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TWELFTH PARLIAMENT

SECOND SESSION

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE SUPPLEMENTARY
APPROPRIATIONS BILL (No. 2) of 2018

OCTOBER, 2018

PREFACE

Mr. Speaker Sir, on behalf of the Members of the Budget and Appropriations Committee and pursuant to Article 223 of the Constitution, Section 44 of the Public Finance Management Act, 2012, paragraph 40 of the Public Finance Management Regulations, 2015 and Standing Orders 244; it is my pleasure to present to this House, the Committee's Report on the Supplementary Appropriations Bill for financial year 2018/2019.

Mandate of the Committee

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

- 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 bills related to the national budget including appropriation bills; and
- iv. Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

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

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA John Mbadi, M.P.
4. Hon. Richard Onyonka, M.P.
5. Hon. Samwel Moroto, M.P.
6. Hon. Millie Odhiambo, M.P.

7. Hon. Twalib Bady, M.P.
8. Hon. (Dr.) Gideon Ochanda, M.P.
9. Hon. James Mwangi Gakuya, M.P.
10. Hon. (Dr.) Makali Mulu Benson, M.P.
11. Hon. Moses KiarieKuria, M.P.
12. Hon. Benard Masaka Shinali, M.P.
13. Hon. John Muchiri Nyaga, M.P.
14. Hon. Jude Njomo, M.P.
15. Hon. (Dr.) Korei Ole Lemein, M.P.
16. Hon. Sarah PaulataKorere, M.P.
17. Hon. Naisula Lesuuda, M.P.
18. Hon. Christopher Wangaya Aseka, M.P.
19. Hon. Danson Mwashako, M.P.
20. Hon. Fatuma Gedi Ali, M.P.
21. Hon. Florence Chepng'etich Koskey, M.P.
22. Hon. James Gichuki Mugambi, M.P.
23. Hon. (Dr.) John K. Mutunga, M.P.
24. Hon. (Eng.) Mark Nyamita, M.P.
25. Hon. Paul Abuor, M.P.
26. Hon. Qalicha Gufu Wario, M.P.
27. Hon. Ruth W. Mwaniki, M.P.

Examination of the Supplementary Appropriations Bill(No. 2), 2018

Mr. Speaker, the Supplementary Appropriations Bill for financial year 2018/2019 were submitted to the National Assembly on 9th October, 2018. The Committee has examined and discussed the bill and has made recommendations, which are contained in this report.

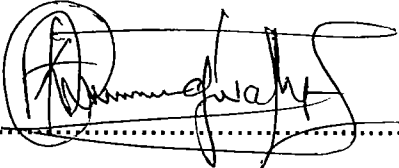
Mr. Speaker, in reviewing this Supplementary Appropriations Bill, the Committee held 2 Sittings and in attendance was representatives from the Controller of Budget (COB) and the Commission

on Revenue Allocation (CRA). In addition, the Committee also sought public views via advertisement in various daily newspapers.

Acknowledgements

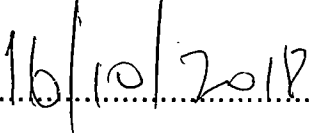
Mr. Speaker, the Committee would like to extend its gratitude to the Office of the Speaker of the National Assembly and the Office of the Clerk of the National Assembly for the support provided. The Committee is also grateful to the Parliamentary Budget Office for the support received as it discharged its mandate.

Mr. Speaker, it is therefore my humble duty and privilege, on behalf of the Budget and Appropriations Committee, to table the Report on the Supplementary Appropriations Bill (No. 2), 2018 and recommends it to the House for adoption.

Signed: 

Hon. Kimani Ichung'wah, M.P.

Chairperson, the Budget and Appropriations Committee

Date: 

I. Introduction

- 1) **Mr. Speaker**, the Supplementary Estimates for 2018/19 has prepared when government is experiencing significant fiscal pressures on account of huge budget expenditures and projected revenue shortfall. The approved estimates for financial year 2018/2019 were estimated at Kshs. 1,698.56 billion for the National Government, Kshs.372.74 billion for the County governments and Kshs.962.56 billion for the Consolidated Fund Services. This was to be financed through domestic tax and AIA amounting to Kshs.1,923.34 billion, and grants amounting to Kshs.47.037 billion. The fiscal deficit for 2018/19 is projected at Ksh.562.75 billion to be financed through domestic and foreign borrowing.
- 2) **Mr. Speaker**, on account of the expected revenue shortfalls amidst expenditure pressures, the supplementary budget proposes a reduction in the total budget estimates by Kshs.55.1 billion of which Kshs.11.724 billion is from the recurrent budget and Kshs.34.327 billion is from the development budget. Under the new changes, the recurrent budget constitutes 62.27 percent of the ministerial expenditure and the development budget comprises 37.72 percent of ministerial expenditure.
- 3) **Mr. Speaker**, the financing of the supplementary budget comprises expenditure cuts in various votes and programmes in the light of projected lower revenues occasioned by the changes in the Finance Act, 2018 approved by the National Assembly, and the full revenue impact of the memorandum of the president on the Finance Bill 2018.

II. Reorganization of the Structure of National Government

- 4) **Mr. Speaker**, the Committee will be making some amendments to the Bill in view of the reorganization of functions of government. In June 2018, an Executive Order was released that made changes to the organizational structure of the government. This was anchored on Public Finance Management (PFM) (National Government) Regulation 57 which gives a window for National Government to make policy changes in a financial year that may lead to creation of an additional ministry or state department and national government entities. In addition, the law

also provides for transferring certain functions or services of an existing ministry, state, department and agencies to another existing ministry, state department; or agency. Lastly, it provides for a mechanism under which some functions can move to a new ministry or state department or agency.

- 5) **Mr. Speaker**, further, Regulation 57(5) provides that the Supplementary Appropriation Act shall provide the details of the affected votes and the National Treasury shall inform the affected accounting officers of the effective date when they shall effect accounting entries in their books and other necessary inter-vote adjustments.

- 6) **Mr. Speaker**, in the process of considering the Supplementary Appropriations Bill (No.2), 2018, the National Treasury submitted further changes that have taken into account the revised Executive Order of June 2018 which resulted to reorganization of government functions. The changes in the structure of government has affected the following votes (Annex 1 gives the details):
 - i) The State Department for Housing and Urban Development;
 - ii) The State Department for Public Works;
 - iii) The State Department for Tourism;
 - iv) The State Department for Wildlife;
 - v) The State Department for Public Service; and
 - vi) The State Department for Youth;

- 7) **Mr. Speaker**, it is important to note that the proposed amendments will not alter in anyway the overall budget contained in the supply resolutions and subsequently the Supplementary Appropriations Bill (No. 2) Bill of 2018. The changes entail splitting of the affected votes and transfer of functions and unspent resources. The net effect remains as earlier proposed in the Supplementary Appropriation Bill with an overall budget reduction of Kshs.37,603,662,418 of which Kshs.9,063,228,418 was for recurrent expenditure and Kshs.28,540,434,000 for development expenditure.

III. SUBMISSION FROM STAKEHOLDERS

8) Mr. Speaker, pursuant to Article 118 (1) (b) of the Constitution and Standing Orders 127 (3), the Budget and Appropriations Committee sought public participation by seeking views through newspaper advertisement. In addition, key stakeholders such as the National Treasury, Council of Governors, Controller of Budget and Commission on Revenue Allocation were invited to make submissions. The following section details some of the Submissions.

i. COMMISSION ON REVENUE ALLOCATION (CRA)

9) The Commission on Revenue Allocation (CRA) indicted that that the proposed budget cuts for Ministries, Departments and Agencies (MDAs) in the Supplementary Bill No. 2 of 2018 amounted to Kshs.47 billion.

10) Equally the presidential memorandum proposed to reduce equitable Share to counties by Kshs. 9 billion. The commission reiterated that this will require amending the Division of Revenue Act (DORA) and the County Allocation of Revenue Act (CARA). The Commission also presented the chronology of how they determined vertical share of revenues for 2018/19.

a) **CRA recommendations in December, 2017:** Revenue Sharing in December 2017 was based on a revenue collection of Kshs.1,717 billion. CRA recommendation was Kshs.337 billion for county governments and Kshs.1,371 billion for National Government.

b) **Recommendation at Inter Governmental Budget and Economic Council (IBEC) in February 2018:** The Budget Policy Statement (BPS) revised revenue projections downwards in February 2018 to Kshs.1,684 billion. Consequently, the Commission revised the recommendation to IBEC to Kshs.317 billion which was only to compensate for inflation at 5 percent. But negotiations at IBEC resulted in an increase in a 4 percent increase at Kshs. 314 billion, an additional 12 billion shillings.

c) **Final Budget Outcome in June 2018:** The final budget in June revised the revenue projections upwards to Kshs.1,769 billion. Notably the equitable share was not revised

upwards. Only the budgets for MDAs were revised in line with the increased amount. At the same time, the budgetary provision for conditional grant for Managed Equipment Services (MES) was increased from Kshs.4.5 billion to Kshs.9.4 billion.

- d) **Supplementary Budget in September, 2018:** The Supplementary bill revises revenue projections from 1,762 billion to Kshs.1,676 billion. The downward revision in the revenue projections reverts to the February 2018 IBEC budget position on which the DORA was anchored. The reduction reflects a growth in shareable revenue of Kshs.310 billion from Kshs.1362 billion in 2017/18 to Kshs.1,676 billion in 2018/19. The proposed reduction of Kshs.9 billion from equitable share of county governments would result in a marginal increase from Kshs. 302 billion in 2017/18 to Kshs.305 billion in 2018/19.
- 11) The CRA recommends that the fiscal framework that underpinned the Division of Revenue Bill in February 2018 has not changed and therefore the Supplementary budget 2018/19 simply revises the June 2018 budget framework back to February 2018 budget. In this regard, the CRA suggested that the equitable share to county governments should be maintained at February 2018 position.
- 12) The Commission further recommended that if there are further budget cuts, these should be from the conditional grant for leased medical equipment whose allocation was increased from Kshs.4.5 billion in February 2018 to Kshs.9.4 billion in June 2018.

ii. CONTROLLER OF BUDGET

- 13) The Controller of Budget made submission to the Committee which was largely on justification for a rationalized budget for the Office. In the financial year 2018/19, the Office was allocated Kshs.618,470,000 comprising of personal emoluments of Kshs. 340,315,225 and Operations and Maintenance Kshs. 278,154,775. The National Treasury made a proposal to revise this budget downwards by Kshs 15,534,086 to Kshs. 602, 935,914.

14) Arising from the overall reduction of Kshs. 15, 534,086, the Controller of Budget requested that the House approves rationalising the budget by reducing/ increasing some items in the budget without going beyond the Vote ceiling contained in the supplementary appropriation bill.

15) Further, the Controller of Budget emphasized the need for wider consultations between the National Treasury and Ministries, Departments, Agencies. This will go a long way in ensuring that the budget cuts are done in a coherent manner.

IV. COMMITTEE OBSERVATIONS

16) Mr. Speaker, the Committee observes that:

1. The National Government was within the law to make policy changes during the current financial year that meant pursuant to Regulation 57 of the PFM Act, National Government Regulations.
2. Inclusion of the changes in the financial year 2018/19 Supplementary Estimates necessitates this Supplementary Appropriations Bill (No.2), 2018 that is before the House. It is important to note that the proposed amendments to does not alter the overall budget approved by the House as contained in the Budget and Appropriations Committee Report on the Supplementary Estimates for The Financial Year 2018/2019.
3. The equitable share for county governments for FY 2018/19 is based on audited and approved revenues of 2013/14. This is because Parliament has not approved the audited revenues for the last four years. Going forward, there is need to fast track the process of approving the audited reports by the Public Accounts Committee (PAC) and ultimately by this House. This will ensure that equitable share to counties is based on latest financial years.
4. The proposal by the Controller of Budget to rationalize their budget was not going to burst the ceiling provided in the supplementary budget. The office was also spending significant resources for publishing and publicizing budget Implementation reports.

COMMITTEE RECOMMENDATIONS

17) The Committee recommends that:

- i. The Public Accounts Committee explore ways of expediting the approval of the audited accounts, this will go a long way in ensuring that percentage share going to county governments is underpinned by the most recent performance of shareable revenue.
- ii. This House approves the Supplementary Appropriation Bill with the revised changes occasioned by the Executive Order Number 1 of 2018.
- iii. The item reallocation under vote 2121 (Controller of Budget) which is balanced by cuts /increases within the vote be effected by the National Treasury while maintaining the vote ceiling provided supply resolutions.
- iv. The Controller of budget explores technology in publishing and publicising Budget Implementation Reports.
- v. The discussion regarding resources going to counties occasioned by constrained fiscal framework be discussed at the point of considering any amendments to the Division of Revenue legislation that may be introduced in the future.

Annex 1 A: AMMENDMENTS IN THE FY 2018/19 SUPPLEMENTARY APPROPRIATIONS BILL (RECURRENT)									
VOTE, PROGRAMME CODES & TITLE	SUPPLEMENTARY APPROPRIATIONS			AMMENDMENTS TO THE SUPPLEMENTARY APPROPRIATIONS			REMARKS		
	Gross	AIA	Net	Gross	AIA	Net			
1094 State Department for Housing & Urban Development									
Total Programmes	-	-	-	741,396,411	-	741,396,411	The Reallocation of Ksh.741,396,411 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Housing & Urban Development		
0102000 Housing Development and Human Settlement	-	-	-	364,295,765	-	364,295,765			
0105000 Urban and Metropolitan Development	-	-	-	172,464,286	-	172,464,286			
0106000 General Administration Planning and Support Services	-	-	-	204,636,360	-	204,636,360			
1095 State Department for Public Works									
Total Programmes	-	-	-	1,614,039,251	4,000,000	1,610,039,251	The Reallocation of Ksh.1,614,039,251 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Public Works		
0102000 Housing Development and Human Settlement	-	-	-	7,317,410	-	7,317,410			
0103000 Government Buildings	-	-	-	347,532,830	-	347,532,830			
0104000 Coastline Infrastructure and Pedestrian Access	-	-	-	79,236,243	-	79,236,243			
0106000 General Administration Planning and Support Services	-	-	-	257,522,481	4,000,000	253,522,481			
0218000 Regulation and Development of the Construction Industry	-	-	-	922,430,287	-	922,430,287			
1096 State Department for Housing, Urban Development and Public Works									
Total Programmes	3,062,062,668	4,000,000	3,058,062,668	(2,355,435,662)	(4,000,000)	(2,351,435,662)	The reduction of Ksh.2,355,435,662 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Public Works and State		
0102000 Housing Development and Human Settlement	463,414,816	-	463,414,816	(371,613,175)	-	(671,613,175)			

Annex 1 A: AMMENDMENTS IN THE FY 2018/19 SUPPLEMENTARY APPROPRIATIONS BILL (RECURRENT)									
VOTE, PROGRAMME CODES & TITLE	SUPPLEMENTARY APPROPRIATIONS			AMMENDMENTS TO THE SUPPLEMENTARY APPROPRIATIONS			REMARKS		
	Gross	AIA	Net	Gross	AIA	Net			
0103000 Government Buildings	463,541,682	-	463,541,682	(347,532,830)	-	(347,532,830)	Department for Housing & Urban Development		
0104000 Coastline Infrastructure and Pedestrian Access	103,857,830	-	103,857,830	(79,236,243)	-	(79,236,243)			
0105000 Urban and Metropolitan Development	208,689,154	-	208,689,154	(172,464,286)	-	(172,464,286)			
0106000 General Administration Planning and Support Services	588,567,513	4,000,000	584,567,513	(462,158,841)	(4,000,000)	(458,158,841)			
0218000 Regulation and Development of the Construction Industry	1,233,991,673	-	1,233,991,673	(922,430,287)	-	(922,430,287)			
1202 State Department for Tourism									
Total Programmes	-	-	-	2,759,730,321	1,130,000,000	1,629,730,321	The Reallocation of Ksh.2,759,730,321 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Tourism		
0307000 Trade Development and Promotion	-	-	-	139,337,200	2,000,000	137,337,200			
0306000 Tourism Development and Promotion	-	-	-	2,620,393,121	1,128,000,000	1,492,393,121			
1203 State Department for Wildlife									
Total Programmes	-	-	-	5,564,474,316	3,347,867,000	2,216,607,316	An Reallocation of Ksh.5,564,474,316 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Wildlife		
1019000 Wildlife Conservation and Management	-	-	-	5,564,474,316	3,347,867,000	2,216,607,316			
1204 Ministry of Tourism and Wildlife									
Total Programmes	9,314,588,657	4,477,867,000	4,836,721,657	(8,324,204,637)	(4,477,867,000)	(3,846,337,637)	Reduction of Ksh.8,324,204,637 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Wildlife and State Department for Tourism Development		
0307000 Trade Development and Promotion	139,337,200	2,000,000	137,337,200	(139,337,200)	(2,000,000)	(137,337,200)			
0306000 Tourism	2,940,855,645	1,128,000,000	1,812,855,645	(2,620,393,121)	(1,128,000,000)	(1,492,393,121)			

Annex 1 A: AMMENDMENTS IN THE FY 2018/19 SUPPLEMENTARY APPROPRIATIONS BILL (RECURRENT)									
VOTE, PROGRAMME CODES & TITLE	SUPPLEMENTARY APPROPRIATIONS			AMMENDMENTS TO THE SUPPLEMENTARY APPROPRIATIONS			REMARKS		
	Gross	AIA	Net	Gross	AIA	Net			
Development and Promotion									
1019000 Wildlife Conservation and Management	6,234,395,812	3,347,867,000	2,886,528,812	(5,564,474,316)	(3,347,867,000)	(2,216,607,316)			
1211 State Department for Public Service and Youth									
Total Programmes	13,320,232,269	181,050,000	13,139,182,269	(12,000,245,819)	(181,050,000)	(11,819,195,819)	The reduction of Ksh.12,000,245,819 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Youth and State Department for Public Service		
0710000 Public Service Transformation	1,795,280,016	90,850,000	1,704,430,016	(1,371,103,878)	(90,850,000)	(1,280,253,878)			
0709000 General Administration Planning and Support Services	4,132,435,994	-	4,132,435,994	(4,002,585,434)	-	(4,002,585,434)			
0711000 Youth Empowerment	7,392,516,259	90,200,000	7,302,316,259	(6,626,556,507)	(90,200,000)	(6,536,356,507)			
1213 State Department for Public Service									
Total Programmes	-	-	-	5,373,689,312	90,850,000	5,282,839,312	The Reallocation of Ksh.5,373,689,312 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Public Service		
0710000 Public Service Transformation	-	-	-	1,371,103,878	90,850,000	1,280,253,878			
0709000 General Administration Planning and Support Services	-	-	-	4,002,585,434	-	4,002,585,434			
1214 State Department for Youth									
Total Programmes	-	-	-	6,626,556,507	90,200,000	6,536,356,507	The Reallocation of Ksh.6,626,556,507 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Youth		
0711000 Youth Empowerment	-	-	-	6,626,556,507	90,200,000	6,536,356,507			
Total Programmes	134,359,242,538	4,712,823,847	129,646,418,691	-	-	-			




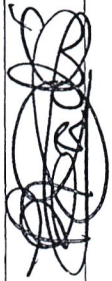


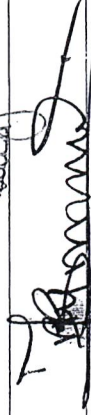
Annex 1 B: AMENDMENTS TO FY 2018/19 SUPPLEMENTARY APPROPRIATIONS BILL (DEVELOPMENT)									
VOTE, PROGRAMME CODES & TITLE	SUPPLEMENTARY APPROPRIATIONS BILL			AMENDMENTS TO SUPPLEMENTARY APPROPRIATIONS BILL			REMARKS		
	Gross	AIA	Net	Gross	AIA	Net			
1094 State Department for Housing & Urban Development									
Total Programmes	-	-	-	25,195,042,217	4,552,000,000	20,643,042,217	The Reallocation of Ksh.25,195,042,217 is as a result of the Executive Order No. 1 of 2018 (Revised) which created State Department for Housing & Urban Development		
0102000 Housing Development and Human Settlement	-	-	-	6,573,892,279	487,000,000	6,086,892,279			
0105000 Urban and Metropolitan Development	-	-	-	18,621,149,938	4,065,000,000	14,556,149,938			
1095 State Department for Public Works	-	-	-	1,903,291,805	-	1,903,291,805			
Total Programmes	-	-	-	1,423,971,693	-	1,423,971,693	The Reallocation of Ksh.1,903,291,805 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Public Works		
0103000 Government Buildings	-	-	-	332,325,620	-	332,325,620			
0104000 Coastline Infrastructure and Pedestrian Access	-	-	-	47,821,992	-	47,821,992			
0106000 General Administration Planning and Support Services	-	-	-	99,172,500	-	99,172,500			
0218000 Regulation and Development of the Construction Industry	-	-	-	-	-	-			
1096 State Department for Housing, Urban Development and Public Works									
Total Programmes	29,101,373,965	4,552,000,000	24,549,373,965	(27,098,334,022)	(4,552,000,000)	(22,546,334,022)	The reduction of Ksh.27,098,334,022 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Public Works and State Department for Housing & Urban Development		
0102000 Housing Development and Human Settlement	7,571,000,000	487,000,000	7,084,000,000	(6,573,892,279)	(487,000,000)	(6,086,892,279)			
0103000 Government Buildings	1,564,200,000	-	1,564,200,000	(1,423,971,693)	-	(1,423,971,693)			
0104000 Coastline Infrastructure and Pedestrian Access	339,200,000	-	339,200,000	(332,325,620)	-	(332,325,620)			
0105000 Urban and Metropolitan Development	19,435,373,965	4,065,000,000	15,370,373,965	(18,621,149,938)	(4,065,000,000)	(14,556,149,938)			



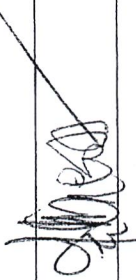





Annex 1 B: AMENDMENTS TO FY 2018/19 SUPPLEMENTARY APPROPRIATIONS BILL (DEVELOPMENT)									
VOTE, PROGRAMME CODES & TITLE	SUPPLEMENTARY APPROPRIATIONS BILL			AMENDMENTS TO SUPPLEMENTARY APPROPRIATIONS BILL			REMARKS		
	Gross	AIA	Net	Gross	AIA	Net			
0106000 General Administration and Support Services	55,600,000	-	55,600,000	(47,821,992)	-	(47,821,992)			
0218000 Regulation and Development of the Construction Industry	136,000,000	-	136,000,000	(99,172,500)	-	(99,172,500)			
1202 State Department for Tourism									
Total Programmes	-	-	-	2,050,000,000	-	2,050,000,000			A Reallocation of Ksh.2,050,000,000 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Tourism
0306000 Tourism Development and Promotion	-	-	-	2,050,000,000	-	2,050,000,000			
1203 State Department for Wildlife									
Total Programmes	-	-	-	1,118,266,000	245,016,000	873,250,000			A Reallocation of Ksh.1,118,266,000 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Wildlife
1019000 Wildlife Conservation and Management	-	-	-	1,118,266,000	245,016,000	873,250,000			
1204 Ministry of Tourism and Wildlife									
Total Programmes	3,545,516,000	245,016,000	3,300,500,000	(3,168,266,000)	(245,016,000)	(2,923,250,000)			Reduction of Ksh.3,168,266,000 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Wildlife and State Department for Tourism Development
0306000 Tourism Development and Promotion	2,420,000,000	-	2,420,000,000	(2,050,000,000)	-	(2,050,000,000)			
1019000 Wildlife Conservation and Management	1,125,516,000	245,016,000	880,500,000	(1,118,266,000)	(245,016,000)	(873,250,000)			
1211 State Department for Public Service and Youth									
Total Programmes	4,068,334,400	-	4,068,334,400	(2,267,512,908)	-	(2,267,512,908)			The reduction of Ksh.2,267,512,908 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Youth and State Department for Public Service
0710000 Public Service Transformation	1,398,404,400	-	1,398,404,400	(997,459,359)	-	(997,459,359)			
0711000 Youth Empowerment	2,669,930,000	-	2,669,930,000	(1,270,053,549)	-	(1,270,053,549)			
1213 State Department for Public Service									





Annex I B: AMENDMENTS TO FY 2018/19 SUPPLEMENTARY APPROPRIATIONS BILL (DEVELOPMENT)									
VOTE, PROGRAMME CODES & TITLE	SUPPLEMENTARY APPROPRIATIONS BILL			AMENDMENTS TO SUPPLEMENTARY APPROPRIATIONS BILL			REMARKS		
	Gross	AIA	Net	Gross	AIA	Net			
Total Programmes 0710000 Public Service Transformation	-	-	-	997,459,359	-	997,459,359	The Reallocation of Ksh.997,459,359 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Public Service		
1214 State Department for Youth									
Total Programmes	-	-	-	1,270,053,549	-	1,270,053,549	The Reallocation of Ksh.1,270,053,549 is as a result of the Executive Order No.1 of 2018 (Revised) which created State Department for Youth		
0711000 Youth Empowerment	-	-	-	1,270,053,549	-	1,270,053,549			
Total Programmes	54,023,926,365	5,161,018,000	48,862,908,365	-	-	-			

Members attendance list

Budget and Appropriations Committee: Date: 16/10/2018 Time: Sitting:

Name		Signature
1.	Hon. Kimani Ichung'wah, M.P- Chairperson	
2.	Hon. Moses Lessonnet, M.P- Vice Chairperson	
3.	Hon. CPA. John Mbadi, CBS, M.P.	
4.	Hon. Richard Onyonka, M.P.	
5.	Hon. Samwel Moroto, M.P.	
6.	Hon. Millie Odhiambo, M.P.	
7.	Hon. Twalib Bady, M.P.	
8.	Hon. (Dr.) Gideon Ochanda, M.P.	
9.	Hon. James Mwangi Gakuya, M.P.	
10.	Hon. (Dr.) Makali Mulu, M.P.	

Name		Signature
11.	Hon. Moses Kiarie Kuria, M.P.	
12.	Hon. Benard Masaka Shinali, M.P.	
13.	Hon. John Muchiri Nyaga, M.P.	
14.	Hon. Jude Njomo, M.P.	
15.	Hon. (Dr.) Korei Ole Lemein, M.P.	
16.	Hon. Sarah Paulata Korere, M.P.	
17.	Hon. Naisula Lesuuda, OGW, M.P.	
18.	Hon. Christopher Wangaya Aseka, M.P.	
19.	Hon. Danson Mwashako, M.P.	
20.	Hon. Fatuma Gedi Ali, M.P.	
21.	Hon. Florence Chepnetich Koskey, M.P.	
22.	Hon. James Gichuki Mugambi, M.P.	
23.	Hon. (Dr.) John K. Mutunga, M.P.	

Name		Signature
24.	Hon. Mark Nyamita, M.P.	
25.	Hon. Paul Abuor, M.P.	
26.	Hon. Qalicha Gufu Wario, M.P.	
27.	Hon. Wangari. Mwaniki, M.P.	

MINUTES OF 54th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 16th OCTOBER 2018, IN MINI CHAMBER, COUNTY HALL AT 12.30 P.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. Samwel Moroto, M.P.
4. Hon. James Mwangi Gakuya, M.P.
5. Hon. Moses Kiarie Kuria, M.P.
6. Hon. (Dr.) Makali Mulu, M.P.
7. Hon. Twalib Bady, M.P.
8. Hon. (Dr.) Korei Ole Lemein, M.P.
9. Hon. Jude Njomo, M.P
10. Hon. Benard Masaka Shinali, M.P.
11. Hon. (Dr.) Gideon Ochanda, M.P.
12. Hon. Naisula Lesuuda, OGW M.P.
13. Hon. James Gichuki Mugambi, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. Florence Chepnetich Koskey, M.P.
16. Hon. John Muchiri Nyaga, M.P.
17. Hon. (Eng.) Mark Nyamita, M.P.
18. Hon. Qalicha Gufu Wario, M.P.
19. Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. CPA. John Mbadi, CBS, M.P
2. Hon. Millie Odhiambo, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Sarah Paulata Korere, M.P.
5. Hon. Fatuma Gedi Ali, M.P.
6. Hon. Danson Mwashako, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.

8. Hon. Christopher Wangaya Aseka, M.P

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|-----------------------------|
| 1. Mr. Martin Masinde | Senior Deputy Director, PBO |
| 2. Mr. Frederick Muthengi | Chief Fiscal Analyst, PBO |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Danson Kachumbo | Fiscal Analyst III/ Clerk |
| 2. Mr. Elijah Ichwara | Hansard |
| 3. Mr. Abdi Salat | Sergeant- at- Arms |
| 4. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. *Adoption of the draft Committee Report on the Supplementary Appropriation Bill (No. 2) 2018*
4. Any Other Business (AOB)

MIN BAC /54/2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 12.35 p.m. and welcomed members of the committee to the meeting. Thereafter the Chairperson led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Parliamentary Budget Office to brief members on the draft report by Parliamentary Budget Office.

MIN BAC/54/2018/02: CONFIRMATION OF PREVIOUS MINUTES/ MATTERS ARISING

Minutes of 53rd Sitting on 16th October 2018 was proposed by Hon. Paul Abuor, M.P. and seconded as true reflection of deliberations by Hon. Florence Chepngetich Koskey, M.P.

MIN BAC /54 /2018/03: ADOPTION OF THE COMMITTEE REPORT

Members were taken through the draft report by Parliamentary Budget Office. The draft report was proposed by Hon. (Dr.) Makali Mulu, M.P. and seconded as true reflection of deliberations by Hon. (Eng.) Mark Nyamita, M.P. The Committee went through paragraph by paragraph. The Committee noted that indeed this was the first time a Committee was preparing a report on the Supplementary Appropriations Bill. After deliberations; the Committee adopted the report with the following recommendations:

COMMITTEE OBSERVATIONS

1. The national government was within the law to make policy changes during the current financial year that meant pursuant to Regulation 57 of the PFM Act, National Government Regulations.
2. Inclusion of the changes in the financial year 2018/19 Supplementary Estimates necessitates amendments to Supplementary Appropriations (No.2) Bill, 2018 that is before the House. However the proposed amendments does not alter the overall budget approved by the House as contained in the Budget and Appropriations Committee Report on The Supplementary Estimates for The Financial Year 2018/2019.
3. The equitable share for county governments for FY 2018/19 is based on audited and approved revenues of 2013/14 financial year. This is because Parliament has not approved the audited revenues for the last four years. Going forward, there is need to fast track the process of approving the audited reports by relevant Committees of Parliament. This will ensure that equitable share to counties is based on latest financial years.
4. It was observed that there was need for the Office of the Controller of Budget to adopt technology so that the office minimizes the high cost of printing.

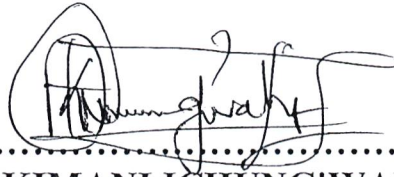
COMMITTEE RECOMMENDATIONS

1. The Public Accounts Committee explore ways of expediting the approval of the audited accounts, this will go a long way in ensuring that percentage share going to county governments is underpinned by the most recent performance of shareable revenue
2. This House approves the Supplementary appropriation bill with the revised changes occasioned by the Executive Order Number 1 of 2018.
3. The item reallocation under vote 2121 (Controller of Budget) which is balanced by cuts /increases within the vote be effected by the national treasury while maintaining the vote ceiling provided supply resolutions.
4. The Controller of budget explores technology in publishing and publicising Budget Implementation Reports (BIRR).
5. The discussion regarding resources going to counties occasioned by constrained fiscal framework be discussed at the point of considering any amendments to the Division of Revenue legislation that may be introduced in the future.

MIN BAC /54 /2018/04: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 1.00 p.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

16/10/2018

.....
DATE

MINUTES OF 53rd SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 16th OCTOBER 2018, IN MINI CHAMBER, COUNTY HALL AT 9.30 A.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. Samuel Moroto, M.P.
4. Hon. James Mwangi Gakuya, M.P.
5. Hon. Moses Kiarie Kuria, M.P.
6. Hon. (Dr.) Makali Mulu, M.P.
7. Hon. Twalib Bady, M.P.
8. Hon. (Dr.) Korei Ole Lemein, M.P.
9. Hon. Jude Njomo, M.P
10. Hon. Benard Masaka Shinali, M.P.
11. Hon. (Dr.) Gideon Ochanda, M.P.
12. Hon. Naisula Lesuuda, OGW M.P.
13. Hon. James Gichuki Mugambi, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. Florence Chepngetich Koskey, M.P.
16. Hon. John Muchiri Nyaga, M.P.
17. Hon. (Eng.) Mark Nyamita, M.P.
18. Hon. Qalicha Gufu Wario, M.P.
19. Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. CPA. John Mbadi, CBS, M.P
2. Hon. Millie Odhiambo, M.P.
3. Hon. Richard Onyonka, M.P.
4. Hon. Sarah Paulata Korere, M.P.
5. Hon. Fatuma Gedi Ali, M.P.
6. Hon. Danson Mwashako, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.

8. Hon. Christopher Wangaya Aseka, M.P

COMMISSION ON REVENUE ALLOCATION

- | | |
|------------------------|------------------------------|
| 1. Ms. Jane Kiringai | Chairperson, CRA |
| 2. Mr. Peter Kimuyu | Commissioner |
| 3. Mr. George Ouko | CEO/ Secretary to Commission |
| 4. Ms. Sheila Yieke | |
| 5. Mr. Renny Mutai | |
| 6. Ms. Jecinter Hezron | |

OFFICE OF THE CONTROLLER OF BUDGET

- | | |
|----------------------------|-----------------------------|
| 1. Ms. Agnes Odhiambo, CBS | Controller of Budget |
| 2. Mr. Mackain A. Ogolla | |
| 3. Ms. Selina Isane | |
| 4. Ms. Hope Keah | |
| 5. Ms. Edel Achando | |

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|-----------------------------|
| 1. Mr. Martin Masinde | Senior Deputy Director, PBO |
| 2. Mr. Frederick Muthengi | Chief Fiscal Analyst, PBO |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Danson Kachumbo | Fiscal Analyst III/ Clerk |
| 2. Mr. Elijah Ichwara | Hansard |
| 3. Mr. Abdi Salat | Sergeant- at- Arms |
| 4. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Agenda:
 - A. *Briefing and Consideration of proposed amendments to Supplementary Bill (No. 2) 2018 so as to align it to the Executive Order No. 1 of 2018 (Revised, June 2018)*
 - B. *Public Participation regarding Supplementary Appropriations Bill (No.2) 2018*
 - Meeting with:*
 - i. *Council of Governors*
 - ii. *Commission on Revenue Allocation*
 - iii. *Office of the Controller of Budget*
4. Any Other Business (AOB)

MIN BAC /53 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 10.00 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. (Eng.) Mark Nyamita, M.P., led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Parliamentary Budget Office to brief members on proposed amendments to Supplementary Bill (No. 2), 2018 so as to align it to the Executive Order No. 1 of 2018 (Revised, June 2018).

MIN BAC/53/2018/02: CONFIRMATION OF PREVIOUS MINUTES/ MATTERS ARISING

No Minutes Confirmed.

MIN BAC /53/2018/03: BRIEFING AND CONSIDERATION OF PROPOSED AMENDMENTS TO SUPPLEMENTARY BILL (BILL NO. 2) 2018 SO AS TO ALIGN IT TO THE EXECUTIVE ORDER NO. 1 OF 2018 (REVISED, JUNE 2018)

The presentation from Parliamentary Budget Office highlighted:

Introduction

The brief was in relation to proposed amendments to the Supplementary Appropriations (No. 2) Bill, 2018 proposal by the National Treasury that was occasioned by the Revised Executive order that resulted to reorganization of Government.

Appropriations Act for FY 2018/19

For the financial year 2018/19, the House approved sum total of Kshs 1,351,656, 635,454 as the net discretionary ministerial expenditures. Of this, the ministerial net recurrent expenditure amounted to Kshs 940,743,004,911 while the ministerial net development expenditure amounted to Kshs 410, 913,631,543.

Proposed Supplementary Appropriations

The National Treasury prepared the FY 2018/19 Supplementary Estimates No.1 and submitted to the National Assembly on 17th September, 2018. The National Assembly considered the submission and adopted the Budget and Appropriations Committee recommendations. Subsequently, it prepared and published the Supplementary Appropriations (No. 2) Bill, 2018. The details are provided in the Summary of Supplementary Appropriations (No. 2) Bill, 2018.

Category	Recurrent	Development	Total
Reductions (Kshs)	(9,063,228,418)	(30,040,434,000)	(39,103,662,418)
Increments (Kshs)		1,500,000,000	1,500,000,000
Total (Kshs)	(9,063,228,418)	(28,540,434,000)	(37,603,662,418)

Source: Supplementary Appropriations (No. 2) Bill, 2018.

The Organizational Structure of the Government

The approved Appropriation Act ordinarily follows the organizational structure of the government in allocation of resources for operations and public services delivery. In the course of the current financial year revised Executive Order made changes to the organizational structure of the government. In particular, the *PFM Act Regulations (57 National Government Regulations)* provides that “The national government may make policy changes in a financial year leading to—

- a) Creation of an additional Ministry or State Department and national government entities;
- b) Transferring certain functions or services of an existing Ministry, State, Department and agencies to —
 - i) Another existing Ministry, State Department; or Agency
 - ii) A new Ministry or State Department or Agency;

It was pointed out that in particular, regulations 57(5) provides that the Supplementary Appropriation Act shall provide the details of the affected votes and the National Treasury shall inform the affected Accounting Officers of the effective date when they shall affect accounting entries in their books and other necessary inter-vote adjustments.

While the supplementary Appropriations (No. 2) Bill, 2018 is before the National Assembly for consideration and approval, the National Treasury submitted to the National Assembly revised Supplementary Appropriations (No. 2) Bill, 2018 for consideration and approval as a follow up of the revised Executive Order that resulted to reorganization of government functions.

The import of the proposed amendments is to align unspent balances to the revised executive order by splitting some of the affected votes and shifting/ reallocating the same to new votes. This would inject efficiency and enhance project/ programmes implementation in line with the “Big Four Agenda”.

It is important to note that the proposed amendments will not alter the overall Budget contained in the FY 2018/19 Supplementary Appropriations Bill. The changes entail splitting of the affected votes and transfer of functions and unspent resources. The net effect of the supplementary remains as earlier proposed in the *Supplementary Appropriation Bill 2018 as follows;*

Category	Recurrent(Kshs)	Development(Kshs)	Total (Kshs)
Increments	89,620,050,954	38,156,148,140	127,776,199,094
Reductions	(98,683,279,372)	(66,696,582,140)	(165,379,861,512)
Total	(9,063,228,418)	(28,540,434,000)	(37,603,662,418)

The proposed amendments to the Supplementary Appropriations (No. 2) Bill, 2018 does not alter the overall amounts in the supplementary as published. The parent ministry's budgets are the same and only programmes and attendant resources are shifted to new votes so established.

After presentation, **Members of the Budget and Appropriations Committee raised the following concerns and comments.**

- iv. Whether it was within the law for National Treasury to make such amendments after the National Assembly has approved the BAC report on the Supplementary Estimates for 2018
- v. The realignment of the Supplementary Appropriations Bill to the Executive Order should be clearly explained in the Budget and Appropriations Committee report.

After deliberations, the Chairman thanked the Parliamentary Budget Office. Thereafter, the Chairman called upon the Commission on Revenue Allocation

MIN BAC /53/2018/06: MEETING WITH COMMISSION ON REVENUE ALLOCATION(CRA)

The submission from Commission on Revenue Allocation indicated that that the Commission notes that the proposed budget cuts for Ministries, Departments and Agencies (MDAs) in the Supplementary bill 2018/19 amount to Kshs. 47 billion.

Equally the presidential memorandum proposes to reduce Equitable Share to counties by Kshs. 9 billion. Indeed, this will require amending the Division of Revenue Act (DORA) and the County Allocation of Revenue Act (CARA).

The Commission also presented the chronology of how they determined vertical share of revenues for the two levels of Government as follows:

- a. **Dec 2017: CRA recommendations:**

Revenue Sharing in December 2017 was based on a revenue collection of Kshs. 1,717 billion. CRA recommendation was 337 billion for county governments and Kshs 1,371 billion for National Government.

b. February 2018: Recommendation at Inter Governmental Budget and Economic Council (IBEC)

The BPS revised revenue projections downwards in February 2018 to Kshs. 1,684 billion. Consequently, the Commission revised the recommendation to IBEC to Kshs. 317 billion which was only to compensate for inflation at 5 percent. But negotiations at IBEC resulted in an increase in a 4 percent increase at Kshs. 314 billion, additional Kshs. 12 billion shillings.

c) June 2018: Final Budget Outcome

The final budget in June revised the revenue projections upwards to Kshs. 1,769 billion. Notably the equitable share was not revised upwards. Only the budgets for MDAs were revised in line with the increased amount. At the same time, the budgetary provision for conditional grant for Managed Equipment Services (MES) was increased from Kshs. 4.5 billion to Kshs. 9.4 billion.

d) September 2018: Supplementary Budget

The Supplementary bill revises revenue projections from Kshs. 1,762 billion to Kshs. 1,676 billion. The downward revision in the revenue projections reverts to the February 2018 IBEC budget position on which the DORA was anchored. The reduction reflects a growth in shareable revenue of Kshs. 310 billion from Kshs. 1362 billion in 2017/18 to Kshs. 1,676 billion in 2018/19. The proposed reduction of Kshs. 9 billion from equitable share of county governments would result in a marginal increase from Kshs. 302 billion in 2017/18 to 305 billion in 2018/19.

The CRA recommends that the fiscal framework that underpinned the Division of Revenue Bill in February 2018 has not changed, the Supplementary budget 2018/19 simply revises the June 2018 budget framework back to February 2018 budget. In this regard, the equitable share to county governments should be maintained at February 2018 Position.

The Commission further recommends that if there are further budget cuts, these should be from the conditional grant for leased medical equipment whose allocation was increased from Kshs. 4.5 billion in February 2018 to Kshs. 9.4 billion in June 2018.

After presentation, **Members of the Budget and Appropriations Committee raised various concerns and comments.**

- i. Members noted that there was need to audit the medical leasing equipment programme so as to evaluate that there is value for money.
- ii. KRA should set targets which are achievable
- iii. Members queried if the reduction in equitable share would result in arrears in other conditional grants that are not donor funded.
- iv. Members queried revenue collections for counties.

After deliberations, with the Commission on Revenue Allocation, the Chairman called upon the Office of Controller of Budget.

MIN BAC /53/2018/04: MEETING WITH CONTROLLER OF BUDGET

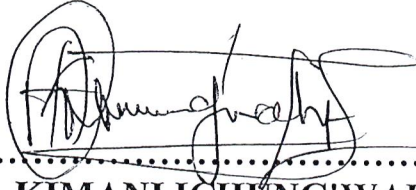
The Controller of Budget made submission to the Committee which was largely on justification for a rationalized budget for the Office. In the financial year 2018/19, the Office was allocated Kshs. 618,470,000 comprising of personal emoluments of Kshs. 340,315,225 and Operations and Maintenance Kshs. 278,154,775. The National Treasury made a proposal to revise this budget downwards by Kshs 15, 534, 086 to Kshs. 602, 935,914.

Arising from the overall reduction of Kshs. 15, 534,086, the Controller of Budget requested that they rationalise the budget by reducing/ increasing some items in the budget without going beyond the Vote ceiling contained in the supplementary appropriation bill. Further, the Controller of Budget emphasized the need for wider consultations between the National Treasury and Ministries, Departments, Agencies. This will go a long way in ensuring that the budget cuts are done in a coherent manner.

After presentation, Members of the Budget and Appropriations Committee observed that there was need for the Office of the Controller of Budget to adopt technology so that the

office minimizes the cost of printing. After deliberations the Chair thanked the Controller of Budget.

SIGNED



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HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

16/10/2018

.....
DATE