates as compared to the BPS, 2016. Furthermore, the indicators and targets lack baselines i.e. there is no progress report for previous years on ongoing programs.*
- ii) Some programs have zero indicators and targets especially in the energy sector. This makes it difficult to track the desired output. In addition, there is no information provided for exemption to disclosure of some programs.*
- iii) The economic classification provided in the 2016/17 lacks clarity. There is no information provided that entails what qualifies to be other recurrent and development.*
- iv) There is no detailed information on Appropriations in Aid, including donor funding. The national treasury has indicated in their budget summary that they have received new funds from donors which they have factored in the budget. However, it's difficult to trace which programs will be funded by donor funds. It's crucial to know programs funded by donor funds, since the low absorption rate among MDAs reported in year is a result of donors not fulfilling their commitments hence resulting to the introduction of the supplementary budget.*

6.2 Analysis of the Fiscal Framework

- 44) As stated earlier, the government targets to increase its revenue collection in 2016/17 to Kshs. 1.5 trillion (21.3% of GDP) compared to Kshs.1.2 trillion (18% of GDP) targeted to be collected in 2015/16. From the revenue collection, external grants and other borrowings, the National Government intends to spend a total of Kshs. 2.27 trillion (30.8% of GDP) in 2016/17 up from Kshs. 2.09 trillion (31.8% of GDP) in 2015/16. This includes Kshs.310 billion for Consolidated Funds Services (interest payments, pensions, etc); Kshs.858.1 billion for recurrent expenditures; Kshs.817.9 billion for development expenditures; and Kshs.284.8 billion for County Allocations. The contingency fund and equalization fund have been allocated Kshs.5 billion and Kshs.6 billion respectively.
- 45) The expenditures in the printed estimates are higher than that in the BPS by Kshs. 224.6 billion. The CFS expenditures have been increased by Kshs. 35.2 billion, ministerial recurrent expenditure has been increased by Kshs. 39.3 billion, and development expenditure increased by Kshs. 150.2 billion.
- 46) The budget deficit is set to be funded through external grants amounting to Kshs.72.6 billion (1% of GDP), foreign financing amounting to Kshs.459.4 billion (6.2% of GDP) and domestic financing of Kshs.243.7 billion (3.3% if GDP). Compared to the fiscal framework of the BPS, the increments in expenditure will be largely financed from increased in borrowings and grants. The external borrowings are set to increase by Kshs.148.7 billion, the domestic borrowing be increased by Kshs.58.9 billion and the external grants set to increase by Kshs. 12.8 billion. The table below indicates the deviations between the fiscal framework in the BPS ceilings and the printed estimates.

Table 6: Comparison of the Fiscal framework from the BPS and the Printed Estimates

| | 2015/16 Revised Estimates | 2016/17 BPS Estimates | 2016/17 Printed Estimates | 2015/16 Revised Estimates | 2016/17 BPS Estimates | 2016/17 Printed Estimates | Difference | % change |
|--|---------------------------------|-----------------------------|---------------------------------|---------------------------------|-----------------------------|---------------------------------|------------|-------------|
| | Kshs. billions | | | As a % of GDP | | | | |
| Total Revenue and Grants | 1,371.4 | 1,556.2 | 1,573.2 | 20.9% | 21.1% | 21.3% | 16.96 | 1.1% |
| Total Revenue (incl. AiA) | 1,294.7 | 1,496.4 | 1,500.6 | 19.7% | 20.2% | 20.3% | 4.21 | 0.3% |
| External Grants | 76.6 | 59.8 | 72.6 | 1.2% | 0.8% | 1.0% | 12.75 | 21.3% |
| Total Expenditure and Net Lending | 2,086.6 | 2,051.7 | 2,276.3 | 31.8% | 27.8% | 30.8% | 224.61 | 10.9% |
| Recurrent | 1,034.8 | 1,094.2 | 1,168.6 | 15.8% | 14.8% | 15.8% | 74.43 | 6.8% |
| CFS (Interest & Pensions) | 242.8 | 275.4 | 310.6 | 3.7% | 3.7% | 4.2% | 35.16 | 12.8% |
| Ministerial Recurrent | 792.0 | 818.8 | 858.1 | 12.1% | 11.1% | 11.6% | 39.27 | 4.8% |
| Development | 782.6 | 667.7 | 817.9 | 11.9% | 9.0% | 11.1% | 150.19 | 22.5% |
| Domestic | 363.0 | 351.3 | 400.9 | 5.5% | 4.8% | 5.4% | 49.56 | 14.1% |
| Foreign | 413.6 | 310.4 | 411.0 | 6.3% | 4.2% | 5.6% | 100.64 | 32.4% |

| | | | | | | | | |
|---------------------------------------|----------------|----------------|----------------|---------------|---------------|---------------|-----------------|--------------|
| <i>Equalization Fund</i> | 6.0 | 6.0 | 6.0 | 0.1% | 0.1% | 0.1% | - | |
| Contingencies | 5.0 | 5.0 | 5.0 | 0.1% | 0.1% | 0.1% | - | |
| County Allocation | 264.2 | 284.8 | 284.8 | 4.0% | 3.9% | 3.9% | (0.01) | 0.0% |
| Overall Balance (incl. grants) | (715.3) | (495.5) | (703.1) | -10.9% | -6.7% | -9.5% | (207.65) | 41.9% |
| Statistical Discrepancy | - | - | - | -0.7% | 0.0% | 0.0% | - | 0.0% |
| Financing | 715.3 | 495.5 | 703.1 | 10.1% | 6.7% | 9.5% | 207.65 | 41.9% |
| External Financing | 472.6 | 310.7 | 459.4 | 7.2% | 4.2% | 6.2% | 148.73 | 47.9% |
| Domestic Financing | 242.7 | 184.8 | 243.7 | 3.7% | 2.5% | 3.3% | 58.91 | 31.9% |
| Nominal GDP | 6,566.4 | 7,392.2 | 7,392.2 | 100.0% | 100.0% | 100.0% | | |

Source: PBO

6.3 Comparison of the 2016/17 Budget Estimates to the Approved BPS Ceilings

- 47) The total expenditure for 2016/17 budget is Kshs. 2.26 trillion as compared to the Kshs. 2.05 trillion approved by Parliament in the BPS, 2016. This represents a 11 percent increase in total expenditure. The increase in expenditure is occasioned by an increase in expenditure ceilings for the three arms of government as well as the Consolidated Fund Services (CFS). National government, Judiciary and Parliament have increased their budget ceilings as compared to the BPS, 2016 by 12 percent, 9 percent and 10 percent respectively. The Consolidated Fund Services (CFS) payments also rose by 6.5 percent as opposed to what was approved in the BPS, 2016. The increase in expenditure in the CFS will be driven by new loans, interest expenses and debt redemptions.
- 48) The BPS, 2016 was anchored on austerity policies however; the 2016/17 budget estimates submitted to Parliament indicate that these austerity policies will not be adhered to. This is a clear indication that the 2016/17 estimates are not driven by policies prescribed earlier. This poses a serious challenge on whether the 2016/17 budget will have a meaningful impact to the citizens.
- 49) The Public Finance Management Act, 2012, Section 25(8) and PFM Regulation 27(4&5), indicates that once the Budget Policy Statement (BPS) has adopted by Parliament, the resolution of the House shall serve as the basis of expenditure ceilings specified in the fiscal framework, and that the ceilings of development expenditure and personnel emoluments shall be binding for the next 2 budget years. Also, Section 38(a)(iii) of the PFM requires the National Treasury, when presenting the budget estimates to the National Assembly, to present a memorandum explaining how the resolutions of the National Assembly have been taken into consideration.
- 50) The resolution of the House on the BPS 2016 approved a total expenditure of Ksh 1,498.4 billion; this included Ksh 1,451.2 billion for the National Government, Ksh 29.4 billion for Parliament and Ksh 17.8 billion for the Judiciary. However, all the three arms of government

did not abide to these ceilings when preparing their printed estimates thus the total net budget increase of by Ksh 180.1 billion to Ksh 1,678.4 billion; this includes Ksh 175.708 billion for National Government, Ksh 2.6 billion for Parliament and Ksh 1.8 billion for Judiciary.

Table 7a: Total Deviation of the Budget per Arm of Government

| Item | Approved BPS Ceilings | | | Proposed Budget Estimates | | | Variation | | |
|---------------------------|-----------------------|----------------|------------------|---------------------------|----------------|------------------|---------------|----------------|----------------|
| | Recurr | Capital | Total | Recurr | Capital | Total | Recurr | Capital | Total |
| National Government | 801,326 | 649,870 | 1,451,196 | 817,010 | 809,894 | 1,626,904 | 15,684 | 160,024 | 175,708 |
| Parliament | 26,206 | 3,200 | 29,406 | 27,493 | 4,500 | 31,993 | 1,287 | 1,300 | 2,587 |
| Judiciary | 13,310 | 4,449 | 17,759 | 13,570 | 5,949 | 19,519 | 260 | 1,500 | 1,760 |
| Total Net Increase | 840,842 | 657,519 | 1,498,361 | 858,073 | 820,343 | 1,678,416 | 17,231 | 162,824 | 180,055 |

Source: 2016 BPS & 2016/17 Printed Estimates

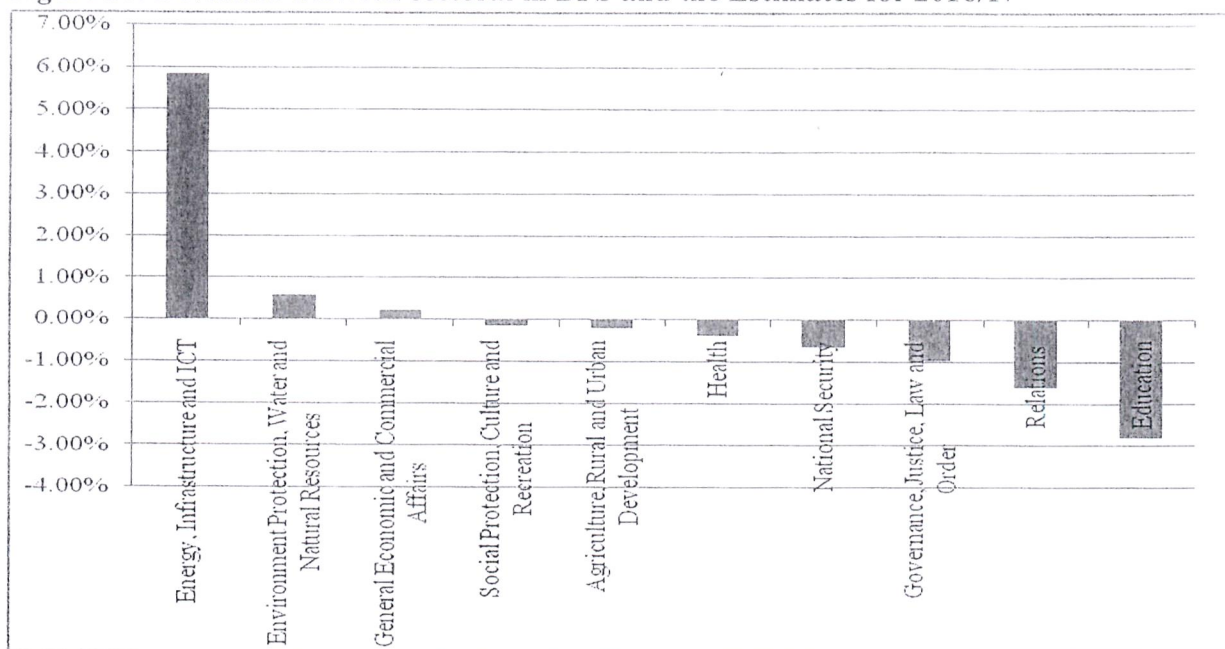
51) From a sectoral point of view, safe for the infrastructure (5.3 percent), environment (0.59 percent), and general economic services sectors (0.23), all other sectors had reduction in allocation when compared to the BPS level. Indeed, the increase in allocation amounted to Kshs.139 billion in absolute terms. This is shown in table 7b and figure 10.

Table 7b: Deviation between sectoral in BPS and the Estimates for 2016/17

| Sector | BPS Ceilings | Gross Estimates | Difference | % Change | Approved BPS Ceilings | Gross Estimates | |
|---|-----------------|-----------------|---------------|--------------|-----------------------|-----------------|--------------|
| | Total | | | | % of total | % of total | Diff. |
| Energy, Infrastructure and ICT | 367.60 | 506.65 | 139.05 | 37.8% | 24.53% | 30.37% | 5.83% |
| Environment Protection, Water and Natural Resources | 74.56 | 92.86 | 18.30 | 24.5% | 4.98% | 5.57% | 0.59% |
| General Economic and Commercial Affairs | 15.36 | 20.88 | 5.52 | 35.9% | 1.03% | 1.25% | 0.23% |
| Social Protection, Culture and Recreation | 32.35 | 33.73 | 1.38 | 4.3% | 2.16% | 2.02% | -0.14% |
| Agriculture, Rural and Urban Development | 65.38 | 69.64 | 4.26 | 6.5% | 4.36% | 4.17% | -0.19% |
| Health | 59.58 | 60.27 | 0.69 | 1.2% | 3.98% | 3.61% | -0.36% |
| National Security | 120.84 | 124.05 | 3.21 | 2.7% | 8.06% | 7.44% | -0.63% |
| Governance, Justice, Law and Order | 182.73 | 187.56 | 4.83 | 2.6% | 12.20% | 11.24% | -0.95% |
| Relations | 233.40 | 233.45 | 0.05 | 0.0% | 15.58% | 13.99% | -1.58% |
| Education | 346.57 | 339.32 | -7.25 | -2.1% | 23.13% | 20.34% | -2.79% |
| Total | 1,498.37 | 1,668.41 | 170.04 | 11.3% | 100.00% | 100.00% | 0.00% |

Source: National Treasury

Figure 10: Deviation between sectoral in BPS and the Estimates for 2016/17



52) Out of a total of 47 MDAs in the National Government, only 18 complied with the ceilings approved by the National Assembly while 29 did not. The National Treasury provided a statement explaining the reasons for the deviations by the 29 MDAs as required by Section 38(a)(iii) of the PFM Act. The National Treasury indicated that a number of the deviations were either as a result of either budget rationalization, especially for recurrent expenditures or increase in donor commitment especially for development expenditure. This therefore implies that only Parliament and the Judiciary have not provided the justifications for deviations. The table below details some of the MDAs with significant deviations.

Table 8: MDAs with significant deviations from the BPS Ceilings

| Details | Approved BPS Ceiling | Proposed Estimates | Variation | % change | Rationale given for development variation only |
|---|----------------------|--------------------|-----------|----------|---|
| State Department for Interior | 113,183 | 120,292 | 7,109 | 6% | Securitization of Borders |
| State Department for Devolution | 10,236 | 15,871 | 5,635 | 55% | Resettlement of IDPs |
| Ministry of Defense | 96,994 | 98,699 | 1,705 | 2% | Multi Agency Security Operation |
| Ministry of Foreign Affairs and International Trade | 14,232 | 21,929 | 7,697 | 54% | Purchase of Chancery in New York |
| State Department of Science and Technology | 73,791 | 78,040 | 4,249 | 6% | Construction of TTIs (confirmed donor commitment) |
| State Department for Infrastructure | 1304,545 | 176,752 | 42,207 | 31% | Low seal roads and donor commitments |
| State Department for | 130,753 | 181,626 | 50,873 | 39% | Lappset Project (KSh. 10 |

| Details | Approved BPS Ceiling | Proposed Estimates | Variation | % change | Rationale given for development variation only |
|--|----------------------|--------------------|-----------|----------|--|
| Transport | | | | | Billion) & revised donor commitments |
| Ministry for Water and Regional Authorities | 46,284 | 62,271 | 15,987 | 35% | Confirmed donor commitments |
| Ministry of ICT | 11,218 | 25,930 | 14,712 | 131% | Digital learning Program (school laptop project) |
| Ministry of Sports Culture and Arts | 7,446 | 8,619 | 1,173 | 16% | Budget rationalization |
| Ministry of Energy and Petroleum | 91,081 | 122,342 | 31,261 | 34% | Installation of transformers, LPG distribution, street-lighting program and Donor projects |
| State Department for Livestock | 6,836 | 13,282 | 6,446 | 94% | Confirmed donor commitments |
| Ministry of Industrialization and Enterprise Development | 7,748 | 11,244 | 3,496 | 45% | Modernization of new KCC and Donor commitment |
| State Department for Commerce and Tourism | 5,950 | 8,028 | 2,078 | 35% | tourism marketing |
| Ministry of Mining | 1,975 | 4,588 | 2,613 | 132% | Geo- physical survey |
| National Intelligence Service | 23,846 | 25,346 | 1,500 | 6% | Security operations |
| Parliamentary Service Commission | 13,458 | 14,967 | 1,509 | 11% | Explanation not Provided |
| National Assembly | 15,948 | 17,026 | 1,708 | 7% | Explanation not Provided |
| Judicial Service Commission | 450 | 1,711 | 1,261 | 280.2% | Explanation not Provided |
| Teachers Service Commission | 191,294 | 194,094 | 2,800 | 1% | Assignment for salary expenses |

6.4 Analysis of Development Expenditure Budget

- 53) The 2016/17 proposed Development Vote provide for item allocations under respective Project Heads unlike before where only item allocation was indicated and it was unclear the name of the project to be undertaken. While this is a step in the right direction as project allocation is concerned, there is need for more fiscal information on the same.
- 54) Moreover, the current project allocations are not matched with baseline allocations (approved estimate for FY 2015/16) to evaluate if current proposed allocations are justified and further determine if such projects are under/over funded. This poses a concern whether current approved allocations for the FY 2015/16 actually reconciles with ongoing projects or interventions, and whether proposed allocations take into account past allocations. Project design and appraisal as well costing have in the past been a challenge as far as allocation and expected outcomes are concerned.

55) A comparison of sample of projects as submitted in the Estimates with earlier project profiles from various documents indicate inconsistencies in terms of actual names of such projects and movement of project allocations between votes. These may affect project outcomes especially where the initial objective for instance changes from construction to rehabilitation for the case of projects in the State Department of Infrastructure and Ministry of Foreign Affairs and International Trade. In addition, the implications of frequent transfer of project allocation between votes may also affect project administration, implementation and monitoring since it's not clear who is responsible for actual implementation thus affecting output and delivery time. There is need for consistency going forward.

Table 9: Sample of development projects and project data and allocations (past details and as currently as submitted)

| No | Name of the project | Source of Funds | Start Date | Expected Date of Completion | Status as per 2015/16 FY | Allocation 2014/15 | Allocation 2015/16 | Actual Expenditure ** | Proposed Allocation for 2016/17 | Total Cost of the Project |
|--|---|-----------------------|---------------|-----------------------------|--|--------------------|--------------------|-----------------------|---------------------------------|---------------------------|
| (Kshs. million) | | | | | | | | | | |
| 1 | Galana Kulalu Irrigation development Project (10,000 acres) (Galana Kulalu Irrigation Project)* | GoK & Donor | June, 2013 | June, 2018 | Ongoing | 3,500 | 9,700 | 3,000 | 3,215 | 250,000 |
| 2 | Itare Dam water project | GoK & Donor | | | | | | | 10,189 | |
| 3 | Regional Pastoral Livelihood Resilience Project | GoK & Donor | 2014 | 2019 | Ongoing | 218 | 1,890 | 110 | 2,056 | 8,500 |
| 4 | Refurbishment of 5 Regional Stadia (Feasibility study for the three National Stadia under Jubilee Manifesto (Mombasa, Eldoret, Nairobi) | GOK | January, 2015 | July, 2015 | 80% | 200 | 0 | 200 | 1,000 | |
| 5 | Loiyangalani-Suswa Transmission Line | GoK & Donor | Jul-14 | Jun-16 | On-going | 2,500 | 2,754 | 0 | 11,413 | |
| 6 | Street lighting (strategic interventions - Street lighting) | GOK | Jul-15 | | On-going | 953 | 4,500 | 0 | 3,100 | 0 |
| 7 | Menengai Geothermal Project | GoK & Donor | 2009/10 | Dec-16 | On-going | 7,105 | 2,310 | 0 | 1,800 | 34,556 |
| 8 | Rural Electrification - various projects - Electrification of public facilities (electrification of public primary schools through the National Grid and Solar PVs and gensets and other public facilities) | GoK & Donor | Dec. 2009 | Continuous | On-going | 11,103 | 9,431 | 29,600 | 7,750 | 53,410 |
| 9 | LPG Distribution and infrastructure | GoK | Jul-16 | | | | | | 2,000 | |
| 10 | Digital Literacy Programme (ICT integration in Primary Education) | GoK | 2013/14 FY | 2018/19 | Capacity building- 150 national trainers and 2,555 county ToTs trained. Digital content for std 1 completed. | | 17,700 | 0 | 13,408 | 53,000 |
| 11 | Konza Complex (Konza Techno City - Phase1) | GOK | 2013/14 | 2019/20 | On-going | 500 | 810 | 1,800 | 500 | 64,000 |
| 12 | NOFBII II (ICT Infrastructure Connectivity: National Optic Fiber Backbone Infrastructure -NOFBII II) | GoK and Donor | 2012/13 | 2014/15 | On-going | 2,667 | 2,948 | 2,500 | 1,552 | 6,500 |
| 13 | Development of Mombasa to Nairobi Standard Gauge Railway (Standard Gauge Railway Project Phase 1) | GOK/C HINA- EXIM Bank | 30-08-2014 | Jun-17 | on going | 19,422 | 210,914 | | 154,395 | 327,000 |
| 14 | Low volume seals Roads Batch 1(various roads) | Gok | | | | | | | 12,371 | |
| 15 | Nairobi - Thika Highway Improvement Project lot 1 and 2 | G.O.K | | | | | | | 800 | |
| * names of projects captured in brackets are as provided in earlier fiscal years | | | | | | | | | | |
| ** Given in 2014/15 & 2015/16 | | | | | | | | | | |

6.5 Estimates of Expenditure on Consolidated Fund Services (CFS)

56) The total expenditure towards CFS is expected to rise from revised position of Kshs. 465.7 billion in FY 2015/16 to Kshs. 527.3 billion in 2016/17), projecting an increase of Kshs. 61 billion or 13 percent. This on account of an overall increase in public debt expenditure by Kshs. 49.3 billion, and increase on pensions and guaranteed debts. In the medium term, provisions for CFS are set to rise to Kshs.610. 8 billion and Kshs. 595.3billion in 2017/18 and 2018/19 mainly driven by interest expenses, debt redemptions including that of the Standard Chartered Syndicated Loan and Sovereign Loan as well as increasing pension liabilities.

57) This therefore implies that total CFS expenditure in view of its non-discretionary nature account for up to 23% of the total budget estimates and 7% of GDP.

Table 10: Consolidated Fund Service Payables 2016/17 - Medium Term (Kshs. Millions)

| Items | 2015/16 | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|----------------|----------------|----------------|
| Interest | | | | |
| Internal | 160,676.5 | 197,266.8 | 196,858.1 | 189,184.1 |
| External | 34,562.5 | 53,520.4 | 55,215.0 | 52,916.3 |
| Total Interest Payables | 195,239 | 250,787 | 252,073 | 242,100 |
| Redemptions | | | | |
| Internal | 187,263.3 | 172,104.2 | 161,779.6 | 154,732.1 |
| External | 34,688.7 | 43,622.6 | 128,566.4 | 131,759.8 |
| Total Debt Redemptions | 221,952 | 215,727 | 290,346 | 286,492 |
| Total Public Debt Expenditure | 417,191 | 466,514 | 542,419 | 528,592 |
| Pensions, salaries, allowances & Others | | | | |
| Pensions | 42,991.1 | 55,691.1 | 63,111.1 | 61,311.1 |
| Salaries | 4,437.8 | 3,956.0 | 4,149.0 | 4,326.6 |
| Miscellaneous | 128.0 | 128.0 | 128.0 | 128.0 |
| guaranteed Debt | 944.7 | 1,017.2 | 993.5 | 969.9 |
| Subscriptions to International Organizations | 2.2 | 0.5 | 0.5 | 0.5 |
| Total Expenditure | 48,504 | 60,793 | 68,382 | 66,736 |
| Total CFS Expenditure | 465,695 | 527,307 | 610,801 | 595,328 |

Source: Budget estimates 2016/17

Interest Payables

58) The more volatile domestic interest payable is projected to rise by 23% or Kshs. Kshs. 36.6 billion from Kshs. 160.7 billion to Kshs. 197.3 billion and is a direct result of domestic bonds and Short term borrowing (T-Bills Interest) that are projected to rise to Kshs. 137.7 billion and Kshs. 52 billion, respectively. – Annex External interest debt, on the other hand, is expected to rise by Kshs. 18.96 billion from Kshs. 34.6 billion to Kshs. 53.52 billion, in the FY 2016/17. The external interest payables portfolio indicates that for 2016/17, the largest interest costs will relate to Peoples Republic of China worth Kshs. 16.2 billion (indicating

30% of all interest costs) and settlement of the International Sovereign Bond (\$2.75 billion) amounting to Kshs. 19.4 billion (indicating 36% of all interest costs).

Debt Redemptions

- 59) Total debt redemption expenditure is expected to decline from Kshs. 222 billion in FY 2015/16 to Kshs. 215.7 billion in FY 2016/17. However, over the medium term this is expected to rise aggressively to Kshs. 286.5 billion and will be the main drive behind the rise in public debt.
- 60) Internal debt redemption expenditure are expected to decline by (8%) from Kshs. 187.3 billion (FY 2015/16) to Kshs. 172.1 billion in FY 2016/17, while the external debt redemption expenditure is expected to go up by 26% from Kshs. 34.7 billion to Kshs. 43.6 billion in FY 2016/17. The largest debt redemption repayments for FY 2016/17 will relate to IDA, Japan, France and China at Kshs. 12.7 billion, Kshs. 6.0 billion, Kshs. 5.12 billion and Kshs. 4.6 billion, respectively.
- 61) External debt redemption expenditure is expected to rise aggressively over the Medium Term i.e. from Kshs. 43.6 billion to Kshs. 128.6 billion in FY 2017/18 on account of Kshs. 80.18 billion debt redemption payment relating to the Standard Chattered \$750 million, Syndicated Loan, obtained in 2015, (2 year tenor).

Pensions and Miscellaneous CFS Expenditure

- 62) For the FY 2016/17 Pensions expenditure are expected to increase from Kshs. 43 billion in FY 2015/16 to Kshs. 55.7 billion. This is on account of increase of gratuity to civil servants that increased by Kshs. 12.7 billion (117%) from Kshs. 10.9 billion to Kshs. 23.6 billion in FY 2016/17. Salaries and allowances are expected to decrease from Kshs. 4.4 billion in FY 2015/16 to Kshs. 3.96 billion on account of the winding down of the Commission for the Implementation of the Constitution in 2015, and might have contributed to the increase in pension indicated above. However, the budget estimates relate this change to winding down of the committee of experts on constitutional review that ended its existence forty-five days after the proclamation of the new Constitution.
- 63) Finally, the country expects to incur Kshs. 1.017 billion (from Kshs. 944.7 million in FY 2015/16) relating to guaranteed debt (as required under Section 58 of the PFM Act) to institutions that have defaulted on their loan repayments. However, the total guaranteed debt expenditure is expected to fall in subsequent years owing to fall in interest payments on guarantees.

Emerging Issues

- i. *The level of debt in Kenya is approaching unsustainable levels. Already the ratio of debt service to revenue has reached its limit of 30 percent and is expected to bypass its limit in the 2017 by 4.7% on account of debt redemptions and interest rate costs that are expected to rise substantially in the FY 2017/18.*
- ii. *With the current level of debt growth (15% p.a) and a ratio of 48.5 PV of debt to GDP, the country is likely to exceed the EAC convergence criteria that recommends a level of 50% of PV of debt to GDP for macroeconomic stability and sound debt framework*
- iii. *The rise in CFS expenditure is likely to pose constraints to the level of financial resources available and fiscal space for other budgetary needs.*
- iv. *The country is expected to experience exponential rise in external debt redemption in FY 2017/18 from Kshs. 43 billion in 2016/17 to Kshs. 128.6 billion in 2017/18 and similarly in 2018/19 partly due to the payments to standard chartered \$750 million, syndicated loan and sovereign bonds. This increase in debt service costs and redemptions calls for pragmatic measures to avert economic shocks and fiscal turbulence*
- v. *Salaries and allowances are expected to decrease from Kshs. 4.4 billion in FY 2015/16 to Kshs. 3.96 billion due to end of the mandate of the Commission for the Implementation of the Constitution in 2016.*
- vi. *The 2016/17 budget estimates also indicate that the country is to incur Kshs. 10.305 billion as interest payables (Item E002000219) however, the estimates do not indicate when this debt was issued, the principal, amount tenor or due year.*

VII. LINKING THE FIVE PILLARS IN THE 2016 BPS TO 2016/17 BUDGET ESTIMATES

- 64) The 2016/17 estimates have been prepared on the basis of the pillars that were in the 2016 BPS. It is thus expected that the submitted budget estimates targets will realize the envisaged activities as set out in the BPS.
- 65) This analysis assesses the extent whether some of the targets and activities that had been earmarked for implementation in accordance with 2016 BPS have been prioritized for actualization in the 2016/17 budget estimates. Further, this analysis will inform the Legislature on key targets that require to be followed during the implementation stage of the 2016/17 budget. This is as indicated in the table below: -

Table 9: Targets as contained in BPS vs Targets in the 2016/17 estimates

| Pillars | Targets as contained in the BPS 2016 | Targets in the 2016/17 estimates |
|---|---|--|
| Pillar I: Creating a Conducive Business Environment for Employment | <ul style="list-style-type: none"> (i) Develop a database on crime and its incidence to facilitate improved planning and deployment of assets. (ii) Improved police welfare and performance improvements through comprehensive medical cover and housing. | <ul style="list-style-type: none"> (i) Crime reduction from 160 to 150 cases. (ii) 1,200 police house to be built (iii) 3,500 police operational vehicles to be provided. |
| Pillar II: Continued spending in infrastructure to unlock constraints to growth. | <ul style="list-style-type: none"> (i) Construction of 3,800 km of low volume seal roads across the country. (ii) Fast tracking of the Nairobi metropolitan mass rapid transport system (iii) Implementation of metropolitan transport authority bill. (iv) Construction of roads- Nairobi Outering road, Voi-Mwatate-Wundanyi, Malindi-Mombasa –Lunga Lunga, Kisumu-Kakamega. (v) First phase of the Lamu Port and Southern Sudan-Ethiopia Transport. (vi) Creating of an independent body to audit and certify construction and maintenance of roads. (vii) Scaling up of the modernization of airports/airstrips and commissioning of terminal 1E in JKIA. (viii) Generation of additional 5,000 MW of power comprising of renewable geothermal, wind and coal | <ul style="list-style-type: none"> (i) Construction of 537Km of low seal volume and rehabilitation of 593km (ii) 20% of first 3 berths under LAPSSSET Project (iii) Construction of 2.0km for Nairobi Outering road, 8.0Km of Voi-Mwatate-Wundanyi, (iv) Generation of 752 MW from Geo-Thermal, 450MW from Coal and 7MW from wind. |
| Pillar III: Sustaining sectoral spending for employment creation. | <ul style="list-style-type: none"> (i) Roll out a program covering at least 100,000 acres of land under irrigation. (ii) Establishment of Disease Free Zone facilities in Bachuma, Kurawa and Miritini (iii) Establish a fertilizer manufacturing plant. This plant should be completed by September 2016. (iv) Development and managements of sports facilities in partnership with the private sectors and constructions of 5 stadia | <ul style="list-style-type: none"> (i) 10,000 acres in Galana-Kulalu, 450 acres in Lower Nzoia , 1,000 acres in Bura, 2,500 in Mwea and 15,000 acres in National expanded irrigation programme. (ii) 100% level of refurbishment of five regional stadias will be achieved. |
| Pillar IV: Sustained Investment in Social Services for the Welfare of Kenyans | <ul style="list-style-type: none"> (i) Equipment modernization in 94 hospitals (ii) Reducing morbidity and mortality from malaria, HIV/AIDs, tuberculosis and non-communicable diseases (iii) Recruitment of more health workers (iv) Strengthening health research for improved quality of health (v) Increasing provision of student loans, bursaries and scholarships to fully finance the universal free primary education, free day secondary education and tertiary education. (vi) Provision of electricity and integration of ICT in curriculum delivery at all levels of education. (vii) Construction of low cost boarding facilities in ASALs | <ul style="list-style-type: none"> (i) 98 Hospital to be equipped with specialized equipment (ii) Distribution of first line anti –TB doses to 88,355 and Artemether Combination doses to 12 million (iii) 400 secondary schools to benefit from ICT integration. |
| Pillar V: Further entrenching Devolution | <ul style="list-style-type: none"> (i) Enhancing support to devolved units | <ul style="list-style-type: none"> (i) 51 model laws to guide Counties in legislation to be developed (ii) Capacity Building for Counties in various areas i.e. PFM, Monitoring and Evaluation e.t.c |

66) The following are the Emerging issues

- (i) *Its noted that targets in the 2016 BPS were highly optimistic and majority of them are not attainable. For example, in the 2016 BPS targets 3,800Km of low volume seals roads were to be constructed, however, the 2016/17 estimates targets are for 537 Kms for construction and 593km for rehabilitation.*
- (ii) *There is inconsistency between the narrative in estimates and the targets in the programmes as provided in the estimates for example in the narrative in page 477 and 379 of the programme based budget, there are indications that a fertilizer plant will be established and commissioning of 600,000 devices to 11,000 public primary schools respectively. However, these activities are missing in the 2016/17 targets for the respective Ministries.*

VIII. ESTIMATES FOR THE EQUALIZATION FUND FOR 2016/17

- 67) The Equalization Fund as established under Article 204 of the Constitution provides for annual appropriation of one half percent of all the revenue collected by National Government each year calculated on the basis of most recent audited accounts. Appropriation under this Fund is towards basic but critical services such as water, roads, health facilities and electricity to marginalized areas to the extent necessary to bring the quality of those services to the level generally enjoyed by areas which are relatively better off.
- 68) The proposed allocation for the FY 2016/17 is Kshs.6 billion which together with an amount of Kshs.6.4 billion reflected as balance brought forward brings the total equalization amount available for programmed projects across the 14 counties to Kshs.12.4 billion. Expenses for administrative services and operational activities amount to Kshs.598.82 million.
- 69) However, in view of past four fiscal years, all approved annual allocations for the purpose of the Fund have not been utilized. These allocations cumulatively amount to Kshs.15.8 billion including amount undercurrent FY 2015/16 of Kshs.6 billion. This cumulative approach is based on the constitutional provision that any unexpended money at the end of the financial year remains under the Fund. Comparatively, the advisory Board through the National Treasury provide for amounts totaling Kshs 15.4 billion for similar period (2011/12 to 2015/16) using 'entitlement approach' (one half percent against audited revenues for respective years).
- 70) It is estimated that the entitlement towards the fund amount to Kshs.20.080 including that of 2016/17as compared with Kshs.23.8 billion together with the proposed amount using the approved approach.

71) The 2016/17 proposed estimates for the Fund provide for proposed allocations to various projects to be undertaken in 14 counties identified by Commission on Revenue Allocation Marginalization Policy pursuant to Art. 216(4) of the Constitution.

72) The amount per county is as shown as below.

Table 10: Allocations per County

| No. | Name of the County | Aggregate percent for each county against total amount (11.8 billion) | County Share |
|-----|--------------------|---|----------------|
| 1 | Garissa | 6.64% | 783,520,000 |
| 2 | Isiolo | 6.33% | 746,940,000 |
| 3 | Kilifi | 6.47% | 763,460,000 |
| 4 | Kwale | 6.74% | 795,320,000 |
| 5 | Lamu | 6.12% | 722,160,000 |
| 6 | Mandera | 8.20% | 967,600,000 |
| 7 | Marsabit | 7.51% | 886,180,000 |
| 8 | Narok | 6.86% | 809,480,000 |
| 9 | Samburu | 7.37% | 869,660,000 |
| 10 | Tana River | 7.28% | 859,040,000 |
| 11 | Turkana | 8.90% | 1,050,200,000 |
| 12 | Taita Taveta | 6.37% | 751,660,000 |
| 13 | Wajir | 7.88% | 929,840,000 |
| 14 | West Pokot | 7.34% | 866,120,000 |
| | | 100.01% | 11,801,180,000 |

Source: National Treasury

73) The proposed horizontal allocation across the 14 marginalized counties is on the basis that fifty (50) percent (Kshs.5.9 billion) of the total amount be shared on the basis of the Composite Development Index (CDI) by CRA, 42.5 percent (Kshs.4.9 billion) on the basis of population and 7.5 percent (Kshs.8 billion) on the basis of land area. Based on this criterion mentioned above, Turkana County is set to get the highest allocation while Lamu County gets the least. See annex for proposed projects under each county.

74) Emerging Issues

- i. *There is inordinate delay in the operationalization of the Equalization Fund which was partly attributed to lack of Guidelines on the administration of the fund and implementation. There is need to avert further delays in utilizing approved allocations as envisioned in the Constitution.*

- ii. *Art. 204 (5) provides for retention of any unexpended allocation into the Fund. Based on approved allocations over the years and the proposed allocation for the FY 2016/17 the cumulative amount total to Kshs. 21.8 billion, more than the Board's Estimate of Kshs.20.080 by Kshs billion. There is need to clarify the variance and why the National Treasury is using the entitlement approach as contrasted with approved amounts by Parliament.*
- iii. *Art. 201 of the Constitution stipulate openness and accountability including public participation in financial matters. It is not clear whether the proposed projects listed under respective counties have been subjected to public participation. This maybe important and necessary to avoid duplication especially where other MDAs or counties may have planned undertaking a similar project in the identified area.*
- iv. *The counties of Isiolo and Garissa shall have additional projects identified within the financial year through a supplementary budget of the Fund in order to fully apply their ceilings based on the approved criterion.*

IX. ANNEXTURES

Annex 1: Sample of Development Projects and Project Data Profile

| No | Name of the project | Source of Funds | Start Date | Expected Date of Completion | Status as per 2015/16 FY | Allocation 2014/15 | Allocation 2015/16 | Actual Expenditure ** | Proposed Allocation for 2016/17 | Total Cost of the Project |
|----|--|-----------------|---------------|-----------------------------|--------------------------|--------------------|--------------------|-----------------------|---------------------------------|---------------------------|
| | | | | | | (Kshs. million) | | | | |
| 1 | Galana Kulalu Irrigation development Project (10,000 acres) (Galana Kulalu Irrigation Project)* | GoK and Donor | June, 2013 | June, 2018 | Ongoing | 3,500 | 9,700 | 3,000 | 3,215 | 250,000 |
| 2 | Mwea Irrigation Development Project - Thiba Dam and Irrigation Area (Mwea Irrigation Development Project) | GoK and Donor | 2013 | 2018 | Ongoing | 2,500 | | | 3,247 | |
| 3 | Itare Dam water project | GoK and Donor | | | | | | | 10,189 | |
| 4 | Sugar Reforms Support Project (Support to Sugar Reforms) | Donor | 2013 | 2017 | Ongoing | 356 | 67 | 412 | 416 | 1,000 |
| 5 | Regional Pastoral Livelihood Resilience Project | GoK and Donor | 2014 | 2019 | Ongoing | 218 | 1,890 | 110 | 2,056 | 8,500 |
| 6 | lower Nzoia Irrigation Project Phase 2 | Donor | | | | | | | 300 | |
| 7 | Disease Free Zones (Construction and Refurbishment - Disease Free Zones) | G.O.K | 2012 | 2017 | Ongoing | 278 | 900 | 900 | 0 | 17,000 |
| 8 | Modernization/ Rehabilitation of Kenya Meat Commission Factory (KMC- Enhancement of Livestock Market Infrastructure/ modernization) | G.O.K | 2014 | 2018 | Ongoing | 700 | 350 | 350 | 550 | 1,200 |
| 9 | Cash Transfer to Older Persons | G.O.K | - | - | - | 5,580 | 0 | 0 | 5,062 | 0 |
| 10 | Cash Transfer to Orphans and Vulnerable Children | GoK and Donor | | | | 7,442 | 0 | 0 | 8,875 | 0 |
| 11 | Support to Orphans and Vulnerable Children outside Households | G.O.K | | | | | | | 100 | 0 |
| 12 | Refurbishment of 5 Regional Stadia (Feasibility study for the three National Stadia under Jubilee Manifesto (Mombasa, Eldoret, Nairobi) | GOK | January, 2015 | July, 2015 | 80% | 200 | 0 | 200 | 1,000 | |
| 13 | The Kenya Academy of Sports Phase I and II (The Kenya Academy of Sports Phase I) | GOK | March, 2013 | March, 2016 | 55% | 350 | 0 | 553 | 250 | 860 |
| 14 | Loiyangalani-Suswa Transmission Line | GoK and Donor | Jul-14 | Jun-16 | On -going | 2,500 | 2,754 | 0 | 11,413 | |
| 15 | Olkaria I and IV (Kenya Electricity Expansion Programme (KEEP) - Geothermal Generation at Olkaria I and IV) | Donor loans | Dec-11 | Oct-18 | On - going | 0 | 1,493 | 0 | 3,000 | 0 |

| No | Name of the project | Source of Funds | Start Date | Expected Date of Completion | Status as per 2015/16 FY | Allocation 2014/15 | Allocation 2015/16 | Actual Expenditure ** | Proposed Allocation for 2016/17 | Total Cost of the Project |
|----|--|-----------------|------------|-----------------------------|---|--------------------|--------------------|-----------------------|---------------------------------|---------------------------|
| | | | | | | (Kshs. million) | | | | |
| 16 | Last Mile Electricity Connectivity | GoK and Donor | 2015 | continous | On- going | 0 | 4,530 | 0 | 8,890 | 0 |
| 17 | Intallation of transformers in Constituencies | GOK | | | | | | | 3,000 | |
| 18 | Street lighting (strategic interventions - Street lighting) | GOK | Jul-15 | | On-going | 953 | 4,500 | 0 | 3,100 | 0 |
| 19 | Menengai Geothermal Project including menengai | GoK and Donor | 2009/10 | Dec-16 | On-going | 7,105 | 2,310 | 0 | 1,800 | 34,556 |
| 20 | Olkaria V - geothermal | Donor loans | | | | | | | 8,800 | 0 |
| 21 | Rural Electrification - various projects - Electrification of public facilities (electrification of public primary schools through the National Grid and Solar PVs and gensets and other public facities) | GoK and Donor | Dec. 2009 | Continuous | On- going | 11,103 | 9,431 | 29,600 | 7,750 | 53,410 |
| 22 | Kenya Petroleum Technical Assistance Project (KEPTAP) | GoK | Jul-14 | | On- going | 251 | 665 | | 450 | 4,450 |
| 23 | Preparatory activities for the Lokichar - Lamu Crude Oil Pipeline (Lokichar - Lamu Crude Oil Pipeline Project - way leave acquisition) | | Jul-14 | | On - going | 200 | | 0 | | 200 |
| 24 | Early Monitization of First Oil Project | GoK | Jul-16 | | | | | | 150 | |
| 25 | LPG Distribution and infrastructure | GoK | Jul-16 | | | | | | 2,000 | |
| 26 | Digital Literacy Programme (ICT integration in Primary Education) | GoK | 2013/14 FY | 2018/19 | Capacity building-150 national trainers and 2,555 county ToTs trained.Digital content for std 1 completed.Budget approved to train 61,000 teachers (3 per school) | | 17,700 | 0 | 13,408 | 53,000 |
| 27 | Konza Complex (Konza Techno City - Phase1) | GOK | 2013/14 | 2019/20 | On-going | 500 | 810 | 1,800 | 500 | 64,000 |
| 28 | Konza - Access road | | | | | | | | 148 | |
| 29 | NOFBI II (ICT Infrastructure Connectivity: National Optic Fiber Backbone Infrastructure -NOFBI II) | GoK and Donor | 2012/13 | 2014/15 | On-going | 2,667 | 2,948 | 2,500 | 1,552 | 6,500 |

| No | Name of the project | Source of Funds | Start Date | Expected Date of Completion | Status as per 2015/16 FY | Allocation 2014/15 | Allocation 2015/16 | Actual Expenditure ** | Proposed Allocation for 2016/17 | Total Cost of the Project |
|--|---|------------------------------------|------------|-----------------------------|--------------------------|--------------------|--------------------|-----------------------|---------------------------------|---------------------------|
| | | | | | | (Kshs. million) | | | | |
| 30 | NOFBII Phase II Expansion | GoK and Donor | | | | | | | 1,500 | |
| 31 | Online Transactional Mining Cadastre Portal | GoK | | | | 30 | 12 | | 60 | 0 |
| 32 | Development of Mombasa to Nairobi Standard Gauge Railway (Standard Gauge Railway Project Phase 1) | GOK/CHINA-EXIM Bank | 30-08-2014 | Jun-17 | on going | 19,422 | 210,914 | | 154,395 | 327,000 |
| 33 | Low volume Sealed Roads Phase 1 A(various roads) | Gok | | | | | | | 5,230 | |
| 34 | Low volume seals Roads Batch 1(various roads) | Gok | | | | | | | 12,371 | |
| 35 | Low volume seals Phase 1 Batch 2 (various Roads) | Gok | | | | | | | 9,797 | |
| 36 | Low volume seals Roads Phase 1 Batch 2(various roads) | Gok | | | | | | | 1,616 | |
| 37 | Annuity Low Volume Seal Roads (R10000 Programme (Annuity) development) | G.O.K | 1/7/2015 | 30/6/2016 | Ongoing | 0 | 50 | | 9,489 | |
| 38 | Nairobi - Thika Highway Improvement Project lot 1 & 2 | G.O.K | | | | | | | 800 | |
| 39 | Nairobi - Thika Highway Improvement Project lot 3 | G.O.K | | | | | | | 800 | |
| 40 | Kangema – Gacharage | G.O.K | 1-Aug-12 | 3-Jan-15 | Ongoing | 1,799 | 1,000 | 2,498 | 760 | 4,293 |
| 41 | Emali – Oloitoktok | G.O.K | 1/7/2007 | 30/6/2010 | Ongoing | 958 | 170 | 1,779 | 92 | 5,140 |
| 42 | Sotik – Ndanai | G.O.K | 7-Sep-11 | 11-May-14 | Ongoing | 583 | 33 | 1,944 | 12 | 1,852 |
| 43 | KCC (Sotik)-Ndanai-Gorgor (C15) - Phase II | G.O.K | 18-Sep-14 | 30-Jul-16 | Ongoing | 380 | 650 | 0 | 2,580 | 1,060 |
| 44 | Nuno – Modogashe | Gok / ADB/OP EC/Saudi/Kuwait/BADEA | 6-Aug-14 | 9-Aug-17 | Ongoing | | | | | |
| 45 | Kibwezi - Mutomo - Kitui Road | GoK | | | | | | | 500 | |
| 46 | Kehancha-Migori – Muhuru | G.O.K | 15/5/13 | 18-Feb-16 | Ongoing | 2,229 | 1,500 | 2,958 | | 4,734 |
| 47 | Kehencha - Suna - Masara Road | G.O.K | | | | | | | 800 | |
| 48 | Construction Of The Interchange At City Cabanas | G.O.K | 5/10/2013 | 30/6/2016 | Ongoing | 507 | 336 | 2,012 | 200 | 2,514 |
| 49 | Purchase of Chancery and Ambassador's Residence – Geneva | GoK | | | | 0 | 1,400 | | | 0 |
| 50 | Purchase of Office space-New York | GoK | | | new project | 0 | 0 | | 2,000 | 0 |
| * names of projects captured in brackets are as provided in earlier fiscal years | | | | | | | | | | |
| ** Given in 2014/15 & 2015/16 | | | | | | | | | | |

Annex 2: Priority Areas in the 2016/2017 Budget and the Medium Term

The 2016 Budget Policy Statement set out the broad policy objectives to be achieved in the Fiscal year 2016/2017 and the medium term. The BPS outline the fiscal year and medium term priorities under the five thematic areas:

| Pillar | Details |
|--|---|
| Pillar 1 : Sustaining Conducive Business Environment for Investment Opportunities | <ul style="list-style-type: none"> i. Macroeconomic stability for sustained growth and development. to pursue prudent fiscal and monetary policies that are supportive of accelerated inclusive growth and development. ii. Enhancing security for sustained growth and development this is done through police welfare/performance improvement through a comprehensive medical cover and housing, and investment in security infrastructure covering housing, offices, security installation and additional leasing of police vehicles and training facilities. |
| Pillar 2 : Continued spending in Infrastructure to Unlock Constraints to Growth: transport, logistics, energy and water to encourage growth of competitive industries | <ul style="list-style-type: none"> i. Expanding Road Network- the Construction of 3,800 km of low volume seal roads across the country. ii. Expansion of major roads in the Urban Centers e.g. Outer-ring road in Nairobi. iii. Construction of East Africa Road Network (Voi-Mwatate-Wundanyi), Malindi-Mombasa-Lunga Lunga. iv. Construction of Kisumu-Kakamega Road v. Dredging of Mombasa Port and construction of Road network around and out of the port. vi. Commissioning of new terminal 1E in JKIA. vii. Generation of an additional 5,000 MW comprising of renewable geothermal, wind and coal. |
| Pillar 3: Sustaining Sectoral Spending for Employment Creation: in particular agricultural transformation to ensure food security and lower prices and employment | <ul style="list-style-type: none"> i. Establishment of Disease Free zones in Bachuma, Kurawa and Miritin. ii. Procurement of offshore patrol vessel (OPV) . iii. Establishment of Fertilizer plant. iv. Facilitating tourism promotion and marketing to increase international arrival and tourism revenue. v. Development of sport facilities and the construction and improvement of the 5 regional stadia. |
| Pillar 4: Sustained Investment in Social Services for the Welfare of Kenyans: quality and accessible health care services as well as relevant education and strengthening the social safety net | <ul style="list-style-type: none"> i. Scaling up universal health coverage initiatives including free maternity services, subsidies for the poor and vulnerable groups; increased funding of the health sector by Government and partners. ii. Equipping public hospitals with specialized medical equipment and equipment modernization in 94 hospitals. iii. Reducing morbidity and mortality from malaria, HIV/AIDS, |

| Pillar | Details |
|--|---|
| | <p>tuberculosis non-communicable diseases.</p> <ul style="list-style-type: none"> iv. Recruitment of more health workers and strengthening health research for improved quality of health. v. Improving and expanding schools and training institutions infrastructure through construction/rehabilitation of class rooms, provision of electricity and integration of ICT in curriculum delivery at all levels of education, vi. Construction of low cost boarding facilities in ASALs, construction of special needs education infrastructures) throughout the country over the medium term; vii. Increasing provision of student loans, bursaries and scholarships to fully finance the universal free primary education, free day secondary education and tertiary education. viii. Increase the number of beneficiaries in Cash transfer programmes from 717,000 in FY 2015/16 to 1, 047,000 in FY 2015/17. ix. Decentralization of Single registry for the National Safety Net Programme to 15 additional Counties. |
| <p>Pillar 5: Enhancing Service Delivery through Devolution.</p> | <ul style="list-style-type: none"> i. The enactment of the Public Audit and Public Procurement and Asset Disposal Acts as well as the gazettelement of the Public Finance Management Regulations to strengthen County financial management. ii. The strengthening accountability and fiscal discipline by the National Government in the use of devolved resources for better service delivery. iii. The National Treasury through the Intergovernmental Budget and Economic Council (IBEC) will initiate the development of a national framework legislation to support the enhancement of county own-source revenue. In addition, a comprehensive review and harmonization of all existing legislation relating to county taxes, fees, user charges and business licenses will be undertaken. |

Annex 3: Critical Areas Funded in the Estimate That Were Not Funded in the 2016 BPS

Allocation to the Critical Areas in the 2016/2017 Budget

| Ministry | Programme | Current | Capital | Total | Details of Additional request | Additional Allocations in the budget | Comments |
|---|---|---------------|--------------|---------------|---|---|---------------|
| Ministry of Defence | Total | 54,270 | - | 54,270 | | | |
| | P.1 Defence | 54,270 | - | 54,270 | 54.27 billion for Modernization programme | 1.7 billion for Multi-Agency Security Operation | Not funded |
| Ministry of Foreign Affairs and International Trade | Total | 12,000 | - | 12,000 | | | |
| | P.2 Foreign Relation and Diplomacy | 12,000 | - | 12,000 | 12 billion for additional personnel and facilities for foreign missions abroad | 5.7 billion for Adjustment for O and M expenses and 2 billion for the purchase of chancery in New York | Partly funded |
| State Department for Education | Total | - | 500 | 500 | | | |
| | P.2 Secondary Education | - | 500 | 500 | 500 million for decongestion and refurbishment of National Schools (This is Phase 1 covering 25 schools) | | Not funded |
| State Department of Science and Technology | Total | - | 3,000 | 3,000 | | | |
| | P.5 Technical Vocational Education and Training | - | 3,000 | 3,000 | 3 billion for equipping of 60 Technical Training Institute which are near completion | 1.6 billion For construction of TTIs (confirmed donor commitment) and 2.6 billion for National Research fund. | Partly funded |
| 1081 Ministry of Health | Total | 30 | 1,000 | 1,030 | | | |
| | P.1 Preventive & Promotive Health Services | 30 | - | 30 | 30 million for operationalization of Tobacco Control Board | 150 million for Salary expenses | Not funded |
| | National Referral and Specialized Services | - | 500 | 500 | 500 million for: expansion of Government Chemist (100 million); Phase 1 construction of National Quality Control Laboratories (100 million); Procurement of Vaccines (300 | 545 million for donor funded projects in the health sector | Funded |

| Ministry | Programme | Current | Capital | Total | Details of Additional request | Additional Allocations in the budget | Comments |
|--|---|--------------|---------------|---------------|---|---|------------|
| | | | | | million) | | |
| | P.3 Health Research and Development | - | 500 | 500 | 500 million for expansion of KMTC campuses | | Not funded |
| State Department for Infrastructure | Total | - | 16,400 | 16,400 | | | |
| | P.2 Road Transport | - | 16,400 | 16,400 | 16.4 billion for: pending bills (KeNHA; KeRRA; KURA) | 44.8 billion For low seal roads and donor commitment. | Funded |
| State Department for Transport | Total | 200 | 10,000 | 10,200 | | | |
| | P.4 Marine Transport | - | 10,000 | 10,000 | 10 billion for first three berths at Port of Lamu (LAPPSET) | 10 billion for LAPPSET project | Funded |
| | P.7 Road Safety | 200 | - | 200 | NTSA for implementation of road safety action plan (200 million) | | Not funded |
| State Department for Environment and Natural Resources | Total | 4,000 | 4,970 | 8,970 | | | |
| | P.2 Environment and Natural Resources Management and Protection | 4,000 | - | 4,000 | 4 billion for compensation of victims of human-wildlife conflict | 730 million for green schools programme, water towers agency and net fund. | Not funded |
| | P.5 Integrated Regional Development | - | 4,970 | 4,970 | 4.97 billion for: KVDA to cater for expenditure shortfalls (300 million); TARDA for pending bills in Kieni Irrigation Project (200 million); ENSDA for bamboo sector development (1 billion); ENSDA for leather factory project (170 million); and RDAs pending bills (3.3 billion) | | Not Funded |
| Ministry for Water and Regional Authorities | Total | - | 8,750 | 8,750 | | | |
| | P.4 Water Resources Management | - | 8,150 | 8,150 | 8.15 billion for: GoK counterpart funding of projects (5 billion); Compensation and resettlement of people occupying dam sites areas in Mwache and Lower Nzoia (3 billion); water storage and supplies emergency | 15.6 billion for Confirmed donor commitment | Funded |

| Ministry | Programme | Current | Capital | Total | Details of Additional request | Additional Allocations in the budget | Comments |
|---|--|--------------|------------|--------------|--|--|------------|
| | | | | | interventions (150 million) | | |
| | P.3 Irrigation and Land Reclamation | - | 600 | 600 | 600 million for small-scale irrigation | | Not funded |
| Ministry of Sports Culture and Arts | Total | 1,420 | - | 1,420 | | | |
| | P.1 Sports | 1,300 | - | 1,300 | 1.3 billion for: Setting up of Anti-Doping Agency of Kenya (500 million); Logistical support for athletes and officials in the 2016 Summer Olympics in Brazil (800 million) | 1.7 billion For cash award. Anti-Doping and international competition. | Funded |
| | P.2 Culture | 120 | - | 120 | 120 million for personnel emoluments in the New State Department for Culture and Arts | | Not funded |
| Ministry of Labour Social Security and Services | Total | 924 | - | 924 | | | |
| | P.2 Manpower Development, Employment and Productivity Management | 734 | - | 734 | 734 million for establishment of National Employment Authority | 490 million for NEA, labour consular offices in Saudi Arabia and Qatar. | Funded. |
| | P.3 Social Development and Children Services | 190 | - | 190 | 190 million Productivity, Improvement, Measurements and Promotion | | Not funded |
| State Department for Livestock | Total | - | 700 | 700 | | | |
| | P.6 Livestock Resources Management and Development | - | 700 | 700 | 500 million for KMC Modernization; 100 million for KEVEVAPI; 100 million for Disease Free Zone | 6.5 billion confirmed donor commitment | Funded |
| State Department for Fisheries | Total | 50 | 50 | 100 | | | |
| | P.5 Fisheries Development and Management | 50 | 50 | 100 | 50 million for operationalization of fisheries bill (establishment of Kenya Fisheries Services, Fisheries Advisory Council and Fish Marketing Authority); 50 million for completion of fish quality laboratories | 77 million for salary expenses and KEMFRI and MV Mtafiti. | Not funded |

| Ministry | Programme | Current | Capital | Total | Details of Additional request | Additional Allocations in the budget | Comments |
|----------------------------------|---|--------------|--------------|--------------|--|--|---------------|
| Ministry of Mining | Total | 786 | 2,000 | 2,786 | | | |
| | P.2 Resources Surveys and Remote Sensing | - | 2,000 | 2,000 | 2 billion for National Airborne Geophysical Survey | 2.7 billion for Geo-physical survey | funded |
| | P.3 Mineral Resources Management | 786 | - | 786 | 786 for various expenditure shortfalls | | Not funded |
| The Judiciary | Total | 500 | 500 | 1,000 | | | |
| | P.1 Dispensation of Justice | 500 | 500 | 1,000 | 500 million for recurrent expenditure; 500 million for development expenditure | | Funded |
| National Intelligence Service | Total | 5,400 | - | 5,400 | | | |
| | P.1 National Security Intelligence | 5,400 | - | 5,400 | 5.4 billion for modernization programme | 1.5 billion for security operation | Partly funded |
| Parliamentary Service Commission | Total | - | 1,000 | 1,000 | | | |
| | P.3 General Administration, Planning and Support Services | - | 1,000 | 1,000 | 1 billion for purchase of land for CPST | | Funded |
| Teachers Service Commission | Total | 3,150 | - | 3,150 | | | |
| | P.1 Teacher Resource Management | 3,150 | - | 3,150 | 1.35 billion for recruitment of additional teachers; and 1.8 billion For promotion of teachers in various cadres. | 2.8 billion For salary expenses. | Funded |
| Auditor General | Total | 1,270 | - | 1,270 | | | |
| | P.1 Audit Services | 1,270 | - | 1,270 | 1.27 billion for: Personnel Emoluments (449.6 million); domestic travel (82 million); purchase of motor vehicle (100 million); ICT (184.02 million); rentals of assets (74.42 million); outsourcing of audits (180 million); car loans (200 million) | 333 million for salary expenses. | Partly funded |