

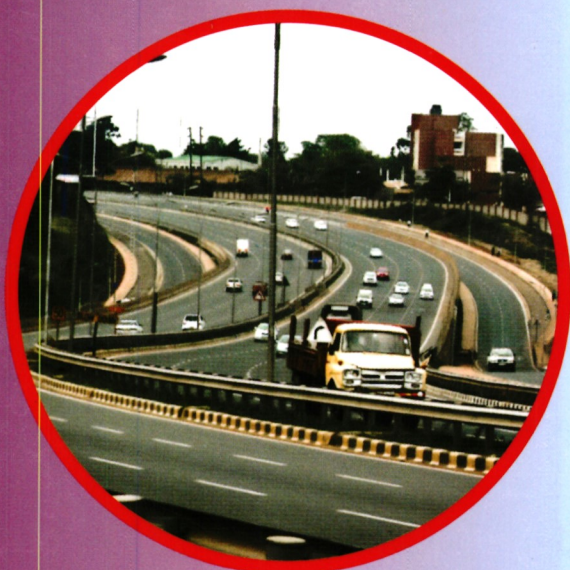


REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

BUDGET IMPLEMENTATION REVIEW REPORT

FIRST QUARTER
2013 /2014



November 2013

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REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

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2013/2014

NOVEMBER, 2013

FOREWORD

I take this opportunity to present the first quarter Budget Implementation Review Report covering the period July to September 2013. Budget Implementation Review Report is a quarterly report prepared by the Office of Controller of Budget and submitted to the Parliament as mandated by the Constitution of Kenya, 2010, Article 228 (6).

The report has been prepared at a time when the Country is undergoing change in the structure of administration as well as the operationalization of the devolved system of governance that aims at bringing services closer to the people. The new structures saw the ministries condensed to eighteen from the previous forty two. This is within the threshold set by the Constitution of twenty two ministries with similar sectoral set up as in the previous administration.

The theme of the 2013/14 Budget is “Transformation for Shared Prosperity” which aims at growing the economy to improve the standards of living of Kenyans and ensuring the objectives of devolution are achieved. One of the highlights of this budget is for the Government to put in place necessary measures to harness the youth talents to create employment in order to grow the economy.

This report reviews the macro-economic environment under which the budget was implemented, performance of government revenue and how Ministries, Departments and Agencies spent the appropriated funds in the period July to September 2013. The report also highlights the challenges facing budget implementation by the various MDAs.

It is a requirement of the Constitution that the public is given information on budget implementation so as to understand how the public funds are being spent. The 2013/14 Budget Policy Statement calls for greater transparency in the public financial management for both the national and county governments.



Mrs Agnes N. Odhiambo

CONTROLLER OF BUDGET

TABLE OF CONTENTS

EXECUTIVE SUMMARY	vii
ACRONYMS	ix
1.0 INTRODUCTION	1
2.0 MACROECONOMIC HIGHLIGHTS	2
2.1 Economic Growth	2
2.2 Inflation	3
2.3 Exchange Rate	4
3.0 FINANCIAL ANALYSIS OF THE 2013/2014 BUDGET IMPLEMENTATION	5
3.1 Analysis of Revenue Estimates	5
3.1.1 Revenue Receipts by National Treasury	5
3.1.2 Performance of Revenue Collection by Kenya Revenue Authority (KRA) ..	6
3.2 Exchequer Issues Released to National and County Governments	6
3.2.1 Sectoral Recurrent Exchequer Issues	7
3.2.2 Sectoral Development Exchequer Issues	8
3.2.3 Exchequer Requisition not Funded	9
3.3 Donor Releases	9
3.4 Consolidated Fund Services (CFS)	10
3.4.1 Public Debt	11
3.4.2 Domestic Debt	11
3.4.3 Foreign Debt	11
3.4.4 Pension and Gratuities	12
3.4.5 Guaranteed Loans to State Parastatals	12
3.5 Recurrent Expenditure Analysis by Sector	13
3.5.1 Personnel Emoluments for MDAs	13
3.5.2 Agricultural, Rural and Urban Development (AR&UD) Sector	14
3.5.3 Education Sector	15
3.5.4 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector	16
3.5.5 Environmental Protection, Water and Natural Resources Sector	17
3.5.6 General Economic and Commercial and Labour Affairs (GECLA) Sector ..	18

3.5.7	Governance, Justice, Law and Order Sector (GJLOS)	19
3.5.8	The Health Sector	21
3.5.9	The Public Administration and International Relations Sector	21
3.5.10	The Social Protection, Culture and Recreation Sector	23
3.5.11	National Security Sector	23
3.6	Development Expenditure Analysis by Sector	24
3.6.1	Agricultural, Rural and Urban Development (AR&UD) Sector	25
3.6.2	Education Sector	26
3.6.3	The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector	26
3.6.4	The Environmental Protection, Water and Housing Sector	27
3.6.5	General Economic, Commercial and Labour Affairs (GECLA) Sector	28
3.6.6	Governance, Justice, Law and Order Sector (GJLOS)	29
3.6.7	The Health Sector	30
3.6.8	The Public Administration and International Relations Sector	31
3.6.9	The Social Protection, Culture and Recreation Sector	32
4.0	KEY ISSUES AFFECTING IMPLEMENTATION OF THE BUDGET AND RECOMENDATIONS	33
5.0	CONCLUSION	35
Annex 1:	Analysis of Recurrent Expenditure and Exchequer Releases of MDAs	36
Annex 2:	Summary of Sectoral Recurrent Expenditures and Exchequer Issues of MDAs (Kshs. Billions)	40
Annex 3:	Analysis of Development Expenditure and Exchequer Releases of MDAs	41
Annex 4:	Summary of Sectoral Development Expenditure and Exchequer Issues of MDAs (Kshs, Billions)	44
Annex 5:	Sectoral Summary of Both Development and Recurrent Expenditure and Exchequer Release of MDAs (Kshs, Billions)	45
Annex 6:	Analysis of Personnel Emoluments for MDAs FY 2013/14	46

LIST OF TABLES AND FIGURES

Figures

Figure 1: Quarterly GDP growth for the period 2011-2013	3
Figure 2: Overall inflation rate for the period October 2011- September 2013	4
Figure 3: Comparison of CFS Expenditures, First Quarter 2013/2014.....	10
Figure 4: Trend in the Growth of Public Debt (Kshs. Trillion)	12
Figure 5: Sectoral Comparison of Actual Expenditure to Gross Estimates (Kshs.)	14
Figure 6: Comparison of Gross Estimates to Actual Expenditure (Kshs. Billions)	25

Tables

Table 1: Statement of Actual Revenue as at end of September 2013 (Kshs. Billions)	5
Table 2: Revenue Performance for July - Sept. 2013 (Kshs. Millions)	6
Table 3: Recurrent and Development Exchequer Issues July - Sept 2013	7
Table 4: Sectoral Recurrent Estimates and Exchequer Issues July - Sept.2013	8
Table 5: Sectoral Development Estimates and Exchequer Issues (Kshs. Billions)	9
Table 6: Summary of Grants and Loans Disbursement Status (Kshs. Billion)	10
Table 7: Cumulative Expenditures from CFS (Kshs. Millions)	11
Table 8: Analysis of Personnel Emoluments in MDAs (Kshs. Billions)	13
Table 9: Analysis of Recurrent Expenditure and Net Exchequer Issues for Agricultural, Rural and Urban Development (Kshs. Billions)	15
Table 10: Analysis of Recurrent Expenditure and Net Exchequer Issues for Education (Kshs. Billions)	16
Table 11: Analysis of Recurrent Expenditure and Net Exchequer Issues for Energy, Infrastructure and Information Communications Technology (Kshs. Billions)	17
Table 12: Analysis of Recurrent Expenditure and Net Exchequer Issues for Environmental Protection, Water and Housing Sector (Kshs. Billions)	18
Table 13: Analysis of Recurrent Expenditure and Net Exchequer Issues for General Economic, Commercial and Labour Affairs (Kshs. Billions)	19
Table 14: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOS (Kshs. Billions)	20
Table 15: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health Sector (Kshs. Billions)	21

Table 16: Analysis of Recurrent Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)	22
Table 17: Analysis of Recurrent Expenditure and Net Exchequer Issues for Social Protection, Culture and Recreation Sector (Kshs. Billions)	23
Table 18: Analysis of Recurrent Expenditure and Net Exchequer Issues for National Security Sector (Kshs. Billions)	24
Table 19: Analysis of Development Expenditure and Net Exchequer Issues for Agricultural and Rural Development (Kshs. Billions)	26
Table 20: Analysis of Development Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billions).....	26
Table 21: Analysis of Development Expenditure and Net Exchequer Issues for EI & ICT (Kshs. Billions)	27
Table 22: Analysis of Development Expenditure and Net Exchequer Issues for Environmental Protection, Water and Housing Sector (Kshs. Billions)	28
Table 23: Analysis of Development Expenditure and Net Exchequer Issues for GECLA Sector (Kshs. Billions)	29
Table 24: Analysis of Development Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. Billions)	30
Table 25: Analysis of Development Expenditure and Net Exchequer Issues for the Health Sector (Kshs. Billions).....	30
Table 26: Analysis of Development Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)	31
Table 27: Analysis of Development Expenditure and Net Exchequer Issues for the Social Protection, Culture and Recreation Sector (Kshs. Billions)	32

EXECUTIVE SUMMARY

The Controller of Budget is mandated by the Constitution under Article 228(6), to submit to each house of Parliament a report on the implementation of budgets of the national and county governments every four months.

The FY2013/14 started on a low note with MDAs facing delays in the release of funds from the National Treasury which was occasioned by the re-organization of the government structure that saw the number of ministries reduced from forty two to eighteen, exacerbated by the delay in appointment of accounting officers in the relevant ministries and opening of bank accounts for the restructured ministries. Additionally, counties did not receive their allocations on time due to the delay in the enactment of the County Allocation of Revenue Act, 2013 (CARA) which became effective on 26th August 2013, two months into the first quarter and some delayed in submitting their balanced budgets.

According to figures from the Kenya National Bureau of Statistics, Gross Domestic Product (GDP) grew by 4.3 per cent against a target of 5.8 per cent during the second quarter of 2013. The economic growth for the year 2013 is mainly supported by a strong expansion of activities in the Electricity and Water sector; Financial Intermediation, Agriculture and Forestry as well as the Manufacturing sectors. In the period July to September 2013, the inflation rate averaged 7.0 per cent compared to 4.36 per cent recorded at the end of June 2013 well over the targeted 5 per cent. This inflationary pressure is attributed to the implementation of the Value Added Tax Act and climatic factors affecting supply of common food crops which caused an upward increase of food index. The Kenya shilling weakened slightly against the major world currencies for this period, July to September 2013. The Shilling exchanged at a rate of Kshs. 87.30 against the US Dollar, a slight depreciation from Kshs. 84.60 recorded by the end of June 2013 and depreciated from Kshs. 130.00 to Kshs.135.3 to the Sterling Pound.

In the period under review, the Kenya Revenue Authority collected Kshs. 212 billion as exchequer revenue surpassing its revenue target of Kshs 210.63 billion by 0.8 per cent. The Controller of Budget released a total of Kshs. 253.4 billion broken down as follows: Kshs.156.4 billion towards recurrent expenditure, Kshs.35.6 billion towards development expenditure, Kshs.28.5 billion towards Consolidated Funds Services and Kshs. 32.9 billion to the forty seven County Exchequer Accounts.

The total expenditure for recurrent activities was Kshs.139.3 billion, representing an absorption rate of 22.8 per cent, which represents an increase from 18.6 per cent achieved in the same period last financial year. The development expenditure was Kshs. 36.0 billion, representing an absorption rate of 8.1 percent which was a decline from the 12.7 percent achieved in the same period last financial year. Some MDAs however recorded development expenditure that was higher than the amount of exchequer released which can be attributed to use of the Appropriations-In-Aid (A-I-A) not reported. The total expenditure for Consolidated Fund Services (CFS) was Kshs. 29.3 billion representing an absorption rate of 7.7 per cent which is a decline compared to 13.8 per cent achieved in the same period last financial year. The low absorption is attributed to the delay in the restructuring of MDAs and the deployment of accounting officers in the new ministries.

This report highlights some of the key challenges in budget implementation during the period under review and makes recommendations on how to address the challenges. A key challenge noted is the

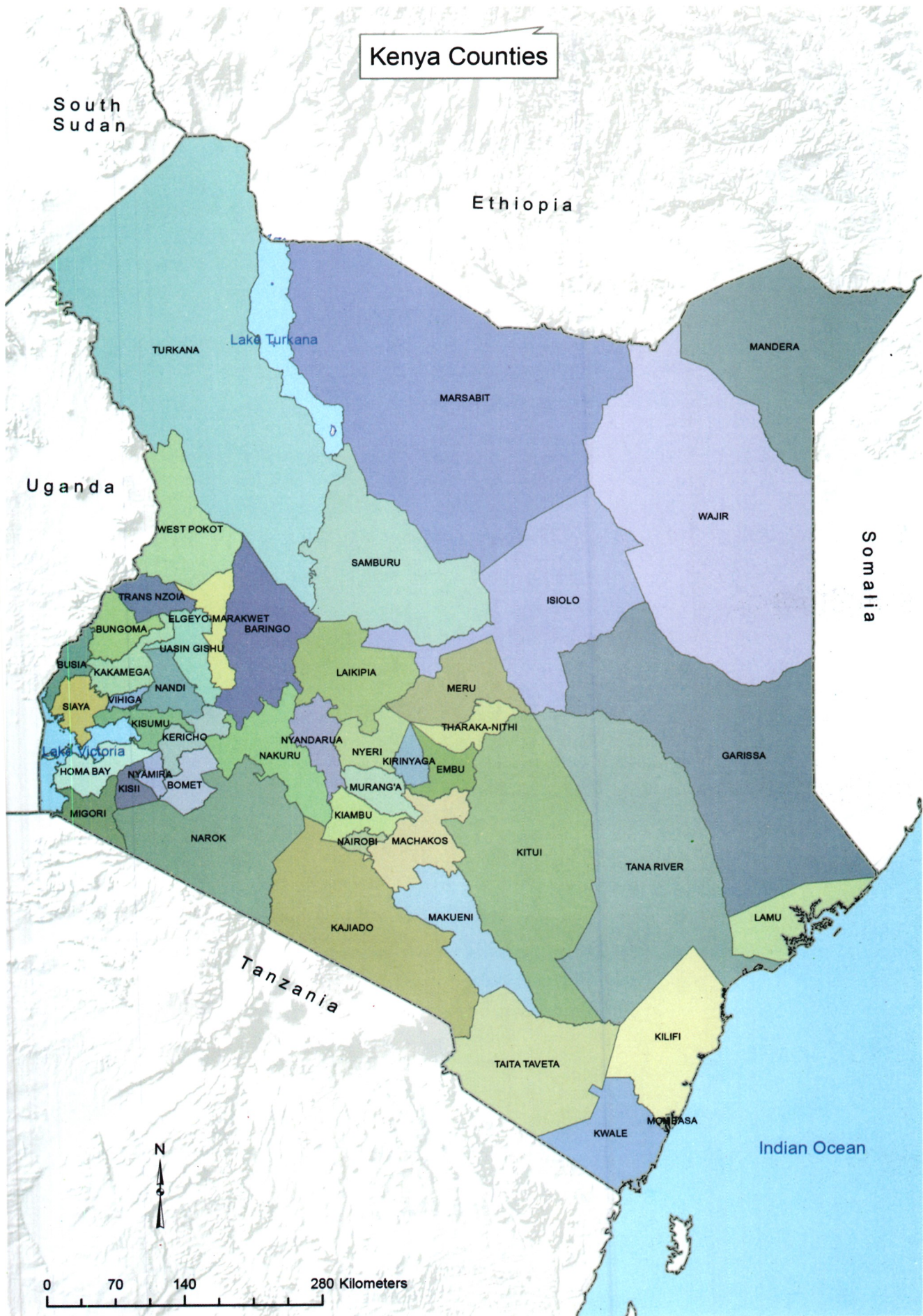
spiralling wage bill at both levels of government which if not contained will negatively affect the economy. There is therefore, urgent need for the Government to come up with a policy which will address this issue holistically.

In fulfilling one of its mandates, the office will continue to publish and publicize these quarterly budget implementation reports so as to ensure that the public gets timely information on the budget performance by government entities.

ACRONYMS

A-I-A	Appropriation-In-Aid
AG	Attorney General
AR&UD	Agricultural, Rural and Urban Development
BPS	Budget Policy Statement
CARA	County Allocation of Revenue Act
CBA	Collective Bargaining Agreement
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
CIC	Constitution Implementation Commission
EAC	East African Community
EACC	Ethics and Anti-Corruption Commission
EI & ICT	Energy, Infrastructure and Information Communications Technology
GDP	Gross Domestic Product
GECLA	General Economic, Commercial and Labour Affairs
GJLOS	Governance, Justice Law and Order Sector
G-PAY	Government Pay System
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information Systems
IMF	International Monetary Fund
IPPD	Integrated Personal Payroll Data
JICA	Japanese International Cooperation Agency
KBC	Kenya Broadcasting Cooperation
KNBS	Kenya National Bureau of Statistics
KNCHR	Kenya National Commission on Human Rights
KRA	Kenya Revenue Authority
MDAs	Ministries Departments and Agencies
MDGs	Millennium Development Goals
MTEF	Medium Term Expenditure Framework

NIS	National Intelligence Services
OCOB	Office of the Controller of Budget
PAIR	Public Administration and International Relations
PE	Personnel Emoluments
PFMAct	Public Finance Management Act
VAT	Value Added Tax



1.0 INTRODUCTION

The first quarter report for the 2013/14 financial year gives the status on budget implementation of the National Government. One of the key objectives of preparing this report is to inform Parliament, the Executive and the larger public on utilization of public resources which is also a constitutional requirement. With a consolidated National budget estimate of Kshs.1, 646 billion, the report starts by reviewing revenue performance for the first three months of the financial year as reported by both the National Treasury and the Kenya Revenue Authority. Availability of revenue determines how much exchequer will be issued which in turn determines the level of expenditure. Available funds have to be authorised by the Controller of Budget in form of exchequer issues before expenditure is incurred by the implementing Ministries, Departments and Agencies (MDAs).

Total expenditure is categorised into recurrent, development, and Consolidated Fund Services. In analysing national expenditure, the report disaggregates the national expenditure into broad sectors and then summarizes into sub-sectors. The report compares the performance of the subsectors with regard to the exchequer issues relative to the net estimates of the sub-sector.

In the analysis, net estimates are derived by netting the expected Appropriations in Aid for each entity from the annual gross estimates. The second performance measure is based on the expenditure amounts relative to the annual gross estimates for both the sectors and sub-sectors. This measure is referred to as the absorption rate under the sectoral analysis section in chapter three.

In order to achieve the intended goals as stated in the Second Medium Term Plan, the Budget Policy Statement 2013/2014, and other statutory policy documents, the report has also identified some of the impeding challenges and recommended mitigating strategies all focused towards maximum public benefit and value for money spent.

2.0 MACRO-ECONOMIC HIGHLIGHTS

The theme of the 2013/2014 financial year budget is *'Transformation for Shared Prosperity'*. To achieve this, the National Treasury through the 2013/2014 BPS, outlined measures such as accelerating growth through improving productivity and competitiveness; opening up the economy to investment and trade opportunities to boost exports; and support for small and medium enterprises through targeted financial support skills development, and access to markets through a revamped public procurement system so as to expand business and to reduce joblessness among the youth. Other measures include maintaining macro-economic stability by keeping inflation low, striving for a stable and competitive exchange rate, while enhancing the capacity to respond to external shocks and sealing leakages in our revenue collection system by broadening the tax base while ensuring efficiency in public expenditure among others.

2.1 Economic Growth

On average, output growth in the Sub-Saharan Africa region performed strongly at a rate of 5.1 per cent in 2012, and is projected to accelerate to 5.4 per cent in 2013 and 5.7 per cent in 2014¹. The country's targeted economic growth rate in the year 2013 is 5.8 per cent according to the 2013/2014 Budget Policy Statement. The GDP grew by 4.3 per cent in the second quarter of 2013, a marginal decline from the 4.4 per cent growth attained during the same period in the year 2012. The growth is attributed to the following factors: expansion in activities of Electricity and Water, Financial Intermediation, Agriculture, Forestry and Manufacturing sectors. However, Hotels and Restaurants, Wholesale and Retail Trade recorded a decline in growth².

The economy suffered a setback partly due to a fire that razed a section of the country's main airport and the terrorist attack at the Westgate Mall in the first quarter of 2013/14 financial year. The airport fire occasioned the closure and diversion of air traffic which disrupted tourist arrivals and export of horticultural products. There were also travel advisories issued following the Westgate Mall attack which are likely to impact the tourism industry. The combined effect of these two incidences is likely to have a negative impact on targeted economic growth. Low economic growth will adversely affect budget implementation because when the economy is not able to generate enough revenue to meet the government expenditure, the available funds will only meet recurrent expenditure and therefore development activities will be constrained. There is a need to boost security in order to create confidence among the investors and the business community as they undertake their business activities which generate revenue for the economy through taxes. When there is low revenue collection, the government resorts to borrowing which comes with associated costs.

¹ IMF publication on World Economic and Financial Surveys (Regional Economic Outlook, 2013)

² The Kenya National Bureau of statistics Quarterly GDP data

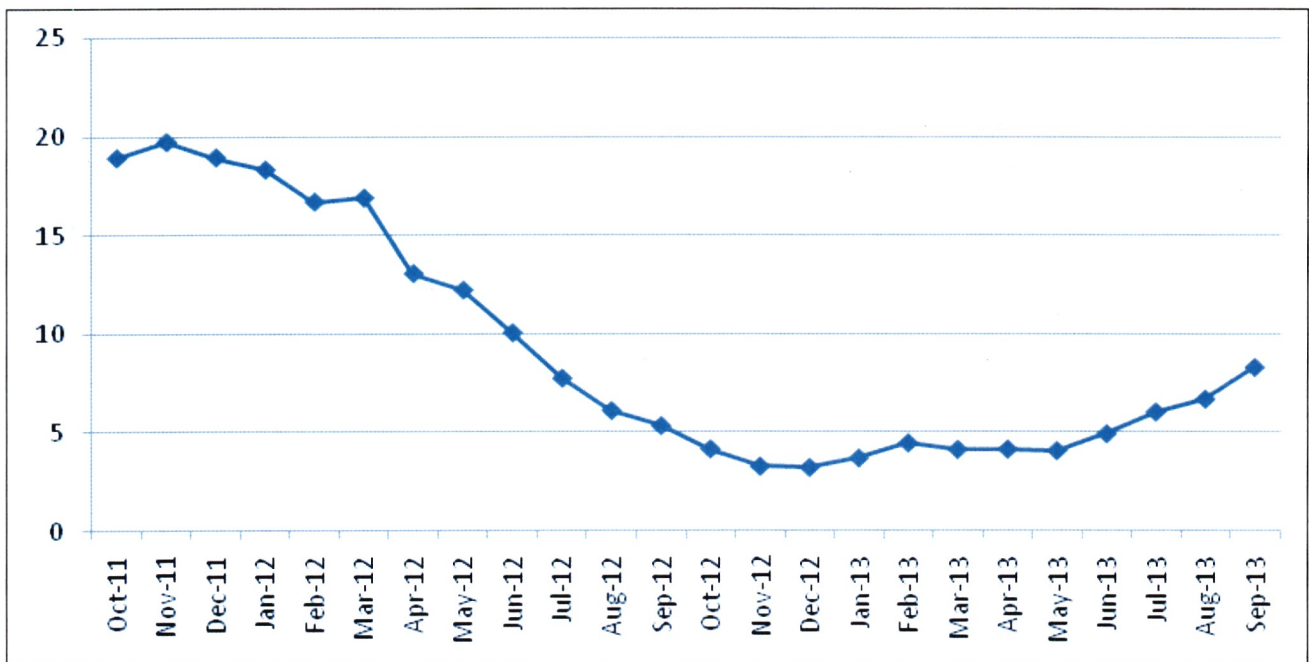
Figure 1: Quarterly GDP growth for the period 2011-2013

Source: KNBS 2013

2.2 Inflation

From the Budget Policy Statement for 2013/2014, the targeted inflation level for the financial year was estimated at 5.0 per cent. The inflation rate for the first quarter of the financial year 2013/14 was on an upward trend from 4.9 per cent in June 2013 to 8.3 per cent in September as shown in figure 1. The average inflation rate for the first quarter FY2013/14 was 7.0 per cent compared to 6.4 per cent recorded in the same period last financial year.

This inflationary pressure is attributed to the implementation of the Value Added Tax Act and seasonal factors affecting supply of common food crops which caused an upward increase of the food index. There was a general rise in prices of electricity, cooking gas, and other fuels. The Value Added Tax (VAT) Act, 2013 was enacted to widen the tax base, however, it was applied on all commodities against the guidelines set by the Government. There is a need for proper and gradual management of the newly introduced items to the VAT tax bracket as well as for the application of the principle of tax equity.

Figure 2: Overall inflation rate for the period October 2011- September 2013

Source: KNBS, 2013

2.3 Exchange Rate

During the period between July and September 2013, the Kenyan shilling weakened slightly against the major trading currencies except the South African Rand which remained stable at Kshs.8.74. During the period, the Shilling appreciated to Kshs.87.3 from Kshs.94.9 to the US Dollar recorded in the same period last year. However, the local currency depreciated from Kshs. 84.8 recorded in the period April to June 2013 to Kshs. 87.3 at the end of September 2013. The Sterling Pound and the Euro traded at an average of Kshs. 135.3 and Kshs. 115.6 in September 2013 from Kshs.133.9 and Kshs. 105.9 in the period ending September 2012 respectively.

High exchange rates will likely increase the cost of debt financing and thereby adversely affect budget implementation. However, the strengthening of the shilling against major currencies will ease balance of payment as well as increase capital flows thus accelerating economic growth. In addition, the rising exchange rate will decrease the development expenditure budget given that Kenya is a net importer of capital goods for development programmes.

3.0 FINANCIAL ANALYSIS OF THE 2013/2014 BUDGET IMPLEMENTATION

3.1 Analysis of Revenue Estimates

The FY2013/14 Budget Policy Statement estimates the government to collect a total of Kshs.1028.6 billion which comprises of Kshs.961.3 billion of ordinary revenue, and Kshs 67.3 billion of Appropriations- in-Aid (A-I-A). The total revenue estimates represents an increase from Kshs. 870.5 billion and Kshs. 84.8 billion respectively, 7.7 per cent over the budget estimates for the 2012/13 financial year which translates to 24.7 per cent of GDP.

The overall budget expenditure for the financial year 2013/14 is estimated at Kshs. 1,640.9 billion (inclusive of domestic and external redemption as well as contingency provisions), and total expected receipts of Kshs.1,284.0 billion which includes loans and grants and therefore the overall deficit amounts to Kshs.356.9 billion. However, excluding domestic debt rollover of Kshs. 127.3 billion and external debt redemption of Kshs. 88.6 billion, the total expenditure amounts to Kshs. 1,425 billion giving an overall fiscal deficit of Kshs. 329.7 billion. This deficit will be financed by net foreign borrowing of Kshs.223.0 billion and Kshs.106.7 billion net borrowing from the domestic market.

3.1.1 Revenue Receipts by National Treasury

In the period between July and September 2013, the National Treasury received a total of Kshs 253.79 billion against the annual target of Kshs. 1,270.90 billion for the financial year 2013/14. Table 1 shows that tax income generated the highest revenues at Kshs.201.06 billion while no revenues were received from International Organisations during the first quarter. Repayment from domestic lending and on lending (recoveries) recorded the least revenue of Kshs. 50.24 million.

Table 1: Statement of Actual Revenue as at end of September 2013 (Kshs. Billions)

Receipts by Category	Printed Est. July 2013 to June 2014	Actual Receipts 30/09/2013
Opening Balance 2012/2013	0.0	0.50
Total Tax Income	920.98	201.06
Total Non-Tax Income	38.87	0.29
Total Borrowing & Repayment	236.18	43.00
Loans – External	46.04	7.48
Grants – External	10.87	1.41
Grants from International Organizations	17.96	0
Repayment From Domestic Lending & On Lending (recoveries)	0	0.05
TOTAL	1,270.90	253.79

Source: National Treasury

3.1.2 Performance of Revenue Collection by Kenya Revenue Authority (KRA)

In the first quarter of the FY 2013/14, KRA collected exchequer revenue of Kshs. 212.2 billion against quarterly target of Kshs. 210.6 billion. This represents a 25.7 per cent revenue growth over the same period last financial year. Domestic taxes generated the highest revenue of Kshs. 145.9 billion attaining a performance of 101.1 per cent. This amount represents a growth of 26.6 per cent over the same period last financial year. Conversely, the road transport category recorded the least revenue, missing its target by 9.5 per cent. However, the category recorded a growth of 27.8 per cent compared to the same period in the previous financial year. There is need for concerted efforts in all the categories to ensure that revenue targets are met.

Shortfall in revenue collection has been cited as one of the main challenges in budget implementation in the previous financial years. The first quarter figures for FY2013/14 released by KRA surpassed the revenue target for the July to September 2013 period and expects to collect Kshs. 229.3 billion for the second quarter of 2013/14 financial year.

KRA has identified some key factors that are likely to influence revenue collection for the coming months. First; the macro-economic framework under which appears to be stable; secondly; the rising oil prices since June 2013, which will adversely affect oil revenues and lastly implementation of KRA's enhancement strategies geared towards minimizing identified potential revenue risks, broadening tax base, enhancing efficiency and effectiveness of tax administration.

Table 2: Revenue Performance for July to Sept. 2013 (Kshs. Millions)

Revenue Category	Actual 2013/2014	Target	Variance	Performance Rate (%)	Actual 2012/13	Growth Rate Over 2012/13 (%)
Customs Services	65,562	65,529	33	100.0	53,037	23.6
Domestic Taxes	145,938	144,298	1,640	101.1	115,259	26.6
Road Transport	726	803	(77)	90.5	568	27.8
Total	212,225	210,630	1,596	100.8	168,865	25.7

Source: Kenya Revenue Authority

3.2 Exchequer Issues Released to National and County Governments

The total exchequer issues for the period July to September 2013 stood at Kshs. 253.5 billion (18.3 per cent of exchequer to net estimate) compared to Kshs 231.7 billion (19.2 per cent of exchequer to net estimates) released in the same period last financial year. The percentage of exchequer issues to net estimates declined slightly by 0.9 percentage points over the same period last financial year. This is attributed to the re-organisation of the ministries which delayed opening of new bank accounts and appointment of accounting officers coupled with the delay in enactment of the County Allocation Revenue Bill to allow counties to withdraw the equitable share of national revenue.

The total exchequer released for recurrent expenditure in the first quarter of FY2013/14 was Kshs. 156.4 billion representing 28.1 per cent of the net estimates. The total amount of exchequer released for development activities in the first quarter was Kshs 35.6 billion amounting to 13.8 per cent of the net estimates. This represented a decline of 8.7 per cent in the development expenditures released over the same period last financial year. The total exchequer released to the counties stood at Kshs. 32.9 billion

representing 17.3 per cent of the total net estimates of unconditional grant for the counties from the national government.

The County exchequer issues were released in two tranches each of Kshs 16.44 billion for the month of August and September 2013 respectively. However, only 41.5 per cent of the funds were released to the Counties as at the end of September 2013. The low uptake of resources is attributed to the delay in the passage of County Allocation of Revenue Act that became effective on 26th August 2013. The exchequers to the Counties were released according to the cash disbursement schedule approved by the Senate. Table 3 shows the total exchequer releases for recurrent, development, Consolidated Fund Services, and County Governments.

Table 3: Recurrent and Development Exchequer issues July - Sept 2013 (Kshs. Billions)

Name of the Sector	FY 2013/2014				FY 2012/2013		
	Gross Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.
Agriculture, Rural & Urban Development	53.3	46.9	10.6	22.6	69.0	11.4	16.5
Education	276.2	248.9	70.6	28.4	205.3	49.7	24.2
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	216.5	73.3	12.6	17.2	92.2	20.3	22.0
The Environmental Protection, Water and Natural Resources	57.1	34.3	4.7	13.7	19.2	3.5	18.2
General Economic & Commercial Affairs (GECLA)	12.9	12.2	3	24.6	13.1	3.9	29.8
The Governance, Justice, Law and Order (GJLOS)	125.7	124.5	23.6	19.0	130.6	22.3	17.1
The Health	36.2	28.8	17.6	61.1	68.7	12.0	17.5
The Public Administration and International Relations	173.5	142.3	27	19.0	142.9	38.8	27.2
The Social Protection, Culture and Recreation	20.5	19.8	3.2	16.2	24.3	4.3	17.7
National Security	84.7	84.7	19	22.4	83.7	17.8	21.3
Sub-Total MDAs	1,056.6	815.7	191.9	23.5	849	184.1	21.7
County governments	210.0	190.0*	32.9	17.3	9.8	-	-
Sub-Total Consolidated Fund Services	380.3	380.3	28.7	7.5	346.0	47.6	14.1
Grand Total	1,646.9	1,386.0	253.5	18.3	1204.8	231.7	19.23

Source: Office of the Controller of Budget

*Excludes conditional grants

3.2.1 Sectoral Recurrent Exchequer Issues

In the first quarter of the FY2013/14, the total exchequer released for recurrent expenditure totalled Kshs. 156.4 billion, an increase from Kshs.122.9 billion released the same period last financial year.

The health sector received the highest percentage of exchequer release to net estimates at 86.3 per

cent compared to 19.7 per cent recorded in the same period last financial year. A health care service is one of the functions under the fourth schedule which is to be devolved and undertaken by the county government. Personnel emoluments for the health workers were budgeted to be paid at the county level but their salaries and related costs were met by the national government. This has led to the Ministry of Health requesting for more funds from the National Treasury to meet the Personnel Emoluments (PE) costs. Nevertheless counties are meant to reimburse the funds paid on behalf to the national government. The Social Protection, Culture and Recreation Sector had the lowest percentage of exchequer release to net estimate at 16.5 per cent, which is a decline from 20.2 per cent recorded in the same period last financial year.

Table 4: Sectoral Recurrent Estimates and Exchequer issues July 2013 to Sept.2013
(Kshs. Billions)

Name of the Sector	FY 2013/2014				FY 2012/2013		
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture and Rural Development	15.0	13.9	4.1	29.7	24.8	5.4	21.7
Education	245.8	225.9	69.3	30.7	190.1	45.7	24
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	27.5	6.8	2.1	30.5	9.1	1.4	15.7
The Environmental Protection, Water and Housing	13.2	8.2	2.2	26.3	7.2	1.3	18.0
General Economic, Commercial and Labour Affairs (GECLA)	7.9	7.5	2.3	31.1	7.8	2.2	28.6
The Governance, Justice, Law and Order (GJLOS)	111.3	110.8	22.8	20.6	115.4	20.4	17.6
The Health	20.3	16.5	14.2	86.3	50.7	10.0	19.7
The Public Administration and International Relations	73.9	72.4	18.6	25.7	70.5	15.7	22.3
The Social Protection, Culture and Recreation	10.9	10.8	1.8	16.5	14.8	3.0	20.2
National Security	84.7	84.7	19.0	22.4	83.7	17.8	21.3
Total	610.5	557.4	156.4	28.1	574.4	122.9	21.4

Source: Office of the Controller of Budget

3.2.2 Sectoral Development Exchequer Issues

The National Government allocates funds to undertake development activities in each financial year. According to the Public Finance Management Act, 2012, Section 15 (2), a minimum of thirty (30) per cent of the budget should be allocated for development expenditure.

In the 2013/14 financial year budget, the national government allocated Kshs.446.2 billion for development expenditure representing 27.1 percent of the total gross budget estimates. In the period July to September 2013, the exchequer released to Ministries, Departments and Agencies (MDAs) for development expenditure was Kshs. 35.6 billion representing 13.8 percent of the net estimates compared to Kshs. 61.1 billion representing 22.3 percent of net estimates released in the same period last financial year. The percentage of exchequer issues to the net estimate declined from 22.3 percent for the first quarter FY2012/13 to 13.8 per cent in the first quarter FY2013/14.

In the first quarter of FY2013/14, the Health sector received the highest proportion of exchequer issues to net estimates, at 27.8 percent which is an increase from 11.1 percent recorded the same period last financial year. The Education sector received the lowest percentage of exchequer issues to net estimates at 5.5 per cent, which is a decline from 26.5 percent recorded the same period last financial year. From our analysis, Education sub-sector had pending development exchequer requests not funded as at end of September 2013.

Table 5: Sectoral Development Estimates and Exchequer Issues (Kshs. Billions)

Name of the Sector	FY 2013/2014				FY 2012/2013		
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture and Rural Development	38.3	33	6.5	19.8	44.2	6.0	13.6
Education	30.4	23.0	1.3	5.5	15.2	4.0	26.5
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	189.0	66.5	10.5	15.8	83.1	18.9	22.7
The Environmental Protection, Water and Housing	43.9	26.1	2.5	9.5	11.9	2.2	18.8
General Economic, Commercial and Labour Affairs (GECLA)	5.0	4.7	0.7	14.8	5.2	1.7	32.2
The Governance, Justice, Law and Order (GJLOS)	14.4	13.7	0.8	6.1	14.9	1.9	13.0
The Health	15.9	12.3	3.4	27.8	18.0	2.0	11.1
The Public Administration and International Relations	99.6	69.9	8.4	12.1	72.4	23.1	31.9
The Social Protection, Culture and Recreation	9.6	9.0	1.4	16.2	9.5	1.3	13.7
Total	446.2	258.2	35.6	13.8	274.4	61.1	22.3

Source: Office of Controller of Budget

3.2.3 Exchequer Requisition not Funded

As at end of September 2013, a total of Kshs. 44.58 billion of exchequer requests were not funded. This comprises of Kshs. 5.08 billion for Recurrent, Kshs. 5.21 billion for development and Kshs. 34.29 billion for Consolidated Fund Services (domestic debt). Out of the total CFS unfunded exchequer, Kshs. 34.05 billion was to cater for Treasury Bonds call up. However, given that CFS is a first charge, the government utilized the overdraft facility to meet the obligation.

3.3 Donor Releases

According to the printed estimates of 2013/2014 financial year, the government budgeted to receive Kshs 240.7 billion from development partners which comprised of: Loan Revenue of Kshs.46.0 billion, Grant Revenue of Kshs. 10.9 billion, Loans A.I.A of Kshs. 134.7 billion and Kshs.49.0 as Grants A.I.A. The actual disbursements in the first quarter of financial year 2013/2014 were Kshs 4.8 billion

representing 2.0 per cent of the gross estimates. Grant revenues registered the lowest performance of Kshs 0.1 billion in the period under review.

Table 6: Summary of Grants and Loans Disbursement Status (Kshs. Billion)

Funding Type	Printed Estimates 2013/2014	Cumulative Disbursement as at 30-09-2013	
		Disbursements	% Disbursed against Printed Estimates
Loans Revenue	46.04	2.81	6.10
Grants Revenue	10.88	0.12	1.14
Loans A.I.A	134.72	1.70	1.26
Grants A.I.A	49.01	0.21	0.43
Totals	240.65	4.84	2.01

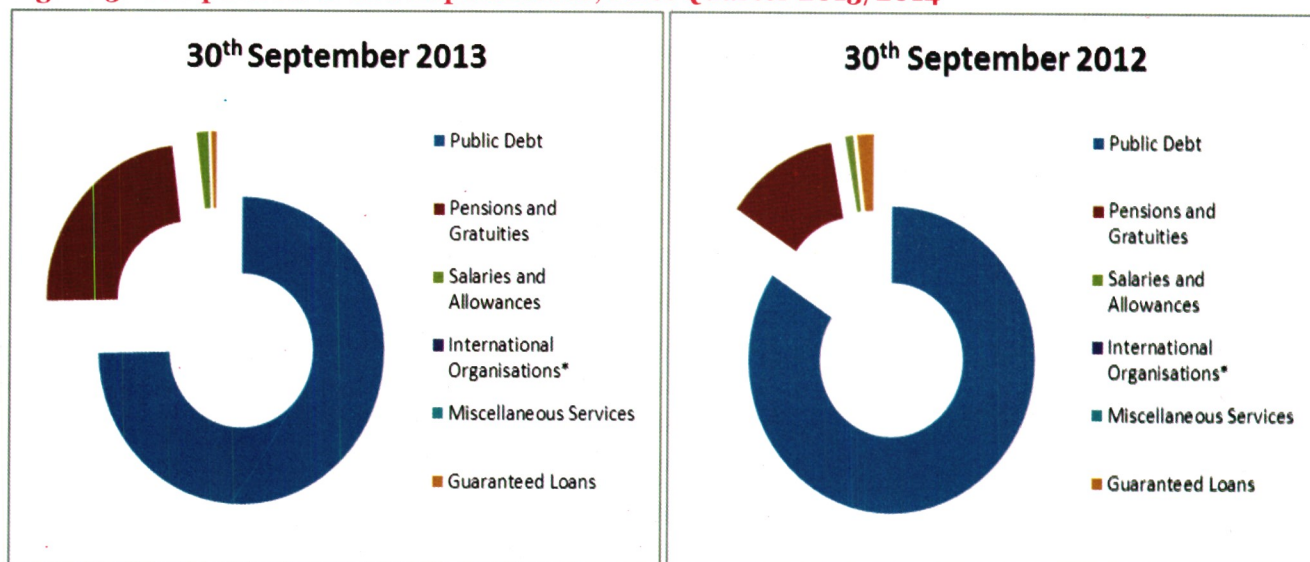
Source: National Treasury

3.4 Consolidated Fund Services (CFS)

The total budget allocated to the Consolidated Fund Services (CFS) was Kshs. 380.3 billion representing 23.1 percent of the total gross budget estimates for the financial year 2013/2014. The payments made out of the Consolidated Fund Services include: Public debt, salaries for constitutional office holders, pensions and gratuities to government pensioners, payment to international organizations and other miscellaneous payments by the government.

During the period July to September 2013, a total of Kshs. 28.7 billion was released as exchequer issue to the CFS account representing 7.5 percent of the CFS net estimates. The total expenditure for the same period stood at Kshs. 29.5 billion representing an absorption rate of 7.7 percent as shown in table 7. However, the expenditure was higher than the exchequer issue by Kshs 797 million. The returns from pensions do not clearly show the source of the over expenditure. There is need for reconciliation of the financial records to account for the over-expenditure.

Figure 3: Comparison of CFS Expenditures, First Quarter 2013/2014



Source: National Treasury

Table 7 : Cumulative Expenditures from CFS (Kshs. Millions)

CFS	Gross Estimates	Net Estimates	Exchequer Issues	Actual Expenditure	Exchequer Issues as % Net Est.	Expenditure as a % of G. Estimates
Public Debt	337,291	337,291	22,032	22,032	6.5	6.5
Pensions and Gratuities	38,167	38,167	6,050	6,847	15.9	17.9
Salaries and Allowances	3,400	3,400	400	400	11.8	11.8
International Organisations*	0.5	0.5	0.0	0.0	0.0	0.0
Miscellaneous Services	128	128	0	0	0.0	0.0
Guaranteed Loans	1,304	1,304	192	192	14.7	14.7
Total	380,291	380,291	28,674	29,471	7.5	7.7

Source: *The National Treasury*

*International organisation subscriptions is to IMF

3.4.1 Public Debt

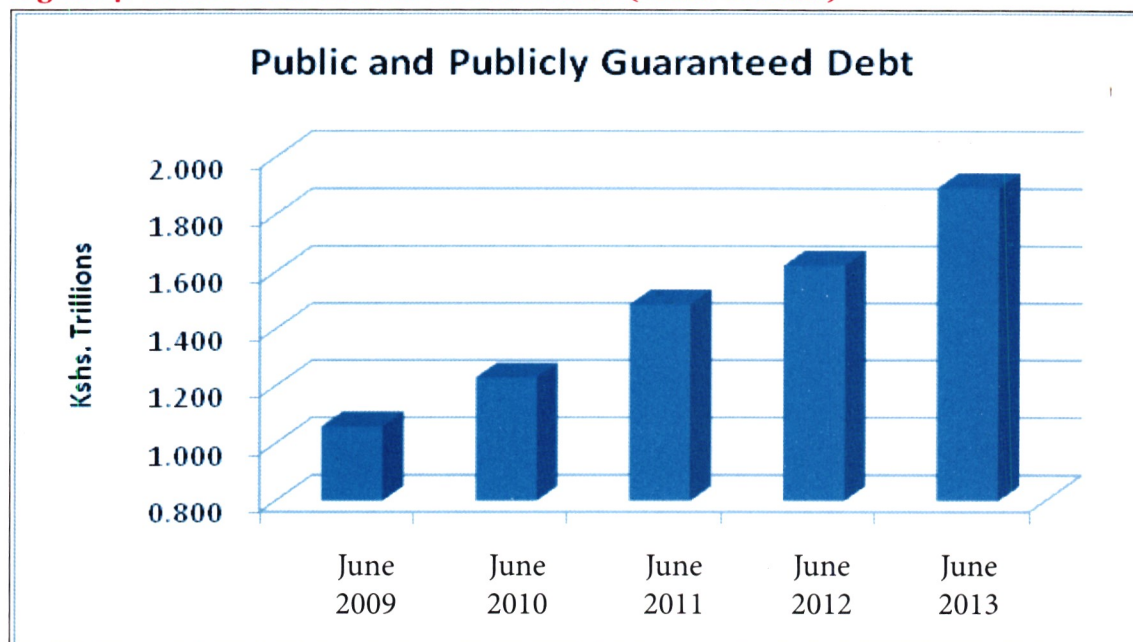
Public debt is an obligatory payment made out of the CFS account. The total public debt comprises of domestic debt, foreign debt and guaranteed loans by the government to state corporations. The stock of public debt increased by Kshs 163.3 billion from Kshs. 1.89 trillion in June 2013 to 2.06 trillion as at the end of September 2013 representing 56.0 per cent of the GDP. This amount comprises of Kshs 1.17 trillion as domestic debt and Kshs 889.32 billion as foreign debt. During the period, the government paid a total of Kshs 22.03 billion for both domestic and external debt service as shown in table 7.

3.4.2 Domestic Debt

The gross domestic debt increased from Kshs. 922.2 billion in September 2012 to Kshs. 1.17 trillion in September 2013. The government budgeted to borrow Kshs 106.7 billion from the domestic market in the financial year 2013/14 to finance the budget deficit. In total, the government borrowed Kshs. 1,168.1 billion by floating Treasury Bills of Kshs 307.6 billion, Treasury Bonds worthy Kshs 794.8 billion and others including overdraft from CBK of Kshs 34.2 billion during the first quarter of FY 2013/2014. The domestic debt service for the period stood at Kshs 12.9 billion out of the budget allocation of Kshs. 127.25 billion and Kshs. 110.21 billion for principal redemption and interest payments respectively.

3.4.3 Foreign Debt

The total public and publicly guaranteed external debt stock as at end of September 2013 stood at Kshs 889.32 billion. The government had budgeted to borrow a total of Kshs. 223 billion externally to finance the budget deficit for the FY 2013/14. The cumulative loans revenue from external sources in the first quarter was Kshs. 2.8 billion and the external debt service amounted to Kshs 9.15 billion against the budget allocation of Kshs. 99.81 billion for the financial year 2013/2014.

Figure 4: Trend in the Growth of Public Debt (Kshs. Trillion)

Source: National Treasury

3.4.4 Pension and Gratuities

The government allocated a total of Kshs. 38.2 billion for payment of pensions and gratuities representing 10.0 per cent of the CFS gross estimate. The Controller of Budget approved the release of exchequer issues amounting to Kshs 6.05 billion towards the payment of pensions and gratuities for the period July to September 2013. The actual expenditure on pensions and gratuities as at end of September 2013 was Kshs. 6.85 billion representing 113.6 per cent absorption rate. From the analysis, pension department spent more than the exchequer released and the data submitted from pension department shows that Kshs 760.9 million was accounted as payment in September awaiting funds transfer in October 2013 from the CFS account with the balance of Kshs 37.04 million being from the accumulated funds to pay off pending bills that were due in September 2013.

3.4.5 Guaranteed Loans to State Parastatals

Article 213 of the Constitution and Section 58 of the PFM Act 2012 provides the legal framework for issuance of Government loan guarantees to public entities. To minimize contingent liabilities to the Government and ensure prudent borrowing, public entities are required to seek prior approval from their respective management boards, parent ministries and the National Treasury before contracting any direct or guaranteed loans. Establishing better institutional processes and ensuring transparency in on-lending operations and monitoring of contingent liabilities are necessary to contribute positively towards the management of costs and risks in the Government debt portfolio.

For FY 2013/14, the government allocated Kshs. 1.3 billion to pay for the guaranteed debts defaulted by state corporations. During the period July-September 2013, the government paid a total of Kshs. 192 million to service principal and interest due to Japanese International Cooperation Agency (JICA) for the Kenya Broadcasting Cooperation modernization project.

3.5 Recurrent Expenditure Analysis by Sector

In the Medium Term Budget Policy Statement 2013/2014, recurrent expenditure was highlighted to be reaching unsustainable levels and pressing out resources meant for development. At over 12 percent of GDP, the wage bill is above the international accepted standards of 7-8 percent. The BPS for FY2013/14 outlined measures to control expenditure, a need to support social spending to education and health in order to achieve the Millennium Development Goals and to link education with employment as well as provision of health care to all Kenyans.

During the first quarter of 2013/14 financial year, the Office of the Controller of Budget approved exchequer release of Kshs.156.4 billion to meet the recurrent expenditure. The actual expenditure by MDAs for the period under review was Kshs. 139.3 billion representing an absorption rate of 22.8 per cent, an increase from 18.6 per cent recorded in the same period last financial year.

The Education sector spent Kshs. 75.1 billion recording the highest rate of absorption of 30.6 per cent which is an increase from 24.7 per cent recorded in the first quarter of FY 2012/13. The GJLOs sector recorded the lowest absorption rate of 11.9 per cent with a marginal increase of 0.2 percentage points over the same period last financial year. The rise in the education sector expenditure is attributed to payment of teachers' salaries following an increment awarded through collective bargaining towards the end of financial year 2012/13. From the analysis, the Education Sector's recurrent expenditure represents 53.5 per cent of the total recurrent expenditure.

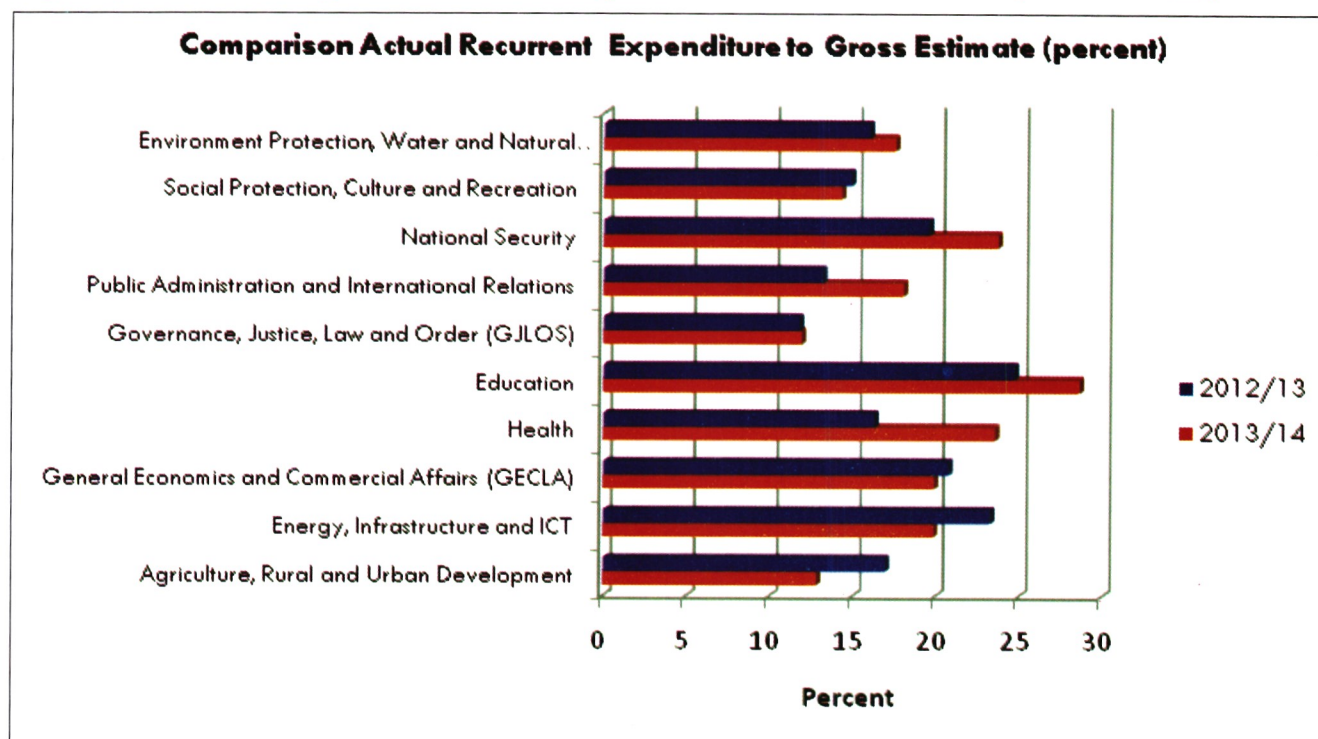
3.5.1 Personnel Emoluments for MDAs

In the financial year 2013/14, the estimated gross recurrent expenditure is Kshs. 610.5 billion representing 37.1 per cent of the total budget allocation. From the analysis, the Personnel Emoluments (PE) estimates (Kshs.252 billion) for FY2013/14 for all MDAs constitute the highest proportion of the recurrent budget representing 41.3 per cent, a slight decline from the previous financial year. This is despite the transfer of functions to the County governments in line with Fourth Schedule of the Kenya Constitution 2010. The wage bill remains high at both the national and county levels of governments. There is need for a policy at both levels to manage the escalating wage bill which may not be sustainable in the long term.

Table 8: Analysis of Personnel Emoluments in MDAs (Kshs. Billions)

	Total Budget	Total Recurrent Budget	Allocation to Personnel Emoluments	% of P.E Recurrent Budget	% of P.E to Total Budget
FY2013/14	1,646	610	252	41.3%	15.3%
FY2012/13	1,254	640	268	41.9%	21.4%

Source: Office of the Controller of Budget & MDAs

Figure 5: Sectoral Comparison of Actual Expenditure to Gross Estimates (Kshs. Billions)

Source: Office of the Controller of Budget and National Treasury

3.5.2 Agricultural, Rural and Urban Development (AR&UD) Sector

This sector comprises of the following sub-sectors: Ministry of Agriculture, Livestock and Fisheries; Ministry of Lands, Housing and Urban Development and the National Land commission. The Agricultural, Rural and Urban Development Sector is a significant contributor to the country's economic growth. In the 2013/14 financial year the Sector was allocated Kshs.15 billion to cater for its recurrent expenditure.

During the first quarter of the 2013/14 financial year, the sector received exchequer issues amounting to Kshs.4.1 billion which was 29.7per cent of the net estimates. The Agriculture, Livestock and Fisheries sub sector received the highest exchequer issues to net estimates at 31.3 per cent which was a remarkable improvement from 19.6 achieved in the same period last financial year. The Land, Housing and Urban development Sub sector received the least exchequer of 24.9 percent, a slight decline from 28.2 percent attained in the same period last financial year.

For the first three months of 2013/14 the Agriculture and Rural Development sector spent Kshs.1.9 billion to record an absorption rate of 12.8 per cent, a slight decline from the 17 per cent achieved in the same period in 2012/13 FY. The Land, Housing and Urban Development spent Kshs. 0.7 billion which translated to a slightly lower absorption rate of 17.5 per cent compared to 19 per cent recorded in the first quarter of 2012/13. Agriculture, Livestock and Fisheries sub sector spent Kshs.1.2 billion recording an absorption rate of 11 per cent down from 16.3 percent for the same period in the last financial year.

Table 9: Analysis of Recurrent Expenditure and Net Exchequer Issues for Agricultural, Rural and Urban Development (Kshs. Billions)

Name of the Sub Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Land, Housing and Urban Development	4.1	3.6	0.9	0.7	24.9	17.5	6.6	6.1	1.7	1.2	28.2	19.0
Ministry of Agriculture, Livestock and Fisheries	10.9	10.3	3.2	1.2	31.3	11.0	20.9	18.8	3.7	3.4	19.6	16.3
Total	15.0	13.9	4.1	1.9	29.7	12.8	27.5	24.8	5.4	4.7	21.7	17.0

Source: National Treasury & MDAs

3.5.3 Education Sector

This sector comprises two subsectors namely Education, Science and Technology and the Teachers Service Commission. The overall goal of this sector is to provide, promote and to coordinate quality education, training and research for empowerment of individuals to become competent and responsible citizens who value education. The Education sector also aims to develop higher and technical education to enhance integration of science, technology and innovation into the national production system for sustainable development. The sector was allocated Kshs. 245.8 billion representing 40.3 per cent of the recurrent budget in the FY 2013/14 for its recurrent activities as shown in table 9.

In the first quarter of financial year 2013/2014, the sector received exchequer issues amounting to Kshs. 69.3 billion which was 30.7 per cent of the net estimates. The exchequer issues to the sector in the period under review increased by 6.7 per cent compared to that of last financial year which was 24.0 per cent of the net estimates. The Ministry of Education, Science and Technology received Kshs. 20.0 billion as exchequer issues representing 25.8 per cent of the net estimates while the Teachers Service Commission received exchequer issues totalling to Kshs. 49.3 billion which was 33.2 per cent of the net estimates.

The total expenditure for the sector in the first quarter of financial 2013/2014 was Kshs. 75.1 billion representing 30.6 per cent of the sector's gross estimates and was an increase from 24.7 per cent of the gross estimates achieved in the same period last financial year. This is attributed to the salary increment awarded to teachers following a strike over a month towards the end of last financial year. During the period under review, the Teachers Service Commission had an expenditure of Kshs. 49.3 billion which represents 33.2 per cent of the gross estimates. The Ministry of Education, Science and Technology spent Kshs. 25.8 billion thereby absorbing 26.5 per cent of the gross estimates.

Table 10: Analysis of Recurrent Expenditure and Net Exchequer Issues for the Education Sector (Kshs. Billions)

Name of the Sub Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Education, Science and Technology	97.2	77.4	20.0	25.8	25.9	26.5	89.5	70.4	19.2	22.1	27.2	24.7
Teachers Service Commission	148.6	148.5	49.3	49.3	33.2	33.2	119.8	119.7	26.5	29.6	22.1	24.7
Total	245.8	225.9	69.3	75.1	30.7	30.6	209.3	190.1	45.7	51.7	24.0	24.7

Source: Ministry of Finance & MDAs

3.5.4 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

The sector consists of the Ministry of Transport and Infrastructure, Ministry of Information, Communication and Technology, and Ministry of Energy and Petroleum. The Ministry of Transport and Infrastructure is mandated to facilitate provision, maintenance and management of quality roads infrastructure in support of Kenya `Vision 2030 aspirations and to facilitate safe, efficient, accessible and sustainable transport services. The mandate of the Ministry of Information, Communication and Technology is to develop Kenya as a globally competitive and prosperous nation by creating an enabling environment that encourages and enhances the development, expansion and use of ICT.

The Ministry of Energy and Petroleum facilitates provision of clean, sustainable, affordable, reliable and secure energy services at the least cost while protecting the environment and energy policy development. The sector was allocated Kshs. 27.5 billion to cater for its recurrent activities in the FY 2013/14. The Transport and Infrastructure sub-sector was allocated the highest amount of Kshs. 22.8 billion representing 82.9 per cent of the total allocations for the sector. The other two sub-sectors, that is, Information, Communication and Technology and Energy and Petroleum, were each allocated Kshs. 2.4 billion.

The exchequer issues released to the sector during the period under review was Kshs. 2.1 billion representing 30.5 per cent of the net estimates. The Energy and Petroleum sub-sector received the highest exchequer issues amounting to Kshs. 0.8 billion translating to 38.1 per cent whereas the Information, Communication and Technology sub-sector received the lowest exchequer issues amounting to Kshs. 0.6 billion which translates to 23.4 per cent of the net estimates.

The total expenditure for the sector during the first quarter of the FY 2013/14 was Kshs. 5.5 billion representing 19.9 per cent of the gross estimates. The Energy and Petroleum sub-sector had the highest absorption of 20.5 per cent having spent Kshs. 0.5 billion whereas the ICT sub-sector had the lowest absorption rate of 17.0 per cent having spent Kshs. 0.4 billion.

Table 11: Analysis of Recurrent Expenditure and Net Exchequer Issues for Energy, Infrastructure and Information Communications Technology (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exc. Issues	Exp.	% Exch. Issues To Net. Est.	% Exp. to Gross Est.	Gross Est.	Net Est.	Exc. Issues	Exp.	% Exch. Issues to Net. Est.	% Exp. to Gross Est.
Min. of Trans. and Information.	22.8	2.3	0.7	4.6	30.7	20.0	32.6	4.3	0.6	7.9	15.0	24.1
Min. of Info. Comm. and Tech.	2.4	2.4	0.6	0.4	23.4	17.9	2.3	2.3	0.4	0.5	18.1	20.4
Min. of Energy and Petroleum	2.4	2.1	0.8	0.5	38.1	20.5	2.7	2.5	0.4	0.4	14.7	16.3
Total	27.5	6.8	2.1	5.5	30.5	19.9	37.7	9.1	1.4	8.8	15.7	23.3

Source: National Treasury & MDAs

3.5.5 Environmental Protection, Water and Natural Resources Sector

The General Economic and Commercial Affairs (GECLA) sector comprises of the following sub-sectors: Industrialization and Enterprise and East African Affairs, Commerce and Tourism. The sector aims at creating employment opportunities, poverty reduction, overseeing the fast tracking of the EAC regional integration initiatives, creation of the human resource base for global competitiveness and the promotion of equity among the Kenyan citizens. In order to achieve its mandate in the 2013/14 financial year the sector was allocated Kshs.7.9 billion for its recurrent expenditure.

The Environmental Protection, Water and Natural Resources Sector received exchequer issues amounting to Kshs. 2.2 billion representing 26.3 per cent of the net estimates during the financial year 2013/2014, an improvement compared to 18.0 per cent over the same period last financial year. The Mining sub sector received exchequer issues amounting to Kshs. 0.1 billion which represents 14.4 per cent of the net estimates. The Environment, Water and Natural Resources sub sector received exchequer issues amounting to Kshs 2.1 billion which represents 27.2 per cent of the net estimates compared to 17.7 per cent over the same period last financial year.

During the period under review, the sector spent a total of Kshs. 2.3 billion which represents an absorption rate of 17.5 per cent compared to 16.0 per cent over the same period last financial year. The Environment, Water and Natural Resources sub sector spent Kshs. 2.3 billion and had the highest absorption rate of 18.1 per cent compared to 15.8 per cent over the same period last financial year. The Mining sub-sector³ spent Kshs. 0.03 billion and had the lowest rate of absorption at 4.9 per cent compared to 16.4 per cent over the same period last financial year.

³The Mining sub-sector was formally Ministry of Environment and Mineral Resources.

Table 12: Analysis of Recurrent Expenditure and Net Exchequer Issues for Environmental Protection, Water and Housing Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014							FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	A-I-A	% Exch. to N. Est.	% Exp to G. Est.	Gross Est.	Net Estimate	Exch. Issues	Exp.	% Exch. to N. Est.	% Exp to G. Est.
Ministry of Environment, Water and Natural Resources	12.6	7.7	2.1	2.3	4.9	27.2	18.1	7.0	4.7	0.8	1.1	17.7	15.8
Ministry of Mining	0.6	0.6	0.1	0.03	0.0	14.4	4.9	3.0	2.5	0.5	0.5	18.5	16.4
Total	13.2	8.2	2.2	2.3	5.0	26.3	17.5	10.0	7.2	1.3	1.6	18.0	16.0

Source: Ministry of Finance & MDAs

3.5.6 General Economic and Commercial and Labour Affairs (GECLA) Sector

The General Economic and Commercial Affairs (GECLA) sector comprises of the following sub-sectors: Industrialization and Enterprise and East African Affairs, Commerce and Tourism. The sector aims at creating employment opportunities, poverty reduction, overseeing the fast tracking of the EAC regional integration initiatives, creation of the human resource base for global competitiveness and the promotion of equity among the Kenyan citizens. In order to achieve its mandate in the 2013/14 financial year the sector was allocated Kshs.7.9 billion for its recurrent expenditure.

During the period under review the sector was issued with exchequer of Kshs.2.3 billion which was 31.1 per cent of the net estimates, an improvement from 28.6 per cent issued in the same period last financial year. The East African Affairs, Commerce and Tourism sub sector received the highest exchequer issues to net estimates of 32.3 per cent which was a decline from 33.5 per cent recorded in the same period last financial year. The Industrialization and Enterprise sub-sector received the least proportion of exchequer to net estimates at 28.3 per cent an improvement from 21.5 percent received in the same period last financial year.

The sector's expenditure during the quarter was Kshs.1.6 billion, an absorption rate of 19.9 per cent, a marginal decline from the 20.8 per cent achieved in the same period in the last financial year. The East Africa Affairs, Commerce and Tourism sub-sector spent Kshs.1.1 billion, an absorption rate of 21.5 per cent, a slight decline from 22.5 per cent recorded in the first quarter of 2012/13. The Industrialization and Enterprise sub sector spent Kshs.0.5 billion achieving an absorption rate of 16.9 per cent, a marginal decline from 18.3 per cent for same period last financial year.

Table 13: Analysis of Recurrent Expenditure and Net Exchequer Issues for General Economic Commercial and Labour Affairs (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Industrialization and Enterprise	2.8	2.3	0.7	0.5	28.3	16.9	3.4	3.2	0.7	0.6	21.5	18.3
Ministry of East Africa Affairs, Commerce and Tourism	5.2	5.1	1.7	1.1	32.3	21.5	4.9	4.6	1.6	1.1	33.5	22.5
Total	7.9	7.5	2.3	1.6	31.1	19.9	8.3	7.8	2.2	1.7	28.6	20.8

Source: Ministry of Finance & MDAs

3.5.7 Governance, Justice, Law and Order Sector (GJLOS)

The Governance, Justice, Law and Order Sector (GJLOS) comprises of the following sub-sectors; Ministry of Interior and Coordination of National Government, Office of the Attorney General and Department of Justice, the Judiciary, Judicial Service Commission, Ethics and Anti-Corruption Commission, Kenya National Commission for Human Rights, Registrar of Political Parties, Witness Protection Agency, National Police Service Commission, Independent Electoral and Boundaries Commission, National Gender and Equality Commission, Commission for Implementation of the Constitution (CIC) and Independent Police Oversight Authority. The sector plays a significant role in providing a stable environment for political, social and economic development of the country and prevention of corruption and economic crimes. The sector aims to facilitate the implementation of the Constitution and to improve access to judicial and legal services for all Kenyans. The sector further enhances the national security and social economic development by maintaining a comprehensive population database, proper migration management and timely registration and issuance of secure identification. During the financial year 2013/2014, the sector was allocated Kshs 111.3 billion for recurrent expenditure which is 18.2 per cent of the total recurrent budget.

The sector received Kshs. 22.8 billion as exchequer issues which was 20.6 per cent of net estimates during the period under review and was an improvement compared to 17.6 per cent of the net estimates received in the same period of financial year 2012/2013. The Registrar of Political Parties received Kshs. 0.1 billion, the highest proportion of exchequer release to net estimates which was 42.5 per cent of the net estimates. The Judicial Service Commission received the lowest proportion of exchequer release in the sector of Kshs. 0.1 billion representing 16.9 per cent of the net estimates.

In the first quarter of the financial year 2013/2014, the total expenditure for the sector amounted to Kshs. 13.2 billion representing 11.9 per cent of the gross estimates for the sector, a decline compared to 11.8 per cent of the gross estimates in similar period of financial year 2012/2013. The National Police Service Commission had the highest absorption rate in the sector of 50.4 per cent of the gross estimates while Directorate of Public Prosecution had the lowest absorption rate in the sector of 2.8 per cent in the period under review.

Table 14: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOS (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Interior and Coordination of National Government	89.6	89.2	17.7	10.5	19.9	11.7	80.9	80.0	16.1	10.0	20.1	12.4
Office of the Attorney General and Department of Justice	2.1	2.0	0.5	0.4	26.2	20.0	1.6	1.6	0.5	0.5	31.3	31.3
The Judiciary	11.9	11.9	2.3	1.0	19.5	8.4	12.1	12.1	1.8	1.1	14.9	9.1
Ethics and Anti-Corruption Commission	1.0	1.0	0.3	0.3	26.1	25.5	1.6	1.6	0.4	0.3	25.0	18.8
Directorate of Public Prosecutions	1.4	1.4	0.3	0.03	19.8	2.3	0.9	0.9	0.1	0.1	11.1	11.1
Commission for the Implementation of the Constitution	0.3	0.3	0.1	0.1	34.7	18.2	0.5	0.5	0.2	0.2	40.0	40.0
Registrar of Political Parties	0.3	0.3	0.1	0.01	42.5	2.8	0.4	0.4	0.2	0.0	50.0	0.0
Witness Protection Authority	0.2	0.2	0.0	0.04	20.6	22.7	0.2	0.2	0.0	0.0	0.0	0.0
Kenya National Commission of Human Rights	0.2	0.2	0.1	0.1	29.3	27.9	0.3	0.3	0.1	0.1	33.3	33.3
Independent Electoral and Boundaries Commission	3.1	3.1	1.1	0.6	36.2	17.6	17.6	17.5	1.1	1.4	6.3	8.0
Judicial Service Commission	0.5	0.5	0.1	0.1	16.9	11.6	-	-	-	-	-	-
National police Service Commission	0.2	0.2	0.1	0.1	22.4	50.4	0.3	0.3	-	-	-	-
National Gender and Equality Commission	0.2	0.2	0.1	0.1	25.8	27.4	0.2	0.2	0.1	0.0	50.0	0.0
Independent Police Oversight Authority	0.2	0.2	0.1	0.0	35.7	24.2	-	-	-	-	-	-
Total	111.3	110.8	22.8	13.2	20.6	11.9	116.5	115.7	20.4	13.7	17.6	11.8

Source: National Treasury & MDAs

3.5.8 The Health Sector

The Ministry of Health is the only sub-sector in the sector. The overall goal of this sector is to ensure that there is provision of equitable and affordable health care to citizenry at the highest affordable standards. The Ministry of Health is mandated to promote and participate in the provision of integrated and high quality curative, preventive and rehabilitative services that is equitable, responsive, accessible and accountable to Kenyans.

There are two programmes that have been given priority in the 2013/14 Budget. The first one is curative health programme whose objective is to improve the health status of the individual, family and community by ensuring affordable health care services. The second programme is preventive and rehabilitative health care services whose objective is to increase access to quality and effective rehabilitative and preventive health care services in the country. The sector was allocated Kshs. 20.3 billion to fund its recurrent expenditure for the financial year ending June 2014. The allocated amount in this financial year declined significantly by 62.8 per cent from Kshs. 54.6 billion that was allocated to the health sector in the FY2012/13 which consisted of the Public Health and Sanitation and Medical Services sub-sectors. This can be attributed by non-budgeting by the Ministry of Health for the devolved Health functions to the counties.

The total exchequer issues for the sector in the period under review amounted to Kshs. 14.2 billion representing 86.3 per cent of the net estimates compared to the Kshs.10.0 billion that had been issued to the former Public Health and Sanitation and Medical Services sub-sectors which translated to 19.7 per cent of the net estimates.

The expenditure for the sector in the period under review amounted to Kshs. 4.8 billion representing 23.6 per cent of the gross estimates. The absorption rate was slightly higher than the 16.3 per cent recorded in the same period last financial year.

Table 15: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Estimate	Net Esti.	Exc. Issues	Exp.	% Exc. Issues to Net Est.	% Exp. To Gross Est.	Gross Estimate	Net Estimate	Excheq. Issues	Exp.	% Exc. To Net Est.	% Exp. to Gross Est.
Health	20.3	16.5	14.2	4.8	86.3	23.6	54.6	50.7	10.0	8.9	19.7	16.3
Total	20.3	16.5	14.2	4.8	86.3	23.6	54.6	50.7	10.0	8.9	19.7	16.3

Source: National Treasury & MDAs

3.5.9 The Public Administration and International Relations Sector

This sector comprises of the following sub sectors: The Presidency, Ministry of Devolution and Planning, Ministry of Foreign Affairs, National Treasury, Parliamentary Service Commission, Commission on Revenue Allocation, Public Service Commission, Salaries and Remuneration Commission, Auditor General, Controller of Budget, and the Commission on Administrative Justice. The Public Administration and International Relations Sector (PAIR) plays a key role in national policy formulation and implementation, monitoring, and evaluation. To meet its recurrent activities, the sector was allocated Kshs. 73.9 billion for the financial year 2013/2014 representing 12.1 per cent of the recurrent budget.

In the period July to September 2013, the total Exchequer issued to the sector was Kshs. 18.6 billion representing 25.7 per cent of the net estimates, an improvement compared to 22.3 per cent recorded over the 2012/2013 financial year. The Salaries and Remuneration Commission sub-sector received the highest ratio of exchequer issue to net estimates at 41.8 per cent, a significant improvement compared to 19.0 per cent recorded during the first quarter of 2013/2014 financial year. The Public Service Commission sub-sector received 16.2 per cent, the lowest ratio of exchequer issues to net estimates which was a decline compared to 17.2 per cent received over the 2012/2013.

During the first quarter of the current financial year, the total expenditure in the sector stood at Kshs. 13.4 billion which represents an improvement in absorption rates, at 18.0 per cent compared to 13.1 percent achieved during the 2012/2013 financial year. The Commission on Revenue Allocation subsector had the highest absorption rate within the sector at 23.1 per cent after spending Kshs. 0.14 billion on its recurrent activities, a significant improvement compared to 13.2 per cent of the gross estimates absorbed during the same period in 2012/13 financial year. The Public Service Commission sub-sector had the lowest absorption rate within the sector at 5.9 per cent which is a decline from 19.1 per cent recorded the same period last financial year.

Table 16: Analysis of Recurrent Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. to N. Est.	% Exp to G. Est.	Gross Est.	Net Esti.	Exch. Issues	Exp.	% Exch. to N. Est.	% Exp to G. Est.
The Presidency	3.1	3.1	0.9	0.7	28.8	23.0	4.3	4.3	1.1	1.2	26.4	27.5
Ministry of Devolution and Planning	16.3	16.1	4.2	3.4	26.3	21.0	41.1	19.5	5.4	4.5	27.5	10.9
Ministry of Foreign Affairs	9.6	8.6	2.5	1.9	28.9	20.0	9.6	8.6	2.3	0.5	26.8	5.4
The National Treasury	24.0	23.9	4.7	3.0	19.8	12.5	20.6	20.6	4.5	3.9	21.7	19.1
Parliamentary Service Commission	16.6	16.6	5.2	3.5	31.5	21.0	13.4	13.4	1.9	1.6	14.2	11.9
Commission on Revenue Allocation	0.3	0.3	0.1	0.1	34.5	23.1	0.4	0.4	0.1	0.1	24.5	13.2
Public Service Commission	0.7	0.7	0.1	0.04	16.2	5.9	0.6	0.6	0.1	0.1	17.2	19.1
Salaries and Remuneration Commission	0.3	0.3	0.1	0.1	41.8	20.6	0.4	0.4	0.1	0.01	19.0	3.4
Auditor General	2.2	2.1	0.5	0.5	25.1	22.1	1.9	1.7	0.3	0.3	14.3	16.4
Controller of Budget	0.4	0.4	0.08	0.04	19.9	10.2	0.6	0.6	0.005	0.02	0.9	3.3
Commission on Administrative Justice	0.3	0.3	0.07	0.06	25.5	22.3	0.3	0.3	0.03	0.03	9.9	10.1
Total	73.9	72.4	18.6	13.4	25.7	18.0	93.2	70.5	15.7	12.2	22.3	13.1

Source: National Treasury & MDAs

3.5.10 The Social Protection, Culture and Recreation Sector

The Social Protection, Culture and Recreation sector consists of two sub-sectors: Ministry of Sports, Culture and Arts and the Ministry of Labour, Social Security and Services. The Sector's main role is formulating and implementing national and cultural heritage policies, youth empowerment, gender, children and social development, disaster management and coordination of development activities in arid and semi-arid areas which cut across all the three pillars of the Kenya Vision 2030. During the current financial year the sector was allocated Kshs.10.9 billion to finance the recurrent activities which represents 1.7 per cent of the current financial year's total recurrent budget.

Exchequer releases to the sector in the first quarter amounted to Kshs.1.8 billion, representing 16.5 per cent of the net estimates, a decline from 20.2 per cent for the same period last financial year. The Sports, Culture and Arts sub-sector received the highest exchequer issues to net estimates at 26.7 per cent which was an improvement from 25.0 per cent received in the same period last financial year. The Labour Social Security and Services sub-sector received exchequer issues to net estimates of 13.5 per cent, a decline from 14.7 per cent attained in the same period last financial year.

The sector's expenditure in the first quarter FY2013/14 was Kshs.1.6 billion translating to an absorption rate of 14.3 per cent, a marginal decline from the 14.9 per cent for the same period in the last financial year. The Sports, Culture and Arts sub-sector spent Kshs.0.6 billion, thus recording an absorption rate of 26.2 per cent, the highest in the sector. This was an improvement from the 14.4 per cent recorded in the same period last financial year. The Labour Social Security and Services sub-sector spent Kshs. 0.9 billion to achieve an absorption rate of 10.8 per cent which is a decline from 15.4 per cent recorded in the same period of last financial year, recording the lowest absorption rate in the sector

Table 17: Analysis of Recurrent Expenditure and Net Exchequer Issues for Social Protection, Culture and Recreation Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Sports, Culture and Arts	2.4	2.4	0.7	0.6	26.7	26.2	8.0	7.9	2.0	1.2	25.0	14.4
Ministry of Labour Social Security and Services	8.4	8.3	1.1	0.9	13.5	10.8	7.0	6.9	1.0	1.1	14.7	15.4
Total	10.9	10.8	1.8	1.6	16.5	14.3	15.0	14.8	3.0	2.2	20.2	14.9

Source: National Treasury & MDAs

3.5.11 National Security Sector

This sector is made up of two sub sectors namely Defence and National Intelligence Services (NIS). The mandate of this sector is to safeguard the security of the country against any threats emanating both from within and without, defend the country and provide support to civil power in the maintenance of peace and order. The sector was allocated Kshs. 84.7 billion in recurrent expenditure during financial year 2013/14.

The exchequer issue to the National Security Sector in the first quarter of financial year 2013/14 was Kshs. 19 billion representing 22.4 per cent of the net estimates for the sector. The Ministry of Defence received Kshs. 14.6 billion which was 20.7 per cent of the net estimate, while National Intelligence Services received exchequer issues amounting to Kshs. 4.4 billion which was 31.1 per cent of its net estimates.

During the period under review, the recurrent expenditure for the sector was Kshs. 20.1 billion which is 23.7 per cent of the gross estimates. The recurrent expenditure for the Ministry of Defence was Kshs. 16.6 billion representing 23.7 per cent absorption rate while the National Intelligence Service had an absorption rate of 24.5 per cent having spent Kshs. 3.4 billion during the period under review.

Table 18: Analysis of Recurrent Expenditure and Net Exchequer Issues for National Security Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Defence	70.7	70.7	14.7	16.6	20.7	23.5	70.3	70.3	15.4	13.5	21.9	19.2
N.S.I.S	14.0	14.0	4.4	3.4	31.1	24.5	13.4	13.4	2.4	2.9	17.9	21.6
Total	84.7	84.7	19.0	20.1	22.4	23.7	83.7	83.7	17.8	16.4	21.3	19.6

Source: Ministry of Finance & MDAs

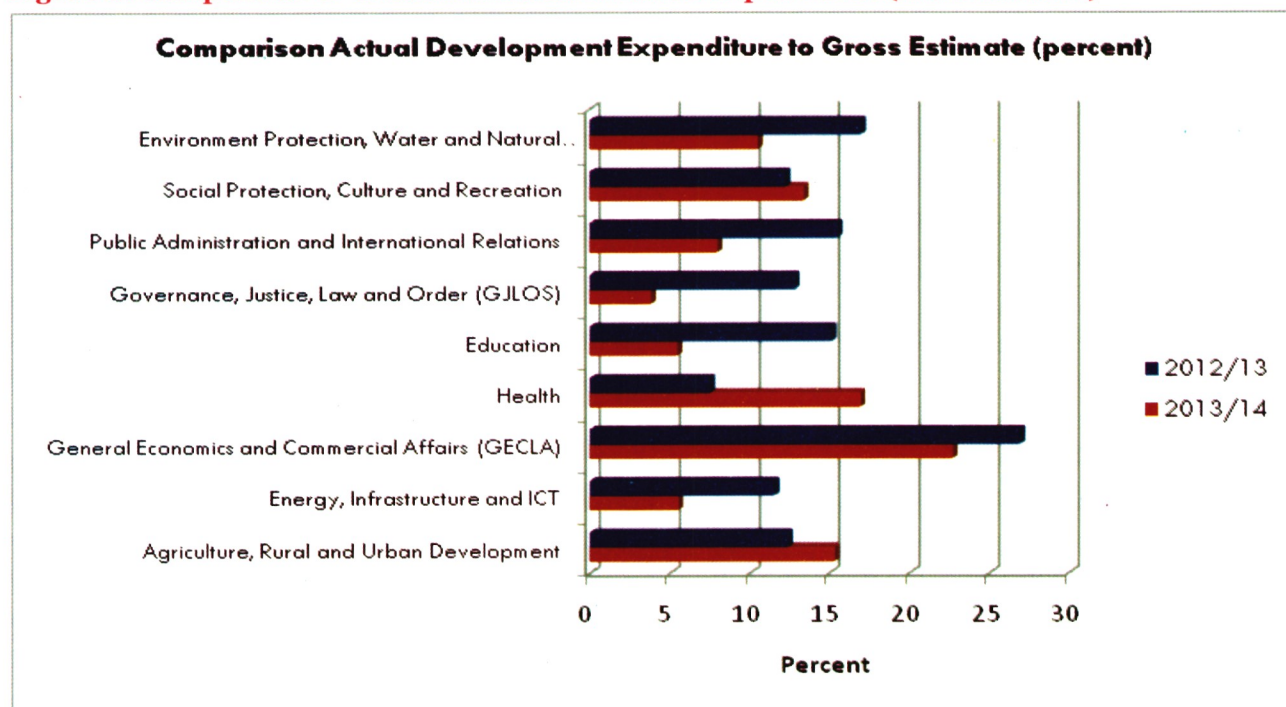
3.6 Development Expenditure Analysis by Sector

The Public Finance Management Act, 2012 15 (2a) mandates the National Treasury to ensure that over the Medium Term Expenditure Framework (MTEF) a minimum of thirty (30) per cent of the national and county governments budgets shall be allocated to development expenditures. The 2013/14 MTEF budget highlights some policies geared towards achieving economic development so as to expand the level of employment and reduce poverty. This includes investing in infrastructure i.e. roads, energy, rail and ports which will expand Kenyan links with regional partners, ensuring food security by investing in modernizing agricultural sector and endeavouring to improve security for all the Kenyans.

In the FY 2013/14, the National Government set aside Kshs. 446.2 billion for development expenditure for the 2013/14 financial year which represents 31 per cent of the total budget estimates for the National Government. This was a decline from the last financial year where Kshs. 453.2 billion had been allocated for development budget. This decline is attributed to the fact that some functions were devolved to the Counties and funds allocated to the county's estimates in the financial year 2013/14.

In the period July to September FY 2013/14, the sector received exchequer issues amounting to Kshs. 35.6 billion to all the MDAs, representing 13.8 per cent of the net estimates, a decline from 22.3 per cent recorded in the same period last financial year. In the same period, a total of Kshs. 36.0 billion was spent on development activities. This is a decline from Kshs. 57.8 billion spent towards development the same period last financial year. The decline in development expenditure is attributed to delay in development plans as a result of the re-organization of Ministries.

The GECLA sector recorded the highest absorption rate at 22.7 per cent, a marginal decrease from 26.9 per cent recorded in the same period last financial year. GJLOs had the lowest absorption rate, at 3.8 per cent which is decline from 12.8 per cent recorded the same period last financial year.

Figure 6: Comparison of Gross Estimates to Actual Expenditure (Kshs. Billions)

Source: Office of the Controller of Budget and National Treasury

3.6.1 Agricultural, Rural and Urban Development (AR&UD) Sector

The Agricultural, Rural and Urban Development sector aims at raising agricultural productivity, exploiting irrigation potential, increasing commercialization of agriculture, improving the legal and policy framework for agriculture, improving governance of agricultural institutions, and land development as well as promotion of sustainable management of fisheries, forestry and wildlife resources. In order for the sector to achieve the above objectives, Kshs. 38.3 billion was allocated for development expenditure in the 2013/14 financial year representing 8.6 per cent of the development budget.

In the first quarter of the 2013/14 financial year, the sector received exchequer issues amounting to Kshs.6.5 billion representing 19.8 per cent, a significant improvement from 13.6 per cent received in the first quarter of the 2012/13 financial year. The Agriculture, Livestock and Fisheries sub-sector received the highest exchequer issues to net estimates at 27.0 per cent which was a significant increase from 12.8 per cent received in the same period last financial year. The Land, Housing and Urban Development sub-sector received exchequer issues amounting to Kshs. 0.5 billion which was a major decline from Kshs. 1.8 billion issued in the same period last financial year.

In the first quarter ending September 2013, the sector recorded a total expenditure of Kshs 5.9 billion translating to a 15.3 per cent absorption rate. This is an improvement from the 12.3 per cent recorded in the same period last financial year 2012/13. The Agriculture, Livestock and Fisheries sub-sector spent Kshs0.5 billion representing an absorption rate of 18.7 per cent, a significant improvement from 10.8 per cent realized in the same period last financial year. Land, Housing and Urban Development sub-sector spent Kshs 0.9 billion, an absorption rate of 7.5 per cent which is a decline from 19.8 per cent recorded in the same period last financial year.

Table 19: Analysis of Development Expenditure and Net Exchequer Issues for Agricultural and Rural Development (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Land, Housing and Urban Development	11.8	10.4	0.5	0.9	4.5	7.5	11.2	11.2	1.8	2.2	15.7	19.8
Ministry of Agriculture, Livestock and Fisheries	26.5	22.5	6.1	5.0	27.0	18.7	55.3	33.1	4.2	6.0	12.8	10.8
Total	38.3	33.0	6.5	5.9	19.8	15.3	66.5	44.2	6.0	8.2	13.6	12.3

Source: National Treasury & MDAs

3.6.2 Education Sector

The sector seeks to harmonize, implement, guide and coordinate higher education, science and technology towards integration of science, technology and innovation and technical education in a productive process to achieve knowledge led economic development with goals and objectives of Kenya Vision 2030. The sector aims at revolutionizing education through introduction of technology in the learning process. The sector through the Ministry of Education was allocated Kshs. 30.4 billion in the financial year 2013/2014 to undertake its development activities which represents 6.8 per cent of the development budget.

In the first quarter of financial year 2013/2014, the sector received exchequer issues of Kshs. 1.3 billion for development activities amounting to 5.5 per cent of the net estimates, a decline from 26.5 per cent achieved in the same period last financial year.

In the first quarter of 2013/14 financial year, the sector recorded total expenditures of Kshs. 1.7 billion representing an absorption rate of 4.2 per cent. This was a decline compared to 15.1 per cent recorded the same period last financial year.

Table 20: Analysis of Development Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Education	30.4	23.0	1.3	1.7	5.5	4.2	26.7	15.2	4.0	4.0	26.5	15.1

Source: National Treasury & MDAs

3.6.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

The sector aims to expand, rehabilitate and maintain the road network; to ensure availability of accessible, efficient, reliable and affordable ICT services in Kenya; and provide adequate, affordable

and reliable energy supply. To achieve these objectives the sector was allocated Kshs. 189.0 billion for development expenditure which is 42.3 per cent of development budget.

In the period July to September 2013, the exchequer issues to the sector amounted to Kshs. 10.5 billion representing 15.8 per cent of net estimates, a decline from 22.7 per cent recorded the same period last financial year. The Energy and Petroleum sub-sector received the highest proportion of exchequer issues to net estimates at 21.3 per cent whereas in the Ministry of Transport and Infrastructure received the lowest proportion of 13.9 per cent of exchequer issues to the net estimates.

The total development expenditure for the sector was Kshs. 10.4 billion representing an absorption rate of 5.6 per cent. The ICT sub-sector spent Kshs. 0.9 billion representing the highest absorption rate of 8.6 per cent whereas the Energy and Petroleum sub-sector spent Kshs. 2.1 billion representing the lowest absorption rate of 4.5 per cent, as shown in table 22

Table 21: Analysis of Development Expenditure and Net Exchequer Issues for EI & ICT (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Esti.	Net Esti.	Exch. Issues	Exp.	% Exc. Issues to Net Est.	% Exp. to Gross Est.	Gross Estim.	Net Esti.	Exch. Issues	Exp.	% Exc. Issues to Net Est.	% Exp. To Gross Est.
Min. of Transport and Infrastructure	102.4	44.9	6.2	7.3	13.9	6.1	110.8	52.8	13.0	16.5	24.6	14.9
Min. of Information, Communication and Technology	9.1	5.2	0.8	0.9	15.1	8.6	4.6	4.6	0.8	0.8	18.5	18.4
Min. of Energy and Petroleum	77.4	16.4	3.5	2.1	21.3	4.5	77.5	25.8	5.1	4.9	19.7	6.3
Total	189.0	66.5	10.5	10.4	15.8	5.6	192.9	83.1	18.9	22.2	22.7	11.5

Source: National Treasury & MDAs

3.6.4 The Environmental Protection, Water and Housing Sector

In the current financial year, the sector aims to achieve expansion of water coverage and sewerage facilities, scaling up water storage to improve water security, scaling up irrigation to reduce dependence on rain fed agriculture, protection, conservation and management of catchment areas, mitigation and adaptation measures on climate change, modernization of meteorological services, mineral exploration and mining, enhancing housing development.

The Environmental Protection, Water and Natural Resources sector was allocated Kshs. 43.9 billion to cater for its development activities which represents 9.84 per cent of the total development budget for the 2013/2014 financial year.

The Sector received exchequer issues amounting to Kshs. 2.5 billion which is 9.5 per cent of the net estimates during the financial year 2013/2014, a decline from 18.8 per cent of the net estimates received over the first quarter of 2012/2013 financial year. The Ministry of Environment, Water and Natural Resources received Kshs. 2.5 billion as development exchequer issues which is 9.7 per cent of the net estimates. The Ministry of Mining received exchequer issues amounting to Kshs. 0.02 billion which represents 2.8 per cent of the net estimates.

During the period under review, the sector spent a total of Kshs. 4.6 billion which represents an absorption rate of 5.7 per cent compared to an expenditure of Kshs. 2.6 billion recorded in the same period of financial year 2012/2013 which represented an absorption rate of 17.0 percent. The Mining sub-sector spent Kshs. 4 million during the period under review which represented an absorption rate of 0.8 per cent as shown in table 22.

Table 22: Analysis of Development Expenditure and Net Exchequer Issues for Environmental Protection, Water and Housing Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. to N. Est.	% Exp to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. to N. Est.	% Exp to G. Est.
Ministry of Environment, Water and Natural Resources	43.4	25.5	2.5	4.6	9.7	5.7	10.6	7.6	1.9	1.7	24.8	16.2
Ministry of Mining	0.6	0.6	0.02	0.004	2.8	2.8	4.4	4.3	0.4	0.8	8.1	18.7
Total	43.9	26.1	2.5	4.6	9.5	5.7	15.0	11.9	2.2	2.6	18.8	17.0

Source: National Treasury & MDAs

3.6.5 General Economic, Commercial and Labour Affairs (GECLA) Sector

During the financial year 2013/2014, the sector plans to create an enabling business environment for trade and investment, deepen regional integration, promote best labour practices, manpower planning, development and utilization. In addition the sector also promotes tourism development and marketing, undertake policy, legal and institutional reforms for the development of the sub-sector and lastly to support entrepreneurship and industrial development. The sector was allocated Kshs. 5.0 billion for its development expenditure in the financial year 2013/2014 representing 1.2 per cent of the development budget.

As at the end of the first quarter, the sector was issued with exchequer amounting to Kshs.0.7 billion representing 14.8 per cent of the net estimates which was a significant decline from 32.2 per cent received in the same period of last financial year. The Industrialization and Enterprise Sub Sector received exchequer issues of Kshs. 0.6 billion which was 16.5 per cent of the net estimates. The East Africa Affairs, Commerce and Tourism Sub sector received Kshs. 0.1 billion as exchequer issues for development expenditure which represents 9.4 per cent of the net estimate.

The expenditure for the sector in the first quarter of financial 2013/14 stood at Kshs.1.1 billion translating to an absorption rate of 22.7 per cent, a decline from 26.9 per cent for the same period in the last financial year. Industrialization and Enterprise sub sector spent Kshs.0.8 billion to achieve an absorption rate of 21.1 per cent which was a decline from 27.5 per cent recorded in the first quarter of 2012/13. The East Africa Affairs, Commerce and Tourism spent Kshs.0.3 billion to attain an absorption rate of 27.1 per cent an improvement compared to 25.7 per cent for same period in the last financial year.

Table 23: Analysis of Development Expenditure and Net Exchequer Issues for GECLA Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Industrialization and Enterprise	3.7	3.6	0.6	0.8	16.5	21.1	3.6	3.5	1.2	1.0	33.3	27.5
Ministry of East Africa Affairs, Commerce and Tourism	1.3	1.2	0.1	0.3	9.4	27.1	1.8	1.7	0.5	0.5	29.9	25.7
Total	5.0	4.7	0.7	1.1	14.8	22.7	5.4	5.2	1.7	1.5	32.2	26.9

Source: National Treasury & MDAs

3.6.6 Governance, Justice, Law and Order Sector (GJLOS)

The sector aims to coordinate and facilitate the realization of democratic governance in a secure environment through protection and enjoyment of fundamental rights and freedom, creation of constitutional order, promotion of ethics and integrity and nurturing a cohesive society and to provide quality and efficient legal services to the government and the public. The sector was allocated Kshs. 14.4 billion for its development in the financial year 2013/2014 representing 3.2 percent of the development budget.

During the first quarter of financial year 2013/2014, the sector received exchequer issues amounting to Kshs. 0.8 billion which is 6.1 per cent of the net estimates, a decline compared to Kshs.1.7 billion exchequer issues received in a similar period last financial year. This represented 13 per cent of the net estimates. The Office of the Attorney General and Department of Justice received the highest proportion of exchequer issues of Kshs. 0.05 billion representing 25 per cent of the net estimates. Ethics and Anti-Corruption Commission and the Directorate of Public Prosecutions had not received any exchequer issue in the period under review since they had not requested for the funds.

The total expenditure for the sector in the first quarter of financial year 2013/2014 was Kshs. 0.54 billion representing an absorption rate of 3.8 per cent, a decline from 12.8 per cent recorded during similar period of last financial year. In the period under review, the Ministry of Interior and Coordination of National Government spent Kshs. 0.5 billion while the Judiciary spent Kshs 0.03 billion both recording decline from Kshs 1.9 billion and Kshs. 0.1 billion respectively spent in the same period last financial year. Both the Ethics and Anti-Corruption Commission and Directorate of Public Prosecutions did not spend any resources on development.

Table 24: Analysis of Development Expenditure and Net Exchequer Issues for GJLOS Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp	% Exch. To Net. Est.	% Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. To Net. Est.	% Exp. to G. Est.
Ministry of Interior and Coordination of National Government	7.7	7.5	0.19	0.51	2.5	6.6	12.7	11.8	1.7	1.9	14.7	15.3
Office of the Attorney General and Department of Justice	0.6	0.2	0.05	0.00	25.0	0.0	0.2		0.0	0.0		7.1
The Judiciary	6.0	5.7	0.60	0.03	10.5	0.5	2.9	2.9	0.2	0.1	6.9	3.0
Ethics and Anti-Corruption Commission	0.1	0.1	0.00	0.00	0.0	0.0	0.2	0.2	0.0	0.0	0.0	2.3
Directorate of Public Prosecutions	0.1	0.1	0.00	0.00	0.0	0.0	0.1	0.1	0.0	0.0	6.3	0.0
Total	14.4	13.7	0.84	0.54	6.1	3.8	16.1	14.9	1.9	2.1	13.0	12.8

Source: National Treasury & MDAs

3.6.7 The Health Sector

The sector's goal is to provide equitable and affordable health care to Kenyans. For the current financial year, the sector aims at improving mortality rates, health infrastructure, recruit qualified health personnel and provide medicine and medical supplies to the health facilities. The sector was allocated Kshs. 15.9 billion to fund its development activities representing 3.6 per cent of the development budget. The amount is significantly lower than Kshs. 32.4 billion that was allocated to the Public Health and Sanitation and Medical Services sub-sectors in the last financial year.

The total exchequer issues released for development activities to the Health Sector amounted to Kshs. 3.4 billion representing 27.8 per cent of the gross estimates. The total development expenditure was Kshs. 2.7 billion representing 21.5 per cent of the gross estimates.

Table 25: Analysis of Development Expenditure and Net Exchequer Issues for the Health Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Health	15.9	12.3	3.4	2.7	27.8	21.5	32.4	18.0	2.0	2.4	11.1	7.5
Total	15.9	12.3	3.4	2.7	27.8	21.5	32.4	18.0	2.0	2.4	11.1	7.5

Source: National Treasury & MDAs

3.6.8 The Public Administration and International Relations Sector

The sector's priority areas for the current financial year 2013/2014 will be to oversee the implementation of the new Constitution, provide leadership and policy direction in the governance of the country, coordinate and supervise government affairs, promote sound public financial and economic management for socioeconomic development, articulate and implement Kenya's foreign policy for national development, promote macroeconomic stability, mainstream MDGs into the national policy, planning and budgetary process, implementation, monitoring and evaluation, promote efficient and effective human resource management and development for improved public service delivery and promote public service integrity. The sector was allocated Kshs. 99.6 billion to fund its development expenditure representing 22.3 percent of the development budget.

The total Exchequer issued to the sector was Kshs. 8.4 billion representing 12.1 per cent of the net estimates, a significant drop compared to 31.9 per cent recorded over the first quarter of 2012/2013 financial year. The Presidency sub-sector received the highest exchequer issues of Kshs.0.4 billion and, a significant increment from Kshs. 0.2 billion recorded during the first quarter of 2013/2014 financial year. On the other hand, the National Treasury sub-sector had the lowest proportion of exchequer issues to net estimates of 3.2 per cent, significant decrease compared to 21.9 per cent recorded over the first quarter of 2012/2013 financial year.

Table 26 reveals a downward trend in terms of expenditure performance of the sector. The total amount spent during the first quarter of 2013/14 financial year was Kshs. 7.9 billion representing an absorption rate of 7.9 per cent compared to an absorption rate of 15.5 per cent over the first quarter of 2012/13 financial year. The Presidency sub-sector recorded the highest absorption rate of 31.3 per cent within the sector, a significant improvement compared to 7.3 per cent achieved in the same period last financial year. The available data shows that the Auditor General's office did not spend funds on development activities.

Table 26: Analysis of Development Expenditure and Net Exchequer Issues for Public Administration and International Relations Sector (Kshs. Billions)

Name of the Sub-Sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
The Presidency	1.2	1.1	0.4	0.4	31.9	31.4	2.7	1.4	0.2	0.2	15.3	7.3
Ministry of Devolution and Planning	61.5	46.2	6.8	6.5	14.8	10.5	42.3	37.3	16.2	9.6	43.5	22.8
Ministry of Foreign Affairs	0.3	0.3	0.0	0.0	0.0	0.4	0.9	0.9	0.1	0.0	9.1	0.9
The National Treasury	33.4	19.1	0.6	0.6	3.2	1.8	39.0	29.8	6.5	3.5	21.9	9.0
Parliamentary Service Commission	2.4	2.4	0.6	0.4	24.6	17.1	2.9	2.9	0.1	0.2	2.4	8.4
Public Service Commission	0.3	0.3	0.05	0.03	16.4	10.5	0.1	0.1	0.0	0.0	0.0	0.0
Auditor General	0.5	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total	99.6	69.9	8.4	7.9	12.1	7.9	87.8	72.4	23.1	13.6	31.9	15.5

Source: National Treasury & MDAs

3.6.9 The Social Protection, Culture and Recreation Sector

This sector is mandated to carry out the following activities during the current financial year: disaster mitigation; increase coverage of cash transfers for the vulnerable groups in the country, develop the cultural and heritage infrastructure, improve water infrastructure and sanitation, rehabilitate and equip the Youth Polytechnics and empowerment centres. The sector was allocated Kshs. 9.6 billion in 2013/14 FY for development expenditure to accomplish these activities representing 2.2 per cent of the development budget.

In the period under review the sector was issued with exchequer amounting to Kshs.1.4 billion representing 16.2 per cent of the year's net estimates. This was an increment from 13.7 per cent issued in the same period of last financial year. The Sports Culture and Arts Sub Sector received the highest exchequer issues to net estimates at 59.3 per cent which was a very significant increment from 18 per cent received in the same period last financial year. Labour, Social Security and Services Sub sector received exchequer issues to net estimates at 11.6 per cent an increment from 9.3 percent attained in the same period last financial year.

The sector's first quarter expenditure was Kshs.1.3 billion translating to an absorption rate of 13.4 per cent, an improvement from the 12.2 per cent for the same period in the last financial year. The Sports, Culture and Arts Sub sector spent Kshs.0.5 billion to attain an absorption rate of 58.6 per cent, a decline from 10.5 per cent for same period in the last financial year. Labour Social Security and Service sub sector spent Kshs.0.8 billion to achieve an absorption rate of 8.8 per cent which was a decline from 13.9 per cent recorded in the first quarter of FY2012/13.

Table 27: Analysis of Development Expenditure and Net Exchequer Issues for the Social Protection, Culture and Recreation Sector (Kshs. Billions)

Name of the Sub-sector	FY 2013/2014						FY 2012/2013					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to N. Est.	% of Exp. to G. Est.
Ministry of Sports, Culture and Arts	0.9	0.9	0.5	0.5	59.3	58.6	5.1	4.8	0.9	0.5	18.0	10.5
Ministry of Labour Social Security and Services	8.8	8.1	0.9	0.8	11.6	8.8	5.3	4.7	0.4	0.7	9.3	13.9
Total	9.6	9.0	1.4	1.3	16.2	13.4	10.3	9.5	1.3	1.3	13.7	12.2

Source: National Treasury & MDAs

4.0 KEY ISSUES AND RECOMENDATIONS IN BUDGET IMPLEMENTATION

In monitoring the implementation of the 2013/14 budget, the Office of the Controller of Budget observed a number of challenges that affected the smooth implementation of the budget during the period under review. This section therefore discusses the challenges affecting budget implementation for the 2013/14 financial year and makes recommendations for mitigation.

4.1. Transfer of Devolved Functions

Some of the functions previously performed by the National Government were devolved to the counties as stipulated in the Fourth Schedule of the Constitution of Kenya, 2010. Although the County Governments were expected to meet the personnel emolument costs of the public servants transferred to the County Governments, the National Government had to meet these costs because of the delay in operationalization of the payroll system at the county level.

The MDAs whose functions were transferred had to meet the personnel emolument costs of the devolved functions in anticipation that the counties would reimburse. However, as at end of September 2013, the counties had not reimbursed the MDAs. This saw resources meant for other activities diverted to cater for personal emoluments which affected the operations of the MDAs such as the Ministry of Health which received 86.4 per cent of the annual recurrent budget within the first quarter 2013/2014.

The National Treasury and the County Treasuries should fast-track full operationalization of the payroll system at county level in order for the latter to meet the costs of the devolved functions.

4.2. Exchequer Requests not Funded

Some Ministries had pending bills for on-going projects that were not settled by the end of the financial year due to inadequate funding. This is likely to impact negatively on the respective MDA's implementation of the current year's activities since the pending bills are to be funded from this year's budget allocation.

The National Treasury should consider the pending bills in the supplementary budgets in order for the MDAs to meet planned activities for the current financial year. Some of the sub-sectors affected are Ministry of Environment, Water and Natural Resources, Ministry of State for Defence, Ministry of Lands, Housing and Urban Development and Ministry of Sports, Culture and Arts.

4.3. Delay in Designating Accounting Officers

The delay in designating accounting officers and opening of bank accounts for ministries affected budget implementation in the period under review. This was occasioned by the restructuring of the government where ministries were reduced from forty two (42) to eighteen (18) to realign the government structure with the Constitution, 2010. It took time for the government to effect the realignment, resulting in the delay in requisition and processing of exchequer requests. During the month of July 2013, very few exchequer releases were made and most MDAs had nil expenditure by the end of July hence impacting

on budget implementation in the first quarter.

4.4. Incomplete Expenditure Returns

Analysis by the office of the Controller of Budget shows that a number of MDAs had more expenditure than the exchequer issued during the first quarter of FY 2013/14, which has been attributed to spending resources realised through A-I-A. However, financial reports submitted to the Controller of Budget do not provide complete information on how much is collected as A-I-A. Failure to disclose A-in-A affects the accuracy of the expenditure reports. To ensure accuracy of the quarterly financial reports, MDAs should report all A-in-A collected during the period.

4.5. High Personnel Emolument Costs

The 2013 BPS sets the Kenyan wage bill to be maintained at 12 per cent of the country's GDP surpassing the global bench mark of between 7 and 8 per cent of the GDP. Personnel Emoluments for MDAs take the highest proportion of the recurrent expenditure budget estimates depriving other budget items the requisite resources. In order to address the escalating wage bill, the Government in collaboration with other stakeholders should come up with a policy to address this challenge.

4.6. Inadequate Budget Allocation to MDAs

MDAs are required to present their budget estimates to Parliament through the National Treasury for approval. Although the MDAs presented their budget estimates according to their core functions, there were significant budget cuts which affected their core activities. The budgetary cuts will adversely affect the achievement of MDAs objectives. It is recommended that the rationalization of budgets by the National Treasury should be done in consultation with respective MDAs in order to realign available funds to the core activities of the MDAs before the same is forwarded to Parliament for approval.

5.0 CONCLUSION

The budget implementation report provides an overview of how funds were used by MDAs and brings out the challenges experienced in budget execution during the period July to September 2013. It is evident that the budget implementation process was undertaken in an environment occasioned by the implementation of the Fourth Schedule of the Constitution to devolve functions to county governments. During the period, MDAs recorded a relatively lower absorption rate compared to the same period last financial year. The low absorption rate is attributed to the delay in realignment of the functions of the new ministries after the restructuring of the government.

The expenditure on personnel emoluments for both levels of government is escalating. There is therefore an urgent need for a national policy to manage the escalating wage bill and ensure sufficient resources are allocated to development activities.

Given that budget monitoring is a fundamental principle of the budget execution process, there is need for all stakeholders and the public to make use of this report in order to interrogate budget implementation of both national and county government budgets with a view of evaluating service delivery to the citizenry. This will go a long way to improve transparency and accountability in public financial management and ensure that budgeted resources are fully utilized on the intended activities.

6.0 ANNEXES

Annex 1: Analysis of Recurrent Expenditure and Exchequer Releases of MDAs

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure
The Presidency	3,131,640,671	3,124,640,671	900,000,000	721,493,055	4,346,025,531	4,342,625,531	1,145,000,000	1,196,424,175
Ministry of Interior and Coordination of National Government	89,551,142,659	89,187,142,659	17,715,000,000	10,521,936,425	80,856,699,358	80,042,699,358	16,053,000,000	10,016,749,266
Ministry of Devolution and Planning	16,319,349,903	16,113,749,903	4,240,000,000	3,419,517,126	41,126,239,835	19,504,339,835	5,354,500,000	4,476,864,047
Ministry of Defence	70,743,170,921	70,743,170,921	14,650,000,000	16,642,882,468	70,290,420,100	70,290,420,100	15,395,000,000	13,513,554,848
Ministry of Foreign Affairs	9,641,331,694	8,638,940,987	2,500,000,000	1,928,240,940	9,550,659,790	8,579,004,098	2,300,000,000	518,473,540
Ministry of Education, Science and Technology	97,214,862,593	77,399,662,593	20,040,000,000	25,782,034,273	89,455,623,873	70,425,847,329	19,170,000,000	22,099,036,603
The National Treasury	23,977,412,933	23,884,412,933	4,740,000,000	2,999,398,341	20,556,576,204	20,556,576,204	4,465,000,000	3,919,901,462
Ministry of Health	20,324,743,113	16,462,866,636	14,210,000,000	4,786,565,847	54,583,764,008	50,702,083,295	9,980,000,000	8,899,766,690
Ministry of Transport and Infrastructure	22,777,574,566	2,282,116,954	700,000,000	4,553,024,882	32,623,807,552	4,256,607,552	640,000,000	7,850,985,738
Ministry of Environment, Water and Natural Resources	12,631,278,995	7,685,120,756	2,090,000,000	2,282,122,634	7,016,262,009	4,711,192,009	833,700,000	1,107,763,688
Ministry of Land, Housing and Urban Development	4,131,349,644	3,593,684,894	895,000,000	721,834,561	6,570,709,739	6,058,294,989	1,710,000,000	1,248,962,320

Ministry of Information, Communication and Technology	2,355,646,803	2,351,646,803	550,000,000	422,783,931	2,341,034,376	2,324,034,376	420,000,000	478,412,972
Ministry of Sports, Culture and Arts	2,445,664,191	2,435,264,191	650,000,000	639,619,469	8,025,359,613	7,911,759,613	1,981,000,000	1,153,202,298
Ministry of Labour Social Security and Services	8,447,515,597	8,333,576,117	1,125,000,000	913,245,192	6,981,632,263	6,882,132,263	1,011,000,000	1,077,081,882
Ministry of Energy and Petroleum	2,400,353,594	2,144,353,594	816,000,000	493,165,075	2,702,259,088	2,482,259,088	365,000,000	440,402,590
Ministry of Agriculture, Livestock and Fisheries	10,890,891,117	10,319,391,117	3,235,000,000	1,201,675,315	20,937,807,668	18,771,085,072	3,678,000,000	3,421,620,111
Ministry of Industrialization and Enterprise	2,759,649,528	2,328,552,440	660,000,000	465,552,210	3,354,757,714	3,190,257,714	685,000,000	613,627,549
Ministry of East African Affairs, Commerce and Tourism	5,181,792,595	5,126,692,595	1,655,000,000	1,114,132,690	4,937,253,935	4,636,156,847	1,551,500,000	1,109,354,784
Ministry of Mining	568,906,061	555,406,061	80,000,000	28,086,735	3,020,242,894	2,511,842,894	465,000,000	495,348,430
Office of the Attorney General and Department of Justice	2,139,804,299	2,019,204,299	530,000,000	427,307,228	1,601,189,243	1,601,189,243	469,000,000	462,456,058
The Judiciary	11,877,299,342	11,877,299,342	2,320,000,000	992,429,587	12,130,816,925	12,130,816,925	1,806,000,000	1,112,441,087
Ethics and Anti-Corruption Commission	1,045,066,500	1,034,066,500	270,000,000	266,071,194	1,590,748,800	1,581,748,800	410,000,000	314,198,461
National Intelligence Service	13,980,000,000	13,980,000,000	4,351,000,000	3,419,112,362	13,414,000,000	13,414,000,000	2,440,000,000	2,857,598,112

Directorate of Public Prosecutions	1,388,402,397	1,388,402,397	275,000,000	31,739,368	892,235,245	892,235,245	90,000,000	85,824,880
Commission for the Implementation of the Constitution	322,531,650	322,531,650	111,758,080	58,726,494	510,268,800	510,268,800	167,000,000	207,236,593
Registrar of Political Parties	329,726,897	329,726,897	140,000,000	9,081,948	405,325,945	405,325,945	176,000,000	42,434,732
Witness Protection Authority	193,808,999	193,808,999	40,000,000	44,006,442	218,513,800	218,513,800	10,000,000	33,877,269
Kenya National Commission of Human Rights	238,527,589	238,527,589	70,000,000	66,533,712	251,453,850	251,453,850	50,000,000	50,099,841
Independent Electoral and Boundaries Commission	3,132,606,759	3,122,606,759	1,130,000,000	552,248,958	17,579,498,660	17,529,498,660	1,050,000,000	1,358,938,578
Parliamentary Service Commission	16,569,000,000	16,565,000,000	5,211,000,000	3,474,274,967	13,430,648,870	13,426,648,870	1,900,000,000	1,601,201,896
Judicial Service Commission	473,804,034	473,804,034	80,000,000	54,811,316	-	-	-	-
Commission on Revenue Allocation	294,637,054	293,437,054	101,138,553	68,103,000	408,932,593	408,932,593	100,000,000	53,904,970
Public Service Commission	717,750,033	709,750,033	115,000,000	42,534,299	589,365,000	581,365,000	100,000,000	112,800,984
Salaries and Remuneration Commission	346,861,703	346,761,703	145,000,000	71,357,110	442,050,000	442,050,000	84,000,000	15,084,297
Teachers Service Commission	148,612,870,015	148,492,870,015	49,280,000,000	49,382,871,447	119,802,263,239	119,722,263,239	26,500,000,000	29,617,420,161
National Police Service Commission	222,997,214	222,997,214	50,000,000	112,391,107	288,000,000	288,000,000	-	-
Auditor General	2,180,505,700	2,070,505,700	520,000,000	481,486,843	1,859,287,709	1,749,287,709	250,000,000	305,063,674

Controller of Budget	402,552,069	402,552,069	80,000,000	41,167,169	582,924,320	582,924,320	5,000,000	19,479,203
Commission on Administrative Justice	274,340,827	274,340,827	70,000,000	61,154,570	302,978,200	302,978,200	30,000,000	30,562,309
National Gender and Equality Commission	194,025,586	194,025,586	50,000,000	53,133,644	206,764,427	206,764,427	70,000,000	23,079,339
Independent Police Oversight Authority	153,871,168	153,871,168	55,000,000	37,266,795	-	-	-	-
Total Voted Expenditure	610,585,267,013	557,416,482,660	156,445,896,633	139,385,120,728	655,784,401,176	574,425,483,793	122,909,700,000	121,941,235,437

Annex 2: Summary of Sectoral Recurrent Expenditures and Exchequer Issues of MDAs (Kshs. Billions)

Name of the Sector	2013/14						2012/13					
	Gross Estimates	Net Estimates	Excheq. Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.	Gross Estimates	Net Estimates	Excheq. Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	15.0	13.9	4.1	1.9	29.7	12.8	27.5	24.8	5.4	4.7	21.7	17.0
Energy, Infrastructure and ICT	27.5	6.8	2.1	5.5	30.5	19.9	37.7	9.1	1.4	8.8	15.7	23.3
General Economics and Commercial Affairs (GECLA)	7.9	7.5	2.3	1.6	31.1	19.9	8.3	7.8	2.2	1.7	28.6	20.8
Health	20.3	16.5	14.2	4.8	86.3	23.6	54.6	50.7	10.0	8.9	19.7	16.3
Education	245.8	225.9	69.3	75.1	30.7	30.6	209.3	190.1	45.7	51.7	24.0	24.7
Governance, Justice, Law and Order (GJLOS)	111.3	110.8	22.8	13.2	20.6	11.9	116.5	115.7	20.4	13.7	17.6	11.8
Public Administration and International Relations	73.9	72.4	18.6	13.3	25.7	18.0	93.2	70.5	15.7	12.2	22.3	13.1
National Security	84.7	84.7	19.0	20.1	22.4	23.7	83.7	83.7	17.8	16.4	21.3	19.6
Social Protection, Culture and Recreation	10.9	10.8	1.8	1.6	16.5	14.3	15.0	14.8	3.0	2.2	20.2	14.9
Environment Protection, Water and Natural Resources	13.2	8.2	2.2	2.3	26.3	17.5	10.0	7.2	1.3	1.6	18.0	16.0
Total	610.6	557.4	156.4	139.3	28.1	22.8	655.8	574.4	122.9	121.9	21.4	18.6

Annex 3: Analysis of Development Expenditure and Exchequer Releases of MDAs

Vote	FY 2013/2014				FY 2012/2013			
	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure
The Presidency	1,165,520,000	1,143,520,000	365,000,000	366,423,822	2,698,600,000	1,359,000,000	208,253,360	196,346,358
Ministry of Interior and Coordination of National Government	7,661,245,473	7,510,245,473	191,176,470	509,379,088	12,690,640,000	11,802,191,650	1,736,450,000	1,947,372,979
Ministry of Devolution and Planning	61,508,967,720	46,169,029,251	6,811,094,790	6,468,206,006	42,276,085,654	37,322,709,667	16,224,775,535	9,644,496,509
Ministry of Foreign Affairs	268,513,852	268,513,852		962,500	877,000,000	877,000,000	80,000,000	7,705,207
Ministry of Education, Science and Technology	30,414,718,477	23,013,680,000	1,265,000,000	1,650,469,778	26,715,980,036	15,198,647,070	4,023,000,000	4,035,838,658
The National Treasury	33,433,153,282	19,082,668,966	603,306,595	604,663,420	39,013,931,831	29,848,484,000	6,528,294,504	3,504,743,468
Ministry of Health	15,893,355,964	12,285,999,194	3,409,502,535	2,687,649,885	32,384,651,639	17,966,395,269	1,998,512,096	2,418,714,942
Ministry of Transport and Infrastructure	102,428,482,590	44,911,286,186	6,228,066,790	7,309,033,475	110,768,252,476	52,760,322,596	12,966,918,010	16,465,641,882
Ministry of Environment, Water and Natural Resources	43,356,454,896	25,548,733,013	2,475,836,770	4,590,239,574	10,627,211,925	7,583,564,500	1,883,431,633	1,726,114,053
Ministry of Land, Housing and Urban Development	11,823,137,537	10,427,911,437	466,000,000	891,292,161	11,235,755,875	11,154,529,775	1,756,000,000	2,228,852,641
Ministry of Information, Communication and Technology	9,133,725,058	5,201,012,776	787,265,540	930,658,460	4,578,522,270	4,577,322,270	845,991,650	843,420,884
Ministry of Sports, Culture and Arts	876,672,280	860,679,610	510,000,000	514,074,472	5,092,810,200	4,787,810,200	860,000,000	532,689,796

Ministry of Labour Social Security and Services	8,772,983,451	8,091,133,451	938,004,000	774,340,560	5,256,470,720	4,745,255,300	442,867,000	730,071,156
Ministry of Energy and Petroleum	77,436,165,122	16,362,696,500	3,483,393,160	2,129,706,510	77,524,155,811	25,807,972,380	5,089,510,470	4,872,403,385
Ministry of Agriculture, Livestock and Fisheries	26,498,010,603	22,541,604,155	6,077,699,830	4,965,826,145	55,291,687,154	33,050,524,979	4,234,316,295	5,985,902,820
Ministry of Industrialization and Enterprise	3,709,784,403	3,560,195,403	588,600,000	783,731,250	3,572,478,960	3,514,455,960	1,171,170,600	981,827,887
Ministry of East African Affairs, Commerce and Tourism	1,278,953,370	1,173,853,370	110,000,000	347,092,489	1,837,246,000	1,717,350,000	512,800,000	473,071,862
Ministry of Mining	576,911,000	576,911,000	16,000,000	4,427,360	4,421,543,030	4,344,127,370	353,670,400	824,717,113
Office of the Attorney General and Department of Justice	608,256,430	249,896,000	48,000,000	4,750,000	230,000,000		8,200,000	16,326,968
The Judiciary	5,950,000,000	5,735,000,000	598,156,260	28,174,035	2,860,000,000	2,860,000,000	196,600,000	87,222,146
Ethics and Anti- Corruption Commission	54,000,000	54,000,000	-	-	222,000,000	200,000,000	-	5,075,520
Directorate of Public Prosecutions	137,000,000	137,000,000	-	-	80,000,000	80,000,000	5,000,000	-
Independent Electoral and Boundaries Commission	477,690,120	63,200,000	-	-	-	-	-	-
Parliamentary Service Commission	2,435,000,000	2,435,000,000	600,000,000	416,629,687	2,890,000,000	2,890,000,000	70,000,000	242,409,664
Judicial Service Commission	-	-	-	-	-	-	-	-
Public Service Commission	290,000,000	290,000,000	47,500,000	30,408,252	80,000,000	80,000,000	-	-

Salaries and Remuneration Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Teachers Service Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
National Police Service Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Auditor General	500,000,000	500,000,000	-	-	-	-	-	-	-	-	-	-	-
Controller of Budget	-	-	-	-	-	-	-	-	-	-	-	-	-
Commission on Administrative Justice	-	-	-	-	-	-	-	-	-	-	-	-	-
National Gender and Equality Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Independent Police Oversight Authority	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	446,688,701,628	258,193,469,637	35,619,602,740	36,008,138,929	453,225,023,581	274,527,662,986	61,195,761,553	57,770,965,898					

Annex 4: Summary of Sectoral Development Expenditure and Exchequer Issues of MDAs (Kshs, Billions)

Name of the Sector	FY 2013/2014					FY 2012/2013						
	Gross Estimates	Net Estimates	Excheq. Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.	Gross Estimates	Net Estimates	Excheq. Issues	Expend.	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	38.3	33.0	6.5	5.9	19.8	15.3	66.5	44.2	6.0	8.2	13.6	12.3
Energy, Infrastructure and ICT	189.0	66.5	10.5	10.4	15.8	5.5	192.9	83.1	18.9	22.2	22.7	11.5
General Economics and Commercial Affairs (GECLA)	5.0	4.7	0.7	1.1	14.8	22.7	5.4	5.2	1.7	1.5	32.2	26.9
Health	15.9	12.3	3.4	2.7	27.8	16.9	32.4	18.0	2.0	2.4	11.1	7.5
Education	30.4	23.0	1.3	1.7	5.5	5.4	26.7	15.2	4.0	4.0	26.5	15.1
Governance, Justice, Law and Order (GJLOS)	14.4	13.7	0.8	0.5	6.1	3.8	16.1	14.9	1.9	2.1	13.0	12.8
Public Administration and International Relations	99.6	69.9	8.4	7.9	12.1	7.9	87.8	72.4	23.1	13.6	31.9	15.5
Social Protection, Culture and Recreation	9.6	9.0	1.4	1.3	16.2	13.4	10.3	9.5	1.3	1.3	13.7	12.2
Environment Protection, Water and Natural Resources	43.9	26.1	2.5	4.6	9.5	10.5	15.0	11.9	2.2	2.6	18.8	17.0
Total	446.2	258.1	35.6	36.0	13.8	8.1	453.2	274.5	61.2	57.8	22.3	12.7

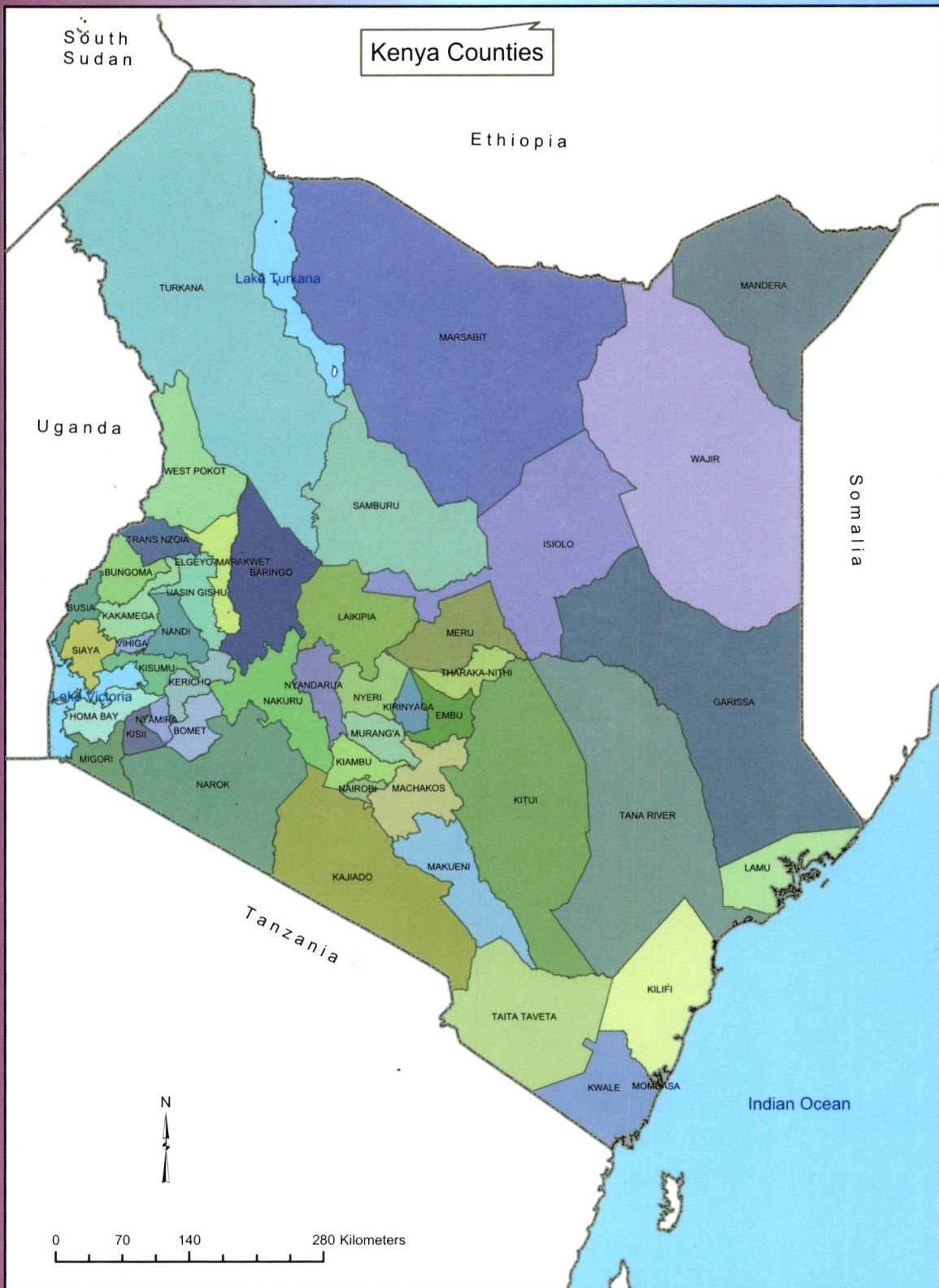
Annex 5: Sectoral Summary of Both Development and Recurrent Expenditure and Exchequer Release of MDAs (Kshs, Billions)

Name of the Sector	FY 2013/2014						FY 2012/2013					
	Gross Estimates	Net Estimates	Exchequer Issues	Expend.	% Exch. Issues to Net to Est.	% Exp to G. Est.	Gross Estimates	Net Estimates	Exchequer Issues	Expend.	% Exch. Issues to Net to Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	53.3	46.9	10.7	7.8	22.8	14.6	94.0	69.0	11.4	12.9	16.5	13.7
Energy, Infrastructure and ICT	216.5	73.3	12.6	15.8	17.2	7.3	230.5	92.2	20.3	31.0	22.0	13.4
General Economics and Commercial Affairs (GECLA)	12.9	12.2	3.0	2.7	24.7	21.0	13.7	13.1	3.9	3.2	30.0	23.2
Health	36.2	28.7	17.6	7.5	61.3	20.6	87.0	68.7	12.0	11.3	17.4	13.0
Education	276.2	248.9	70.6	76.8	28.4	27.8	236.0	205.3	49.7	55.8	24.2	23.6
Governance, Justice, Law and Order (GJLOS)	125.7	124.4	23.7	13.8	19.0	11.0	132.6	130.6	22.3	15.8	17.1	11.9
Public Administration and International Relations	173.5	142.3	27.0	21.2	19.0	12.2	181.0	142.9	38.8	25.8	27.2	14.3
National Security	84.7	84.7	19.0	20.1	22.4	23.7	83.7	83.7	17.8	16.4	21.3	19.6
Social Protection, Culture and Recreation	20.5	19.7	3.2	2.8	16.3	13.8	25.4	24.3	4.3	3.5	17.7	13.8
Environment Protection, Water and Natural Resources	57.1	34.4	4.7	6.9	13.6	12.1	25.1	19.2	3.5	4.2	18.5	16.6
Total	1,056.8	815.5	192.1	170.6	23.6	16.1	1,109.0	849.0	184.1	179.7	21.7	16.2

Annex 6: Analysis of Personnel Emoluments for MDAs FY 2013/14

	MDA	Total Recurrent Budget	Allocation to Personnel Emoluments	% of PE to Total Recurrent Budget
101	The Presidency	3,131,640,671	754,179,947	24.1
102	Ministry of Interior and Coordination of National Government	89,551,142,659	54,307,346,965	60.6
103	Ministry of Devolution and Planning	16,319,349,903	2,881,390,704	17.7
104	Ministry of Defence	70,743,170,921	663,001,000	0.9
105	Ministry of Foreign Affairs	9,641,331,694	4,858,932,160	50.4
106	Ministry of Education, Science and Technology	97,214,862,593	3,510,681,646	3.6
107	The National Treasury	23,977,412,933	1,922,801,430	8.0
108	Ministry of Health	20,324,743,113	1,541,007,414	7.6
109	Ministry of Transport and Infrastructure	22,777,574,566	1,474,298,031	6.5
110	Ministry of Environment, Water and Natural Resources	12,631,278,995	2,075,056,099	16.4
111	Ministry of Land, Housing and Urban Development	4,131,349,644	1,858,618,299	45.0
112	Ministry of Information, Communication and Technology	2,355,646,803	678,480,124	28.8
113	Ministry of Sports, Culture and Arts	2,445,664,191	345,691,259	14.1
114	Ministry of Labour Social Security and Services	8,447,515,597	1,216,306,333	14.4
115	Ministry of Energy and Petroleum	2,400,353,594	296,209,736	12.3
116	Ministry of Agriculture, Livestock and Fisheries	10,890,891,117	2,287,642,624	21.0
117	Ministry of Industrialization and Enterprise	2,759,649,528	591,838,494	21.4
118	Ministry of East African Affairs, Commerce and Tourism	5,181,792,595	839,804,885	16.2
119	Ministry of Mining	568,906,061	291,434,027	51.2
120	Office of the Attorney General and Department of Justice	2,139,804,299	825,899,181	38.6
121	The Judiciary	11,877,299,342	5,475,314,848	46.1
122	Ethics and Anti-Corruption Commission	1,045,066,500		0.0
123	National Intelligence Service	13,980,000,000		0.0
124	Directorate of Public Prosecutions	1,388,402,397	703,531,581	50.7
125	Commission for the Implementation of the Constitution	322,531,650	168,502,598	52.2
126	Registrar of Political Parties	329,726,897	60,005,000	18.2
127	Witness Protection Authority	193,808,999	100,000,000	51.6
201	Kenya National Commission of Human Rights	238,527,589	155,249,992	65.1

203	Independent Electoral and Boundaries Commission	3,132,606,759	2,112,000,000	67.4
204	Parliamentary Service Commission	16,569,000,000	9,612,043,239	58.0
205	Judicial Service Commission	473,804,034	123,027,257	26.0
206	Commission on Revenue Allocation	294,637,054	143,135,828	48.6
207	Public Service Commission	717,750,033	418,246,183	58.3
208	Salaries and Remuneration Commission	346,861,703	185,000,000	53.3
209	Teachers Service Commission	148,612,870,015	148,095,000,000	99.7
210	National Police Service Commission	222,997,214	99,572,908	44.7
211	Auditor General	2,180,505,700	1,108,505,976	50.8
212	Controller of Budget	402,552,069	243,813,080	60.6
213	Commission on Administrative Justice	274,340,827	137,262,301	50.0
214	National Gender and Equality Commission	194,025,586	100,136,800	51.6
215	Independent Police Oversight Authority	153,871,168	60,000,000	39.0
	Total	610,585,267,013	252,320,967,949	41.3



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