




REPUBLIC OF KENYA

TWELTH PARLIAMENT –FIFTH SESSION - 2021

NATIONAL ASSEMBLY

A COMPENDIUM OF DEPARTMENTAL COMMITTEES REPORTS ON
FY2021/22 ESTIMATES OF REVENUE AND EXPENDITURE

 THE NATIONAL ASSEMBLY PAPERS LAID		
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JUNE 2021

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REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION – 2021

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

REPORT ON THE CONSIDERATION OF THE OF THE ANNUAL BUDGET
ESTIMATES FOR THE FY 2021/22

ANNUAL BUDGET ESTIMATES FOR THE FY 2021/22 FOR THE
FOLLOWING SPENDING AGENCIES:

- The National Treasury
- State Department for Planning
- State Department for Devolution
- Salaries and Remuneration Commission
- Commission on Revenue Allocation
- Controller of Budget

DIRECTORATE OF DEPARTMENTAL COMMITTEES,
CLERK'S CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI

JUNE, 2021


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PART ONE

1 PREFACE

Mr. Chairman,

1. On behalf of the Departmental Committee on Finance and National Planning and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the Annual Estimates for the FY 2021/22 and the medium term.

1.1 ESTABLISHMENT OF THE COMMITTEE

2. The Departmental Committee on Finance & National Planning is one of the fifteen Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates pursuant to the *Standing Order 216 (5)* are as follows:
 1. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
 2. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
 3. To study and review all the legislation referred to it;
 4. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
 5. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
 6. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
 7. To examine treaties, agreements and conventions;
 8. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 9. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
 10. To examine any questions raised by Members on a matter within its mandate.

1.2 MANDATE OF THE COMMITTEE

3. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider, public finance, monetary policies, public debt, financial institutions (excluding those in securities exchange), investment and divestiture policies, pricing policies, banking, insurance, population revenue policies including taxation and national planning and development.

4. In executing its mandate, the Committee oversees the following government Ministries and departments;
 - i. National Treasury
 - ii. State Department for Planning
 - iii. State Department of Devolution
 - iv. The Commission on Revenue Allocation
 - v. Office of the Controller of Budget
 - vi. Salaries and Remuneration Commission

1.3 COMMITTEE MEMBERSHIP

5. The Departmental Committee on Finance and National Planning was constituted by the House in December, 2017 and comprises of the following Members:-

Chairperson

Hon. Gladys Wanga, CBS MP
MP for Homabay County

Vice-Chairperson

Hon. Isaac W. Ndirangu
MP for Roysambu Constituency

Members

Hon. Jimmy O. Angwenyi, MP
MP for Kitutu Chache North
Constituency
Jubilee Party

Hon. Christopher Omulele, MP
MP for Luanda Constituency
ODM Party

Hon. Shakeel Shabbir Ahmed, MP
MP for Kisumu East Constituency
Independent Member

Hon. Daniel Nanok, MP
MP for Turkana West Constituency
Jubilee Party

Hon. (Dr.) Christine Ombaka, MP
MP for Siaya County
ODM Party

Hon. Andrew Okuome, MP
MP for Karachuonyo Constituency
ODM Party

Hon. David Mboni, MP
MP for Kitui Rural Constituency
CCU Party

Hon. Francis K. Kimani, MP
MP for Molo Constituency
Jubilee Party

Hon. Joseph Oyula, MP
MP for Butula Constituency
ODM Party

Hon. Joshua Kandie, MP
MP for Baringo Central Constituency
MCC Party

Hon. Stanley Muthama, MP
MP for Lamu West Constituency
Jubilee Party

Hon. Edith Nyenze, MP
MP for Kitui West Constituency
WDM-K

Hon. Catherine Waruguru, MP
MP for Laikipia County
Jubilee Party

Hon. James Mwangi, MP
MP for Tetu Constituency
Jubilee Party

Hon. (Prof.) Mohamud Muhamed, MP
MP for Wajir South Constituency
Jubilee Party

Hon. Peter Lochakapong, MP
MP for Sigor Constituency
Jubilee Party

Hon. Qalicha Gufu Wario, MP
MP for Moyale Constituency
Jubilee Party

1.4 COMMITTEE SECRETARIAT

6. The Committee is facilitated by the following members of the Secretariat -

Head of the Secretariat

**Ms Leah W Mwaura
Senior Clerk Assistant**

**Ms Jennifer Ndeto
Principal Legal Counsel I**

**Mr. Chelang'a Maiyo
Research Officer II**

**Ms Laureen O. Wesonga
Clerk Assistant II**

**Mr John Njoro
Serjeant-At-Arms**

**Mr Josephat Motonu
Fiscal Analyst I**

**Ms Christine Maeri
Audio Officer**

1.5 OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

7. Budget Estimates for the FY 2020/21 were tabled in the House on **Thursday, 29th April, 2021** and thereafter referred to Departmental Committees for consideration.
8. The Committee held meetings with the Office of the Controller of Budget, Commission on Revenue Allocation; Salaries and Remuneration Commission; State Department for Devolution; State Department for Planning and the National Treasury from 17th to 20th May, 2021.

1.6 ACKNOWLEDGEMENTS

9. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its functions in considering the Budget Estimates for the FY 2020/21.
10. I also wish to express my appreciation to the Honorable Members of the Committee, the National Treasury, State Department for Planning, State Department for Devolution, Office of the Controller of Budget, Commission on Revenue Allocation and Salaries and Remuneration Commission for the useful information that they provided to the Committee on the Budget Estimates for the FY 2021/22.

PART TWO

2 BROAD OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

11. The Budget Estimates for FY 2021/22 is prepared at a time when the economy is expected to recover from effects of the COVID-19 Pandemic that has affected businesses and livelihoods in a significant way. As such, the economy is projected to bounce back from a growth of 3.8% in FY 2020/21 to about 6.3% in FY 2021/22. This is attributable to effects of a lower base in 2020, government investment on Post-COVID economic recovery strategy and implementation of the Big Four economic plan among other interventions.

2.1 OVERALL FISCAL FRAMEWORK FOR 2021/22

12. The proposed overall budget for FY 2021/22 is KSh. 3.656 trillion up from KSh. 3.361 trillion in the current financial year. This increase of about KSh 295 billion is mainly occasioned by an increase in the Consolidated Fund Services. However, the differences between the Estimates for FY 2021/22 and the approved ceilings under the 2021 Budget Policy Statement are minimal.

13. The overall deficit is KSh. 952.9 billion which is intended to be financed through foreign borrowing of KSh. 291.3 billion and domestic borrowing of KSh. 661.9 billion. Domestic borrowing is expected to increase by KSh. 118 billion in FY 2021/22 compared to the current financial year and foreign borrowing is expected to decline by KSh. 135 billion.

14. The projected revenue indicates an overall revenue increase of KSh. 190.6 billion in FY 2021/22 from the current financial year. The increase comprises of ordinary revenue of KSh. 181.6 billion and A-i-A of KSh. 9 billion. It is noted that all the tax heads are exhibiting an upward trajectory with the income tax projected to increase by KSh. 101.5 billion followed by VAT at KSh. 77.7 billion. This is mainly because of the reopening of the economy and recovery from effects of COVID-19 and its attendant effects on businesses and livelihoods.

2.2 COMMITTEE REVIEW OF THE MDAS' PROPOSED BUDGET ESTIMATES

15. The Departmental Committee on Finance and National Planning is mandated to scrutinize Budget Estimates for the following votes:

- i. Vote 1071 :The National Treasury
- ii. Vote 1034: State department for Planning
- iii. Vote 1032: State department for Devolution
- iv. Vote 2061: Commission on Revenue Allocation
- v. Vote 2081 : Salaries and Remuneration Commission
- vi. Vote 2121: Controller of Budget

2.2.1 The National Treasury

16. Budget Estimates for FY 2021/22 has been prepared against a backdrop of a global economic recovery projected at 6 percent in 2021 from a contraction of 3.3 percent in 2020. The Global growth in 2020 was adversely affected by the outbreak and spread of COVID-19 Pandemic. The Global 6 percent growth in 2021 was an upward revision from the earlier projection of 5.5 percent reflecting additional fiscal support in a few large economies especially the United States on top of an already unprecedented fiscal response in 2020 and continued monetary accommodation that further uplifts the economic outlook.
17. The Sub-Saharan Africa region is expected to recover to a growth of 3.4 percent in 2021 from an estimated contraction of 1.9 percent in 2020. This growth is largely due to improved exports and commodity process along with a recovery in both private consumption and investment as economies re-open.
18. The Government is implementing the Economic Stimulus Programme (ESP) by further increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor and creating employment. These measures coupled with the re-opening of the economy will provide the much-needed relief to the economy and additional disposable income to the people and businesses.
19. On one hand, the tax relief measures cushioned Kenyans from the adverse economic effects of COVID-19 however, there was a drastic reduction in revenues and rising expenditure needs. This led to reversal of the initial tax reliefs (tax cuts) implemented in April 2020. This reversal was implemented effective 1st January 2021
20. In order to further accelerate economic recovery, the Government is implementing interventions under the Post-COVID-19 Economic Recovery Strategy which has clear thematic areas to re-position the economy on a steady and sustainable growth trajectory.
21. By the end of March 2021, total revenue collected including A-i-A amounted to KSh. 1,245.3 billion against a target of KSh. 1,276.9 billion resulting to a deviation of KSh. 31.6 billion. This shortfall from target was attributed to deviation from targets of Ordinary Revenue by KSh. 7.3 billion and Ministerial A-i-A by KSh. 24.3 billion.
22. The total revenue inclusive of the ministerial A-i-A contracted by **6.5 percent**, a decline from a growth of 12.9 percent recorded in March 2020. The decline is largely attributed to the difficult operating environment due to the COVID-19 Pandemic which has adversely affected revenue performance from March 2020.
23. Ordinary Revenue collection was KSh. 1,106.6 billion against a target of KSh. 1,113.9 billion, KSh. 7.3 billion below the target. This shortfall from target was mainly due to underperformance of Pay As You Earn (PAYE), other income taxes and Value Added Tax. The ministerial A-i-A collected was below target by

KSh. 24.3 billion by end of March 2021 mainly due to underreporting of SAGAs' A-i-A through the Ministerial expenditure returns for the period under review.

24. The National Treasury's proposed budget for FY 2021/2022 is **KSh. 167,844.2 million** made up of KSh. 64,536.7 million and KSh. 103,307.4 million for the recurrent and development expenditure respectively. This is to fund the following programmes:
- i. Rail Transport - KSh. 32,494 million;
 - ii. Marine Transport - KSh. 20,214 million;
 - iii. General Administration, Planning and Support Services - KSh. 66,337.4 million;
 - iv. Public Financial Management - KSh. 46,803.2 million;
 - v. Economic and Financial Policy Formulation Management - KSh. 1,588.7 million;
 - vi. Marketing Competition and Creation of Enabling Business Environment - KSh. 332.1 million; and
 - vii. Allocations to Semi-Autonomous Government Agencies - KSh. 72,925.9 million.

2.2.2 The State Department for Planning

25. The allocation to the State Department for Planning for the FY 2021/22 is KSh. 45.802 billion comprising of a Development budget of KSh. 42.28 billion and a recurrent budget of KSh. 3.47 billion. The bulk of the allocation being NG-CDF (KSh. 41.714 billion).
26. The budget is allocated to the following programmes:
- i. Economic policy and National Planning;
 - ii. National Statistical Information Services;
 - iii. Monitoring and evaluation systems; and
 - iv. General Administration, Planning and Support Services.
27. The State Department for Planning had a resource requirement of KSh. 65.424 billion for the FY 2021/2022 and had been given a proposed allocation of **KSh. 45.802 billion** hence a shortfall of KSh. 19.622 billion.
28. They requested for additional funding of KSh. **7,742.62 million** to fund the following key unfunded areas:

Recurrent Expenditure of KSh. 1,492.82 to fund:

- i. Vision 2030 Delivery Secretariat - KSh. 31.60 million;
- ii. KIPPRA - KSh. 116.5 million;
- iii. NEPAD/APRM - KSh. 25.12 million; and
- iv. Operations & Maintenance - KSh. 1,319.6 million

Development Expenditure of KSh. 6,249.8 million to fund:

- i. Macro - KSh. 200 million
- ii. Monitoring and Evaluation - KSh. 75.5 million
- iii. Social Governance - KSh. 151 million

- iv. Kenya National Bureau of Statistics - KSh. 575.55 million
- v. KNBS & SDGs Directorate - KSh. 133 million
- vi. KIPPRA - KSh. 63 million
- vii. NCPD - KSh. 75 million
- viii. NG-CDF - KSh. 4,976.75 million

2.2.3 State Department for Devolution

29. The State Department for Devolution had a proposed allocation of **KSh. 2.944 billion** against a resource requirement of KSh. 11.704 billion hence a funding gap of KSh. 8.76 billion.

30. The State Department requested for additional funding of **KSh. 7.361 billion** to fund the following key activities:

- i. Emergency Relief Funds - KSh. 1,618.3 billion;
- ii. Africities Conference - KSh. 600 million;
- iii. Hosting the Devolution Conference - KSh. 75.3 million;
- iv. Coordination of valuation and transfer of land and other equipment of the defunct local authorities and National Government (Devolved Functions) - KSh. 300 million;
- v. Conditional Grants - KDSP Level II (P for R) - KSh. 4,600 million;
- vi. Purchase/Lease of Vehicles - KSh. 64 million;
- vii. Finalisation of the identification, verification and validation of assets and liabilities of 14 devolved functions in 21 counties - KSh. 25 million;
- viii. Identification, verification and validation of assets and liabilities of 156 state corporations and SAGAs - KSh. 38 million; and
- ix. Other Operations & Maintenance (Council of Governor) - KSh. 40.2 million

2.2.4 Commission on Revenue Allocation

31. The Budget Estimates for FY 2021/22 proposes to allocate the Commission a budget of **KSh. 383.63 million** against a resource requirement of KSh. 546.6 million hence a funding gap of KSh. 162.97 million. The Commission requested for additional funding of **KSh. 163 million** to fund the following key underfunded areas:

- i. Assessment of county government performance - KSh. 32 million;
- ii. Financing and financial management for counties and comprehensive study on Own Source Revenue - KSh. 17 million;
- iii. Masterplan de-marginalisation/GIS Mapping/3rd policy identifying marginalized areas - KSh. 20 million;
- iv. Purchase of motor vehicle - KSh. 22 million;
- v. Mortgage and car loan schemes - KSh. 15 million; and
- vi. Insurance and Other O & M - KSh. 57 million

2.2.5 Office of the Controller of Budget

32. Office of the Controller of Budget has a proposed allocation of KSh. 639.25 million in FY 2021/22 and was requesting for additional funding of KSh. 73.5 to fund the following:

- i. Payment of gratuity for officers whose contracts are ending in FY 2021/22 - KSh. 8 million.
- ii. Medical insurance for new staff - KSh. 10 million.
- iii. Printing of budget implementation reports - KSh. 10 million.
- iv. Monitoring and evaluation and public participation forums - KSh. 45.5 million

33. The Office is mandated to oversee implementation of budgets of the national and county governments by authorizing withdrawals from public funds.

2.2.6 Salaries and Remuneration Commission

34. The Salaries and Remuneration Commission's, to make the Commission's proposed allocation for FY 2021/22 is KSh. 621.38 million and they were not requesting for additional funding.