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KENYA NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE DIVISION OF REVENUE
BILL, 2021 (NATIONAL ASSEMBLY BILL NO. 7 OF 2021)

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2021	DAY: Thursday
TABLED BY:	Chair, Budget Committee Hon. Kanini Kega MP
CLERK-AT THE-TABLE:	Anna Njau MARCH 2021

CHAIRPERSON'S FOREWORD

The Division of Revenue Bill, 2021 (National Assembly Bill No. 7 of 2021) was read for the first time in the National Assembly on Tuesday, March 9th, 2021. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee for review and recommendations. The Bill seeks to provide for sharing of revenue raised nationally between the national government and county governments for the financial year 2021/22 in accordance with Article 202, 203, 205 and 218 of the Constitution.

The enactment of the Division of Revenue Bill, 2021 is critical in paving way for the introduction of the County Allocation of Revenue Bill, 2021, which will provide for the sharing of the revenue raised nationally among county governments and thus forming the basis of preparation of the annual budget estimates for the forty-seven (47) county governments.

The spirit and letter of Article 224 of the Constitution requires that County Governments prepare and adopt their annual budgets and appropriations bills based on the approved Division of Revenue Act. Furthermore, in April 2020, the High Court ruled that in any financial year, the Division of Revenue Bill ought to be introduced in Parliament simultaneously with the County Allocation of Revenue Bill and should precede the Budget Policy highlights and the Appropriation bill for the budget estimates.

In adherence with this court requirement and endure that county budgeting process is unimpeded, it is imperative that we dispense with the approval and subsequent enactment of the Bill in a timely manner.

Mandate of the Committee

Article 221 (4) of the Constitution and Section 7 of the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates as follows:

- i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget;
- ii. Discuss and review the budget estimates and make recommendations to the House;
- iii. Examine the Budget Policy Statement presented to the House
- iv. Examine bills related to the national budget including appropriation bills;
- v. Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays; and
- vi. Examine the Division of Revenue Bill.

Membership of the Committee

The Budget and Appropriations Committee as currently constituted comprises of the following Honourable Members:

Member	Constituency	Party
1. Hon. Kanini Kega, CBS, M.P. – Chairperson	Kieni	Jubilee
2. Hon. Benard Shinali, M.P. – Vice Chairperson	Ikolomani	Jubilee
3. Hon. CPA John Mbadi, EGH, CBS, M.P.	Suba South	ODM
4. Hon. Emmanuel Wangwe, CBS, M.P.	Navakholo	Jubilee
5. Hon. Fatuma Gedi Ali, CBS, M.P.	Wajir County	PDR
6. Hon. Wangari Mwaniki, OGW, M.P.	Kigumo	Jubilee
7. Hon. CPA Moses K. Lessonet, CBS, M.P.	Eldama Ravine	Jubilee
8. Hon. Samwel Moroto, M.P.	Kapenguria	Jubilee
9. Hon. Millie Odhiambo, M.P.	Suba North	ODM
10. Hon. Richard Onyonka, M.P.	Kitutu Chache South	Ford Kenya
11. Hon. (Dr.) Makali Mulu Benson, M.P.	Kitui Central	Wiper
12. Hon. Twalib Bady, M.P.	Jomvu	ODM
13. Hon. Jude Njomo, M.P.	Kiambu Town	Jubilee
14. Hon. Sarah Paulata Korere, M.P.	Laikipia North	Jubilee
15. Hon. Josephine Naisula Lesuuda, OGW, M.P.	Samburu West	KANU
16. Hon. Alfred Kiptoo Keter, M.P.	Nandi Hills	Jubilee
17. Hon. Sakwa Bunyasi, M.P.	Nambale	ANC
18. Hon. Florence Chepng'etich Koskey Bore, M.P.	Kericho County	Jubilee
19. Hon. James Gichuki Mugambi, M.P.	Othaya	Jubilee
20. Hon. Danson Mwashako, M.P.	Wundanyi	Wiper
21. Hon. (Eng.) Mark Nyamita, M.P.	Uriri	ODM
22. Hon. Paul Abuor, M.P.	Rongo	ODM
23. Hon. Mercy Wanjiku Gakuya, M.P.	Kasarani	Jubilee
24. Hon. CPA Francis Kuria Kimani, M.P.	Molo	Jubilee
25. Hon. Samuel Atandi, M.P.	Alego Usonga	ODM
26. Hon. Joseph Manje, M.P.	Kajiado North	Jubilee
27. Hon. Marselino Arbelle, M.P.	Laisamis	Jubilee

COMMITTEE SECRETARIAT

- | | |
|------------------------|--------------------------|
| 1) Mr. Joseph Ndirangu | Fiscal Analyst I & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst I |
| 3) Mr. Bernard Omondi | Sergeant at Arms |
| 4) Mr. Stephen Nyakuti | Audio Officer |

5) Mr. Joram Baraza Office Assistant

PARLIAMENTARY BUDGET OFFICE

- 1) Mrs. Phyllis Makau, OGW Director, PBO
- 2) Mr. Martin Masinde Senior Deputy Director, PBO
- 3) Mr. Robert Nyaga Deputy Director, PBO
- 4) Mrs. Millicent Makina Fiscal Analyst I
- 5) Mrs. Julie Mwirigi Fiscal Analyst I
- 6) Mr. James Chacha Machage Fiscal Analyst I
- 7) Dr. Abel Nyagwachi Fiscal Analyst I

Examination of the Division of Revenue Bill (National Assembly Bill No. 7 of 2021)

The Division of Revenue Bill (National Assembly Bill No. 7 of 2021) was read a first time during the afternoon sitting of Tuesday, March 9th, 2021. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee for review.

At this juncture, I wish to highlight that the provisions under the DoRB, 2021 are in line with the House resolutions on the Budget Policy Statement and the Debt Management Strategy for 2021/22 and the medium term. This is in accordance with the provisions of Standing Order 232(8) (a).

On behalf of the Committee and Pursuant to the Standing Orders 199(6) of the National Assembly, it is therefore my pleasant duty and privilege, to table this report on the Division of revenue bill (National Assembly Bill no. 7 of 2021) for consideration and approval by the House.

Acknowledgements

The Committee wishes to thank the Office of the Speaker, the office of the Clerk of the National Assembly, and the Parliamentary Budget office for the support extended in fulfilling this mandate of reviewing the Division of Revenue Bill (National Assembly Bill No. 7 of 2021).

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

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2021	DAY: Thurs
TABLED BY:	Hon. Kanini Keger MP Chair, Budget
CLERK-AT THE-TABLE:	Anna Musundu

SIGNED




HON. KANINI KEGA, CBS, M.P.

CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

11/03/2021

DATE

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 MAR 2021	DAY: Thurs
TABLED BY:	Hon. Kanini Kega, MP Chair, Budget
CLERK-AT THE TABLE:	Anna Musandu

A. INTRODUCTION

1. The Division of Revenue Bill (National Assembly Bill No. 7 of 2021) provides for the sharing of revenue raised nationally between the national government and county governments for the financial year 2021/22 in accordance with Article 202, 203, 205 and 218 (2) of the Constitution.
2. The revenue shared is calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly and is distributed equitably between the two levels of government then shared among counties based on the Third basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution.

B. OVERVIEW OF DIVISION OF REVENUE BILL, 2021

3. The projected revenue collection for the financial year 2021/22 is estimated at Kshs 1,775.62 billion. The amount is shared between the national government, County government and the Equalization fund as follows:
 - i. National Government - Kshs. 1.398 trillion
 - ii. County Governments – Kshs. 370 billion
 - iii. Equalization Fund – Kshs. 6.8 billion

ALLOCATIONS TO COUNTY GOVERNMENTS IN FY 2021/22

4. The Division of Revenue Bill, 2021, seeks to allocate Ksh. 409.88 billion to County Governments for the financial year 2021/22, based on the last audited and approved Revenues for the FY 2016/17 worth Ksh. 1,357,698 Million. This represents a Kshs. 38.3 billion or 10% increase in resource allocation to counties and is broken down as follows:
 - 1) **Equitable share worth Ksh. 370 billion**; The equitable share of revenue takes into account the fiscal framework set out in the BPS which has been approved by Parliament for FY 2021/22. This is further shared among counties based on the Third basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution.
 - 2) **Conditional allocations amounting to Ksh. 7.53 billion**, allocated as stipulated in Article 202(2) of the Constitution from the share of national government revenue comprising of;
 - i. **Kshs 7,205 million for Leasing of Medical Equipment** which is a conditional grant was initiated in the FY 2015/16 in order to supporting provision of specialized medical services in public hospitals in an effort to improve access to specialized medical services for all Kenyans.
 - ii. **Kshs 332 million to Supplement County Allocation for the construction of Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi County Headquarters**. The grant was introduced as part of conditional grant during financial year 2016/17 whose purpose is to support construction of offices by county governments that did not inherit adequate facilities from defunct Local Authorities.

3) **Additional conditional allocations from proceeds of loans and grants by development partners amounting to Ksh. 32.344 billion.** This comprise of the following 12 grants;

- | | | |
|-------|--|----------------------|
| i. | IDA-Kenya Devolution Support Program (KDSP) (Level 2 Grant) - | Kshs. 4.6 billion |
| ii. | IDA-Transforming Health Systems for Universal Care Project - | Kshs. 2.23 billion |
| iii. | DANIDA Grant - Primary Healthcare in Devolved Context - | Kshs. 701.25 million |
| iv. | IDA-National Agri. & Rural Inclusive Growth Project (NARIGP) - | Kshs. 6.4 billion |
| v. | EU-Instruments for Devolution Advice and Support (IDEAS) - | Kshs. 230.73 million |
| vi. | IDA - Kenya Climate Smart Agriculture Project (KCSAP) - | Kshs. 7.84 billion |
| vii. | WB - Kenya Informal Settlement Improvement Project II - | Kshs. 2.8 billion |
| viii. | IDA- Water and Sanitation Development Project (WSDP) - | Kshs. 5 billion |
| ix. | Sweden Agri. Sector Development Programme II (ASDP II) - | Kshs. 1.3 billion |
| x. | Drought Resilience Programme in Northern Kenya - | Kshs. 370 million |
| xi. | Emergency Locust Response Project (ELRP) - | Kshs. 800 million |
| xii. | UNFPA- 9th Country Programme Implementation - | Kshs. 73.87 million |

CONDITIONAL GRANTS

5. In line with Article 202(2) of the Constitution the national government has been allocating additional conditional allocations to the county governments from the national government share of revenue raised nationally. However, in FY 2021/22 there seem to be a policy shift from past practice.

1) Conversion of GoK conditional allocation to equitable share

6. The Division of Revenue Bill, 2021 seeks to convert to equitable share status, most of previously allocated conditional grants from national government's equitable share worth Ksh. 17.02 billion. These include:
- i. **Allocation from Fuel Levy Fund worth Kshs.9.4 billion or 15% of the** Roads Maintenance Fuel Levy Fund meant for maintenance of county roads as stipulated by the Kenya Roads Board Act, 1999. This conversation should however be undertaken in line with provisions of Article 206 of the Constitution and definition of "revenue" under the CRA Act, 2011.
 - ii. **Compensation for User Fees Forgone (Kshs. 900 Million):** To compensate public dispensaries and health centers for lost revenue on abolishment of user fees. This was meant to cushion and ensure sustainable Government policy of not charging user fees in public health facilities.
 - iii. **Level 5 hospitals (Kshs. 4.33 Billion):** The objective of the conditional grant to level 5 hospitals is to sustain service delivery in designated Level 5 hospitals mainly former provincial general hospitals. This is to be achieved by targeting medical and surgical sub-specialties, inter-county referral services and medical training.
 - iv. **Rehabilitation of Youth Polytechnics (Kshs. 2 Billion):** Introduced in financial year 2017/18, aims to enhance access to quality and relevant vocational skills training to empower the youth by equipping Technical and Vocational Centers and capitation of student fees.

2) **Impact on Conditional Grants (loans and grants)**

7. The Bill introduces four (4) new additional conditional allocations from proceeds from development partners' grants and loans. These are as follows;
- i. **Emergency Locust Response Project (ELRP) Kshs. 800 million** financed by World Bank to prevent and respond to the threat to livelihoods posed by the Desert Locust outbreak and to strengthen Kenya's system for preparedness.
 - ii. **UNFPA- 9th Country Programme Implementation Kshs 73.87 million** intended address national priorities under the third Kenya Medium-term Plan (2018-2022), the 'Big Four' Agenda, the 2030 Agenda for Sustainable Development, the Africa Union Agenda 2063, the Kenya United Nations Development Assistance Framework 2018-2022.
 - iii. **Kenya Informal Settlement Improvement Project II Kshs 2.8 billion funded by the World Bank** to improve access to basic services and tenure security of residents in participating urban informal settlements and strengthen institutional capacity for slum upgrading in Kenya through increasing access to basic infrastructure and services.
 - iv. **Primary Healthcare in Devolved Context Kshs 701.25 million, a grant from the Danish International Development Agency (DANIDA)** to improve utilization and quality of primary health care services with a focus on reproductive, maternal, new-born, child, and adolescent health services.
8. In addition, the bill has reintroduced the following conditional grant:
- i. **The IDA-Kenya Devolution Support Program (KDSP) (Level 2 Grant) worth Kshs 4.6 billion.** this is the balance carried forward from the financial year 2019/20 that was not disbursed to respective county governments, to cater for counties that met the performance score after the fourth Annual Capacity and Performance Assessment (ACPA) carried out by the State Department for Devolution

COMMITTEE OBSERVATIONS

9. The committee made the following observations, that;
- i. The conversion of the Allocation to county governments from the Fuel Levy Fund (15%) – Kshs. 9.4 billion, is in contravention of the statute establishing the Fund and whose intention was to ring-fence critical financing for road maintenance by both national and county governments.

- ii. Furthermore the definition of "revenue" under *Article 206¹ of the Constitution and Commission on Revenue Allocation Act, 2011²*, exempt money excluded by an Act of Parliament and payable into another public fund, from being considered as equitable share. The Road Maintenance Levy Fund is one of such fund whose sources of funds cannot be classified as equitable share.
- iii. There is continued inability to oversight over the use of conditional grants allocated to counties. Conversion of the conditional grants to equitable will not address this problem.
- iv. It is important to note that this has been an ongoing practice, by county governments, of utilizing conditional grants for purposes other than that stipulated under law in disregard of the Division of Revenue Act and the County Allocation of Revenue Act and should be investigated.
- v. Conversion of health related conditional grants to equitable share without prior tabling of a report indicating the extent of development of county related health institutions could lead to health burden to affected county governments during a pandemic period and affect service provision.
- vi. Given that the revenue shared are projections creates fiscal risk that could necessitate borrowing, without which national government budget implementation process will be negatively affected. Ideally, any revenue shortfall should be shared equitably between national and county governments.

COMMITTEE RECOMMENDATIONS

10. Having considered the above matters, the Committee recommends that this House approves the Division of Revenue Bill 2021, specified as follows:
 - i. National Government equitable share worth Kshs. 1.398 trillion;
 - ii. County Governments equitable share worth Kshs. 370 billion;
 - iii. Equalization Fund allocation worth Kshs. 6.8 billion;
 - iv. GoK Conditional allocation worth Kshs. 7.5 billion; and,
 - v. Additional conditional allocations from proceeds of loans and grants by development partners worth Kshs. 32.34 billion.

11. The Committee therefore recommends to the House that the Division of Revenue Bill, 2021, be read a second time.

¹ Article 206 of the Constitution – "There is established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the national government, except money that; (a) *is reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose*"

² Revenue definition - means all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorized by an Act of Parliament, but excludes revenues referred to under Articles 209(4) and 206(1)(a)(b) of the Constitution;

ANNEXES

Table 1: County Government Resource Allocation, FY 2021/22

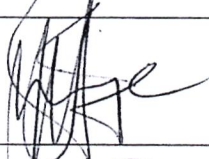

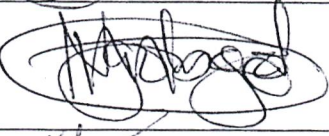
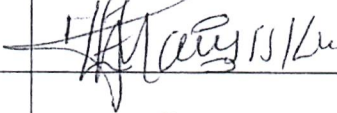
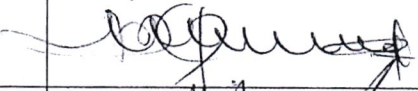
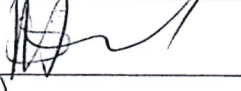
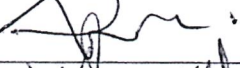
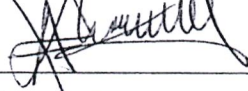
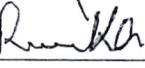
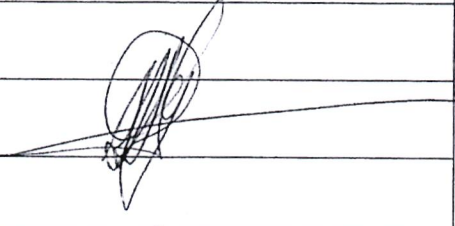
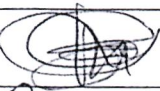
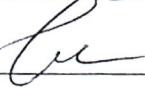
ITEM	Approved Revenue i.e. Ksh. 1,038,035 Million for FY 2014/15	Used Last audited and approved Revenue i.e. Ksh. 1,357,698 Million for FY 2016/17	
	FY 2019/20	FY 2020/21	FY 2021/22
County Equitable Share	310,000.00	316,500.00	370,000.00
Conditional allocations from the National Government share;	13,911.15	13,731.00	7,537.00
<i>Leasing of Medical Equipment</i>	6,200.00	6,205.00	7,205.00
<i>Compensation for user fees forgone</i>	900.00	900.00	-
<i>Level 5 hospitals</i>	4,326.00	4,326.00	-
<i>Supplement for construction of county headquarters</i>	485.15	300.00	332.00
<i>Rehabilitation of Youth Polytechnics</i>	2,000.00	2,000.00	-
Allocation from Fuel Levy Fund (15%)	8,984.06	9,433.27	-
Conditional allocations (Loans & grants) of which:	38,704.88	30,204.35	32,343.89
<i>IDA-Kenya Devolution Support Program (KDSP) (Level 1)</i>	1,410.00	2,115.00	-
<i>IDA-Kenya Devolution Support Program (KDSP) (Level 2 Grant)</i>	4,890.00	-	4,600.00
<i>IDA-Transforming Health Systems for Universal Care Project</i>	2,994.25	4,345.38	2,234.66
<i>DANIDA-Universal Healthcare For Devolved System Program</i>	986.58	900.00	-
<i>DANIDA Grant - Primary Healthcare in Devolved Context - Successor of the Restructured DANIDA - Universal Healthcare for Devolved System Program</i>	-	-	701.25
<i>IDA-National Agriculture & Rural Inclusive Growth Project (NARIGP)</i>	7,232.72	4,261.65	6,395.00
<i>EU-Instruments for Devolution Advice and Support (IDEAS)</i>	492.70	216.01	230.73
<i>IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)</i>	3,643.30	7,119.73	7,838.34



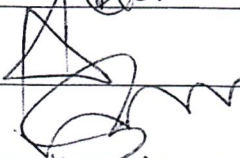


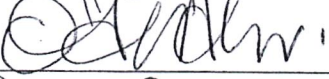
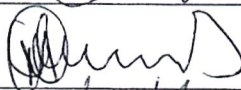

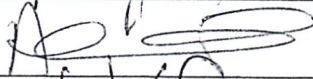


ITEM	Approved Revenue i.e. Ksh. 1,038,035 Million for FY 2014/15	Used Last audited and approved Revenue i.e. Ksh. 1,357,698 Million for FY 2016/17	
	FY 2019/20	FY 2020/21	FY 2021/22
World Bank- Kenya Urban Support Program(KUSP)- UDG	11,464.70	6,366.00	-
World Bank- Kenya Urban Support Program(KUSP)- UIG	396.00	-	-
World Bank- Kenya Informal Settlement Improvement Project II (KISIP II)	-	-	2,800.00
IDA- Water and Sanitation Development Project (WSDP)	3,500.00	3,400.00	5,000.00
Sweden Agriculture Sector Development Programme II (ASDP II)	849.63	652.58	1,300.04
EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)	495.00	528.00	-
Drought Resilience Programme in Northern Kenya	350.00	300.00	370.00
Emergency Locust Response Project (ELRP)	-	-	800.00
UNFPA- 9th Country Programme Implementation	-	-	73.87
TOTAL	371,600.09	369,868.61	409,880.89

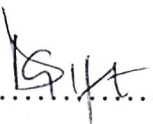
Members attendance list

Budget and Appropriations Committee

Date: 10/3/2021... Time..... Sitting: Afternoon

Name	Signature
1. The Hon. Kanini Kega, CBS, M.P.- Chairperson	
2. The Hon. Benard Masaka Shinali, M.P.- Vice Chairperson	
3. The Hon. (CPA) John Mbadi, EGH, CBS, M.P.	
4. The Hon. Emmanuel Wangwe, CBS, M.P.	
5. The Hon. (CPA) Moses K. Lessonet, CBS, M.P.	
6. The Hon. Samwel Moroto, M.P.	
7. The Hon. Millie Odhiambo, M.P.	
8. The Hon. Alfred Kiptoo Keter, M.P.	
9. The Hon. Richard Onyonka, M.P.	
10. The Hon. (Dr.) Makali Mulu, M.P.	
11. The Hon. Badi Twalib, M.P.	
12. The Hon. Jude Njomo, M.P.	
13. The Hon. Sarah Paulata Korere, M.P.	
14. The Hon. Fatuma Gedi Ali, CBS, M.P.	
15. The Hon. Wangari Mwaniki, OGW, M.P.	
16. The Hon. Josephine Naisula Lesuuda, OGW, M.P.	

Name	Signature
17. The Hon. Sakwa Bunyasi, M.P.	
18. The Hon. Florence C. K. Bore, M.P.	
19. The Hon. James Gichuki Mugambi, M.P.	
20. The Hon. Danson Mwashako, MP	
21. The Hon. (Eng.) Mark Nyamita, MP	
22. The Hon. Paul Abuor, MP	
23. The Hon. Mercy Wanjiku Gakuya, M.P.	
24. The Hon. (CPA) Francis Kuria Kimani, M.P.	
25. The Hon. Samuel Atandi, M.P.	
26. The Hon. Joseph Manje, M.P.	
27. The Hon. Masalino Arbelle, M.P.	

Signed.....  Danson Kachumbwa.....

Date..... 10.03.2021.....

Committee Clerk

Signed.....

Date.....

Director of Audit, Appropriations & Other Select Committees

MINUTES OF THE 12th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD AT NDOVU CONFERENCE HALL, BOMA HOTEL, SOUTH C ON WEDNESDAY, 10th MARCH 2021, AT 2.30 P.M.

PRESENT:

1. **Hon. Kanini Kega, CBS, M.P.- Chairperson**
2. **Hon. Benard Masaka Shinali, M.P.- Vice Chairperson**
3. Hon. (CPA) John Mbadi, EGH, CBS, M.P.
4. Hon. Emmanuel Wangwe, CBS, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. Richard Onyonka, M.P.
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20. Hon. Mercy Wanjiku Gakuya, M.P.
21. Hon. (CPA) Francis Kuria Kimani, M.P.
22. Hon. Joseph Manje, M.P.
23. Hon. Masalino Arbelle, M.P.

ABSENT WITH APOLOGY:

1. Hon. Badi Twalib, M.P.
2. Hon. (Dr.) Makali Mulu, M.P.
3. Hon. Josephine Naisula Lesuuda, OGW, M.P.
4. Hon. Sarah Paulata Korere, M.P.

DEPARTMENTAL COMMITTEES CHAIRPERSONS/ REPRESENTATIVES

- | | |
|---------------------------------|--------------------------|
| 1. Hon. Kareke Mbiuki, M.P. | Chairperson, Environment |
| 2. Hon. Sabina Chege, M.P. | Chairperson, Health |
| 3. Hon. Peter Mwathi, M.P. | Chairperson, Labour |
| 4. Hon. William Kisang, M.P. | Chairperson, ICT |
| 5. Hon. Silas Tiren, M.P. | Chairperson, Agriculture |
| 6. Hon. Wafula Wamunyimyi, M.P. | Chairperson, NG-CDF |
| 7. Hon. Cornelly Serem, M.P. | Member, NG-CDF |
| 8. Hon. Sophia Abdi, M.P. | Member, NG-CDF |
| 9. Hon. Joseph Oyula, M.P. | Member, NG-CDF |

THE NATIONAL TREASURY

- | | |
|---------------------------------|----------------------------|
| 1. Amb. Ukur Yatani, EGH | Cabinet Secretary |
| 2. Dr. Julius Muia | Principal Secretary |
| 3. Mr. Amos Gathecha | PAS |
| 4. Mr. Albert Mwendwa | Director General |
| 5. Mr. Bernard Ndungu | Director General |
| 6. Mr. Stanley Kamau | Director General |
| 7. Mr. Christopher Kiungua | Director General |
| 8. Mr. Francis Anyona | Director of Budget |
| 9. Mr. Daniel Ndolo | Deputy Director |
| 10. Mr. Samuel Kiiru | Director of Planning |
| 11. Mr. Musa Kathanje | Director, MFAD |
| 12. Ms. Miriam Musyoki | Assistant Director |
| 13. Ms. Isabella Kogei | Parliament Liaison |

PARLIAMENTARY BUDGET OFFICE

- | | |
|-----------------------------|-----------------------------|
| 1) Mrs. Phyllis Makau, OGW | Director, PBO |
| 2) Mr. Martin Masinde | Senior Deputy Director, PBO |
| 3) Mr. Robert Nyaga | Deputy Director, PBO |
| 4) Mrs. Millicent Makina | Fiscal Analyst I |
| 5) Mrs. Julie Mwirigi | Fiscal Analyst I |
| 6) Mr. James Chacha Machage | Fiscal Analyst I |

COMMITTEE SECRETARIAT

- | | |
|------------------------|--------------------------|
| 1) Mr. Joseph Ndirangu | Fiscal Analyst I & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst I |
| 3) Mr. Bernard Omondi | Sergeant at Arms |
| 4) Mr. Stephen Nyakuti | Audio Officer |
| 5) Mr. Joram Baraza | Office Assistant |

AGENDA

1. Preliminaries & Confirmation of Agenda
2. *Meeting with the Cabinet Secretary to discuss supplementary estimates*
3. *Adoption of the BAC draft report on Division of Revenue Bill(No. 7 of 2021)*
4. Any Other Business (A.O.B)

MIN. NO. NA/BAC/2021/283: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 3.00 p.m. Thereafter, a prayer was said.

MIN. NO. NA/BAC/2021/284: MEETING WITH THE CABINET SECRETARY

The Chairperson invited the Cabinet Secretary to the meeting so as to brief the Committee on the proposed amendments to the supplementary estimates by the National Treasury. The Cabinet Secretary was able to respond to the questions in the following manner:

Question 1: Why the Committee were being subjected to discuss two documents at the same time, that's is the addendum and the Supplementary budgets.

The adjustment to source for extra funds such us Ksh. 10 billion for NG- CDF as recommended by the BAC in the last previous engagements affected the original

budget schedules hence the its important for the committee to appreciate the two amended documents concurrently

Question 2: Whether State Departments were involved in the supplementary budget making process and if the document was approved by the cabinet.

The changes are brought about by the variations that were agreed upon when he appeared before the BAC sometimes back. They agreed on various reallocations and adjustments. The document is not static and is prone to be changed at various stages on its development.

The Cabinet Secretary explained that the budget is also inclined to the executive agenda spearheaded by the President. The budget is made through wide consultations with various government departments not the National Treasury alone. The engagement took place at various levels starting with accounting officers, then Cabinet where the heads were involved in the agreement.

Question 3: The Committee queried if the Addendum by the National Treasury was right before the Committee

The Director, Parliamentary Budget Office confirmed that the addendum was properly before the committee, as it was tabled by the Leader of Majority and the Hon. Speaker marked it to the Committee.

Question 4: The impact of supplementary estimates to the macro- fiscal framework

The deficit will lead for the National treasury to borrow externally and internally and this will pile up and become a big problem. The only remedy could be budget cuts including salary cuts and this will affect many lives.

Remarks from Departmental Committee Chairpersons present on the proposed amendments

1. Chairperson, Departmental Committee on ICT

The Chairperson informed the committee that there was an agreement that the monies amounting to Ksh. 300m was to pay pending bills under ICT subsectors. The Chairman rejected the addendum presented by the National Treasury and requested the committee to consider the submission from the committee.

2. Chairperson, Departmental Committee on NG-CDF

The Chairperson informed the committee that during the meeting he had with the Cabinet Secretary, it was agreed that he will undertake the following: that National Treasury clears the remaining the balances by 30th April and he will be releasing Ksh. 2 billion per month. In regards to arrears totaling Ksh. 13 billion, he committed that it will be cleared between May and June 2021.

3. Chairperson, Labour and Social Welfare

He informed the committee that the budget cuts would vulnerable in the society and urged the committee to reconsider the budget cut that was reduced from hunger safeness amount of 2m.

4. Chairperson, Agriculture, Livestock and Fisheries.

The Agriculture Committee rejects the addendum and requested the Cabinet Secretary to release all the money for payment of famers who imported food products. The Chairperson further informed the committee that he wanted further clarifications from the Treasury that has been raised by some line ministries.

5. Chairperson, Environment and Natural Resources.

It was noted that in that all the state corporations' recommendations line ministries under the sector were reversed by the National Treasury. This had resulted in a budget cut amounting to Ksh. 4.1 billion. Therefore, the committee recommended the Budget & Appropriations Committee to reinstate the cuts.

In his closing remarks, the Cabinet Secretary informed the Committee that the Supplementary Estimates are supposed to be approved two weeks before IMF board meeting that is scheduled on 2nd April 2021. This was a pre-condition so that the country can access the loan facility of 150 billion of which IMF is Ksh. 75 billion as well as Ksh. 75 billion of the World Bank.

After deliberations, the Committee resolved the following:

- 1. To allow those Departmental Committees affected by the proposed amendments in particular, Departmental Committee on National Security and ICT to meet latest on Monday and submit their submission to the secretariat thereafter. The Parliamentary Budget office to compile all the submissions.*
- 2. The Committee to table its report on Wednesday should there be a special sitting or otherwise table on 23rd March when the House resumes after the short recess.*

MIN. NO. NA/BAC/2021/285: ADOPTION OF REPORT THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON DIVISION OF REVENUE BILL (NO. 7 OF 2021)

Members were taken through the draft report by Parliamentary Budget Office. The committee went clause by clause of the report. After deliberations, the committee **adopted** the report with the following observations and recommendations:

A. OBSERVATIONS

- 1) The conversion of the Allocation to county governments from the Fuel Levy Fund (15%) – Kshs. 9.4 billion, is in contravention of the statute establishing the Fund and whose intention was to ring-fence critical financing for road maintenance by both national and county governments.

- 2) Furthermore, the definition of “revenue” under *Article 206¹ of the Constitution and Commission on Revenue Allocation Act, 2011²*, exempt money excluded by an Act of Parliament and payable into another public fund, from being considered as equitable share. The Road Maintenance Levy Fund is one of such funds whose sources of funds cannot be classified as equitable share.
- 3) There is continued inability to oversight over the use of conditional grants allocated to counties. Conversion of the conditional grants to equitable will not address this problem.
- 4) It is important to note that this has been an ongoing practice, by county governments, of utilizing conditional grants for purposes other than that stipulated under law in disregard of the Division of Revenue Act and the County Allocation of Revenue Act and should be investigated.
- 5) Conversion of health-related conditional grants to equitable share without prior tabling of a report indicating the extent of development of county related health institutions could lead to health burden to affected county governments during a pandemic period and affect service provision.
- 6) Given that the revenue shared are projections creates fiscal risk that could necessitate borrowing, without which national government budget implementation process will be negatively affected. Ideally, any revenue shortfall should be shared equitably between national and county governments.

B. RECOMMENDATIONS

Having considered the above matters, the Committee recommends that this House approves the Division of Revenue Bill 2021, specified as follows:

- 1) National Government equitable share worth Kshs. 1.398 trillion;
- 2) County Governments equitable share worth Kshs. 370 billion;

¹ Article 206 of the Constitution – “There is established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the national government, except money that; (a) is reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose”

² Revenue definition - means all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorized by an Act of Parliament, but excludes revenues referred to under Articles 209(4) and 206(1)(a)(b) of the Constitution;

- 3) Equalization Fund allocation worth Kshs. 6.8 billion;
- 4) GoK Conditional allocation worth Kshs. 7.5 billion; and,
- 5) Additional conditional allocations from proceeds of loans and grants by development partners worth Kshs. 32.34 billion.

MIN.NO.NA/BAC/2021/285: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matters to consider, the meeting was adjourned at 7.00 p.m. The next sitting will be communicated at a later date.

SIGNED



HON. KANINI KEGA, CBS, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE

10/03/21

DATE

*Hon. speaker
You may approve for
Tabling
18.3.21*

Approved for tabling.

Blat
SNA
18/3/2021



**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 18 MAR 2021

DAY:
thurs

REPUBLIC OF

**TABLED
KENYA**

*Chair Person Budget
Hon. Kamini Kegeles*

**CLERK-AT
THE-TABLE:**

Benson Inzafi

THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT

FIFTH SESSION

**THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE
SUPPLEMENTARY ESTIMATES NO. 1 FOR THE FINANCIAL YEAR 2020/2021**

MARCH 2021

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CHAIRPERSON'S FOREWORD

In accordance with Article 223 of the Constitution, Section 44 of the Public Finance Management Act, 2012, PFM Regulation 40 and Standing Orders 243; I am honoured to present to this House, on behalf of the Members of the Budget and Appropriations Committee, the Committee's Report on the first Supplementary Budget for financial year 2020/2021.

The supplementary estimates No.1 of FY 2020/2021 was tabled on 9th February 2021 and was committed to the Budget and Appropriations Committee as well as the Departmental Committees for review in line with their respective mandates. After reviewing the budgets of the various Ministries, Departments and Agencies within their purview, the Departmental Committees are required to submit their recommendations to the Budget and Appropriations Committee for consideration and inclusion in this report.

Examination of the Supplementary Estimates for 2020/2021

In reviewing the Supplementary Estimates for 2020/2021, the Committee held 5 Sittings including 2 meetings with the National Treasury where extensive deliberations were held. The committee also held discussions with the Parliamentary Service Commission and the Office of the Auditor General and received submissions from the Departmental Committees. The outcome of these deliberations has informed the various recommendations which are contained in this report. If approved by the House, these recommendations will form the basis for the passage of the Supplementary Appropriation Bill for financial year 2020/2021.

Committee observations

Arising from these deliberations, the committee made the following observations:

- i) Failure to adhere to some legal provisions:** The committee observes that there are some gaps in the format, structure and content of the supplementary budget contrary to legal provisions. Notably, some new items have been introduced in the supplementary budget contrary to section 40(8) of the PFM regulations, 2015. Furthermore, analysis of the fiscal impact of the proposed changes has not been provided as required by law.

- ii) **Expansion of the Fiscal Deficit:** Revenue is expected to significantly underperform in the current financial year. As a result, despite some increases in spending through this supplementary budget, it is expected that there may be further expenditure cuts in the course of the year in order to avoid extensively expanding the deficit.
- iii) **Extensive budget cuts for State Owned Enterprises:** The National Treasury adjusted substantially, budgetary provisions for State Owned Enterprises. Left as it was, the adjustment could have halted the operations of these institutions including payment of personnel emoluments. This issue has been raised by many departmental committees, highlighting the extensiveness of the cuts across numerous agencies. The committee is concerned that the supplementary budget adjustments appear not to have been based on analysis given that such cuts could be inadvertently undertaken. However, the committee is pleased to inform this House that the National Treasury has made adjustments as per Annex 3 and has reinstated most of these expenditure cuts to the approved estimates for 2020/2021.
- iv) **Pending bills:** despite the National Government Strategy announced last year for government to prioritize the clearing of pending bills, it is noted that they may not be reduced as expected. Indeed, many of the development budget cuts in this supplementary budget are likely to lead to even further accumulation of pending bills. As pointed out by the departmental committees, most of the reductions have been undertaken on projects whereby funds had already been committed. Furthermore, there are numerous Court awards for the settling of these matters but line ministries have not been given provisions to clear these awards. It is noted that many historical pending bills came about due to such mid-year expenditure adjustments. A solid solution must be found to sustainably eliminate pending bills and this can only be through enforcement of the Public Finance Management Act, 2012 and the procurement law.
- v) **Failure to prioritize completion of projects:** The committee notes that there are projects which have become a permanent feature in the budget such as the Kenya Industrial Research and Development Institute (KIRDI) Headquarters, Mitihani House, Ronald Ngala Utalii College among others. The National Treasury must provide funds and complete these projects within the next six months. In addition, the specialized Project Management Unit (PMU) in the National Treasury should perform their mandate to manage projects efficiently and effectively otherwise it should be abolished.

- vi) **Counterpart funding:** The committee is concerned that the expenditure cuts have also adversely affected counterpart funding contrary to the guidelines on the preparation of the supplementary estimates issued to the MDAs by the National Treasury. The Reduction of GoK component of counterpart funds effectively stalls donor funded projects since they are unable to release their funding component.
- vii) **Inadequate consultation during the supplementary budget process:** Given these emerging issues and other observations raised by the departmental committees, the committee notes with concern that there appears to be very minimal consultation between the National Treasury and the Ministries, Departments and Agencies during the supplementary budget process. Indeed, as earlier indicated, the National Treasury appears not to have carried out analysis of the fiscal impact of the changes before the supplementary budget was finalized contrary to the provisions of PFM regulation 40(6)(f) and failure to consult the line ministries which implement the budget led to some serious missteps. As a result, when the MDAs appeared before the Departmental Committees, they proposed adjustments which should have been carried out earlier.
- viii) **Lack of consistency in budget presentation:** despite adoption of the Medium Term Budget Framework approach supported by the programme based budget, during the supplementary budget process, this framework is immediately abandoned and the National Treasury backslides to the traditional line item budgeting. As a result, the credibility of the budget has been put to question as well as the capacity of the National Treasury to adequately carry out the budget challenge function.
- ix) **Misappropriation of the Equalization Fund:** The committee has also observed that resources allocated to the Equalization fund have been reduced entirely by Ksh. 6.5 billion. The constitution clearly provides that any unexpended money in the equalization fund should remain in that fund for use in subsequent years. It is therefore unconstitutional to deduct money from the equalization fund for use on other purposes other than what the fund was created for. It is noted that this is not the first time the National Treasury is deducting funds from the equalization funds to be applied elsewhere. The Committee urges the National Treasury to fast-track development of the regulations to operationalize the Fund so that it can be put to its intended use.

- x) **Reduction of pensions funds:** The committee noted that in the Consolidated Fund Services, Pension expenses are reduced by Kshs. 8.05 billion. However, there is no information provided to determine the full impact of these expenditure adjustments as well as the reasons for these changes. Pension payments are the key source of household incomes for retired public servants and military personnel and as such, this deduction is likely to have serious ramifications on households without an alternative source of income.

Committee recommendations

Policy Recommendations

1. Having considered the above matters, the committee has made the following policy recommendations:
 - i) **That**, within the next six months, the National Treasury should provide funds and a clear road map for the completion of all stalled projects and present this information to Parliament.
 - ii) **That**, during the finalization of the budget estimates for 2021/2022, the National Treasury should set aside funds for the settlement of all pending bills and court awards.
 - iii) **That**, to avert incomplete projects, the National Treasury should request the Office of the Auditor General to carry out an audit of ongoing projects that have been affected with budget cuts by April 2021, with a view of funding these projects in FY 2021/22 budget.
 - iv) **That**, upon approval of the Supplementary budget 1 FY 2020-21, the MDAs and National Treasury should revise the outputs and performance targets to realign with the increase or decrease in budgetary allocations for various programmes.
 - v) **That**, the new projects in the Supplementary budget 1 FY 2020-21 should be deferred to FY 2022/23.
 - vi) **That**, for the next supplementary budget, the National Treasury should ensure adequate consultations with the MDAs before supplementary changes are effected on the budget.

b) Financial Recommendations

58. Having considered the above matters, the committee recommends that this House resolves to approve:

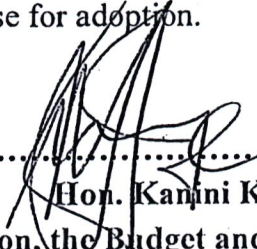
- i. That the Supplementary Estimates No. 1. of Financial Year 2020/2021 is finalized as per the attached Schedules 1 and 2;
- ii. That the attached Schedule 1 forms the basis of the enactment of the first Supplementary Appropriations Act 2020/2021.

Acknowledgements

The Budget and Appropriations Committee would like to appreciate the Departmental Committees for their efforts to review this supplementary budget within a very short timeframe even as they reviewed concurrently, the Budget Policy Statement for 2021. Equally, the Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly and the Parliamentary Budget Office as well as the clerks of the various departmental committees for the tremendous effort in ensuring that this House is able to process the supplementary budget for 2020/2021 and the Budget Policy Statement within a very limited time frame.

On behalf of the Committee and pursuant to Standing Order 199(6), it is my pleasant duty and privilege to table the Report on the Supplementary Estimates for FY 2020/2021 and recommend it to the House for adoption.

Signed:


Hon. Kanini Kega, CBS, M.P
Chairperson, the Budget and Appropriations Committee

Date:

1.0.PREFACE

1.1: Establishment and Mandate of the Committee

Article 221 (4 and 5) of the Constitution and Section 7 of the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight. Pursuant to this constitutional provision, Standing Order 207 established the Budget and Appropriations Committee with specific mandates among which is to:

- i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget;
- ii. Discuss and review the Estimates and make recommendations to the House;
- iii. Examine the Budget Policy Statement, the Medium Term Debt Strategy Paper and the Division of Revenue Bill (DoRB) presented to the House;
- iv. Examine Bills related to the national budget, including the Appropriations Bill; and
- v. Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

1.2.Membership of the Committee

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

Member	Constituency	Party
1. Hon. Kanini Kega, CBS, M.P. – Chairperson	Kieni	Jubilee
2. Hon. Benard Masaka Shinali, M.P. – Vice Chairperson	Ikolòmani	Jubilee
3. Hon. CPA John Mbadi, EGH, CBS, M.P.	Suba South	ODM
4. Hon. Emmanuel Wangwe, CBS, M.P	Navakholo	Jubilee
5. Hon. Fatuma Gedi Ali, CBS, M.P.	Wajir County	PDR
6. Hon. Wangari Mwaniki, OGW, M.P	Kigumo	Jubilee
7. Hon. CPA Moses K. Lessonet, CBS, M.P	Eldama Ravine	Jubilee
8. Hon. Samwel Moroto, M.P.	Kapenguria	Jubilee
9. Hon. Millie Odhiambo, M.P.	Suba North	ODM
10. Hon. Richard Onyonka, M.P	Kitutu Chache South	Ford Kenya
11. Hon. (Dr.) Makali Mulu Benson, M.P.	Kitui Central	Wiper
12. Hon. Twalib Bady, M.P.	Jomvu	ODM
13. Hon. Jude Njomo, M.P.	Kiambu Town	Jubilee
14. Hon. Sarah Paulata Korere, M.P.	Laikipia North	Jubilee
15. Hon. Josephine Naisula Lesuuda, OGW, M.P.	Samburu West	KANU
16. Hon. Alfred Kiptoo Keter, M.P	Nandi Hills	Jubilee

17. Hon. Sakwa Bunyasi, M.P.	Nambale	ANC
18. Hon. Florence Chepng'etich Koskey Bore, M.P.	Kericho County	Jubilee
19. Hon. James Gichuki Mugambi, M.P.	Othaya	Jubilee
20. Hon. Danson Mwashako, M.P.	Wundanyi	Wiper
21. Hon. (Eng.) Mark Nyamita, M.P.	Uriri	ODM
22. Hon. Paul Abuor, M.P.	Rongo	ODM
23. Hon. Mercy Wanjiku Gakuya, M.P.	Kasarani	Jubilee
24. Hon. CPA Francis Kuria Kimani, M.P.	Molo	Jubilee
25. Hon. Samuel Atandi, M.P.	Alego Usonga	ODM
26. Hon. Joseph Manje, M.P.	Kajiado North	Jubilee
27. Hon. Marselino Arbelle, M.P.	Laisamis	Jubilee

1.3 Parliamentary Budget Office and Committee Secretariat

The Committee is facilitated by the following officers from the Parliamentary Budget Office:

- | | |
|---------------------------|---|
| 1. Ms. Phyllis Makau, OGW | Director, Parliamentary Budget Office |
| 2. Mr. Martin Masinde | Senior Deputy Director, Parliamentary Budget Office |
| 5. Ms. Millicent Makina | Fiscal Analyst I |
| 7. Dr. Abel Nyagwachi | Fiscal Analyst I |
| 6. Ms. Julie Mwithiga | Fiscal Analyst I |
| 7. Mr. Chacha Machage | Fiscal Analyst I |

The Committee Secretariat comprises of the following officers:

- | | |
|------------------------|--|
| 1. Mr. Joseph Ndirangu | Fiscal Analyst I/ Clerk of the Budget and Appropriations Committee |
| 2. Mr. Danson Kachumbo | Fiscal Analyst I/ Clerk of the Budget and Appropriations Committee |
| 3. Ms. Winfred Kizia | Media Relations |
| 4. Mr. Benard Omondi | Serjeant-at-arms |
| 5. Mr. Stephen Nyakuti | Audio Officer |
| 6. Mr. Joram Baraza | Office Assistant |

2.0. OVERVIEW OF THE SUPPLEMENTARY ESTIMATES NO.1 FOR 2020/2021

2. The supplementary budget for financial year 2020/2021 is proposing a 4.3% increase in the approved budget by Ksh. 125.68 billion. This increase is mostly under the development budget which has increased by Ksh. 59.81 billion. On the other hand, recurrent spending has increased by Ksh.20.22 billion. In addition, the Consolidated Fund Services (CFS) expenditure has increased by Ksh. 45.65 billion. It is indicated that the supplementary budget has been necessitated by the need to take care of post covid-19 related interventions, payment of pending bills, salary adjustments, changes in development partners funded projects, rationalization of budget the budget among other challenges.
3. The committee is pleased to note that this supplementary budget presents a critical departure from previous ones. Whereas previous supplementary estimates have subjected the development budget to extensive expenditure cuts, this particular supplementary is actually increasing development spending significantly. A reduction in the development budget typically leads to delayed implementation of projects and accumulation of pending bills in addition to delays in yield of economic returns on investment. Given the current state of the economy, prioritizing development spending in the supplementary budget is a step in the right direction as it may boost economic activity and thereby enhance revenue collection.
4. The committee is concerned however, that such a remarkable increase in expenditure in the context of significant economic and revenue underperformance sends a conflicting message. Despite a downward adjustment in revenue from 16.8% of GDP to 16.7% of GDP, the supplementary budget is proposing an increase in expenditure levels and has therefore expanded the deficit from 7.5% to 8.9%. Given that this upward adjustment in expenditure does not appear to be informed by economic performance and outlook, there is a concern that fiscal risks are not being managed prudently particularly in the context of debt accumulation.

3.0. ADHERENCE TO LEGAL PROVISIONS

5. The format, structure and content of the supplementary budget is enshrined in legal documents, namely; the Constitution, the Public Finance Management (PFM) Act, 2012 and the PFM regulations. Significant gaps have been observed in the

supplementary III budget for 2019/2020 particularly with regard to format, content and structure of the tabled documents. These are as follows:

- i. **Some budget re-allocations made on some programmes exceed the 10 percent threshold:** Section 43(2) (c) of PFM Act, 2012 and section 40 (9) of the PFM regulations, 2015 stipulates that budget reallocations made on programmes and sub-votes should not exceed 10 percent. However, the Committee has established that adjustments for 77 programs out of 161 programs have exceeded the 10 percent threshold of the approved budget. It is noted that the National Treasury has acknowledged this and has submitted a request for special approval of the expenditure adjustments exceeding the 10 percent threshold in accordance with Article 223 (5) of the constitution.
- ii. **Some new items have been introduced in the supplementary budget contrary to Section 40 (8) of PFM regulations, 2015:** There are several new projects under the supplementary budget especially under Vote 1081(Ministry of Health, vote 1091(State Department of Infrastructure) and vote 1109(Ministry of Water & Sanitation and Irrigation). This concern has been raised several times before in previous supplementary budgets but this regulation continues to be flouted.
- iii. **Analysis of fiscal impact of proposed changes not provided:** Some of the affected programmes under supplementary budget do not have a clear analysis of the fiscal impact of the additional/reduction in expenditure on the planned outcomes of the affected programmes.

4.0. KEY PROPOSED CHANGES UNDER THE FIRST SUPPLEMENTARY ESTIMATES 2020/2021

6. The supplementary budget is proposing an additional Ksh. 20.22 billion in recurrent expenditure and Ksh. 59.81 billion in development expenditure. With regard to the recurrent budget, the most significant increase is under the state department for crop development and agricultural research (Ks. 12.43 billion pending bills for the maize subsidy), Teachers Service Commission (Ksh. 7.99 billion for personnel emoluments), Ministry of defence (Ksh. 6.65 billion) and the National Intelligence Service (Ksh. 6.5 billion). On the other hand, major reductions are under the National Treasury (Ksh. 4.68 billion), State Department of Tourism (Ksh. 2.58 billion), State department for wildlife (Ksh. 2.46 billion), State department for public service (Ksh. 2.04 billion) and State department for University Education (Ksh. 2.23 billion).

7. With regard to the development budget, there are major increases to the rail transport programme (Ksh. 33.3 billion), the public finance management programme in the National Treasury (Ksh. 14.83 billion), The Ministry of Health (Ksh. 10.93 billion), the Ministry of Energy (Ksh. 9.24 billion) and the State Department for Housing and Urban Development (Ksh. 7.77 billion). On the other hand, there are major reductions under the Ministry of Health – Health policy standards, and regulations programme (Ksh.5.12 billion), State Department for Sports (Ksh. 10.86 billion) and the state department for crop development and agricultural research (Ksh. 3.76 billion).
8. The Committee notes with concern that the productive sector, notably trade and industry, continues to be allocated minimal resources in terms of percentage of ministerial allocations. Indeed, it is noted that this important sector that is central to economic recovery from the devastating effects of Covid-19 accounts for about 0.4% of total ministerial allocations. Given that trading has commenced under the African Continental Free Trade Area (AfCFTA) agreement which creates the largest free trade area in the world and the recent ratification of the Economic Partnership Agreement (EPA) with the UK, enough resources should be allocated to this sector to enable the country to fully exploit the available opportunities and reap the benefits on account of this milestone trade agreements. This should be done along with policy reforms and trade facilitation measures that will enable the diversification of exports, accelerate growth and attract Foreign Direct Investments.

5.0. FINANCING OF THE FIRST SUPPLEMENTARY ESTIMATES 2020/2021

9. Given the expected revenue underperformance, the increase in the fiscal deficit will primarily be funded by commercial borrowing. The Ksh. 125 billion additional deficit, will be financed by Ksh. 46 billion net domestic financing, and Ksh. 80 billion net foreign financing. The bigger share of the additional foreign financing is expected to be raised through the issuance of a sovereign bond. This is relatively more expensive debt. The committee observes that borrowing commercially to finance increasing expenditures may contribute to interest payment on debt crowding out development expenditure in the medium term.
10. The National Treasury seems to have abandoned the fiscal consolidation policies that underpinned the 2020/21 MTEF. The projected deficit (inclusive of grants) as a share of GDP for FY 2021 has been revised upwards from 7.5% to 8.7%. Such a large deficit

implies that Kenya will have limited room for a fiscal response to unexpected economic shocks.

6.0. CONSOLIDATED FUND SERVICES

11. The Consolidated Fund Services (CFS) expenses have increased by Ksh. 45.6 billion in the supplementary budget and it is estimated that the CFS will account for 58% of FY 2020/21 projected revenue collection. This increase is attributed to increased debt servicing expenses particularly with regard to domestic debt. It is estimated that debt servicing will reach Kshs. 1.599 trillion in FY 2023 and may account for 75% of the projected revenues.
12. It is noted that the increase in domestic debt servicing has negated the benefits of the debt service suspension initiative (DSSI) which was to run from January 1st to June 30th 2021 and was intended to mitigate against the economic impact of the Covid-19 crisis. Under the DSSI, 11 external creditors accepted to suspend interests payments for the current financial year creating relief on external repayment pressure. Also, External debt redemption expenses are projected to decline by Kshs. 58.1 billion following the ongoing debt suspension initiative. It is worth noting that the debt suspension, while favourable to the current financial year, could result in servicing pile-up over the medium term.

7.0. SUBMISSIONS FROM DEPARTMENTAL COMMITTEES

13. This section highlights key observations from the departmental committees:

- i. **Defence and Foreign Relations**

14. The committee observed that the proposed budget cut of Kshs. 185 million on development projects for the Ministry of Foreign Affairs was to do with contractual obligations which are binding in foreign missions and would therefore lead to claims on delayed payments and legal suits which may be expensive in the long run.
15. The committee further observed that the State Department of Regional Development Authorities had seen perpetual underfunding of important projects, making them stall and invariably lose value in the long run. They advocated for proper financing of the

Regional Development Authorities so that it can undertake projects that it has capacity to do, including boreholes, small- to medium scale irrigation projects, as well as value addition factories.

ii. Administration and National Security

16. The committee noted that the reduction of allocations for the Kazi Mtaani programme demonstrated weak commitment to policy by the government given that this was an Economic Stimulus Programme.
17. The committee further observed that expenditure reductions for the modernisation of National Forensic Laboratory, the Operationalization of Miritini Rehabilitation centre, the construction of newly Gazetted Sub-county Headquarters, Monitoring and Evaluation on the Internship Programme in the Public Service Commission and funds allocated to the National Police Service Commission would hamper implementation of these programmes.

iii. Justice and Legal Affairs

18. **The committee raised various concerns with regard to adequacy of funding. With regard to the Judiciary and Judicial Service Commission, the committee observed that the budget approved for the facilitation of joint benches in FY 2020/21 has been depleted and therefore, there are many ongoing cases that cannot be concluded due to lack of adequate budgetary provision. It was indicated that an additional Kshs 80 million would be required to facilitate the operations of the benches.**
19. **With regard to the Office of the Attorney General and Department of Justice, the committee observed that some funds that have been earmarked for reduction had already been committed. The department had already procured the services of a contractor to refurbish Sheria house and part of the works is 90% done, that is, painting works. As such, this reduction is likely to create unnecessary pending bills for the department.**
20. **With regard to the Independent Electoral and Boundaries Commission, the committee observed that the commission was already in the processes of constructing**

warehouses in Isiolo, Kakamega, Garissa, Machakos and Wajir but the development budget had been decreased by 50%. This is likely to affect the timely completion of the projects. Indeed, the Committee noted with concern that the Commission has pending bills amounting to Kshs 3,097.6 million of which non legal suppliers account for Kshs 1.1 billion and Kshs 1.9 billion for legal fees.

21. **With regard to the Witness Protection Agency**, the committee pointed out that the proposed reductions of Kshs 6.7 million would significantly affect the witness protection programme given that the absorption rate was at 70% on 31st January 2021 and the remaining Kshs 20.7 million will be depleted by 30th April, 2021.

iv. Sports, Culture and Tourism

22. **For the State Department for Sports**, the Committee observed that the projected estimates for the Sports, Arts and Social Development Fund had underperformed significantly due to the outbreak of the coronavirus and the crackdown by the government on the major betting firms in the country. This has significantly hampered ongoing projects such as the ongoing construction of the regional stadiums as well as recurrent costs.
23. **For the State Department of Culture and Heritage**, the committee observed that a loss of AIA by agencies such as the Kenya National Library Services, National Museums of Kenya, Department of cultural services, Kenya National Archives and Kenya Cultural Centre due to covid 19 had resulted in budget rationalization. This is also a concern under the State Department for Tourism whereby the Tourism Fund, the Tourism Promotion fund, Kenya Utalii College, Kenya Tourism Board and the Kenya Tourism Regulatory Authority have revised their AiA downwards and this has adversely affected projects that are funded through these funds.
24. It is further noted that pending bills are a significant challenge and some budget cuts could lead to accumulation of pending bills since commitments had already been entered into before the budget was adjusted. It is worth noting that the State Department for Tourism has a pending bill amounting to Kshs 82 million owed to Tele News Africa and Atlantic Region that dates back to 2004. The bill has remained outstanding because of court litigations and lack of budget to settle it. On 8th June 2020, the Parliamentary Accounts Committee directed the State Department to settle this pending bill owed to Tele News Africa and Atlantic Region without further delay. Therefore to achieve this,

the State Department has requested the Committee and the National Treasury to approve reallocation of Kshs 82 million from the budgets of the following two SAGAs budget to cater for this bill as follows: Kenya Tourism Board – (Kshs.42M), and Kenyatta International Convection Centre – (Kshs. 40M). The allocation is to be placed under the State Department headquarters- administration. This will help the government from incurring further losses inform of interests occasioned by the delay in payment.

v. Lands

25. **For the Ministry of Lands and Physical Planning**, the committee noted that despite additional resource allocation for the settlement of the landless project, there were no changes in output and performance targets. The committee further noted that this project has routinely been subjected to additional supplementary allocations which creates concerns in terms of planning during the budget process.
26. **For the National Land Commission**, the Committee observed that the continued inadequate funding had negatively affected the Commission's programme implementation further making it difficult for them to achieve their constitutional mandate.

vi. Health

27. With regard to the Ministry of Health, the committee noted that significant expenditure cuts especially among SAGAs, were hampering their effective functioning. Furthermore, new projects were being introduced through the supplementary budget and appear to be prioritized over the ongoing projects. The committee further observed that the allocation towards Universal Health Care had been reduced significantly despite this being a key pillar under the government's economic growth agenda. Development partners are predominantly supporting most projects, including the response against the COVID 19. This over-reliance on donor support in critical areas within the health sector puts the country at a grave risk given development partners' erratic nature. Indeed, the Ministry has no funds for acquisition of COVID 19 vaccines, which should be the government's priority in responding to the COVID 19 pandemic rather than waiting for development partners' support.

vii. Education and Research

28. **For the State Department for Early Learning and Basic Education**, the committee noted that allocations for school infrastructure in public primary and secondary schools including procurement of desks under the ESP programme have been reduced significantly. It was further noted that most of the funds have already committed hence the risk of creating pending bills.
29. **For the State Department for Vocational and Technical Training** the Committee observed a reduction of Kshs 50 million GOK counterpart funding on the AFDB project of equipping of 38 TII's. Reduction of counterpart funding is against the guidelines on the preparation of the supplementary estimates issued to the MDA's by the National Treasury.
30. **For the State Department for University Education and Research**, the committee noted that allocations for capital projects in universities have been reduced by 50%. The Committee is concerned that if this trend continues it will expose public universities to adverse outcomes relating to these projects such as contractual issues (pending bills), litigations as well as possibility of the projects stalling. Further, the public benefit associated with the completion of this projects will be delayed.
31. **With regard to the Teachers Service Commission (TSC)**, the Committee observed that TSC recurrent budget has been increased by Kshs 7.9 Billion to cater for the fourth phase of the Collective Bargaining Agreement (CBA) 2017-2021 which is coming to an end in 30th June 2021. This is commendable since it will avert industrial unrest in the teaching service. The Committee is also aware that negotiations are ongoing among the teachers' unions and relevant government agencies for signing of another CBA.

viii. Transport, Public Works and Housing

32. **With regard to the State Department for Housing and Urban Development**, the Committee observed that despite the increase in overall allocation, there were reductions that affected critical projects like the slum upgrading project whose allocation of Kshs. 230 million was reduced by Kshs. 60 million. It is further noted that the project faces a serious financing gap amounting to Kshs. 1,000 million.

33. With regard to the State Department for Public Works, the committee noted that the reduction of Kshs. 106 million from the construction of county headquarters may require amendments to the County Allocation of Revenue Act. Further, it may occasion accumulation of pending bills and halting of ongoing works. Further, reduction of Kshs. 137 million from the pedestrian access sub-programme will result to accumulation of pending bills due to non-payments, delay in projects completion and deterioration of works already done. Projects under this sub-programme connects communities to key public facilities like Hospitals, Schools and Water Points. Similarly, there is a risk of pending bills from the reduction of allocations for the renovation and equipping of the National Building Inspectorate.

ix. Communication, Information and Innovation

34. For the State Department for ICT & Innovations, the committee noted a risk of pending bills since some of the proposed budget cuts in development votes are in areas where financial commitments have been made. This will also lead to escalation of costs associated with not meeting contractual obligations and the affected projects will stall. It is also noted that the Supplementary estimates indicate Kshs.350 Million under Appropriation in Aid for maintenance and rehabilitation of NOFBI II Expansion Cable. The AiA is captured in the books as foreign funding. This AiA relates to a loan whose availability period lapsed in November 2019 and therefore needs to be captured for funding by Government of Kenya. Other concerns include introduction of a new project contrary to legal provisions even as some ongoing project require additional funding.

35. For the State Department for Broadcasting and Telecommunications, the committee noted that the plausibility and sustainability of the programme given the dynamic nature of technology and change in curriculum to Competency Based Curriculum (CBC) is questionable. The success rate of the programme since its inception has been low and there is need to change strategy. It is further noted that there are proposed reductions on recurrent votes affecting salaries in various SAGAs. The committee also decried the lack of a robust policy on E-waste management to handle the disposal and recycling of the discarded electrical and electronic devices; and the lack of monitoring and evaluation frameworks for assessment of budget impact on public service delivery.

36. With regard to the state department for broadcasting and telecommunication, the committee pointed out that there was an ongoing international arbitration on a case in London involving Kenya Broadcasting Corporation whose unfavourable outcome poses a huge financial risk to the corporation. Initially the case was determined at Kshs.40 Billion. Further, there are huge pending bills amounting Kshs.1.2 billion owed to Postal Corporation of Kenya owed by Ministry of Public Service for hosting Huduma Centres.

x. Energy

37. With regard to the State Department for Energy, the committee noted that external funding constitutes 86% of proposed changes in the development budget. With regard to recurrent budget adjustments, it was noted that some of the cuts had affected wages and salaries. It is important to note that big four related projects had undergone significant budget reduction. The committee also pointed out the risk of pending bills since many of the affected GoK funded projects were already underway.

xi. Trade, Industry and Cooperatives

38. With regard to the State Department for Industrialization, the Committee noted that there were no adequate consultations in the formulation of the supplementary estimates between the National Treasury and the State Department. Most of the expenditure reductions have been done on budgetary items that were already committed and this will lead to pending bills. Indeed, a case of the reduction of personnel emoluments for Kenya Industrial Estate of Kshs. 50 Million is noted. Further, there are reductions that affect the counterpart funding components for donor funded projects.

39. With regard to the State Department for Trade and Enterprise Development, the committee observed that the reductions in the recurrent expenditure if approved would negatively affect the operations of the state department to the extent of that it will not manage to meet obligations such as personnel emoluments, finalization of the trade negotiations and there is a possibility of recall of commercial trade attaches. Indeed, some of the expenditure reductions have been done on commitments.

40. With regard to the State Department for Cooperatives, the committee observed that there were no adequate consultations in the formulation of the supplementary

estimates as the allocation of State Department allocations as some of the expenditure reductions have been done on commitments. Further, even though the executive order No. 1 of 2020 assigns the Kenya National Trading Corporation under the State Department of Cooperatives the corporation budget is still domiciled in the State Department of Trade and Enterprise Development. In addition, there is concern on the status of assets for the Kenya National Trading Corporation.

xii. Finance and National Planning

- 41. With regard to the National Treasury, it is noted that expenditure adjustments to some programmes have exceeded the 10% threshold contrary to the provisions of Regulation 40(9) of the Public Finance Management Act, 2012.**
- 42. With regard to the State Department for Devolution, the committee noted that the reduction of about Kshs. 4 billion capital expenditure that was meant for devolution support programme for results represents more than 72% reduction and this may affect the implementation of planned activities under the Kenya Devolution Support programme.**
- 43. With regard to the Office of the Controller of Budget, it was noted that the budget has been proposed to be reduced by Kshs. 37 million despite some expenditures having already been incurred. In addition, the blanket budget reduction on account of austerity measures touching on critical areas such as printing would affect this office in a significant manner given that this is at the core of their operations.**

xiii. Agriculture and Livestock

- 44. The committee observed that many of the expenditure cuts would adversely affect food and nutrition security. These include programmes with direct benefits to farmers such as distribution of pesticides and provision of subsidized agricultural inputs. Further, a number of proposed cuts are being applied on GOK counterpart funds which may lead to non-compliance to the Financing Agreements. Among the projects affected include: Capacity Building Project for Enhancement of Rice Production (JICA), Kenya Cereal Enhancement Programme (IFAD), National Agricultural & Rural Inclusivity Project (AfDB), Agricultural Sector Development Support Programme II (SIDA), Enable Youth Programme Kenya (AfDB), Project for Smallholder Empowerment and Agribusiness Promotion (JICA), Small Scale Irrigation and Value Addition Project(**

AfDB), Climate Smart Agricultural Productivity Project (EU), and Drought Resilience and Sustainable Livelihood Programme in Horn of Africa (AfDB). Other proposed supplementary cuts on recurrent allocations touch on provisions for compensation of employees.

45. With regard to the State Department for Livestock, there is concern that the introduction of a new project, Construction and Equipping of Marsabit Slaughter House, is against the provisions of Regulation 40(8) of the PFM Regulations, 2015 which stipulates that no new program or policy can be introduced in the supplementary budget.
46. With regard to the State Department for Crops Development and Agricultural Research, the committee decried the slow implementation of the e-voucher system and the proposed reduction despite it being part of the Covid-19 ESP programme. Further, the supplementary budget is reducing the GOK- Counter-part funding in various projects. This will affect the funding agreements and contracts with donors.
47. With regard to the State Department for Fisheries, Aquaculture, and Blue Economy, the committee noted that some of the budget cuts have been effected on project funds which are already committed. The department has so many unpaid certificates whose funds have been subjected to budget cuts. This will lead to pending bills and possibly courts awards to contractors where there is litigation. There is also reduction of GoK counterpart funding for the Kenya Marine Fisheries & Socio-Economic Development Project (KEMFSED).

xiv. Labour and Social Welfare

48. With regard to the State Department for Labour, the committee observed that reductions in the National Industrial Training Authority's budget would heavily affect personnel emoluments since the Authority had experienced reduced A-I-A collections due to the Covid- 19 Pandemic. The committee further observed that the projects earmarked for budget cuts are all over 85 percent complete and this contravenes the presidential directive to complete all projects that are at 85 percent completion rate.
49. With regard to the State Department for Social Protection, the Committee observed that the essential/ front-line staff i.e. caregivers, social workers, nurses, clinical

officers, cooks, drivers have been working quarantined in the temporary places of safety since March 2020. The staff has not been paid their Covid-19 allowances. The Committee also observed that there are pending staff gratuities and allowances. Further, the Committee observed that there are pending school fees for 2019 and 2020 which was occasioned by funds that were not released.

50. With regard to the State Department for Youth Affairs, the committee noted that the allocation to the Youth Empowerment Centres has been reduced by Kshs 24.3 million. This is despite the fact that the department has issued out contracts to various contractors who have been engaged to complete the centers across the country. This will occasion huge pending bills since the government has already disbursed AIEs amounting to Kshs 24.2 million for the ongoing works.

51. With regard to the State Department for Gender Affairs, the committee observed that the reduction of the UWEZO fund budget would affect the issuance of loans as well as administrative operations of the fund.

52. With regard to the State Department for Arid and Semi-Arid Lands, the committee observed that the reduction of the budget for the Kenya Hunger Safety Net Program will have an effect on the maintenance and upgrading of the ASAL GIS System whereby tenders have already been awarded. The cut will equally affect the registration of beneficiaries in four new counties. The Committee also observed that the National Drought Management Authority expenditure reduction would affect compensation to employees and other contractual obligations.

53. The committee further noted that there were historical pending bills in the National Youth Service amounting to Kshs 15.5 billion. This has had a negative effect of financially struggling entrepreneurs and suppliers and may lead to cases of contractors been auctioned.

xv. Environment and Natural Resources

54. With regard to the State Department for Wildlife the committee observed that budget reductions will affect the funding for the KWS staff salaries for the months of February to June, 2021. It will also affect other critical operations such as: HWC mitigation measures, intelligence and investigation activities, anti-poaching security

operations, veterinary interventions, contractual obligations as well as utilities. Further, the State Department for Wildlife has a pending bill of Kshs. 40.42 M under Nairobi Safari Walk Development and Education Outreach Programme, which is funded by JICA. The funds were allocated in the FY 2019/2020, but were never released, despite the request for the same in Supplementary 1 budget.

55. **With regard to the Ministry of Environment and Forestry, it was noted that budget cuts for the Lake Victoria Environment Management Project (LVEMP Phase II) would result in a pending bill given that funds have already been committed towards the payment of the Water Hyacinth Harvesting Equipment and the Equipment has been handed over to Lake Victoria Basin Development Authority. Further, funding to the National Tree Planting Campaign Project has been scaled down despite it being identified as an economic stimulus project. Also, the budgetary cuts are affecting salaries and critical operational costs for many agencies. The committee also noted that the Ministry of Environment and Natural Resources has total pending bills amounting to Kshs. 4.848 billion. There is therefore need for the Ministry to set up a committee to verify the pending bills so as to have them financed in the subsequent budget.**

56. **With regard to the Ministry of Water, Irrigation and Sanitation, it was noted that the reductions of Kshs. 542.76 million in the SAGAs will affect staff salaries, as well as Operations and Maintenance activities. Further, the Ministry and its SAGAs has a cumulative pending bill amounting to Kshs. 5.473 billion, most of which are historical pending bills. This is attributed to unremitted statutory deductions in the FY 2019/20, whereby the Ministry did not receive Kshs. 6 billion on GOK funded projects. The pending bills are also occasioned by uncleared dues for supply of goods and services under the recurrent budget as a result of lack of budgetary allocation.**

8.0. COMMITTEE OBSERVATIONS

57. Arising from the above matters, the committee has made the following observations:

- i) **Failure to adhere to some legal provisions:** The committee observes that there are some gaps in the format, structure and content of the supplementary budget contrary to legal provisions. Notably, some new items have been introduced in the supplementary budget contrary to section 40(8) of the PFM regulations, 2015. Furthermore, analysis of the fiscal impact of the proposed changes has not been provided as required by law.

- ii) **Expansion of the Fiscal Deficit:** Revenue is expected to significantly underperform in the current financial year. As a result, despite some increases in spending through this supplementary budget, it is expected that there may be further expenditure cuts in the course of the year in order to avoid extensively expanding the deficit.
- iii) **Extensive budget cuts for State Owned Enterprises:** The National Treasury adjusted substantially, budgetary provisions for State Owned Enterprises. Left as it was, the adjustment could have halted the operations of these institutions including payment of personnel emoluments. This issue has been raised by many departmental committees, highlighting the extensiveness of the cuts across numerous agencies. The committee is concerned that the supplementary budget adjustments appear not to have been based on analysis given that such cuts could be inadvertently undertaken. However, the committee is pleased to inform this House that the National Treasury has made adjustments as per Annex 3 and has reinstated most of these expenditure cuts to the approved estimates for 2020/2021.
- iv) **Pending bills:** despite the National Government Strategy announced last year for government to prioritize the clearing of pending bills, it is noted that they may not be reduced as expected. Indeed, many of the development budget cuts in this supplementary budget are likely to lead to even further accumulation of pending bills. As pointed out by the departmental committees, most of the reductions have been undertaken on projects whereby funds had already been committed. Furthermore, there are numerous Court awards for the settling of these matters but line ministries have not been given provisions to clear these awards. It is noted that many historical pending bills came about due to such mid-year expenditure adjustments. A solid solution must be found to sustainably eliminate pending bills and this can only be through enforcement of the Public Finance Management Act, 2012 and the procurement law.
- v) **Failure to prioritize completion of projects:** The committee notes that there are projects which have become a permanent feature in the budget such as the Kenya Industrial Research and Development Institute (KIRDI) Headquarters, Mitihani House, Ronald Ngala Utalii College among others. The National Treasury must provide funds and complete these projects within the next six months. In addition, the specialized Project Management Unit (PMU) in the National Treasury should

perform their mandate to manage projects efficiently and effectively otherwise it should be abolished.

- vi) **Counterpart funding:** The committee is concerned that the expenditure cuts have also adversely affected counterpart funding contrary to the guidelines on the preparation of the supplementary estimates issued to the MDAs by the National Treasury. The Reduction of GoK component of counterpart funds effectively stalls donor funded projects since they are unable to release their funding component.

- vii) **Inadequate consultation during the supplementary budget process:** Given these emerging issues and other observations raised by the departmental committees, the committee notes with concern that there appears to be very minimal consultation between the National Treasury and the Ministries, Departments and Agencies during the supplementary budget process. Indeed, as earlier indicated, the National Treasury appears not to have carried out analysis of the fiscal impact of the changes before the supplementary budget was finalized contrary to the provisions of PFM regulation 40(6)(f) and failure to consult the line ministries which implement the budget led to some serious missteps. As a result, when the MDAs appeared before the Departmental Committees, they proposed adjustments which should have been carried out earlier.

- viii) **Lack of consistency in budget presentation:** despite adoption of the Medium Term Budget Framework approach supported by the programme based budget, during the supplementary budget process, this framework is immediately abandoned and the National Treasury backslides to the traditional line item budgeting. As a result, the credibility of the budget has been put to question as well as the capacity of the National Treasury to adequately carry out the budget challenge function.

- ix) **Misappropriation of the Equalization Fund:** The committee has also observed that resources allocated to the Equalization fund have been reduced entirely by Ksh. 6.5 billion. The constitution clearly provides that any unexpended money in the equalization fund should remain in that fund for use in subsequent years. It is therefore unconstitutional to deduct money from the equalization fund for use on other purposes other than what the fund was created for. It is noted that this is not the first time the National Treasury is deducting funds from the equalization funds to be applied elsewhere. The Committee urges the National Treasury to fast-track

development of the regulations to operationalize the Fund so that it can be put to its intended use.

- x) **Reduction of pensions funds:** The committee noted that in the Consolidated Fund Services, Pension expenses are reduced by Kshs. 8.05 billion. However, there is no information provided to determine the full impact of these expenditure adjustments as well as the reasons for these changes. Pension payments are the key source of household incomes for retired public servants and military personnel and as such, this deduction is likely to have serious ramifications on households without an alternative source of income.

9.0. COMMITTEE RECOMMENDATIONS

a) Policy Recommendations

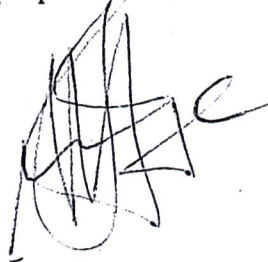
58. Having considered the above matters, the committee has made the following policy recommendations:

- i) **That**, within the next six months, the National Treasury should provide funds and a clear road map for the completion of all stalled projects and present this information to Parliament.
- ii) **That**, during the finalization of the budget estimates for 2021/2022, the National Treasury should set aside funds for the settlement of all pending bills and court awards.
- iii) **That**, to avert incomplete projects, the National Treasury should request the Office of the Auditor General to carry out an audit of ongoing projects that have been affected with budget cuts by April 2021, with a view of funding these projects in FY 2021/22 budget.
- iv) **That**, upon approval of the Supplementary budget 1 FY 2020-21, the MDAs and National Treasury should revise the outputs and performance targets to realign with the increase or decrease in budgetary allocations for various programmes.
- v) **That**, the new projects in the Supplementary budget 1 FY 2020-21 should be deferred to FY 2022/23.
- vi) **That**, for the next supplementary budget, the National Treasury should ensure adequate consultations with the MDAs before supplementary changes are effected on the budget.

b) Financial Recommendations

59. Having considered the above matters, the committee recommends that this House resolves to approve:

- i) That the Supplementary Estimates No. 1. of Financial Year 2020/2021 is finalized as per the attached Schedules 1 and 2;
- ii) That the attached Schedule 1 forms the basis of the enactment of the first Supplementary Appropriations Act 2020/2021.

A handwritten signature or set of initials, possibly 'MHC', written in black ink. The signature is somewhat stylized and overlaps itself.

SCHEDULE ONE: SUPPLEMENTARY I ESTIMATES FY 2020/21

THE NATIONAL ASSEMBLY
PAPERS LAID

DAY
DATE

Mr. Kamini
B. Ingath

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY I ESTIMATES MAR 2021		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1011	Executive Office of the President	2,847,143,909	2,534,956,237	5,382,100,146
	0702000 Cabinet Affairs	187,427,603	10,000,000	197,427,603
	0703000 Government Advisory Services	(1,810,608)	114,000,000	112,189,392
	0704000 State House Affairs	1,041,074,072	7,500,000	1,048,574,072
	0734000 Deputy President Services	90,770,392	-	90,770,392
	0745000 Nairobi Metropolitan Services	1,529,682,450	2,403,456,237	3,933,138,687
	State Department for Interior and Citizen Services	3,554,404,247	(2,947,923,758)	606,480,489
1021	0601000 Policing Services	750,042,315	(381,085,842)	368,956,473
	0602000 Planning, Policy Coordination and Support Service	3,177,432,335	(1,818,595,033)	1,358,837,302
	0603000 Government Printing Services	(5,894,790)	(25,015,000)	(30,909,790)
	0605000 Migration & Citizen Services Management	(12,315,652)	(208,927,863)	(221,243,515)
	0625000 Road Safety	(338,700,000)	250,467,322	(88,232,678)
	06256000 Population Management Services	(16,159,961)	(764,767,342)	(780,927,303)
	State Department for Correctional Services	(95,554,141)	(526,520,156)	(622,074,297)
	0604000 Correctional services	(150,450,307)	(526,520,156)	(676,970,463)
	0623000 General Administration, Planning and Support Services	54,896,166	-	54,896,166
	1032	State Department for Devolution	205,757	(1,562,910,747)
0712000 Devolution Services		10,568,151	(1,562,910,747)	(1,552,342,596)
0732000 General Administration, Planning and Support Services		(8,950,227)	-	(8,950,227)
1035	0713000 Special Initiatives	(1,412,167)	-	(1,412,167)
	State Department for Development of the ASAL	(17,850,540)	(1,819,905,134)	(1,837,755,674)
	0733000 Accelerated ASAL Development	(17,850,540)	(1,819,905,134)	(1,837,755,674)
1041	Ministry of Defence	6,350,177,006	534,192,384	6,884,369,390
	0801000 Defence	6,647,167,006	534,192,384	7,181,359,390
	0802000 Civil Aid	-	-	-

<u>VOTE CODE</u>	<u>VOTE/PROGRAMME CODES & TITLE</u>	<u>FINAL SUPPLEMENTARY ESTIMATES</u>		
		<u>GROSS CURRENT ESTIMATES</u>	<u>GROSS CAPITAL ESTIMATES</u>	<u>GROSS TOTAL ESTIMATES</u>
	0803000 General Administration, Planning and Support Services	(246,990,000)	-	(246,990,000)
	0805000000 National Space Management	(50,000,000)	-	(50,000,000)
1052	Ministry of Foreign Affairs	1,368,781,631	(185,000,000)	1,183,781,631
	0714000 General Administration Planning and Support Services	153,869,735	(30,000,000)	123,869,735
	0715000 Foreign Relation and Diplomacy	1,214,911,896	(83,000,000)	1,131,911,896
	0741000 Economic and Commercial Diplomacy	-	-	-
	0742000 Foreign Policy Research, Capacity Development and Technical Cooperation	-	(72,000,000)	(72,000,000)
1064	State Department for Vocational and Technical Training	(245,975,327)	71,506,533	(174,468,794)
	0505000 Technical Vocational Education and Training	(244,426,349)	16,678,109	(227,748,240)
	0507000 Youth Training and Development	(1,420,545)	54,828,424	53,407,879
	0508000 General Administration, Planning and Support Services	(128,433)	-	(128,433)
1065	State Department for University Education	(1,984,500,000)	(1,765,976,930)	(3,750,476,930)
	0504000 University Education	(1,899,845,276)	(1,765,976,930)	(3,665,822,206)
	0506000 Research, Science, Technology and Innovation	(70,560,638)	-	(70,560,638)
	0508000 General Administration, Planning and Support Services	(14,094,086)	-	(14,094,086)
1066	State Department for Early Learning & Basic Education	(1,121,630,486)	(286,380,000)	(1,408,010,486)
	0501000 Primary Education	(24,127,362)	(42,274,214)	(66,401,576)
	0502000 Secondary Education	4,196,572	(674,105,786)	(669,909,214)
	0503000 Quality Assurance and Standards	(817,549,850)	450,000,000	(367,549,850)
	0508000 General Administration, Planning and Support Services	(284,149,846)	(20,000,000)	(304,149,846)
1068	State Department for Post Training and Skills Development	(21,869,454)	-	(21,869,454)
	0508000 General Administration, Planning and Support Services	7,325,020	-	7,325,020

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY I ESTIMATES		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1071	0512000 Workplace Readiness Services	(23,013,923)	-	(23,013,923)
	0513000 Post-Training Information Management	(6,180,551)	-	(6,180,551)
	The National Treasury	(15,799,308,281)	16,966,605,585	1,167,297,304
	0717000 General Administration Planning and Support Services	(8,081,609,888)	3,094,731,832	(4,986,878,056)
1072	0718000 Public Financial Management	(7,683,968,320)	13,831,873,753	6,147,905,433
	0719000 Economic and Financial Policy Formulation and Management	8,682,749	40,000,000	48,682,749
	0720000 Market Competition	(44,000,000)	-	(44,000,000)
	0740000 Government Clearing services	1,587,178	-	1,587,178
1081	State Department for Planning	71,699,469	13,475,425,290	13,547,124,759
	0706000 Economic Policy and National Planning	182,884,100	13,627,698,090	13,810,582,190
	0707000 National Statistical Information Services	-	(142,869,710)	(142,869,710)
	0708000 Monitoring and Evaluation Services	(82,753,573)	(9,403,090)	(92,156,663)
	0709000 General Administration Planning and Support Services	(28,431,058)	-	(28,431,058)
	Ministry of Health	2,633,310,633	4,860,273,786	7,493,584,419
1091	0401000 Preventive, Promotive & RMNCAH	1,156,050,142	11,134,983,786	12,291,033,928
	0402000 National Referral & Specialized Services	2,317,089,132	(950,375,000)	1,366,714,132
	0403000 Health Research and Development	(200,000,000)	45,945,000	(154,055,000)
	0404000 General Administration, Planning & Support Services	117,352,765	-	117,352,765
	0405000 Health Policy, Standards and Regulations	(757,181,406)	(5,370,280,000)	(6,127,461,406)
	State Department of Infrastructure	2,522,804,213	(4,496,937,985)	(1,974,133,772)
1092	0202000 Road Transport	2,522,804,213	(4,496,937,985)	(1,974,133,772)
	State Department of Transport	(113,805,890)	35,508,794,154	35,394,988,264
	0201000 General Administration, Planning and Support Services	(26,944,480)	-	(26,944,480)
	0203000 Rail Transport	-	33,308,794,154	33,308,794,154
	0204000 Marine Transport	(1,717,488)	-	(1,717,488)

<u>VOTE CODE</u>	<u>VOTE/PROGRAMME CODES & TITLE</u>	<u>FINAL SUPPLEMENTARY ESTIMATES</u>		
		<u>GROSS CURRENT ESTIMATES</u>	<u>GROSS CAPITAL ESTIMATES</u>	<u>GROSS TOTAL ESTIMATES</u>
	0205000 Air Transport	(69,995,112)	2,000,000,000	1,930,004,888
	0216000 Road Safety	(15,148,810)	200,000,000	184,851,190
1093	State Department for Shipping and Maritime	(20,848,001)	(285,000,000)	(305,848,001)
	0219000 Shipping and Maritime Affairs	(20,848,001)	(285,000,000)	(305,848,001)
1094	State Department for Housing and Urban Development	(56,578,457)	8,745,834,251	8,689,255,794
	0102000 Housing Development and Human Settlement	(6,625,107)	971,534,251	964,909,144
	0105000 Urban and Metropolitan Development	(45,368,549)	7,774,300,000	7,728,931,451
	0106000 General Administration Planning and Support Services	(4,584,801)	-	(4,584,801)
1095	State for Public Works	14,124,317	(427,500,000)	(413,375,683)
	0103000 Government Buildings	(23,244,928)	(216,600,000)	(239,844,928)
	0104000 Coastline Infrastructure and Pedestrian Access	(532,433)	(167,200,000)	(167,732,433)
	0106000 General Administration Planning and Support Services	50,847,956	(8,500,000)	42,347,956
	0218000 Regulation and Development of the Construction Industry	(12,946,278)	(35,200,000)	(48,146,278)
1108	Ministry of Environment and Forestry	12,183,357	(2,247,600,000)	(2,235,416,643)
	1002000 Environment Management and Protection	217,212,886	(31,623,572)	185,589,314
	1010000 General Administration, Planning and Support Services	28,079,138	-	28,079,138
	1012000 Meteorological Services	(128,491,087)	(298,002,708)	(426,493,795)
	1018000 Forests and Water Towers Conservation	(26,629,670)	(1,917,973,720)	(1,944,603,390)
	1008000 Resource Surveys and Remote Sensing	(77,987,910)	-	(77,987,910)
1109	Ministry of Water, Sanitation and Irrigation	(46,706,765)	2,181,471,533	2,134,764,768
	1001000 General Administration, Planning and Support Services	(16,124,474)	30,000,000	13,875,526
	1004000 Water Resources Management	(9,190,861)	591,689,960	582,499,099
	1017000 Water and Sewerage Infrastructure Development	(2,494,567)	410,760,146	408,265,579
	1014000 Irrigation and Land Reclamation	(17,698,095)	(1,094,555,434)	(1,112,253,529)

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY I ESTIMATES		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1112	1015000 Water Storage and Flood Control	-	2,243,576,861	2,243,576,861
	1022000 Water Harvesting and Storage for Irrigation	(1,198,768)	-	(1,198,768)
1122	Ministry of Lands and Physical Planning	27,475,392	800,000,000	827,475,392
	0101000 Land Policy and Planning	27,475,392	800,000,000	827,475,392
1123	State Department for Information Communication and Technology & Innovation	123,711,521	1,588,900,000	1,712,611,521
	0207000 General Administration Planning and Support Services	68,209,074	-	68,209,074
1132	0210000 ICT Infrastructure Development	(70,520,533)	1,910,900,000	1,840,379,467
	0217000 E-Government Services	126,022,980	(322,000,000)	(195,977,020)
1134	State Department for Broadcasting & Telecommunications	2,503,632,119	(415,745,000)	2,087,887,119
	0207000 General Administration Planning and Support Services	5,638,886	-	5,638,886
1132	0208000 Information and Communication Services	2,405,653,347	(326,575,000)	2,079,078,347
	0209000 Mass Media Skills Development	19,500,000	(34,500,000)	(15,000,000)
1132	0221000 Film Development Services	72,839,886	(54,670,000)	18,169,886
	State Department for Sports	70,625,657	(10,862,672,790)	(10,792,047,133)
1134	0901000 Sports	70,625,657	(10,862,672,790)	(10,792,047,133)
	State Department for Culture and Heritage	(317,869,038)	(10,734,440)	(328,603,478)
1152	0902000 Culture / Heritage	(296,432,352)	(27,800,000)	(324,232,352)
	0903000 The Arts	(14,491,721)	-	(14,491,721)
1152	0904000 Library Services	(20,714,725)	17,065,560	(3,649,165)
	0905000 General Administration, Planning and Support Services	13,769,760	-	13,769,760
1152	State Department for Energy	(16,119,233)	12,548,282,169	12,532,162,936
	0211000 General Administration Planning and Support Services	20,930,767	35,000,000	55,930,767
	0212000 Power Generation	(50,000)	4,618,000,000	4,617,950,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY ESTIMATES		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0213000 Power Transmission and Distribution	-	9,245,149,491	9,245,149,491
	0214000 Alternative Energy Technologies	(37,000,000)	(1,349,867,322)	(1,386,867,322)
1162	State Department for Livestock	(325,400,000)	(1,155,928,667)	(1,481,328,667)
	0112000 Livestock Resources Management and Development	(325,400,000)	(1,155,928,667)	(1,481,328,667)
1166	State Department for Fisheries, Aquaculture & the Blue Economy	465,400,000	(1,869,220,000)	(1,403,820,000)
	0111000 Fisheries Development and Management	504,165,111	(1,738,980,000)	(1,234,814,889)
	0117000 General Administration, Planning and Support Services	3,913,953	-	3,913,953
	0118000 Development and Coordination of the Blue Economy	(42,679,064)	(130,240,000)	(172,919,064)
1169	State Department for Crop Development & Agricultural Research	12,675,423,512	(3,977,973,077)	8,697,450,435
	0107000 General Administration Planning and Support Services	108,254,448	(464,997,628)	(356,743,180)
	0108000 Crop Development and Management	12,405,396,005	(3,449,390,946)	8,956,005,059
	0109000 Agribusiness and Information Management	2,282,672	(395,103)	1,887,569
	0120000 Agricultural Research & Development	159,490,387	(63,189,400)	96,300,987
1173	State Department for Cooperatives	60,402,706	(224,694,568)	(164,291,862)
	0304000 Cooperative Development and Management	60,402,706	(224,694,568)	(164,291,862)
1174	State Department for Trade	93,024,500	166,255,608	259,280,108
	0307000 Trade Development and Promotion	93,024,500	166,255,608	259,280,108
1175	State Department for Industrialization	(12,888,365)	(728,380,684)	(741,269,049)
	0301000 General Administration Planning and Support Services	1,077,615	(490,138,397)	(489,060,782)
	0302000 Industrial Development and Investments	29,034,020	90,650,042	119,684,062
	0303000 Standards and Business Incubation	(43,000,000)	(328,892,329)	(371,892,329)
1184	State Department for Labour	(58,600,000)	(1,002,426,063)	(1,061,026,063)
	0910000 General Administration Planning and Support Services	(1,800,000)	-	(1,800,000)

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY I ESTIMATES		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1185	0906000 Promotion of the Best Labour Practice	(44,170,016)	(50,000,000)	(94,170,016)
	0907000 Manpower Development, Employment and Productivity Management	(12,629,984)	(952,426,063)	(965,056,047)
	State Department for Social Protection, Pensions & Senior Citizen Affairs	(618,610,529)	(498,230,000)	(1,116,840,529)
1192	0908000 Social Development and Children Services	(475,691,452)	(138,000,000)	(613,691,452)
	0909000 National Social Safety Net	(123,491,216)	(360,230,000)	(483,721,216)
	0914000 General Administration, Planning and Support Services	(19,427,861)	-	(19,427,861)
1193	State Department for Mining	(48,939,810)	(257,100,000)	(306,039,810)
	1007000 General Administration Planning and Support Services	(35,635,591)	-	(35,635,591)
	1009000 Mineral Resources Management	(5,578,126)	(190,359,012)	(195,937,138)
1202	1021000 Geological Surveys and Geo Information	(7,726,093)	(66,740,988)	(74,467,081)
	State Department for Petroleum	(6,200,729)	(294,300,000)	(300,500,729)
	0215000 Exploration and Distribution of Oil and Gas	(6,200,729)	(294,300,000)	(300,500,729)
1203	State Department for Tourism	(2,587,045,218)	(760,900,000)	(3,347,945,218)
	0306000 Tourism Development and Promotion	(2,587,045,218)	(760,900,000)	(3,347,945,218)
	State Department for Wildlife	(2,458,694,814)	(55,750,000)	(2,514,444,814)
1212	1019000 Wildlife Conservation and Management	(2,458,694,814)	(55,750,000)	(2,514,444,814)
	State Department for Gender	15,871,727	524,000,000	539,871,727
	0911000 Community Development	-	-	-
1213	0912000 Gender Empowerment	37,074,274	524,000,000	561,074,274
	0913000 General Administration, Planning and Support Services	(21,202,547)	-	(21,202,547)
	State Department for Public Service	(2,155,016,185)	(256,505,600)	(2,411,521,785)
0709000	0710000 Public Service Transformation	(95,702,091)	(231,505,600)	(327,207,691)
	General Administration Planning and Support Services	(16,198,594)	-	(16,198,594)

<u>VOTE CODE</u>	<u>VOTE/PROGRAMME CODES & TITLE</u>	<u>FINAL SUPPLEMENTARY ESTIMATES</u>		
		<u>GROSS CURRENT ESTIMATES</u>	<u>GROSS CAPITAL ESTIMATES</u>	<u>GROSS TOTAL ESTIMATES</u>
1214	07477000 National Youth Service	(2,043,115,500)	(25,000,000)	(2,068,115,500)
	State Department for Youth	(14,796,164)	(254,168,000)	(268,964,164)
	0711000 Youth Empowerment	(14,796,164)	(254,168,000)	(268,964,164)
1221	State Department for East African Community	(68,690,000)	-	(68,690,000)
	0305000 East African Affairs and Regional Integration	(68,690,000)	-	(68,690,000)
1222	State Department for Regional & Northern Corridor Development	(43,144,741)	(264,350,100)	(307,494,841)
	1013000 Integrated Regional Development	(43,144,741)	(264,350,100)	(307,494,841)
1252	State Law Office and Department of Justice	42,300,000	(62,000,000)	(19,700,000)
	0606000 Legal Services	15,784,502	-	15,784,502
	0607000 Governance, Legal Training and Constitutional Affairs	1,122,075	36,000,000	37,122,075
	0609000 General Administration, Planning and Support Services	25,393,423	(98,000,000)	(72,606,577)
1271	Ethics and Anti-Corruption Commission	200,000,000	-	200,000,000
	0611000 Ethics and Anti-Corruption	200,000,000	-	200,000,000
1281	National Intelligence Service	6,500,000,000	-	6,500,000,000
	0804000 National Security Intelligence	6,500,000,000	-	6,500,000,000
1291	Office of the Director of Public Prosecutions	280,000,000	-	280,000,000
	0612000 Public Prosecution Services	280,000,000	-	280,000,000
1311	Office of the Registrar of Political Parties	(15,470,000)	-	(15,470,000)
	0614000 Registration, Regulation and Funding of Political Parties	(15,470,000)	-	(15,470,000)
1321	Witness Protection Agency	(6,700,000)	-	(6,700,000)
	0615000 Witness Protection	(6,700,000)	-	(6,700,000)
2011	Kenya National Commission on Human Rights	(19,047,276)	-	(19,047,276)
	0616000 Protection and Promotion of Human Rights	(19,047,276)	-	(19,047,276)
2021	National Land Commission	(95,000,000)	-	(95,000,000)
	0116000 Land Administration and Management	(95,000,000)	-	(95,000,000)

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY I ESTIMATES		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
2031	Independent Electoral and Boundaries Commission	878,354,745	(75,000,000)	803,354,745
	0617000 Management of Electoral Processes	881,493,140	(75,000,000)	806,493,140
	0618000 Delimitation of Electoral Boundaries	(3,138,395)	-	(3,138,395)
2061	The Commission on Revenue Allocation	(42,400,000)	-	(42,400,000)
	0737000 Inter-Governmental Transfers and Financial Matters	(42,400,000)	-	(42,400,000)
2071	Public Service Commission	66,993,432	-	66,993,432
	0725000 General Administration, Planning and Support Services	8,385,972	-	8,385,972
	0726000 Human Resource Management and Development	64,817,716	-	64,817,716
	0727000 Governance and National Values	(5,426,285)	-	(5,426,285)
	0744000 Performance and Productivity Management	(783,971)	-	(783,971)
	Salaries and Remuneration Commission	-	-	-
2081	0728000 Salaries and Remuneration Management	-	-	-
	Teachers Service Commission	7,957,200,000	40,000,000	7,997,200,000
2091	0509000 Teacher Resource Management	7,985,788,649	-	7,985,788,649
	0510000 Governance and Standards	(2,822,385)	-	(2,822,385)
	0511000 General Administration, Planning and Support Services	(25,766,264)	40,000,000	14,233,736
2101	National Police Service Commission	50,500,000	-	50,500,000
	0620000 National Police Service Human Resource Management	50,500,000	-	50,500,000
2111	Auditor General	407,944,100	50,000,000	457,944,100
	0729000 Audit Services	407,944,100	50,000,000	457,944,100
2121	Office of the Controller of Budget	(37,181,551)	-	(37,181,551)
	0730000 Control and Management of Public finances	(37,181,551)	-	(37,181,551)
2131	Commission on Administrative Justice	(24,300,000)	-	(24,300,000)
	0731000 Promotion of Administrative Justice	(24,300,000)	-	(24,300,000)
2141	National Gender and Equality Commission	(46,244,215)	-	(46,244,215)
	0621000 Promotion of Gender Equality and Freedom from	(46,244,215)	-	(46,244,215)

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL SUPPLEMENTARY I ESTIMATES		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Discrimination			
2151	Independent Policing Oversight Authority	(44,900,000)	-	(44,900,000)
	0622000 Policing Oversight Services	(44,900,000)	-	(44,900,000)
	Sub-Total: Budget Estimates for the Executive	23,205,808,740	61,018,763,831	84,224,572,571
1261	The Judiciary	(29,157,697)	(142,918,000)	(172,075,697)
	0610000 Dispensation of Justice	(29,157,697)	(142,918,000)	(172,075,697)
2051	Judicial Service Commission	(57,900,000)	-	(57,900,000)
	0619000 General Administration, Planning and Support Services	(57,900,000)	-	(57,900,000)
	Sub-Total: Budget Estimates for the Judiciary	(87,057,697)	(142,918,000)	(229,975,697)
2041	Parliamentary Service Commission	(531,166,485)	-	(531,166,485)
	0722000 Senate Affairs	(531,166,485)	-	(531,166,485)
2042	National Assembly	(2,859,466,082)	-	(2,859,466,082)
	0721000 National Legislation, Representation and Oversight	(2,859,466,082)	-	(2,859,466,082)
2043	Parliamentary Joint Services	(602,594,091)	703,865,987	101,271,896
	0723000 General Administration, Planning and Support Services	(531,846,954)	703,865,987	172,019,033
	0746000 Legislative Training Research & Knowledge Management	(70,747,137)	-	(70,747,137)
	Sub-Total: Budget Estimates for Parliament	(3,993,226,658)	703,865,987	(3,289,360,671)
	FY 2020/21 GROSS SUPPLEMENTARY I ESTIMATES	19,125,524,385	61,579,711,818	80,705,236,203

2020/2021 SUPPLEMENTARY I FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
			(4,077,436,643)	4,077,436,643	0	
1109	ENVIRONMENT AND NATURAL RESOURCES	Ministry of Water, Sanitation and Irrigation	(4,077,436,643)	4,077,436,643	0	The Ministry of Water, Sanitation and Irrigation, having convinced the Departmental Committee on Environment and Natural Resources, realigned its projects and programmes to enhance its absorption capacity, by reallocating money to critical community based economic stimulus programmes, in Annex 1. However, NT Reduced the vote by 3 billion.
	DEPARTMENTAL COMMITTEE ON LANDS		0	0	0	
	DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK		(591,000,000)	591,000,000	0	
1162		State Department for Livestock	(100,000,000)	135,000,000	35,000,000	Reduce Ksh. 100 million from construction and equipping of Marsabit Slaughter House. Increase Ksh. 100 million for livestock insurance programme. Ksh. 27.5 million for farm development-sheep and goats breeding farm. Ksh. 7.5 million for construction and refurbishing facilities at Livestock Inst Wajir.
1166		State Department for Fisheries, Aquaculture & the Blue Economy	0	50,000,000	50,000,000	For rehabilitation of six fish landing sites in Lake Victoria. (Ogal, Mulukhoba, Lwanda Ootieno, Wichilum, Sori and Nyandiwa


 THE NATIONAL ASSEMBLY
 LAID
 DATE: 18 MAR 2021
 BY: Clerk, Budget
 Hon. Waisiri Kegeles
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2020/2021 SUPPLEMENTARY / FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
1169		State Department for Crop Development & Agricultural Research	(491,000,000)	406,000,000	(85,000,000)	Reduce Ksh. 41 million from Mirra industry revitalization. Ksh. 450 million from expansion of pyrethrum acreage. Increase Ksh. 50 million for warehouse receipt system. Ksh. 92 million for development of mau buffer tea zone. Ksh. 40 million for sustainable use and trypanomiasis free areas. Ksh. 30 million for development towards the Construction of Educational Complex at Bukura Agricultural College. Ksh. 30 million for development towards Mechanization of Agricultural Development Project. Ksh. 15 million for development towards Youth and Women Empowerment in Modern Agricultural Project. Ksh. 49 million for development towards Fall Army Worm Mitigation. Ksh. 100 million for development towards Emergency Locust Response.
		REALLOCATIONS				
1064	EDUCATION AND RESEARCH	State Department for Vocational and Technical Training	(1,145,000,000)	1,165,000,000	20,000,000	Increase Ksh. 50 million TVET Authority (Recurrent). Ksh. 30 million Elwak TTI (Development). Ksh. 40 million North Rift TTI (Development). Ksh. 40 million Kilome TTI (Development). Ksh. 40 million Suba South TTI (Development). Ksh. 20 million to University Funding Board. Ksh. 20 million to Bushiangala TTI. Reduce Ksh. 50 million from Curriculum Development and Certification Council (recurrent).
			(50,000,000)	240,000,000	190,000,000	

2020/2021 SUPPLEMENTARY FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
		REALLOCATIONS				
1065		0 State Department for University Education	0	365,000,000	365,000,000	Increase 50 Million Masinde Muliro University (Development) Ksh. 15 million Kenya National Innovation Agency (Recurrent). 300 million Capitalization for GOK Students in Private Universities.
1066		State Department for Early Learning & Basic Education	(1,095,000,000)	560,000,000	(535,000,000)	Reduce Ksh. 885 million from Digital Literacy Programme. Ksh 50 million from upgrade of national schools. Ksh. 50 million from ICT integration. Ksh. 100 million from policy and educational services. Ksh. 10 million from National Education Board. Increase Ksh. 20 million for lugari Diploma Teachers Training college. Ksh. 20 million to Muhoho TTC. Ksh. 20 Million to Tom Mboya TTC in Suba North. Ksh. 500 million for completion of mithani house.
1222	DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS	State Department for Regional & Northern Corridor Development	(45,000,000)	45,000,000	0	0 Reduce 45 million from ENNDA and reallocate to Reytab Alam Dam in Wajir South
	DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING		(895,000,000)	0	(895,000,000)	
1071		The National Treasury	(895,000,000)	0	(895,000,000)	Reduce 895 million to cater for Kshs. 775 Million under the Ministry of Infrastructure and Kshs. 120 Million for consumer goods prices stabilisation of products in Kenya National Trading Cooperation

2020/2021 SUPPLEMENTARY FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
	DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING		(578,000,000)	1,353,000,000	775,000,000	
1091		State department for infrastructure		550,000,000		Ksh. 550 million From Lamu Jjara Garissa Road to Critical roads
1091		State department for infrastructure	(28,000,000)	28,000,000	0	Reduce Ksh28 million from Rusinga ring road Increase Ksh. 10 million to Rusinga Junction to Ligiyig. Ksh. 8 million to Wanyama Primary to kolonga Junction. Ksh. 10 million to Kanasengre Primary to Wasaria Junction
1091	THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS	State department for infrastructure	0	775,000,000	0	For critical roads interventions
1311		Office of the Registrar of Political Parties	(3,000,000)	3,000,000	0	Reallocate Ksh. 3 million from insurance to purchase of furniture.
2131		Commission on Administrative Justice	(4,900,000)	4,900,000	0	Reallocate 4.9 million from insurance budget to Domestic Travel Ksh. 2.7 million. Daily Subsistence allowance Ksh. 1.5 million board allowance and conferences Ksh. 0.7 million.
	DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION AND INNOVATION		(518,500,000)	1,158,500,000	640,000,000	

2020/2021 SUPPLEMENTARY I FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
1122		State Department for Information Communication and Technology & Innovation	(218,500,000)	518,500,000	300,000,000	Reduce Ksh. 76.5 million from Konza Technopolis Masterplan Development. Ksh. 142 million from Digital literacy programme headquarters (Capital) Increase Ksh. 14 million to Office of Data Protection Commissioner. Ksh. 62.5 million to Supervision of Streetscapes and water reclamation. Ksh. 442 million for Connectivity to Big Four Facilities.
1123		State Department for Broadcasting & Telecommunications	(300,000,000)	640,000,000	340,000,000	Reduce Ksh. 300 million from Government Advertising Agent (Recurrent). Increase Ksh. 210 million to recurrent allocation of Kenya Films Classification Board. Ksh. 180 million to recurrent allocation for Media Council of Kenya. Ksh. 250 million to media council advisory
	DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY		(205,000,000)	202,000,000	(3,000,000)	
1021		State Department for Interior	(55,000,000)	57,000,000	2,000,000	Reduce Ksh. 55 million from Road Safety Programme. Increase Ksh. 25 million towards staff recruitment by Private Security Regulatory Authority. Ksh. 32 million for completion of APTC mess
1023		State Department for Correctional Services	(150,000,000)	50,000,000	(100,000,000)	Reduce Ksh. 150 million from Correctional Services programme(Development). Increase Ksh. 50 million for General admin planning services.
2071		Public Service Commission	0	20,000,000	20,000,000	Increase Ksh. 20 million for General Admin planning services. Ksh. 30 million


2020/2021 SUPPLEMENTARY I FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
2101		National Police Service Commission	0	75,000,000	75,000,000	Increase Ksh. 45 million for to enhance operations. Ksh. 30 million for counselling services
	DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES		(200,000,000)	320,000,000	120,000,000	
1173		State Department for Cooperatives	(200,000,000)	200,000,000	0	Reallocation from 1173100700 Dairy Processing (Powdered Milk) to 1173100100 Acquisition of equipment and machinery New KCC
1173		State Department for Cooperatives	0	120,000,000	120,000,000	To Kenya National Trading Corporation- Maintenance and operations for market stabilization in the marketing of rice (Protection of rice farmers).
	COMMITTEE ON HEALTH		(1,050,000,000)	1,050,000,000	0	
1081		Ministry of Health	(1,050,000,000)	1,050,000,000	0	Reduce Ksh. 400 million procurement of PPE (Development) Ksh. 500 million Kenya Covid-19 response (recurrent). Ksh. 150 million NACC-current Grant (recurrent) Increase Ksh. 400 million for personnel emoluments Kenyatta university hospital. Ksh. 150 million Ku Hospital capital grant for extension of cancer centre. Ksh. 200 million for procurement of family planning commodities. Ksh. 150 million infrastructure support to KMTCS Ksh. 150 million infrastructure support to Kigumo
	DEPARTMENTAL COMMITTEE ON ENERGY		0	5,000,000	5,000,000	
1152		State Department for Energy	0	5,000,000	5,000,000	Additional request for street lighting in Changamwe Constituency

2020/2021 SUPPLEMENTARY I FINANCIAL RECOMMENDATIONS (REALLOCATIONS)

Vote Code	Departmental Committee	VOTE/PROGRAMME CODES & TITLE	Departmental Committee			Comment
			Reduction	Increase	Net Change	
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	
	COMMITTEE ON LABOUR AND SOCIAL WELFARE		(100,000,000)	100,000,000	0	
1184		State Department for Labour	(20,000,000)	50,000,000	30,000,000	Reduce 20 million from productivity center of Kenya. Increase Ksh. 50 million to National Employment Authority (NEA)
1185		State Department for Social Protection, Pensions & Senior Citizen Affairs	(80,000,000)	50,000,000	(30,000,000)	Reduce Ksh. 30 million from Social Development (Vocational Rehabilitation Centres), 50 million from street families rehabilitation trust fund. Increase Ksh. 50 Million to Child Welfare Society to purchase food and pay school fees.
	COMMITTEE ON SPORTS, CULTURE AND TOURISM		(500,000,000)	500,000,000	0	
1202		State Department for Tourism	(500,000,000)	500,000,000	0	Reallocate Ksh. 500 million from Tourism Promotion Fund to Kenya Tourism Board to market the country.
	BAC		(1,500,000,000)	1,500,000,000	0	
		Parliament	(1,500,000,000)	1,500,000,000	0	Reduce 1.5 billion from personal emoluments (recurrent). Increase 1.5 billion for construction of office block (Development).
		TOTAL REALLOCATIONS	(11,412,836,643)	12,074,836,643	662,000,000	




THE NATIONAL ASSEMBLY
 PAPERS (A/D)

DATE: 18 MAR 2021
 TIME: DAY.

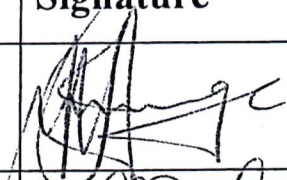
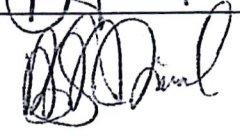
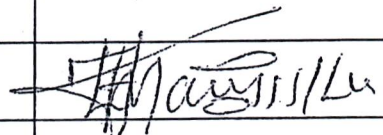
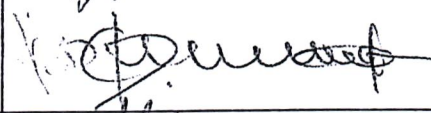
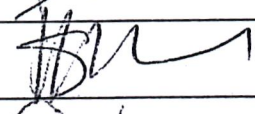
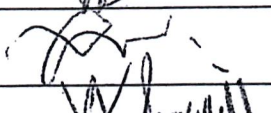
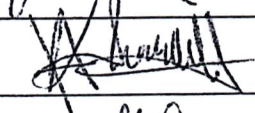
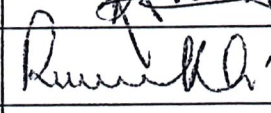

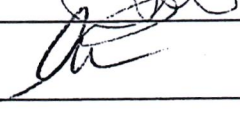
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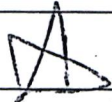
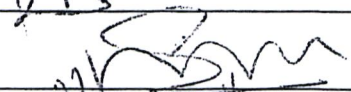

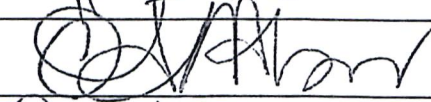
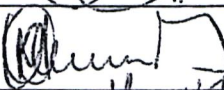
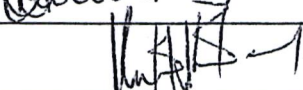



ADOPTION SCHEDULE

Members' attendance list

Budget and Appropriations Committee

Date 17/03/21 Time 11:00 AM Sitting:

Name	Signature
1. The Hon. Kanini Kega, CBS, M.P.- Chairperson	
2. The Hon. Benard Masaka Shinali, M.P.- Vice Chairperson	
3. The Hon. (CPA) John Mbadi, EGH, CBS, M.P.	
4. The Hon. Emmanuel Wangwe, CBS, M.P.	
5. The Hon. (CPA) Moses K. Lessonet, CBS, M.P.	
6. The Hon. Samwel Moroto, M.P.	
7. The Hon. Millie Odhiambo, M.P.	
8. The Hon. Alfred Kiptoo Keter, M.P.	
9. The Hon. Richard Onyonka, M.P.	
10. The Hon. (Dr.) Makali Mulu, M.P.	
11. The Hon. Badi Twalib, M.P.	
12. The Hon. Jude Njomo, M.P.	
13. The Hon. Sarah Paulata Korere, M.P.	
14. The Hon. Fatuma Gedi Ali, CBS, M.P.	
15. The Hon. Wangari Mwaniki, OGW, M.P.	
16. The Hon. Josephine Naisula Lesuuda, OGW, M.P.	

Name	Signature
17. The Hon. Sakwa Bunyasi, M.P.	
18. The Hon. Florence C. K. Bore, M.P.	
19. The Hon. James Gichuki Mugambi, M.P.	
20. The Hon. Danson Mwashako, MP	
21. The Hon. (Eng.) Mark Nyamita, MP	
22. The Hon. Paul Abuor, MP	
23. The Hon. Mercy Wanjiku Gakuya, M.P.	
24. The Hon. (CPA) Francis Kuria Kimani, M.P.	
25. The Hon. Samuel Atandi, M.P.	
26. The Hon. Joseph Manje, M.P.	
27. The Hon. Masalino Arbelle, M.P.	

Signed.....

Date.....

Committee Clerk

Signed.....

Date.....

Director of Audit, Appropriations & Other Select Committees