

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT

THIRD SESSION

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE SECOND
SUPPLEMENTARY BUDGET FOR 2014/2015

JUNE, 2015

*Paper Copy
By Hon Mutua
Musyimi - Chair, Budget
Committee on
The 23/6/15
WN*



PREFACE

Mr. Speaker Sir, on behalf of the Members of the Budget & Appropriations Committee and in accordance to Article 223 of the Constitution and Section 44 of the Public Finance Management Act, it is my pleasure to present to this House the Committee's report on the Second Supplementary Estimates for the FY 2014/2015.

Mr. Speaker Sir, the National Assembly has a huge responsibility in approval and oversight of the National Budget. The Constitution, the Public Finance Management Act and the Standing Orders also vest it with the authority to approve any amendments to the National Budget.

Mandate of the Committee

Mr. Speaker Sir, the 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 related to coordination, control and monitoring of the national budget,
- ii. Discuss and review the estimates and make recommendations to the House;
- iii. Examine the Budget Policy Statement presented to the House;
- iv. Examine Bills related to the national budget, including Appropriations Bills;
- v. Evaluate tax measures, economic and budgetary policies and programmes with direct budget outlays.

Mr. Speaker Sir, the Budget & Appropriations Committee as currently constituted comprises of the following Honorable Members:

1. Hon. Mutava Musyimi, M.P.- **Chairperson**
2. Hon. Mary Emaase, M.P. -**Vice Chair**
3. Hon. Alfred Sambu, M.P.
4. Hon. Benjamin Langat, M.P.
5. Hon. Charles Nyamai, M.P.
6. Hon. Clement Wambugu, M.P.
7. Hon. Jackson Kiptanui, M.P.
8. Hon. Jamleck Kamau, M.P.
9. Hon. John Mbadi , M.P.
10. Hon. Mohamed Shidiye, M.P.
11. Hon. Moses Lessonet, M.P.
12. Hon. Moses Ole Sakuda, M.P.
13. Hon. Nelson Gaichuhie, M.P.
14. Hon. Abbas Ahmed, M.P.
15. Hon. Abdulaziz Farah, M.P.

16. Hon. Alfred Agoi, M.P.
17. Hon. Alice Ng'ang'a, M.P.
18. Hon. Banticha Jaldesa, M.P.
19. Hon. Benjamin Andola Andayi, M.P.
20. Hon. Bitok S. Kirwa, M.P.
21. Hon. Daniel Nanok, M.P.
22. Hon. Dennis Kariuki, M.P.
23. Hon. Dr. J. W. Nyikal, M.P.
24. Hon. Dr. Reginalda Wanyonyi, M.P.
25. Hon. Eng. Stephen Ngare, M.P.
26. Hon. Fatuma, Ali Ibrahim, M.P.
27. Hon. Francis Njenga, M.P.
28. Hon. Irshad Sumra, M.P.
29. Hon. Isaack Mwaura, M.P.
30. Hon. James Gakuya, M.P.
31. Hon. James Lusweti, M.P.
32. Hon. Jared O. Opiyo, M.P.
33. Hon. Jonathan Lati Lelelit, M.P.
34. Hon. Joseph Limo, M.P.
35. Hon. KK Stephen Kinyanjui, M.P.
36. Hon. Makali Mulu, M.P.
37. Hon. Moses Kuria, M.P.
38. Hon. Muriuki Njagagua, M.P.
39. Hon. Mwashetani Khatib Abdallah, M.P.
40. Hon. Omar Mwinyi, M.P.
41. Hon. Omondi George W. Mallan, M.P.
42. Hon. Patrick Ole Ntutu, M.P.
43. Hon. Peter Weru Kinyua, M.P.
44. Hon. Priscilla Nyokabi, M.P.
45. Hon. Richard Tongi, M.P.
46. Hon. Samuel Gichigi, M.P.
47. Hon. Shukra Hussein Gure, M.P.
48. Hon. Silverse Lisamula Anami, M.P.
49. Hon. Suleiman Murunga Kasuti, M.P.
50. Hon. Tiyah Galgalo, M.P.
51. Hon. Ferdnard Waititu, M.P.

Examination of the Second Supplementary Estimates

Mr. Speaker Sir, the Second Supplementary Estimates for the FY 2014/2015 was submitted to the National Assembly on 27th May 2015. The Budget and Appropriations Committee examined and discussed the supplementary estimates and has made recommendations which are contained in this report. Once approved by the House, these recommendations will form the basis for the passage of the Second Supplementary Appropriation Law.

Mr. Speaker Sir, in reviewing of the Supplementary Estimates II for FY 2014/2015, the Budget and Appropriations Committee held four (4) sittings which included one meeting with the National Treasury. The proposals for each Ministry, Department and Agency were submitted to the respective Departmental Committees. Afterwards, the Budget and Appropriations Committee received written submissions with recommendations which have been taken into account in this report.

Acknowledgements

Mr. Speaker Sir, the Budget and Appropriations Committee is grateful to the Departmental Committee and all 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 role.

Lastly, the Committee is grateful to the Office of the Speaker of the National Assembly, 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 Second Supplementary Estimates for FY 2014/2015.

Mr. Speaker Sir, 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:

Hon. Mutava Musyimi, MP
Chairman, Budget & Appropriations Committee

Date: 23.6.2015

I. Summary of the Second Supplementary Estimates

1. **Mr. Speaker Sir**, the second supplementary budget for the financial year 2014/15 was submitted to the National Assembly on 27th May 2015. This supplementary estimate proposes to increase the budget for FY 2014/2015 by Ksh 193.8 billion. The amount comprises of Ksh 12.8 billion for recurrent expenditure and Ksh 180.9 billion for development expenditure.
2. **Mr. Speaker Sir**, the first supplementary budget was submitted to the National Assembly on 18th December 2014 and approved on 3rd June 2015. It increased the 2014/15 budget by Ksh 50.5 billion. The amount comprised of Ksh 36.4 billion for recurrent expenditure and Ksh 14.1 billion for development expenditure. This increased the total appropriated funds for FY 2014/2015 to Ksh 1,232.9 billion. **Mr. Speaker Sir**, the approval of the second supplementary estimates by this House will effectively increase the overall discretionary expenditure to Ksh 1,426.7 billion.
3. **Mr. Speaker Sir**, a review of the expenditure proposals shows that the government proposes to change the allocations for a number of spending agencies. Some of the substantial increments include Ksh 138 billion to State Department for Transport for construction of the standard gauge railway and air transport infrastructure, Ksh 13.5 billion to the Ministry of Energy and Petroleum for geothermal generation and electricity transmission, Ksh 12.7 billion grants to the Kenya Urban Roads Authority (KURA), Kenya Rural Roads Authority (KeRRA) and Kenya National Highways Authority (KENHA) under the State Department for Infrastructure, Ksh 11 billion for security operations, Ksh 4.9 billion for National Youth Services, Ksh 4.2 billion to the National Treasury for emergency shareholder loan to the Kenya Airways and Ksh 8 billion to the State Department for Agriculture for subsidy of DAP fertilizer, purchase of maize stock and for the National Irrigation Board.
4. Some of the substantial reductions include Ksh 14.4 billion under the State Department for Education for the laptop programme, Ksh 9.5 billion under the National Treasury for Define Contributory Pensions Scheme, Ksh 3 billion under the National Treasury for Equalization Fund, Ksh 1.7 billion under the Ministry of Industrialization and Enterprise Development for Special Economic Zones, and Ksh 2.5 billion under the Judiciary for development expenditure.
5. **Mr. Speaker Sir**, despite the overall expenditure increment, the second supplementary budget has not provided information on how these expenditures will be funded. This raises concerns of whether revenues are expected to over-perform in the last few months of the year or government intends to increase borrowing.

II. Adherence to the Legal Framework

6. **Mr. Speaker Sir**, Article 223(5) of the Constitution limits Supplementary Appropriation in a given financial year to not more than 10 percent of the approved budget for that year, except if Parliament has approved a higher percentage. The total supplementary appropriation for 2014/2015 (The first and second supplementary estimates cumulatively) amounts to an additional expenditure of Ksh. 244.2 billion which is a 15 percent increment from the approved 2014/15 budget. Bulk of the increment is for construction of the Standard Gauge Railway (SGR) amounting to Ksh 130 billion. The Committee noted that this was a flagship project for the government and is donor funded. The National Treasury is required to present to the House a request for approval of a higher amount above the 10% in the budget for FY 2014/2015 before approval of this Second Supplementary Estimates.

III. Review of the Budget Performance for 2014/2015

7. **Mr. Speaker Sir**, A review of the budget performance as at early June 2015 indicates that on average, 71 percent of the approved budget has been spent. Indeed, some MDAs such as the Ministry of Sports, Culture and Arts, the State Department of Commerce and Tourism and the Salaries and Remuneration Commission have already exhausted their approved budgets and required additional funds through the Supplementary budget.
8. Conversely, other spending agencies such as the Ministry of Foreign Affairs and International Trade, National Treasury, Ministry of Energy and Petroleum, Ministry of Industrialization and Enterprise Development and Independent Police Oversight Authority (IPOA) have spent less than 55 percent of their allocated budgets. There are possibly three reasons for the low spending in these MDAs, which can be either low reporting of Appropriations-in-Aid, lack of Exchequer Issues or delays in project implementation. The National Treasury should ensure prompt release of funds to spending agencies, actual reporting of A-i-A by the spending agencies and timely project implementation.
9. **Mr. Speaker Sir**, given that the financial year is almost coming to an end and the current budget performance for FY 2014/2015, it is unlikely that some of the spending agencies will be able to exhaustively spend all the additional resources being voted to them in the second supplementary budget.

IV. Key Observations by the Committee

10. **Mr. Speaker Sir**, the Committee has held fruitful deliberations including one with the National Treasury and various pertinent matters were raised on the proposed changes to various spending agencies. Overall, the Supplementary II estimates lacks in adequate detail which limits oversight. The Committee noted that the National Treasury should have attached a memorandum to the supplementary estimates to provide further details on the proposed changes with regards to various programmes including why the changes were necessary.
11. The Committee appreciated the National Treasury for presenting the Second Supplementary in a programme based format. However, it observed that some spending agencies which were being allocated additional funds did not show a similar increase in their outputs and targets for the FY 2014/2015. It is therefore not clear on how these additional resource allocations will impact on the project and programmes being implemented or why it was necessary to allocate funds in the first place.
12. The Committee also observed that there were a few projects and programmes reallocated from one Ministry to another in the Supplementary Estimates. For instance, the sub-programme 'Efficiency Monitoring Unit and Inspectorate of State Corporations' has been moved from the State Department for Planning to the Presidency. This is disruptive to the budget process as it means another ministry has to implement and account for the money and outputs previously not allocated to it.
13. **Mr. Speaker Sir**, a huge proportion of the changes in the recurrent estimates is for use of goods and services and transfers to Semi-Autonomous State Agencies (SAGAs). Given that the budget was not accompanied with additional details, it is difficult to tell exactly where the change has been effected.
14. **Mr. Speaker Sir**, from the changes in the development estimates, the Committee was concerned with the reduction in the allocations to the Equalization Fund by Ksh. 3 billion. The National Treasury indicated that the funds were reallocated to a number of development projects in marginalized areas we need to fast-track regulations in the house. Article 204 of the Constitution provides that the funds allocated to the Equalization Fund in any financial year, if not spent at the end of the financial year, should remain within that Fund. Furthermore, withdrawal from the fund shall only be done if approved by the Controller of Budget and the Commission on Revenue Allocation consulted and its recommendations taken into account. The Committee highlighted that this procedure was not followed and therefore it recommends that this reduction be declined.

15. **Mr. Speaker Sir**, the Committee also noted that Ksh 2 billion had been set aside by the National Treasury for the Mumias Sugar rights issue. However, noting that the financial year was coming to an end thus the rights issue may not be held, it deemed fit to have the allocation deferred and included in the budget for 2015/2016.
16. **Mr. Speaker Sir**, during its deliberations on the Second Supplementary Estimates, the National Treasury presented to the Committee a number of proposed amendments to particular votes. The National Treasury indicated that the amendments were only reallocations within some votes and had a zero impact on the overall estimates. These amendments were to be considered in the First Supplementary Estimates, but due to the limited time for the approval of the First Supplementary Appropriation Act, the Committee had directed the National Treasury to include them in the Second Supplementary Estimates.
17. **Mr. Speaker Sir**, the National Treasury also proposed to the Committee for an additional increment in the funding for the Standard Gauge Railway by Ksh 4 billion to be funded from Local Appropriation-in-Aid. This increase in Local A-I-A was in respect of the Railway Development Levy so this will not have an increment in the funds sourced from the exchequer.

V. Committee Recommendations

18. **Mr. Speaker Sir**, having considered the above matters, the Committee recommends as follows:
 - (i) Reject the reduction Ksh 3 billion for the Equalization Fund under the National Treasury.

A. Proposed Reallocations

19. **Mr. Speaker Sir**, the Committee recommends the following reallocations:
 - (i) Reallocate Kshs. 200 Million under the Presidency from recurrent expenditure to development expenditure.
 - (ii) Reallocate Kshs. 300 Million under the Ministry of Foreign Affairs and International Trade from recurrent expenditure to development expenditure.
 - (iii) Reallocate Kshs. 4.4 Billion under the National Treasury from recurrent expenditure to development expenditure.
 - (iv) Reallocate Kshs. 225 Million under the Ministry of Health from recurrent expenditure to development expenditure.

B. Proposed Increments

20. **Mr. Speaker Sir**, the Committee recommends the following increments:

- (i) Increase the allocations to the State Department for Science and Technology by Ksh 800 million: Ksh 100 million in recurrent and Ksh 700 million in development.
- (ii) Increase the development allocations for Railway Development under the State Department for Transport by Kshs. 4 Billion.

C. Proposed Reductions

21. **Mr. Speaker Sir**, the Committee recommends the following reductions:

- (i) Reduce the allocations to the State Department for Education by Ksh 800 million: Ksh 100 million in recurrent and Ksh 700 million in development.
- (ii) Reduce the development allocations for Mumias Sugar Company Rights Issue under the National Treasury by Kshs. 2 billion. The funding for the rights issue has been deferred and will be included in the estimates for 2015/2016.
- (iii) Reduce the development allocations to the Ministry of Health by Kshs. 475 Million for the following expenditures: Riley Mother and Child Hospital under the Moi Teaching and Referral Hospital (Kshs. 250 Million) and NASCOP (Kshs. 225 Million). The funds will be included in the estimates for 2015/2016 to purchase Cancer Equipment for Moi Teaching and Referral Hospital (MTRH) and Kenyatta National Hospital (KNH).

22. The Committee further recommends that this House resolves to:

- (i) Approves the Report of the Budget and Appropriations Committee on the Second Supplementary Estimates for the Financial Year 2014/2015.
- (ii) That pursuant to Article 223(5) of the Constitution, this House approves 15% expenditure over and above the sum appropriated for FY 2014/2015.
- (iii) Approves a total expenditure of **Ksh. 198,322,650,616** to meet the expenditure during the year 2014/2015 in respect of the votes as attached in the Schedule.

Schedule: Proposed Second Supplementary Estimates for FY 2014/2015

| VOTE | Recurrent | Development | Total |
|---|-------------------|-------------------|-------------------|
| | Kshs. | Kshs. | Kshs. |
| 1011 The Presidency | 1,777,760,000 | 200,000,000 | 1,977,760,000 |
| 1041 Ministry of Defence | (10,200,000)* | 102,470,625 | 92,270,625 |
| 1051 Ministry of Foreign Affairs and International Trade | 1,215,974,274 | 65,700,000 | 1,281,674,274 |
| 1071 The National Treasury | (14,632,474,398)* | 1,372,067,468 | (13,260,406,930)* |
| 1081 Ministry of Health | 840,916,096 | 3,407,872,204 | 4,248,788,300 |
| 1111 Ministry of Land Housing and Urban Development | 226,736,215 | 6,177,346,194 | 6,404,082,409 |
| 1121 Ministry of Information, Communications and Technology | 200,000 | (1,117,678,571)* | (1,117,478,571)* |
| 1131 Ministry of Sports Culture and Arts | 273,000,000 | 199,007,330 | 472,007,330 |
| 1141 Ministry of Labour Social Security and Services | 56,750,000 | 242,660,000 | 299,410,000 |
| 1151 Ministry of Energy and Petroleum | 18,222,003 | 13,519,975,215 | 13,538,197,218 |
| 1171 Ministry of Industrialization and Enterprise Development | 178,200,000 | (1,738,002,820)* | (1,559,802,820)* |
| 1191 Ministry of Mining | 45,484,107 | (50,000,000)* | (4,515,893)* |
| 1251 Office of The Attorney General and Department of Justice | (250,999,991)* | (29,142,860)* | (280,142,851)* |
| 1261 The Judiciary | (1,135,000,000)* | (2,531,895,000)* | (3,666,895,000)* |
| 1271 Ethics and Anti-Corruption Commission | 200,000,000 | (277,600,000)* | (77,600,000)* |
| 1281 National Intelligence Service | 1,701,500,000 | - | 1,701,500,000 |
| 1291 Office of the Director of Public Prosecutions | (5,589,991)* | (52,300,000)* | (57,889,991)* |
| 1311 Office of the Registrar of Political Parties | 9,200,051 | - | 9,200,051 |
| 1321 Witness Protection Agency | 10,525,213 | - | 10,525,213 |
| 1021 State Department for Interior | 4,899,100,000 | 4,308,750,000 | 9,207,850,000 |
| 1022 State Department for Coordination of National Government | 702,500,000 | (60,000,000)* | 642,500,000 |
| 1031 State Department for Planning | 786,129,375 | 5,875,592,962 | 6,661,722,337 |
| 1032 State Department for Devolution | 866,812,200 | 4,864,319,250 | 5,731,131,450 |
| 1061 State Department for Education | (70,664,441)* | (13,592,047,927)* | (13,662,712,368)* |
| 1062 State Department for Science and Technology | 3,023,600,000 | 1,684,708,069 | 4,708,308,069 |
| 1091 State Department of Infrastructure | (72,478,701)* | 12,690,308,000 | 12,617,829,299 |
| 1092 State Department of Transport | 7,072,777 | 142,072,609,514 | 142,079,682,291 |
| 1101 State Department for | 288,314,682 | 404,239,781 | 692,554,463 |

| VOTE | Recurrent | Development | Total |
|--|----------------------|------------------------|------------------------|
| | Kshs. | Kshs. | Kshs. |
| Environment And Natural Resources | | | |
| 1102 State Department for Water and Regional Authorities | (50,000,000)* | 4,218,985,417 | 4,168,985,417 |
| 1161 State Department for Agriculture. | 1,940,000,000 | 7,310,879,156 | 9,250,879,156 |
| 1162 State Department for Livestock. | 5,000,000 | 86,782,628 | 91,782,628 |
| 1163 State Department for Fisheries. | 12,500,000 | 642,075,561 | 654,575,561 |
| 1181 State Department for Commerce and Tourism | 254,351,155 | 803,731,811 | 1,058,082,966 |
| 2021 National Land Commission | (62,500,000)* | (100,000,000)* | (162,500,000)* |
| 2031 Independent Electoral and Boundaries Commission | 681,703,665 | 86,680,000 | 768,383,665 |
| 2041 Parliamentary Service Commission | (80,000,000)* | - | (80,000,000)* |
| 2051 Judicial Service Commission | (100,000,000)* | - | (100,000,000)* |
| 2061 The Commission on Revenue Allocation | (7,500,000)* | - | (7,500,000)* |
| 2071 Public Service Commission | (25,000,000)* | - | (25,000,000)* |
| 2081 Salaries and Remuneration Commission | 399,500,000 | - | 399,500,000 |
| 2091 Teachers Service Commission | 3,681,000,000 | (135,000,000)* | 3,546,000,000 |
| 2101 National Police Service Commission | 394,000 | - | 394,000 |
| 2111 Auditor General | 120,000,000 | - | 120,000,000 |
| 2121 Controller of Budget | (34,000,001)* | - | (34,000,001)* |
| 2131 The Commission on Administrative Justice | (9,981,681)* | - | (9,981,681)* |
| 2151 Independent Police Oversight Authority | (6,500,000)* | - | (6,500,000)* |
| TOTAL | 7,669,556,609 | 190,653,094,007 | 198,322,650,616 |

* Denotes Reductions

**MINUTES OF THE 30TH SITTING OF THE BUDGET AND APPROPRIATIONS
COMMITTEE (BAC) HELD ON TUESDAY, 23RD JUNE 2015 AT 11:00 AM
AT THE SMALL DINING HALL, PARLIAMENT BUILDINGS, NAIROBI**

PRESENT

1. **Hon. Mutava Musyimi M.P. -Chair**
2. **Hon. Mary Emaase M.P.- Vice Chair**
3. Hon. Dr. Reginalda Wanyonyi, M.P
4. Hon. Jackson Kiptanui, M.P
5. Hon. Alice Ng'ang'a , M.P
6. Hon. James Gakuya , M.P.
7. Hon. Joseph Limo, M.P.
8. Hon. KK Stephen Kinyanjui, M.P
9. Hon. Moses Ole Sakuda, M.P.
10. Hon. Moses Lessonet, M.P
11. Hon. Patrick Ole Ntutu, M.P.
12. Hon. Samuel Gichigi, M.P
13. Hon. Suleiman Murunga Kasuti, M.P.
14. Hon.(Eng) Stephen Ngare, M.P.
15. Hon. Makali Mulu ,M.P.
16. Hon. Charles Nyamai, M.P.
17. Hon. Peter Weru Kinyua, M.P.
18. Hon. Abbas Ahmed, M.P
19. Hon. Richard Tongi, M.P
20. Hon. Abdulaziz Farah, M.P.
21. Hon. Benjamin Andola Andayi, M.P.
22. Hon. Alfred Agoi, M.P
23. Hon. Irshad Sumra, M.P
24. Hon. Mwashetani Khatib, M.P
25. Hon. Mohamed Shidiye, M.P.
26. Hon. Priscilla Nyokabi, M.P
27. Hon. Silverse Lisamula Anami, M.P.
28. Hon. Banticha Jaldesa, M.P

ABSENT

1. Hon. John Mbadi, M.P
2. Hon. Bitok S. Kirwa, M.P.
3. Hon. Dennis Kariuki, M.P
4. Hon. Dr. J.W. Nyikal, M.P
5. Hon. Clement Wambugu, M.P
6. Hon. Jonathan Lati Lelelit, M.

7. Hon. Isaac Mwaura, M.P.
8. Hon. Shukra Gure, M.P
9. Hon. Jamleck Kamau, M.P
10. Hon. James Lusweti, M.P
11. Hon. Alfred Sambu, M.P.
12. Hon. Muriuki Njagagua , M.P.
13. Hon. Nelson Gaichuhie, M.P.
14. Hon. Omar Mwinyi, M.P.
15. Hon. George Omondi, M.P
16. Hon. Francis Njenga, M.P
17. Hon. Benjamin Langat, M.P.
18. Hon. Daniel Nanok, M.P
19. Hon. Benjamin Langat, M.P
20. Hon. Moses Kuria, M.P
21. Hon. Tiyah Galgalo, M.P.

IN ATTENDANCE

1. Mr. Martin Masinde
2. Mr. Fredrick Muthengi
3. Mr. Robert Nyaga
4. Mr. Benjamin Ng'imor
5. Mr. Joseph Ndirangu
6. Mr. Danson Kachumbo
7. Ms. Julie Mwithiga
8. Mr. Vitalis Ndambuki

BUDGET COMMITTEE

SECRETARIAT

- Senior Deputy Director, PBO
- Principal Fiscal Analyst/ Clerk
- Chief Fiscal Analyst
- Fiscal Analyst
- Fiscal Analyst
- Fiscal Analyst
- Fiscal Analyst
- Office Assitant

AGENDA

1. Preliminaries / Confirmation of Agenda
2. Confirmation of the Minutes of the Previous Meeting.
3. Matters arising
4. Consideration and adoption of the 2015/16 and the medium term budget estimates of revenue and expenditure committee report
5. Any Other Business

MIN BAC/ 30/2015/1: PRELIMINARIES AND CONFIRMATION OF AGENDA

The Chair called the meeting to order at 11.20a.m. He informed members that there was need to consider the draft the committee report on the 2nd Supplementary Estimates for 2014/15 so as it can be tabled in the National Assembly.

MINBAC/30/2015/2: CONFIRMATION OF THE MINUTES OF THE PREVIOUS MEETING

The Committee members confirmed the minutes of the following meetings that were held in County Hall Chambers and the Small Dining as true reflections of the deliberations that took place. The minutes were approved as follows:

- (1) 28th Committee meeting held on Tuesday 16th June ,2015 proposed by Hon. Makali Mulu, M.P and Seconded by Hon. Stephen Kinyanjui,M.P
- (2) 29th Committee meeting held on 18th June,2015 proposed by Hon. Abduraziz farah,M.P and Seconded by Hon. Patrick Ntutu, M.P
- (3) 30th Committee meeting held on 23rd June,2015 proposed by Hon. Samuel Gichigi, M.P and Seconded by Hon.Makali Mulu,M.P

MINBAC/30/2015/3: MATTERS ARISING

There were no matters arising from the confirmed minutes.

MINBAC 30/2015/4: CONSIDERATION AND ADOPTION OF THE 2015/16 BUDGET ESTIMATES COMMITTEES REPORT

The Chair took members through the draft report and mainly on recommendations that the Committee had proposed. Members proposed various amendments that included:

- (i) Disapproved the reduction to the Equalization Fund.

After long deliberation, the Committee considered and adopted the draft Committee's report on the consideration of the 2nd Supplementary budget estimates for 2014/15.

The Committee also deliberated in regard to the fact that the 2nd Supplementary Estimates amount had surpassed the Constitutional requirement of more than 10% and thus there was need as per article 223(50) of the Constitution for the Committee and the House to agree on the percentage. The Committee noted that the National Treasury should write to the house seeking such approval.

The Chairperson appreciated the Committee members for their dedication and sacrifice in ensuring that the consideration of the estimates was concluded successfully. The appreciated the Parliamentary Budget Office for their immense contribution to the whole process.

MINBAC 30/2015/5:: ADJOURNMENT

There being no other business the Chairman, Budget and Appropriations Committee adjourned the meeting at 1:30 p.m. Next meeting will be communicated at a later date.

SIGNED



.....
CHAIRPERSON

23.6.15

.....
DATE

MINUTES OF THE 29TH MEETING BUDGET AND APPROPRIATION COMMITTEE HELD IN THE SMALL DINNING, PARLIAMENT BUILDINGS, ON TUESDAY, 16TH JUNE, 2015 AT 10.00 AM.

MEMBERS PRESENT

1. Hon. Mutava Musyimi, M.P.- **Chairperson**
2. Hon. Mary Emaase, M.P. -**Vice Chair**
3. Hon. Charles Nyamai, M.P.
4. Hon. John Mbadi , M.P.
5. Hon. Mohamed Shidiye, M.P.
6. Hon. Moses Lessonet, M.P.
7. Hon. Moses Ole Sakuda, M.P.
8. Hon. Nelson Gaichuhie, M.P.
9. Hon. Abbas Ahmed, M.P.
10. Hon. Abdulaziz Farah, M.P.
11. Hon. Alfred Agoi, M.P.
12. Hon. Bitok S. Kirwa, M.P.
13. Hon. Daniel Nanok, M.P.
14. Hon. Dennis Kariuki, M.P.
15. Hon. Dr. J. W. Nyikal, M.P.
16. Hon. Dr. Reginalda Wanyonyi, M.P.
17. Hon. Eng. Stephen Ngare, M.P.
18. Hon. James Gakuya, M.P.
19. Hon. James Lusweti, M.P
20. Hon. Jared O. Opiyo, M.P.
21. Hon. Jonathan Lati Lelelit, M.P.
22. Hon. Joseph Limo, M.P.
23. Hon. KK Stephen Kinyanjui, M.P.
24. Hon. Makali Mulu, M.P.
25. Hon. Moses Kuria, M.P
26. Hon. Muriuki Njagagua, M.P.
27. Hon. Omar Mwinyi, M.P.
28. Hon. Omondi George, M.P.
29. Hon. Patrick Ole Ntutu, M.P.
30. Hon. Peter Weru Kinyua, M.P.
31. Hon. Priscilla Nyokabi, M.P.
32. Hon. Richard Tongi, M.P

33. Hon. Samuel Gichigi, M.P.
34. Hon. Silverse Lisamula Anami, M.P.
35. Hon. Suleiman Murunga Kasuti, M.P
36. Hon. Tiyah Galgalo, M.P.

ABSENT

1. Hon. Alfred Sambu, M.P.
2. Hon. Benjamin Langat, M.P
3. Hon. Shukra Hussein Gure, M.P.
4. Hon. Mwashetani Abdallah, M.P
5. Hon. Fatuma, Ali Ibrahim, M.P.
6. Hon. Francis Njenga, M.P.
7. Hon. Irshad Sumra, M.P.
8. Hon. Isaack Mwaura, M.P
9. Hon. Alice Ng'ang'a, M.P.
10. Hon. Banticha Jaldesa, M.P.
11. Hon. Benjamin Andola Andayi, M.P
12. Hon. Clement Wambugu, M.P.
13. Hon. Jackson Kiptanui, M.P.

BUDGET COMMITTEE SECRETARIAT

- | | |
|-------------------------|----------------------|
| 1. Ms. Phyllis Makau | Director,PBO |
| 2. Mr. Joseph Ndirangu | Fiscal Analyst/Clerk |
| 3. Mr. Benjamin Ngimor | Fiscal Analyst |
| 4. Mr. Danson Kachumbo | Fiscal Analyst |
| 5. Ms. Julie Mwithiga | Fiscal Analyst |
| 6. Mr. Vitalis Ndambuki | Office Assistant |

Min. 29/2015/1: Preliminaries and Confirmation of Agenda

The Committee meeting commenced at 11.15 a.m. Prayers were led by the Chairperson. The Committee was informed that the day's agenda was consider amendments proposed by the National Treasury on 2015/16 estimates and the draft report on the 2nd supplementary estimates II.

Min. 29/2015/2: Confirmation of Minutes of Previous Meeting

The Committee decided to postpone the confirmation of minutes of the previous meeting to a later date.

Min. 29/2015/3: Matters Arising

There were no matters arising.

Min. 29/2015/4: Discussion on Supplementary estimates II estimates-Consideration of reports from Departmental committees

The Committee was informed that all the Departmental Committees except for the Departmental Committee on Health had approved the proposed Supplementary II estimates without amendments.

The Departmental Committee on Health proposed Kshs. 250 Million from Riley Mother and child hospital for construction and purchase of equipment (the construction of the hospital has already been done) be reallocated to purchase cancer medical equipment for Moi Teaching & Referral Hospital (MTRH). It further proposed Kshs. 225 Million from NASCOP ready to use supplementary food be reallocated to KNH purchase of cancer treatment equipment. The same amount had been allocated and passed in Supplementary I for NASCOP's same activity.

The Committee resolved that the proposed Supplementary II estimates for the Ministry of Health be reduced by Kshs. 475 Million that was to be reallocated since the financial year is coming to an end. MTRH and KNH will not have adequate time to tender and purchase the cancer treatment equipment. The Committee therefore recommended that this reallocation be done in the next financial year 2015/16.

The Committee recommended the approval of the following proposed adjustments to the FY 2014/15 Supplementary II Estimates as presented by the National Treasury.

| Vote | Amount Approved by Parliament | Proposed Adjustment by National Treasury | Net Change in the Vote (Supplementary II Adjustments) |
|---|--------------------------------------|---|--|
| Recurrent | | | |
| The Presidency | 1,921,000,000 | 1,721,000,000 | (200,000,000) |
| Ministry of Foreign Affairs & International Trade | 1,305,000,000 | 1,005,000,000 | (300,000,000) |
| State Department for Education | 194,000,000 | 94,000,000 | (100,000,000) |
| State Department for Science & Technology | | 100,000,000 | 100,000,000 |
| The National Treasury | 6,651,000,000 | 2,230,000,000 | (4,421,000,000) |
| Ministry of Health | 2,357,000,000 | 2,132,000,000 | (225,000,000) |
| Sub- Total | 12,428,000,000 | 7,282,000,000 | (5,146,000,000) |
| Development | | | |
| The Presidency | 250,000,000 | 450,000,000 | 200,000,000 |
| Ministry of Foreign Affairs & International Trade | | 300,000,000 | 300,000,000 |
| State Department for Education | 1,193,000,000 | 493,000,000 | (700,000,000) |
| State Department for Science & Technology | | 700,000,000 | 700,000,000 |
| The National Treasury | | 4,421,000,000 | 4,421,000,000 |
| Ministry of Health | 139,000,000 | 364,000,000 | 225,000,000 |
| Sub- Total | 1,582,000,000 | 6,728,000,000 | 5,146,000,000 |
| | | | |

| | | | |
|--------------|-----------------------|-----------------------|--|
| Total | 14,010,000,000 | 14,010,000,000 | |
|--------------|-----------------------|-----------------------|--|

The Committee was informed that Kshs. 4.2 Billion for Kenya Airways was included in the proposed Supplementary II estimates under the National Treasury Vote.

Min. 29/2015/5: Any other Business

The following are other issues raised by the Committee:

1. The Committee agreed that on the adjustments to the Appropriation Bill 2015/2016, the committee would deliberate on adjustments on NBK rights issue, Mumias Sugar Company rights issue and reversion of funds under Education. The other issues were referred to the Departmental Committees.
2. The Committee proposed a joint meeting be held by the departmental committees on Agriculture, Livestock & Cooperatives and Finance, Trade & Planning, to discuss on Mumias Sugar Company.

There being no other business to consider, the meeting was adjourned at 1.00 pm. The next meeting will be held on Tuesday, 23rd June 2015 at 10.00 am.

SIGNED



.....
CHAIRPERSON

23.6.15

.....
DATE

MINUTES OF THE 28TH MEETING BUDGET AND APPROPRIATION COMMITTEE HELD IN THE SMALL DINNING, PARLIAMENT BUILDINGS, ON TUESDAY, 16TH JUNE, 2015 AT 10.00 AM.

MEMBERS PRESENT

1. Hon. Mutava Musyimi, M.P.- **Chairperson**
2. Hon. Mary Emaase, M.P. -**Vice Chair**
3. Hon. Charles Nyamai, M.P.
4. Hon. Clement Wambugu, M.P.
5. Hon. Jackson Kiptanui, M.P.
6. Hon. John Mbadi , M.P.
7. Hon. Mohamed Shidiye, M.P.
8. Hon. Moses Lessonet, M.P.
9. Hon. Moses Ole Sakuda, M.P.
10. Hon. Nelson Gaichuhie, M.P.
11. Hon. Abbas Ahmed, M.P.
12. Hon. Abdulaziz Farah, M.P.
13. Hon. Alfred Agoi, M.P.
14. Hon. Bitok S. Kirwa, M.P.
15. Hon. Daniel Nanok, M.P.
16. Hon. Dennis Kariuki, M.P.
17. Hon. Dr. J. W. Nyikal, M.P.
18. Hon. Dr. Reginalda Wanyonyi, M.P.
19. Hon. Eng. Stephen Ngare, M.P.
20. Hon. James Gakuya, M.P.
21. Hon. James Lusweti, M.P.
22. Hon. Jared O. Opiyo, M.P.
23. Hon. Jonathan Lati Lelelit, M.P.
24. Hon. Joseph Limo, M.P.
25. Hon. KK Stephen Kinyanjui, M.P.
26. Hon. Makali Mulu, M.P.
27. Hon. Moses Kuria, M.P.
28. Hon. Muriuki Njagagua, M.P.
29. Hon. Omar Mwinyi, M.P.
30. Hon. Omondi George, M.P.
31. Hon. Patrick Ole Ntutu, M.P.

32. Hon. Peter Weru Kinyua, M.P.
33. Hon. Priscilla Nyokabi, M.P.
34. Hon. Richard Tongi, M.P
35. Hon. Samuel Gichigi, M.P.
36. Hon. Silverse Lisamula Anami, M.P.
37. Hon. Suleiman Murunga Kasuti, M.P
38. Hon. Tiyah Galgalo, M.P.

ABSENT

1. Hon. Alfred Sambu, M.P.
2. Hon. Benjamin Langat, M.P
3. Hon. Shukra Hussein Gure, M.P.
4. Hon. Mwashetani Abdallah, M.P
5. Hon. Fatuma, Ali Ibrahim, M.P.
6. Hon. Francis Njenga, M.P.
7. Hon. Irshad Sumra, M.P.
8. Hon. Isaack Mwaura, M.P
9. Hon. Alice Ng'ang'a, M.P.
10. Hon. Banticha Jaldesa, M.P.
11. Hon. Benjamin Andola Andayi, M.P

IN ATTENDANCE

1. Mr. Henry Rotich
2. Dr. Kamau Thugge
3. Francis Anyona

National Treasury

Cabinet Secretary
Principal Secretary
Director-NT

BUDGET COMMITTEE SECRETARIAT

- | | |
|-------------------------|----------------------|
| 1. Ms. Phyllis Makau | Director,PBO |
| 2. Mr. Joseph Ndirangu | Fiscal Analyst/Clerk |
| 3. Mr. Benjamin Ngimor | Fiscal Analyst |
| 4. Mr. Danson Kachumbo | Fiscal Analyst |
| 5. Ms. Julie Mwithiga | Fiscal Analyst |
| 6. Mr. Vitalis Ndambuki | Office Assistant |

Min. 28/2015/1: Preliminaries and Confirmation of Agenda

The Committee meeting commenced at 11.15 a.m. Prayers were led by the Chairperson. The Committee was informed that the day's agenda was to meet with the National Treasury to discuss the 2nd Supplementary estimates for 2014/15.

Min. 28/2015/2: Confirmation of Minutes of Previous Meeting

The Committee decided to postpone the confirmation of minutes of the previous meeting to a later date.

Min. 28/2015/3: Matters Arising

There were no matters arising.

Min. 28/2015/4: Discussion on Supplementary estimates II Budget with the National Treasury

The Chairperson took members through various issues of concern that the committee had raised during the previous meeting and that required a response from the National Treasury. The following issues were raised:

1. The Supplementary appropriation for 2014/15 has surpassed the 10 percent threshold of the approved budget to stand at 15 percent and therefore contravened the Constitution under Article 223(5). The National Treasury was of the view that the foreign financing of the Standard Gauge Railway was the reason for this and the Committee decided to treat it as a special circumstance as provided for in Article 223(5).
2. There was a concern that the Supplementary II estimates lacked substantial details which limited oversight. It was agreed that the National Treasury would provide additional details required by the Committee to enable it to make an informed decision on the proposed Supplementary II estimates. In addition, it was agreed that going forward, the National Treasury and the Parliamentary Budget office will agree on a format that will capture all the required information.

3. Article 204 of the constitution provides that at the end of a financial year, any unexpended money in the Equalization Fund should remain within that fund and it also provides the how the funds can be withdrawn. The committee noted that this fund had been reduced by Kshs. 3 Billion. The National Treasury was of the view that the regulations for the fund were yet to be finalized.
4. The Committee noted that it was not clear how the Government will fund the Kshs. 193.7 Billion budgetary increments proposed under the Supplementary II estimates. The National Treasury stated that there were plans underway to borrow domestically to partly finance the additional expenditures and it is aware that these additional borrowing may not be fully absorbed before the end of the financial year 2014/15.
5. The Committee noted that transfer to other government agencies formed a significant portion of the recurrent budget, further there were too many SAGAs and there was need for rationalization. The National Treasury stated that the reason for the high recurrent budget was because there were some SAGAs that fully relied on the Exchequer for the Salaries. In addition, plans are already underway for the Parastatal reforms and capacity assessment and rationalization of staff.

Min. 28/2015/5: Discussion with the National Treasury on the proposed amendments to the Appropriation Bill 2015/16.

The National Treasury stated that there are a few areas where if the budget 2015/16 is implemented in the manner in which it has been passed, the operations of the affected Ministries/Department/Agencies (MDAs) would be adversely affected. These largely focus on areas relating to salaries, and foreign financed projects.

The National Treasury is also proposed to re-introduce the expenditure on Mumias Rights issue, which because of time, it had to defer to FY 2015/16. The Treasury further stated that the expenditure has its own financing and will therefore not create any financing gap.

The proposed amendments to the Appropriations Bill 2015/16 are as follows:-

FY 2015/16 BUDGET ESTIMATES AND PROPOSED ADJUSTMENTS

| | Ministry/Programme | Amount Certified by Parliament | Proposed Adjustment | Net Change |
|------------|--|--------------------------------|------------------------|----------------------|
| 1.0 | State Department for Devolution | - | 1,500,000,000 | 1,500,000,000 |
| | 0713000 P 8: Special Initiatives- For National Drought Management Fund | - | 500,000,000 | 500,000,000 |
| | 0713000 P 8: Special Initiatives-Resettlement of IDPs | | 1,000,000,000 | 1,000,000,000 |
| | | | | - |
| 2 | State Department for Infrastructure | - | 400,000,000 | 400,000,000 |
| | 0202000 P.2 Road Transport (KERRA) | - | 400,000,000 | 400,000,000 |
| | | | | - |
| 3 | State Department for Fisheries | - | 100,000,000 | 100,000,000 |
| | 0111000 P5: Fisheries Development and Management | | 100,000,000 | 100,000,000 |
| | | | | - |
| 4 | State Department for Science and Technology | - | - | - |
| | 0507000 P.7 Youth Training and Development (Under Development) | (430,965,773) | 430,965,773 | - |
| | 0507000 P.7 Youth Training and Development(Under Recurrent) | (76,710,513) | 76,710,513 | - |
| | 0504000 P.4 University Education (Under Recurrent) | 507,676,286 | (507,676,286) | - |
| | | | | - |
| 5 | 1101 State Department for Environment and Natural Resources | (1,500,000,000) | 1,100,000,000 | (400,000,000) |
| | 1011000 P.2 Environment and Natural Resources Management and Protection(under recurrent) | (1,500,000,000) | 1,100,000,000 | (400,000,000) |
| | | | | - |
| 6 | 1102 State Department for Water and Regional Authorities | 1,100,000,000 | (1,100,000,000) | - |
| | 1004000 P.4 Water Resources Management(under development) | 1,100,000,000 | (1,100,000,000) | - |
| | | | | - |
| 7 | The National Treasury | 4,998,000,000 | (2,998,000,000) | 2,000,000,000 |
| | 0718000 P2: Public Financial Management -Mumias Sugar Company- Rights Issue | - | 2,000,000,000 | 2,000,000,000 |
| | 0718000 P2: Public Financial Management -NBK Rights Issue | 4,998,000,000 | (4,998,000,000) | - |
| | | | | - |
| 8 | State Department for Agriculture | - | 500,000,000 | 500,000,000 |
| | 0108000 P2: Crop Development and Management - Agricultural Development Corporation- Seed subsidy | | 500,000,000 | 500,000,000 |
| | | | | - |
| | Total | 4,598,000,000 | (498,000,000) | 4,100,000,000 |

*Mumias rights issue is self-financing

Min. 28/2015/5: Any other Business

The following are other issues raised by the Committee:

1. There was a concern that the National Treasury had not released the CDF balance amounting to Kshs. 4.3 Billion for FY 2014/15 and also arrears from previous financial years. The National Treasury stated that it only release the balance of Kshs. 4.3 Billion by the end of June 2014.
2. There was a proposal from the Committee that it should have a sitting with the National Treasury every FY to make its input on the Budget Policy Statement (BPS) before it is finalized and taken to the Cabinet.
3. On the issue of social affirmative, the National Treasury stated that there was a challenge in appointing an acting CEO as the administrator of the fund. This problem was being fixed and the funds would be available by end of the financial year.

Min. 28/2015/6: Adjournment

There being no other business to consider, the meeting was adjourned at 1.30 pm.

SIGNED



.....
CHAIRPERSON

23.6.15
.....

DATE