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NATIONAL ASSEMBLY

12<sup>TH</sup> PARLIAMENT – THIRD SESSION - 2019

DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL  
RESOURCES

REPORT ON BUDGET IMPLEMENTATION REVIEW FOR FOLLOWING  
MINISTRIES/DEPARTMENTS FOR THE FIRST HALF OF THE 2018/19  
FINANCIAL YEAR:

- a) MINISTRY OF WATER AND SANITATION
- b) MINISTRY OF ENVIRONMENT AND FORESTRY
- c) STATE DEPARTMENT OF MINING
- d) STATE DEPARTMENT OF WILDLIFE

DIRECTORATE OF COMMITTEE SERVICES,  
CLERK'S CHAMBERS,  
PARLIAMENT BUILDINGS,  
NAIROBI

THE NATIONAL ASSEMBLY  
PARLIAMENT BUILDINGS  
NAIROBI  
DATE: 14 SEP 2019  
SEPTEMBER, 2019

TABLED

BY:

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Hon. Karake Mburu

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## LIST OF ABBREVIATIONS AND ACRONYMS

Net Fund	-	National Environmental Trust Fund
NEMA	-	National Environmental Management Authority
KFS	-	Kenya Forest Service
KWTA	-	Kenya Water Towers Agency
KEFRI	-	Kenya Forest Research Institute
SAGAs	-	Semi Autonomous Government Agencies
MDAs	-	Ministries, Department and Agencies
GOK	-	Government of Kenya
RAP	-	Resettlement Action Plan
PSC	-	Public Service Commission
KWS	-	Kenya Wildlife Service



## FOREWORD

The Departmental Committee on Environment and Natural Resources, pursuant to Standing Order 216(5)(a), sought to establish the success of the MDAs under its purview in implementing the 2018/2019 Financial Year budget.

The Committee held a retreat on Budget Implementation Review for the First Half of the 2018/2019 Financial Year from 4<sup>th</sup> to 8<sup>th</sup> April, 2019 to review budget performance for the period for the entities it oversees. The review was meant to identify performance challenges in the MDAs and inform decision making in the subsequent budgeting cycle. The Committee interacted with the following entities and their SAGAs under them during the retreat: The Ministry of Water and Sanitation; The Ministry of Environment and Forestry, The State Department for Wildlife; and The State Department for Mining.

This report captures the essence of the engagements i.e. the presentations made on the subject by the MDAs, the observations made by the Members and the recommendations for future effectiveness in the implementation process of the budgets of the MDAs.

The Committee is thankful to the offices of the Speaker and that of the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings, preparation and the actual retreat.

On behalf of the Committee, and pursuant to Standing Order 199, it is my pleasant duty to table in the House the Report of the Departmental Committee Environment and Natural Resources on Budget Implementation Review for Following Ministries/Departments for the First Half of the 2018/19 Financial Year: Ministry of Water and Sanitation, Ministry of Environment and Forestry, State Department of Mining, and the State Department of Wildlife.



**THE HON. KAREKE MBIUKI, M.P.**  
**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND**  
**NATURAL RESOURCES**

## **EXECUTIVE SUMMARY**

The Departmental Committee on Environment and Natural Resources, pursuant to Standing Order 216(5)(a), sought to establish the success of the MDAs under its purview in implementing the 2018/2019 Financial Year budget during the first half of the financial year.

The Committee held a retreat on Budget Implementation Review for the First Half of the 2018/2019 Financial Year from 4<sup>th</sup> to 8<sup>th</sup> April, 2019 to review budget performance for the period for the entities it oversees. The review was meant to identify performance challenges in the MDAs and inform decision making in the subsequent budgeting cycle.

Upon engaging the MDAs, the committee made the following observations:

### **Ministry of Environment and Forestry**

1. There were low absorption rates across all the Ministries, Departments and Agencies due to delays in Exchequer releases. The delays in exchequer releases was as a result of revenue over estimation which leads to unavailability of funds when needs arise. This affects budget implementation in regards to missed targets more importantly for the ministry activities that depend on rainfall.
2. A lot of funds were being spent on rentals for the Ministry's offices and its Departments. It was noted that the Ministry of Environment has land which can be used to build Ministry headquarters which will house all the departments and agencies under the Ministry
3. The Committee noted that the moratorium on commercial plantation logging had seriously affected the A-I-A collection by the Kenya Forest Service. It was further noted that the aging trees with a life span of between 25 and 30 years were dying and wasted in the forest. Kenya Forest Service had not been compensated for the foregone A-I-A which was mostly for payment of salaries
4. The Kenya Forest Service was understaffed as per the International recommended ratio of Forest Ranger to forest area is 1:400 ha. However, in Kenya due to various reasons such as retirement, natural attrition and staff movements, the ratio had reduced to 1:1000 ha, making it difficult for effective forest protection.
5. On the issues of governance, the leadership in the State Agencies under the Ministry served on acting capacities for a very long period which hindered the agency's operations and resulted in delayed decision making.



6. The Kenya Meteorological Service was in the process of becoming a fully-fledged state corporation.
7. The Ministry was faced with challenges of huge pending bills totaling to Kshs. 974 million mainly arising from non-release of exchequer and budget cuts. The Committee noted that the pending bills were mostly under Kenya Meteorological Department resulting from procurement of equipment.
8. There was an audit team to assess the pending bills and that Kshs. 200 million worth of pending bills had been verified and that remaining Kshs. 700 million needed further verification.

#### **Ministry of Water and Sanitation**

1. There were low absorption rates across all the Ministries, Departments and Agencies due to delays in Exchequer releases. The delays in exchequer release affects budget implementation of various projects.
2. The Ministry development projects were heavily funded through external financing; however, the Committee was informed that the GOK counterpart funds were released late hence affecting budget Implementation.
3. The cost of consultancy was very high in the implementation of the mega water projects financed through donor funding and GOK projects. Whereas the Ministry has internal capacity, most of the consultants were sourced externally.
4. The committee noted that due to delays in payment (interest on late payments) Kshs. 550 million had been accumulated under the Siyoi Muruny project. Out of the total project pending bill, Kshs. 350 million was as a result of interest on late payments. Both components of the project were charging a combined daily idle plant personnel charge of 2.3 million and the total idle plant, time and personnel was about 1 billion, bringing the total pending bill to over 3.4 billion. The Committee noted that the project was on the verge of completely stalling which was likely to attract exorbitant arbitration expenses over and above the actual pending bills.

## **State Department of Mining**

1. The government won the case against by the Cortec Company which was at arbitration at the International Centre for Settlement of Investment Disputes. The company (Cortec) was claiming over US\$ 2 billion (KShs.200 billion) from the Government of Kenya in regards to Special Mining licence for the Mrima Hills for Niobiun and Rare Earths deposits in Kwale County. The Government was awarded about US\$ 3.3million plus and about US\$322,000 ICSID costs.
2. The process for getting the awards paid to the Government by Cortec Mining had been commenced by the Attorney General, while the process of classifying this important resource for Kenya as strategic mineral had been initiated by the Ministry with a view to enabling Government to make decision on the best way of developing the resource going forward.
3. The Committee noted that legal fees take up over 44% of the recurrent budget of the Ministry
4. The land for Kakamega Gold Refinery, the Vihiga Granite Processing and the Kisii Soapstone had been acquired and advertised for consultancy, shortlisted and evaluated, awarded contracts for feasibility studies which were to be completed in 60 days.
5. There was an increase in A-I-A from Kshs. 12 million to 40 million arising from the increase in requests for mining which increased prospecting fees (license) from miners and mining companies. Regional presence of 23 regional offices had enhanced mineral surveillance from mines to markets and appointment of a mineral audit team that was following up on pending arrears from mining companies and miners.
6. There were inconsistencies in the Mining Act, 2016 and consequently, the State Department was working on amendments of the Mining Act.

## **State Department for Wildlife**

1. The recurrent budget for the Wildlife Clubs of Kenya transfer was omitted in the printed estimates and that as at first half of the FY 2018/2019. WCK had been using reserves from its endowment fund, set up by African Fund for Endangered Wildlife. The Committee requested for more information on the fund to apprise it on the same.



2. Kenya Wildlife Service was allocated Kshs. 551 Million in the Financial Year 2018/2019 for the maintenance of classified roads within KWS parks. However, the funds had not been received as at the end of the first half of the Financial year.
3. Transfer of Programmes from one Ministry to another in the course of the FY hampered the budget implementation and delivery of outputs by the affected MDAs. This was in the case with the State Department for wildlife which was initially the Ministry of Tourism and Wildlife. The State Department reported delays in budget implementation due to the vote split of the Ministry of Tourism and Wildlife leading to creation of new Department vote
4. For the Kenya Wildlife Service to become financially sustainable, the service required Kshs 14 billion spread across 3 years
5. On the State Department's plan to deal with increase in snake bite cases, the Ministry of Health and that of Tourism and wildlife were in collaboration on the establishment of the country's own venom centers. The Department had also engaged in public education on how to curb snake bites as well as educating health workers on how to handle cases of snake bites.

The Committee, consequently, recommended that:

**Ministry of Environment and Forestry should:**

1. lift the ban on forest logging to increase the Kenya Forest A-I-A and to collect the funds to restore degraded forest areas as well as carry out other operations within the Service rather than fully relying on the exchequer.
2. recruit 1,500 Forest Rangers to replace 419 rangers who have exited the service for effective forest protection and conservation.
3. Prepare an audit report on pending bills to be submitted to the Committee and to the National Treasury. Further the National Treasury should allocate funds to clear the Ministry's verified pending bills to enable the Ministry implement targets for the FY 2018/2019.



**Ministry of Water and Sanitation should:**

1. Ensure that GOK funded projects engage the available technical resources within the government to conduct consultancy-project supervisions.
2. Ensure that land issues are cleared before signing of contracts to avoid delays in project implementation and loss of money as a result of idle time charges.
3. The National Treasury should disburse counterpart funds to ensure achievement of project targets and to avoid cost overruns/interest from the contractor due to pending payment.
4. Promote local contractors through the conditions in the financing agreements in the construction of water projects.

**State Department of Mining should:**

1. Ensure proper monitoring of royalties through mining inspection systems to generate more income.
2. Fast track the amendments in the Mining Act, 2016 to seal the gaps and inconsistencies therein.
3. Come up with regulations which sets out clearly the royalties expected from each mineral to enhance revenue generation and to seal the loopholes experienced.
4. Establish the National Mining Corporation as per section 22,23,24 of the Mining Act. There is need to allocate Kshs. 200 million to the staffing and capacity building in National Mining Corporation which is the investment arm of the Government in the Mining Sector as per the Mining Act, 2016.

**State Department for Wildlife should:**

1. Ensure that the Kenya Wildlife Service provided more detailed information on the Endowment Fund and regulations put in place on the use of the Fund for operations.
2. Liaise with the National Treasury to ensure timely release of funds to ensure smooth implementation of the budget.
3. Coordinate with other stakeholders to ensure that the transfer of Programmes from one Ministry to another should be done at the beginning of the FY rather than in the course of the year and that the National Treasury should ensure that the transfers do not affect project implementations.

## 1.0 PREFACE

### 1.1 Establishment and Mandate of the Committee

The Departmental Committee on Environment and Natural Resources is one of the fifteen (15) Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates, pursuant to the *Standing Order 216 (5)*, are as follows:

- a) **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;**
- b) To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;
- c) To study and review all the legislation referred to it;
- d) 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;
- e) 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;
- f) 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);
- g) To examine treaties, agreements and conventions;
- h) To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- i) To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
- j) To examine any questions raised by Members on a matter within its mandate.

The subject matter of the Departmental Committee on Environment and Natural Resources are stated in the Second Schedule of the National Assembly Standing Orders No. 216 (f) as follows: climate change, environment management and conservation, forestry, water resource management, wildlife, mining and natural resources, pollution and waste management.

### 1.2 Oversight

In executing its mandate, the Committee oversees the following State Departments, namely:

- The Ministry of Water and Sanitation;
- The Ministry of Environment and Forestry;
- The State Department for Wildlife; and
- The State Department for Mining



### 1.3 Committee Membership

The Committee on Environment and Natural Resources was constituted by the House in December, 2017 and comprises of the following Members: -

No.	Name	Constituency	Party
1.	<b>The Hon. Kareke Mbiuki, M.P.,</b> Chairperson	Maara	Jubilee Party
2.	<b>The Hon. Sophia Abdi Noor, M.P.</b> Vice Chairperson	Ijaara	PDR
3.	The Hon. Benjamin Jomo Washiali, M.P., CBS	Mumias East	Jubilee Party
4.	The Hon. David Kangogo Bowen, M.P.	Marakwet East	Jubilee Party
5.	The Hon. Francis Chachu Ganya, M.P.	North Horr	FAP
6.	The Hon. Ali Wario Guyo, M.P.	Garsen	Wiper Party
7.	The Hon. Beatrice Cherono Kones, M.P.	Bomet East	Jubilee Party
8.	The Hon. Charity Kathambi Chepkwony, M.P	Njoro	Jubilee Party
9.	The Hon. Hilary Kiplang'at Kosgei, M.P.	Kipkelion West	Jubilee Party
10.	The Hon. Peter Kimari Kihara, M.P	Mathioya	Jubilee Party
11.	The Hon. Benjamin Dalu Tayari, MP.	Kinango	ODM
12.	The Hon. Charles Ong'ondo Were, M.P.	Kasipul	ODM
13.	The Hon. Nasri Sahal Ibrahim, M.P.	Nominated	FORD K
14.	The Hon. Rozaah Buyu. M.P.	Kisumu County	ODM
15.	The Hon. Said Hiribae, M.P.	Galole	FORD K
16.	The Hon. Hassan Oda Hulufo, M.P.	Isiolo North	KPP
17.	The Hon. Amin Deddy Mohamed Ali, M.P.	Laikipia East	Jubilee Party
18.	The Hon. Rehema Hassan, M.P.	Tana River County	MCC
19.	The Hon. (Eng.) Paul Musyimi Nzengu, M.P.	Mwingi North	Wiper Party

**Committee Secretariat**

- |                             |                          |
|-----------------------------|--------------------------|
| 1. Ms. Esther Nginyo        | - Second Clerk Assistant |
| 2. Mr. Dennis Mogare Ogechi | - Second Clerk Assistant |
| 3. Mr. Sydney Lugaga        | - Legal Counsel I        |
| 4. Ms. Winnie Kulei         | - Research officer III   |
| 5. Ms. Yunis Amran          | - Fiscal Analyst III     |
| 6. Mr. Stanley Lagat        | - Serjeant-at-Arms I     |



## **2.0 BUDGET IMPLEMENTATION FOR THE FIRST HALF OF THE 2018/19 FY.**

The Committee Departmental Committee on Environment and Natural Resources is mandated, among others, pursuant Standing Order 216(5) “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.”

In order to actualize its mandate, the Committee held a Retreat on Budget Implementation Review for the First Half of the 2018/2019 Financial Year to review budget performance for the period for the entities under its oversight. The review was meant to identify performance challenges in the MDAs and inform decision making in the subsequent budgeting cycle. The Committee interacted with the following entities and the SAGAs under them during the retreat:

- a) Ministry of Water and Sanitation
- b) Ministry of Environment and Forestry
- c) State Department of Mining
- d) State Department of Wildlife

### **2.1 Meeting with the Principal Secretary for Environment and Forestry**

The Principal Secretary, Ministry of Environment and Forestry, Dr. Ibrahim Mohamed, appeared before the Committee on 5<sup>th</sup> April, 2019 and informed it that:

1. The strategic objectives of the Ministry were to:
  - a) Provide policy, legal and integrated planning framework for sustainable management of environment and natural resources;
  - b) Protect and conserve the environment and natural resources in order to establish a durable and sustainable system of development;
  - c) Create and coordinate partnerships and collaboration for resource mobilization, and capacity development necessary for sustainable management of environment and natural resources;
  - d) Promote research, development and the adoption of appropriate technology for the management of environment and natural resources.
2. The Semi-Autonomous Government Agencies (SAGAs) and other Institutions under the Ministry include:
  - a) National Environmental Management Authority (NEMA).
  - b) National Environmental Trust Fund (Net Fund).
  - c) Kenya Forest Service (KFS).
  - d) Kenya Forest Research Institute (KEFRI).
  - e) Kenya Water Towers Agency (KWTA).
  - f) National Environment Complaints Committee.

3. The programs being run in the Ministry include:
  - a) Environment Management and Protection;
  - b) Meteorological Services;
  - c) Forests and Water Towers Conservation and Management;
  - d) General Administration, Planning and Support Services
  - e) Resource Surveys and Remote Sensing
4. Summary of Budgetary Allocation Vs expenditure FY 2018/19 was as follows:

### Summary of Budgetary allocation Vs expenditure FY 2018/19

Vote 1108	Printed Estimates FY2018/19 (Kshs Millions)	Supplementary Estimates I FY2018/19 (b) (Kshs Millions)	1 <sup>st</sup> Half Allocation (Kshs Millions)	1 <sup>st</sup> Half Actual Expenditure (a) (Kshs Millions)	% Absorption FY 2018/19 (a)/(b)
RECURRENT	10,096	9,960	4,980	4,040	41%
DEVELOPMENT	6,003	6,003	3,002	1,088	18%
TOTAL	16,099	15,963	7,982	5,128	32%

5. Summary of achievements in the 1st Half FY 2018/19 were as follows:
  - a) KEFRI
    - Planted and maintained 20 Ha of seed orchards of Melia Vokensii and Acacia Tortilis in Kitui,
    - Constructed 1 greenhouse in Kibwezi,
    - Developed 120 research findings for dissemination to farmers,
    - Constructed 2 farmers resource center in Migori and Taita Taveta,
    - Installed 1 water hydrant in Kitui.
  - b) KFS
    - Repossessed 791 Ha in Elgeyo Marakwet, Uasin Gishu and Kericho/Bomet counties
    - Produced 760,000 indigenous tree seedlings through Community Forest Association
    - Rehabilitated 297,457 ha of water towers in the 5 water towers (Mt Kenya, Aberdares, Mau, Cheranganyi and Mt Elgon forest ecosystem)



- c) KWTA
    - Protected 125,500ha of water towers in the 5 water towers namely Mau Forest Complex, Mount Kenya, Aberdares, Cherangani Hills and Mt. Elgon.
    - 3 status report (Chyulu and S. West Mau, Mt Elgon and Cherangany, and Endau Hills and Lerroghi) forwarded to the Ministry for onward transmission to Parliament.
  - d) NEMA
    - Rehabilitated 150 acres of mangrove ecosystem in Kilifi and Kwale,
    - Monitored compliance to environmental regulations in 47 counties,
    - Draft plastic management regulations presented to stakeholders,
    - Monitored waste management strategy in 47 counties,
    - Issued 2,276 EIA licenses as per the regulations,
    - Mapped 102 industries from 14 counties namely Kisumu, Kericho, Nandi, Bomet, Kisii, Nyamira, Homabay, Narok, Bungoma, Kakamega, Vihiga, Elgeyo Marakwet, Nakuru and Uasin Gishu
    - Prosecuted 100% environmental cases received (30 cases)
  - e) NETFUND
    - Supported 6 green innovations
    - Supported 1 research project on environmental management
    - Developed 3 bankable/ investment proposals and submitted to relevant climate change financiers
  - f) HEADQUARTERS
    - Rehabilitated and protected 10Kms of urban rivers by removal of sludge from Nairobi West to First Avenue Eastleigh
    - Planted 100,000 seedlings of indigenous species on riparian land under Urban Rivers Restoration Programme,
    - Developed 1 climate change regulations on implementation of the climate change act,
    - Promoted 2 green growth technology,
    - Implemented 3 of environmental policies on environment
  - g) DRSRS
    - Carried out Geospatial mapping of Suswa lake Magadi ecosystem in preparation for restoration programme,
    - Carried out Geospatial mapping of environmental hotspots on Nairobi river
6. Challenges Faced During The 1st Half FY 2018/19 Budget Implementation include:
- a) Pending Bills: The Ministry has pending bills totaling more than 900 Million dating from the FY 2016/17. These bills have been occasioned by lack of exchequer and budget cuts. Most of them relate to the Kenya Meteorological Department

- b) Lack of funds to achieve 10% tree cover: The Ministry lacks funds to Implement the Presidential directive on fast tracking the realization of the 10% tree cover by 2022 instead of 2030.
  - c) Human Resource Challenges: High staff turnover through transfers to other ministries and retirements without replacement;
  - d) Succession gaps due to the freeze on recruitment by PSC.
  - e) Inadequate office space for the staff
  - f) Budget cuts: The Ministry experienced austerity measures that resulted in budget cuts on the recurrent budget in the first half of 2018/19 amounting to Kshs. 136 Million which affected achievement of ministry's objectives.
  - g) Delay in exchequer releases: During the 1st half of financial year 2018/19, the Ministry did not receive development exchequer totalling Kshs 847Million derailing implementation of the projects.
7. Priority areas not funded include:
- a) Implementation of National Climate Change Action Plan 2019-22
  - b) Operationalization of the Forest conservation and Management Trust Fund
  - c) Implementation of the forest taskforce and national assembly recommendations on forest sector reforms
  - d) Implementation of Green Economy Strategy and Plan
  - e) Implementation of Natural Mangroves Master Plan
  - f) Validating regulations for operationalizing of the new Forest Conservation and Management Act 2016
  - g) There is no budget to manage the newly gazetted forest areas in different parts of the country.

## **2.2 Meeting with the Principal Secretary, Ministry of Water and Sanitation**

The Principal Secretary, Ministry of Water and Sanitation, Mr. Joseph Irungu, appeared before the Committee on 5<sup>th</sup> April, 2019 and informed it that:

1. The water sub-sector's overall goal was to provide access to adequate water for domestic, livestock, irrigation, industrial and other uses. The specific objectives to achieve this were:
  - a) To provide policy, legal and integrated planning framework for sustainable management of water resources.
  - b) To enhance access to safe water and improved sanitation for better health and spur social-economic development
  - c) To create and coordinate partnerships and collaboration for resource mobilization, capacity Development and support devolution for sustainable management of water resources.
  - d) To promote research, development and adoption of appropriate technology for the management of water resources.



- e) To enhance sustainable management; protection and conservation of water resources for improved water quality and availability
2. In order to achieve the objectives, the Ministry implemented the following three (4) programmes during the Financial Year 2018/19: General Administration, Planning and Support Services, Water Resources Management, Water storage and flood control, Water and Sewerage Infrastructure Development.
  3. The Ministry's total allocation for the F/Y 2018/19 was Kshs. 52,914.5 million. The allocation comprised of Recurrent expenditure of Kshs. 4,143.1 million and Development/Capital expenditure of Kshs. 48,771.4 million. The Supplementary I budget for FY 2018/19 reduced the Recurrent budget by Kshs. 73.8 million from Kshs. 4,143.1 million to Kshs. 4,069.3 million.
  4. The overall utilization of Recurrent budget for the first half is Kshs. 1,795 million which was 44% of the first half year provision. The Development budget utilization was Kshs. 15,816 million which was 32% of the full year allocation.
  5. The Table below shows the utilization/absorption per Programme.

**ANALYSIS OF 2018/19 RECURRENT & DEVELOPMENT APPROVED BUDGET Vs ACTUAL EXPENDITURE AMOUNT (KSH.MILLIONS)**

Programmes	Approved Full Year Budget		First Half Expenditure		Percentage (%) Utilization	
	Recurrent Budget	Development Budget	Recurrent Exp	Development Exp	Recurrent	Development
	Kshs. Millions					
<b>P.1 General Administration, Planning and Support Services</b>	360	-	284	-	79%	
<b>P. 2 Water Resources Management</b>	1,204	5,786	397	1,041	33%	18%
<b>P.3 Water and Sewerage infrastructure Development</b>	2,415	32,586	1,103	8,852	46%	27%
<b>P.4. Water Storage and Flood Control</b>	43	10,394	4	5,924	10%	57%
<b>Net Expenditure</b>	<b>4,021</b>	<b>48,766</b>	<b>1,791</b>	<b>15,816</b>	<b>44%</b>	<b>32%</b>

6. During the Financial Year 2018/19, the Ministry had received a total exchequer amounting to **Ksh. 6.228 billion**. Out of this **Ksh. 1.538 billion** was for Recurrent budget and **Ksh. 4.690 billion** for Development budget (includes GOK and Donor Revenue)
7. Key Achievements for the FY 2018/19 per program were as follows:
  - a) **General Administration, Planning and Support Services:** Ministry had been developing a new National Water Policy, to align the sector with the Constitution, and



- the Water Act 2016. The Ministry was overseeing the transition to new institutions established under the Water Act 2016 and formulation of regulations and strategies.
- b) **Water Resources Management:** Water being a shared resource, Ministry was working towards equitable sharing of water resources among Counties.
  - c) **Water Storage and Flood Control:** The construction of three dams namely Thwake in Kitui/ Makueni counties, Siyoi Muruny in West Pokot and Itare in Nakuru County were ongoing. The construction of Mwache in Kwale County, Bosto in Bomet County, and Karemuni in Kiambu County was to commence shortly afterwards. The Ministry was also fast tracking those at the planning stage to reach construction stage. The Ministry was also undertaking construction of 100 small dams/pans in 25 ASAL Counties. All these will increase water storage capacity by 623 Million Cubic Metres.
  - d) **Water and Sewerage Infrastructure Development:** The Ministry had progressively increased national water coverage through construction of water projects in large towns (Kisumu, Mombasa, Nairobi); medium towns (Kitui, Nyahururu, Isiolo, Embu, Matuu, Migori, Siaya/Bondo, Keroka, Isabenia, Narok, Maua I, Othaya, Mukurweini, Kandara, Muranga); small towns (Kajiado, Wote, Masalani, Migwani, Rumuruti, Chesikaki-Sirisia, Iten, Tambach). Other rural projects completed include Baringo rural water supply project, Mkanda dam, Yatta canal, Eldas, Nyalani, Kapcherop, and Kwanza.

On sewerage, the Ministry has increased urban sewerage coverage through improving sewerage facilities in Nairobi and its satellite towns; augmentation of sewerage facilities in Mombasa, Kisumu, Nakuru, Eldoret, Kitale, Garissa, Nanyuki, Homabay, Meru, Embu, Kericho and Machakos.

8. Challenges in Budget Implementation included:

- a) Budget cuts and rationalization by the National Treasury experienced midstream the implementation period disorganizes the Ministry's annual work plan and affects project implementation and realization of outputs.
- b) The delays in timely release of the exchequer by the National Treasury. This delayed the implementation of projects and was likely to result to accumulation of Pending Bills and escalation of the project cost.
- c) The inadequate funding to cater for GoK counterpart for donor funded projects occasion's delays in project implementation especially on activities undertaken through the GOK budget component.
- d) Funds for Resettlement Action Plan.

For the priority projects to be realised the Ministry required **Kshs. 18.36 Billion** in FY 2018/19 for implementation of Resettlement Action Plans (RAP) towards land compensation. The projects involved were: Lower Nzoia Project, Mwache dam, Karimenu II dam, Ruiru II dam, Kenya sustainable towns water supply and sanitation, northern collector raw and treated water transmission pipeline, northern collector tunnel project.

### 2.3 Meeting with the Principal Secretary, State Department of Mining



The Principal Secretary, State Department of Mining, Mr. John Omenge, appeared before the Committee on 6<sup>th</sup> April, 2019 and informed it that:

1. The State Department for Mining total approved budget for the Financial Year 2018/19 was **Kshs 1,296,216,695** consisting of **Kshs 1,284,216,695** Exchequer allocation and **Kshs 12,000,000** AIA. However, this was later reduced to total of **Kshs 1,210,424,978** consisting of **Kshs 1,198,424,974** Exchequer allocation and **Kshs 12,000,000** AIA in the Supplementary Estimates No. 1 of the Financial Year 2018/19.
2. The Reduction in the budget was under the Recurrent Vote and amounted to **Kshs 85,791,717** targeting the Operations & Maintenance cost items. Gratefully there was no reduction in the Development vote.

#### Total Approved Budget

Description	Draft Estimates 2018/19	Revised Estimates No I 2018/19
Recurrent Net	959,216,695	873,424,978
Recurrent AIA	12,000,000	12,000,000
Development	325,000,000	325,000,000
<b>Grand Total</b>	<b>1,296,216,695</b>	<b>1,210,424,978</b>

3. The Appropriation in Aid (Recurrent A.I.A) is derived from Prospecting fees, Laboratory fees, Inspection fees and Explosives Licensing totalling **Kshs. 12,000,000** in the directorates of Mines and Geological Survey.
4. The overall budget absorption for the State Department as at 31<sup>st</sup> December 2018 was **93%** with a budget utilization of **Kshs 552,693,842** in both Recurrent and Development votes, out of an allocation of a Half year allocation of **Kshs 599,212,489** from the Exchequer (G.O.K) as indicated in Table below.

#### Overall Budget Absorption

Description	2018/19 Allocation	1 <sup>st</sup> Half Allocation 2018/19	Expenditure as at 30-12-2018	Utilization
Recurrent	873,424,978	436,712,489	428,088,377	98%
Development	325,000,000	162,500,000	124,605,465	76%
<b>Grand Total</b>	<b>1,198,424,978</b>	<b>599,212,489</b>	<b>552,693,842,</b>	<b>93%</b>

5. The State Department had the following achievements in the period under review:
  - a) **Broadened mineral revenue sources** through: Monitoring exports and imports of minerals, Constitution of mineral audit committee, Updating of Mining Cadastre



system by activation of additional reporting and compliance modules, Development of an in-house Integrated Management Information Reporting System (IMIRS).

**Result:** Increased mineral production and exports whereby the country earned about US\$301.5 million in 2018 as compared to earnings of about US\$233 in 2017 indicating an increase of US\$68 million (Kenya Shillings 6.8 Billion).

- b) **Marketing, awareness creation and showcasing of Kenya's mineral potential** through National, County and International fora:

**Result:** Remarkable increase in the interest shown for Kenya's Mining Sector as indicated by the increased numbers of applications received by Government in 2018 compared to 2017 as follows: Mining license 13 to 20; mining permits 22 to 42; prospective permits 26 to 75; prospective licenses 51 to 95; dealer's licenses 172 to 322; and dealers' permits 8 to 20.

- c) **Improved service delivery through decentralized services** by: Increase by Government of number of Regional Offices in major mining regions from 12 to 23 by addition of 11 new ones (Busia, Lodwar, Elgeyo Marakwet, Kisii, Nairobi West, Nairobi Jomo Kenyatta International Airport- JKIA, Nairobi East, Mwingi, Hola, Malindi, Likoni), Opening mining offices at the country's major entry & exit points and Border points to monitor movement of minerals, Improved institutional capacity by establishment of the National Mining Corporation (NMC) and strengthening of both the Mineral Rights Board (MRB) and Geologists Registration Board (GRB) to enhance mining sector performance and carry out special mandates, Tracking projects implementation in the Government Performance Reporting System (GPRS)

**Result:** Licenses and permits granted increased in 2018 from number of 2017 as follows: Mining licenses 0 to 1; mining permits 0 to 17; prospecting license 20 to 30; and dealers' license 21 to 140.

- d) **Cortec Mining vs GoK Arbitration** - Government won the case and was awarded about US\$ 3.3million plus and about US\$322,000 ICSID costs.

**Result:** The process for getting the awards paid to the Government by Cortec Mining has commenced by the Attorney General, while the process of classifying this important resource for Kenya as strategic mineral has been initiated by the Ministry with a view to enabling Government make decision as to the best way of developing the resource going forward.

- e) **Establishment of Mineral Value Addition projects** through: Development of Voi Gemstone and Value Addition Centre – Building complete, equipment installed, undergoing tests and set for commissioning in 2019, Development of Kakamega Gold Refinery, Vihiga Granite Processing Plant and Kisii Soapstone and Value Addition Centre for which preliminary activities and tendering for feasibility studies were well underway for decision making by end of June best way to implement the projects.



**Result:** Implementation of mineral value addition projects will position Kenya better in maximizing on gains to be made from mineral projects and contribute to industrialization and growth of the Mining Sector.

**f) Establishment of mineral based industries for the Big 4 Agenda:**

- Iron and manganese ore for steel industries in Kitui, Tharaka Nithi, Taita Taveta and Kilifi Counties
- Silica sand for manufacture for sheet glass not currently being done locally and increased making of container glass and sodium silicate for soap industries in Kilifi and Kwale Counties with limestone, soda ash and barites from other counties
- Ceramics using clays found in Nyeri, Murang'a, Kisii, Nyamira, Kajiado, Kitui and Migori Counties
- Gypsum for making of construction materials and other products in Tana River, Garissa, Wajir, Kitui and Turkana Counties.
- Diatomite for making fillers, and as carrier material for pesticides and herbicides; for food preservation in Baringo and Nakuru Counties
- Potash- rich limestone for fertilizer making along the triple-point boundary of Kericho, Nandi and Kisumu Counties
- Making of tiles for cladding, bricks and blocks from tuffs in Nyeri, Kwale and Kilifi Counties
- Various construction materials for artisanal and small scale production from all our counties

**Result:** The Government has identified opportunities for establishment of mineral based industries that would create employment, manufacture of goods for local and export markets, contribute, industrial and wealth creation and facilitate the Big 4 Agenda and commenced measures to implement the same round the country.

**g) Engagement with County Governments**

Government has held investment meetings jointly with the County Governments with the aim of improving understanding of roles of National Government, County Governments, Communities and investors working in Kitui, Taita Taveta, Migori, Vihiga, Kakamega, Samburu, Kisii, Kericho, Elgeyo Marakwet and Nandi Counties. Meetings were held for Counties.

**Result:** It is the intention of Government to use these fora to help establish Artisanal Small-scale Mining Committees (ASM) for all 47 counties as well as Community Development Agreement (CDA) Committees for all the major mining projects throughout the country; and in resolving any disagreements arising between parties engaged in the mining ventures.

**h) Supporting Inclusive Mineral Resources Development Through Formalization of Activities:** Government is rolling out process for enabling formation of Association consisting of 10 to 15 persons each to enable them get support from Youth Enterprise Fund (YEF), Women Enterprise Fund (WEF) and Uwezo Fund.

**Result:** In supporting these associations and cooperatives, Government is linking them with development partners to help the groups with equipment and capacity building including financial literacy.

**i) Additional Budgetary Support**

Under the World Bank KEPTAP, Mining has been allocated **US\$5,000,000 (KShs 500,000,000)** in the 2018/2019 Financial Year.

6. The Kenyan mining sector is faced with the following challenges for which the following solutions have been proposed:

No	Challenge / Issue	Proposed interventions
i.	Under-Exploration (Only 85% of Kenya's surface area has been geologically mapped)	<ul style="list-style-type: none"> <li>• Intensify mapping and exploration by the State Department for Mining including Nationwide air borne survey</li> <li>• Promote investments in exploration by the private sector</li> </ul>
ii	Availability of up to date Geological and mineral data	<ul style="list-style-type: none"> <li>• Establishment of National Geo-data Centre at Madini</li> </ul>
iii	Access to land for exploration and mining	<ul style="list-style-type: none"> <li>• Stakeholder negotiations / consultations and participation approach of key stakeholders (communities, county governments, National Land Commission, private land owners, National Government administrators)</li> </ul>
iv	Safeguarding quarrying sites from encroachment (these are important source of construction materials for infrastructural development)	<ul style="list-style-type: none"> <li>• Undertake baseline survey to identify areas with construction minerals</li> <li>• Carry out land use zoning to protect the identified areas from other land use encroachment</li> </ul>
v	Mainstreaming artisanal mining – despite providing employment and livelihood to the local communities the operations are haphazard, unlicensed and invade other concession areas resulting in conflicts	<ul style="list-style-type: none"> <li>• Formalization of Artisanal Mining as per the provisions of the Mining Act 2016</li> <li>• Establishment of Artisanal Mining Committees at each county for permitting of Artisanal Mining</li> <li>• Identifying and setting aside areas for artisanal mining operations</li> </ul>



<b>vi</b>	Lack of framework / Regulations for royalty sharing are not yet in place as provided in the Mining Act – 70%, 20% and 10%	<ul style="list-style-type: none"> <li>• Draft Minerals Royalty Fund Regulations drafted and forwarded to the National Treasury in late 2017. Still awaiting response from the Treasury</li> </ul>
<b>vii</b>	Capacitating enabling institutions- (Establishment of the National Mining Corporation, National Mining Institute, Staffing levels, Capacity building & funding)	<ul style="list-style-type: none"> <li>• Development of enabling legal framework &amp; regulations for the institutions</li> <li>• Lobbying for allocation of funds for establishment of institutions and capacity building</li> </ul>
<b>viii</b>	De-mystification of mining, political interference, management of community expectations, environmental protection	<ul style="list-style-type: none"> <li>• Dissemination, sensitisation of the populace on the provisions of the Mining Act 2016</li> <li>• sensitisation of artisanal miners on Mine Health, Safety and protection of the Environment including alternative gold recovery instead of use of mercury</li> </ul>
<b>ix</b>	Inconsistencies errors and omissions in the Mining Act 2016, posing implementation challenges	<ul style="list-style-type: none"> <li>• Proposed amendments of the Mining Act 2016</li> </ul>

7. Some of the major budget shortfalls both in the Recurrent and Development vote in the Financial Year 2018/19 that were not funded include:

<b>Program</b>	<b>Requirements 2018/19</b>	<b>Allocation 2018/19</b>	<b>Gap</b>	<b>Implications</b>
Personnel Emoluments	446,000,000	366,639,314	79,360,686	Recruitment of additional Technical staff (Geologist, inspectors of mines and explosives)
Mineral Rights Board	100,000,000	5,300,000	94,000,000	Board that advises the Cabinet Secretary on matters of issuance of Mining Rights
Geologist Registration Board	100,000,000	0	100,000,000	The institution that Regulates Geologist and

				Geological practise in Kenya
Minerals & Metals Commodity exchange.	100,000,000	0	100,000,000	Public investment platform for commodities and metals
National Mining Institute	100,000,000	0	100,000,000	Institute that will develop tertiary training in Technical areas of Mining
National Mining Corporation	200,000,000	1,709,111	198,290,889	Corporation will be the investment arm of the Government in Mining
Artisanal & small scale Mining committees	50,000,000	0	50,000,000	The committees will aid in formalization of artisanal & small scale miners
Training	68,376,428	6,387,600	61,988,828	Affect roll out of specialized training and promotional courses.
Geo-exploration and Research	126,000,000	10,000,000	116,000,000	Funds for geo-exploration of mineral resources, geological surveys, assessment, verification of minerals
Digitization of Mining concessions records.	70,000,000	0	70,000,000	Affect data automation & protection of mining concessions & other important records
Survey & Rehabilitation	140,000,000	0	140,000,000	Affect survey & rehabilitation of abandoned mines in



of abandoned mines				Migori, Taita-Taveta, Kilifi & Kisumu counties
Acquisition of Mines inspectorate equipment	200,000,000	0	200,000,000	Affect acquisition of seismographs and mines safety equipment.
Kenya Seismological Network	160,000,000	0	160,000,000	Affect the roll out of a network for monitoring earth tremors and other seismic activity in Kenya
Coal exploration in Kilifi & Kwale Counties	80,000,000	0	80,000,000	Affect Geo exploration activities to establish economic viability of coal deposits in Kwale & Kilifi Counties
Mineral promotion & Value Addition	260,000,000	6,800,230	253,199,770	Affect the initiatives of marketing Kenya as a mineral hub to the existing and new clients.
<b>BUDGETARY DEFECIT</b>			<b>1,802,840,173</b>	

The State Department for Mining was appealing for an additional **Kshs 1,802,840,173** in the Financial Year 2018/19 budget to enable it achieve its expanded mandate as envisaged in the Mining Act 2016 and the Vision 2030.

#### **2.4 Meeting with the Principal Secretary, State Department of Wildlife**

The Principal Secretary, State Department of Wildlife, Dr. Susan Koech, appeared before the committee on 6<sup>th</sup> April, 2019 and informed it that:

1. The mandate of the state department was: Wildlife Conservation and Policy; Protection of Wildlife Heritage; Management of National Parks, Reserves and Marine Parks; Wildlife Conservation Training and research; Wildlife Conservation and Protection Education and Awareness; Wildlife Biodiversity Management and Protection; Collaboration with Wildlife Clubs of Kenya; Management of Wildlife Dispersal Areas in collaboration with Partners.

2. The objective of the department was to sustainably conserve and manage Kenya's wildlife through the following programs: Wildlife Security, Conservation & Management, Wildlife Research and Development, Administration Services.
3. The department had one Semi-Autonomous Government Agency-SAGA i.e. Kenya Wildlife Service (KWS). In addition, The State Department collaborates with Wildlife Clubs of Kenya as per executive order No.1/2018.
4. The actual financial and non-financial performance for the first half of 2018/19 fiscal year was as tabulated below:

**Actual Financial and Non-Financial Performance for the First Half of 2018/19 fiscal year. (Economic Classification)-Recurrent Expenditure-Ksh. Millions**

Economic classification	Printed estimates 2018/19	Supplementary Estimates (A)	Cumulative Expenditure as at 31 <sup>st</sup> Dec. 2018 (B)	Cumulative Expenditure as at 31 <sup>st</sup> March. 2019 (C)	Absorption rate (C/A)%	Remarks
<b>Gross</b>	<b>6,394</b>	<b>5,564</b>	<b>3,196</b>	<b>4,834</b>	<b>86.7</b>	
Appropriations in Aid (A-i-A)	3,347	3,347	2,608	3,371	100.7	<ul style="list-style-type: none"> <li>✓ Collected by SAGAs</li> <li>✓ KWS ksh.3,363 M</li> <li>✓ WcK ksh.8M</li> <li>✓ Target AIA Collection for KWS increased by Ksh.500 m in Supplementary II to Ksh.3,837 M due to favorable operating environment.</li> </ul>
NET (GoK)	3,047	2,217	588	1,463	65.9	
Compensation to Employees	124	93	25	49	52.7	<ul style="list-style-type: none"> <li>✓ Salaries at the State Department HQs</li> <li>✓ The approval to recruit Technical officers for Wildlife Conservation Department has been granted by The National Treasury( TNT)</li> <li>✓ Recruitment Process is in progress.</li> <li>✓ This will positively affect the absorption rate.</li> </ul>



**Actual Financial and Non-Financial Performance for the First Half of 2018/19 fiscal year. (Economic Classification)-Recurrent Expenditure(Ksh. Millions)**

Economic classification	Printed estimates 2018/19	Supplementary I Estimates (A)	Cumulative Expenditure as at 31 <sup>st</sup> Dec. 2018 (B)	Cumulative Expenditure as at 31 <sup>st</sup> March. 2019 (C)	Absorption rate (C/A)%	Remarks <sup>77</sup>
Transfers to Sagas	2,153	1,572	538	1,061	67.5	✓ 2 <sup>nd</sup> & 3 <sup>rd</sup> Quarter Transfer to KWS However,WCK transfer was omitted in the printed estimates. It has been considered for reinstatement in the supplementary II.
Use of goods and Services	206	137	18.8	89	64.9	✓ Operations and Maintenance at State Departments HQs
Compensation to HWC	525	382	6.2	265	69.4	✓ Out of Ksh.525 M ,Ksh.65 M was disbursed to Victims in the 1 <sup>st</sup> Quarter of this FY. List of beneficiaries attached in <b>Annex 1</b> . ✓ Out of Ksh.382 M,Ksh.260 M has been released to KWS for disbursement to Victims. <b>Annex II</b>

**Actual Financial and Non-Financial Performance for the First Half of 2018/19 fiscal year. (Economic Classification)-Recurrent Expenditure-Cont' (Ksh. Millions)**

Economic classification	Printed estimates 2018/19	Supplementary I Estimates (A)	Cumulative Expenditure as at 31 <sup>st</sup> Dec. 2018(B)	Cumulative Expenditure as at 31 <sup>st</sup> March. 2019(C)	Absorption rate (C/A)%	Remarks
Boundary Disputes in Tsavo Area	39	33	0	6.3	19	<ul style="list-style-type: none"> <li>✓ Facilitation of the Inter-Agency Committee on Tsavo Conservation Area as a result of complaints from communities bordering the Parks.</li> <li>✓ The Committee recommended that the State Department undertakes;                             <ol style="list-style-type: none"> <li>1. Alignment, marking, mapping and boundary identification in all disputed areas within Tsavo Conservation Area.</li> <li>2. Sink boreholes in Mwakitau, Sagala, Mwakishinyi and Tolami areas.</li> </ol> </li> <li>✓ Technical Team from the State Department for Irrigation have already visited the proposed site and conducted the hydrological survey.</li> <li>✓ Procurement process is ongoing.</li> </ul>

✓ Cumulative expenditure is based on Supplementary I

✓ Low absorption as at 31<sup>st</sup> Dec. 2018 was due to split of the Ministry of Tourism and Wildlife leading to creation of new Department vote which delayed the expenditure.

Actual Financial Performance for the First Half of 2018/19 FY. (Economic Classification) for WCK-Recurrent

Economic classification	Printed estimates 2018/19	Supplementary 1 Estimates (A)	Cumulative Expenditure as at 31st Dec. 2018(B)	Cumulative Expenditure as at 31st March, 2019(C)	Absorption rate (C/A)%	Remarks
<b>GROSS</b>	10	10	5.2	8		
AJA Internally generated revenue	10	10	5.2	8	80	✓ Recurrent Budget for WCK transfer was omitted in the printed estimates. It has been Considered for reinstatement in the supplementary 11.
Net	0	0	0	0		✓ Wck has so far been using Reserves from its Endowment fund, set up by "African Fund for Endangered Wildlife" (AFEW) meant for Education Programmes.
Compensation of Employees	29	29	14.4	21.6	74.5	
Other Operating Expenses	10	10	5.2	8	80	✓ This will be regularized once the Ksh.29 Million is received from TNT in Supplementary 11.

Actual Financial and Non-Financial Performance for the First Half of FY 2018/19 . (Ksh.Millions) - (Economic Classification)-Capital Expenditure

Economic Classification	Printed estimate \$	Supplementary 1 Estimates FY 2018/19	Appropriation In ~Aid		Cumulative Commitment Expenditure 31 <sup>st</sup> -12-2019	Cumulative Commitment Expenditure 31 <sup>st</sup> -03-2019(B)	Remarks
			Budgeted	Receipts			
Capital Transfers	1,111	1,111	-	-	433	780.9	✓ GoK Transfer to KWS and WCK for 1 <sup>st</sup> , 2 <sup>nd</sup> & 3 <sup>rd</sup> Quarter Capital Projects processed but still a waiting Exchequer.
Other O&M Expenses	14.5	7.2	-	-	0	5.4	
<b>Totals</b>	<b>1,125.5</b>	<b>1,118.2</b>	-	-	<b>433</b>	<b>783.6</b>	✓ AFD Allocation of Ksh .135 Million already received by KWS.



5. KWS was allocated Ksh. 551 Million in the Financial Year 2018/19. This budgetary allocation was for Maintenance of Classified roads within KWS Parks. This allocation had not-yet to been received from KRB.
6. Achievements by the state department include:
  - a) Reduced poaching of species like rhinos and elephants over the years due to enhanced monitoring of key species using new technological approaches GPS/GMS collars, horn transmitters, transponders, ear-notching.
  - b) Construction of ranger houses in Marsabit
  - c) Arbadare National Park roads maintained.
  - d) 10 km fence constructed in Marsabit Park
  - e) Conservation awareness programmes & Wildlife Resource Centers established
7. Challenges in Implementing FY 2018/19 Budget included:
  - a) Escalating Human Wildlife Compensation Claims; The pending bill stands at Ksh.5.1 Billion, However the annual allocation for the FY 2018/19 was Ksh.525 Million only which was subjected to Austerity measures at 15%
  - b) Lack of Exchequer for Capital Expenditure.
  - c) Underfunding in KWS for the 2018/2019 FY projected at approximately Ksh.1.3 billion on minimum requirements for operations. This has resulted in KWS struggling to keep critical operations ongoing under a very financially constrained environment.
  - d) Prolonged Drought resulting in wildlife deaths, increased wild fires (Mt. Kenya, Aberdare, Lake Nakuru, Ruma); dry water pans, and increasing Human-Wildlife Conflict- requires financial intervention.
  - e) Lack of budget to Facilitate Wildlife Conservation and Compensation Committees (WCCCs). WCMA, 2013 Establishes the 47community WCCCs that require facilitation, to conduct meetings to deliberate on HWC cases. In addition, the Ministerial Conservation and Compensation Committee met regularly to consider the county committee recommendations.
  - f) Staff Shortage at KWS-KWS faces an acute shortage of ranger and wardens' cadre. The decline in the ranger force strength translate to ineffective field operations hence wildlife/tourists insecurity and increase in human wildlife conflict. KWS was in need of 900 rangers and 100 management trainees. Recruitment, Training & Kitting Equipping, Salary for year One, and Temporary Shelters is estimated at Ksh. 1,644,906,110.

### 3.0 COMMITTEE'S OBSERVATIONS

The Committee having engaged the respective Ministries/State Departments on their budget implementation, made the following observations that:

#### **Ministry of Environment and Forestry**

1. There were low absorption rates across all the Ministries, Departments and Agencies due to delays in Exchequer releases. The delays in exchequer releases was as a result of revenue over estimation which leads to unavailability of funds when needs arise. This affects budget implementation in regards to missed targets more importantly for the ministry activities that depend on rainfall.
2. A lot of funds were being spent on rentals for the Ministry's offices and its Departments. It was noted that the Ministry of Environment has land which can be used to build Ministry headquarters which will house all the departments and agencies under the Ministry
3. The Committee noted that the moratorium on commercial plantation logging had seriously affected the A-I-A collection by the Kenya Forest Service. It was further noted that the aging trees with a life span of between 25 and 30 years were dying and wasted in the forest. Kenya Forest Service had not been compensated for the foregone A-I-A which was mostly for payment of salaries
4. The Kenya Forest Service was understaffed as per the International recommended ratio of Forest Ranger to forest area is 1:400 ha. However, in Kenya due to various reasons such as retirement, natural attrition and staff movements, the ratio had reduced to 1:1000 ha, making it difficult for effective forest protection.
5. On the issues of governance, the leadership in the State Agencies under the Ministry served on acting capacities for a very long period which hindered the agency's operations and resulted in delayed decision making.
6. The Kenya Meteorological Service was in the process of becoming a fully-fledged state corporation.
7. The Ministry was faced with challenges of huge pending bills totaling to Kshs. 974 million mainly arising from non-release of exchequer and budget cuts. The Committee noted that the pending bills were mostly under Kenya Meteorological Department resulting from procurement of equipment.



8. There was an audit team to assess the pending bills and that Kshs. 200 million worth of pending bills had been verified and that remaining Kshs. 700 million needed further verification.

### **Ministry of Water and Sanitation**

1. There were low absorption rates across all the Ministries, Departments and Agencies due to delays in Exchequer releases. The delays in exchequer release affects budget implementation of various projects.
2. The Ministry development projects were heavily funded through external financing; however, the Committee was informed that the GOK counterpart funds were released late hence affecting budget Implementation.
3. The cost of consultancy was very high in the implementation of the mega water projects financed through donor funding and GOK projects. Whereas the Ministry has internal capacity, most of the consultants were sourced externally.
4. The committee noted that due to delays in payment (interest on late payments) Kshs. 550 million had been accumulated under the Siyoi Muruny project. Out of the total project pending bill, Kshs. 350 million was as a result of interest on late payments. Both components of the project were charging a combined daily idle plant personnel charge of 2.3 million and the total idle plant, time and personnel was about 1 billion, bringing the total pending bill to over 3.4 billion. The Committee noted that the project was on the verge of completely stalling which was likely to attract exorbitant arbitration expenses over and above the actual pending bills.

### **State Department of Mining**

1. The government won the case against by the Cortec Company which was at arbitration at the International Centre for Settlement of Investment Disputes. The company (Cortec) was claiming over US\$ 2 billion (KShs.200 billion) from the Government of Kenya in regards to Special Mining licence for the Mrima Hills for Niobiun and Rare Earths deposits in Kwale County. The Government was awarded about US\$ 3.3million plus and about US\$322,000 ICSID costs.

2. The process for getting the awards paid to the Government by Cortec Mining had been commenced by the Attorney General, while the process of classifying this important resource for Kenya as strategic mineral had been initiated by the Ministry with a view to enabling Government to make decision on the best way of developing the resource going forward.
3. The Committee noted that legal fees take up over 44% of the recurrent budget of the Ministry
4. The land for Kakamega Gold Refinery, the Vihiga Granite Processing and the Kisii Soapstone had been acquired and advertised for consultancy, shortlisted and evaluated, awarded contracts for feasibility studies which were to be completed in 60 days.
5. There was an increase in A-I-A from Kshs. 12 million to 40 million arising from the increase in requests for mining which increased prospecting fees (license) from miners and mining companies. Regional presence of 23 regional offices had enhanced mineral surveillance from mines to markets and appointment of a mineral audit team that was following up on pending arrears from mining companies and miners.
6. There were inconsistencies in the Mining Act, 2016 and consequently, the State Department was working on amendments of the Mining Act.

#### **State Department for Wildlife**

1. The recurrent budget for the Wildlife Clubs of Kenya transfer was omitted in the printed estimates and that as at first half of the FY 2018/2019. WCK had been using reserves from its endowment fund, set up by African Fund for Endangered Wildlife. The Committee requested for more information on the fund to apprise it on the same.
2. Kenya Wildlife Service was allocated Kshs. 551 Million in the Financial Year 2018/2019 for the maintenance of classified roads within KWS parks. However, the funds had not been received as at the end of the first half of the Financial year.
3. Transfer of Programmes from one Ministry to another in the course of the FY hampered the budget implementation and delivery of outputs by the affected MDAs. This was in the case with the State Department for wildlife which was initially the Ministry of Tourism and Wildlife. The State Department reported delays in budget implementation due to the



vote split of the Ministry of Tourism and Wildlife leading to creation of new Department  
vote

4. For the Kenya Wildlife Service to become financially sustainable, the service required Kshs 14 billion spread across 3 years
5. On the State Department's plan to deal with increase in snake bite cases, the Ministry of Health and that of Tourism and wildlife were in collaboration on the establishment of the country's own venom centers. The Department had also engaged in public education on how to curb snake bites as well as educating health workers on how to handle cases of snake bites.

#### **4.0 COMMITTEE'S RECOMMENDATIONS**

The Committee made the following recommendations, that:

##### **Ministry of Environment and Forestry should:**

1. lift the ban on forest logging to increase the Kenya Forest A-I-A and to collect the funds to restore degraded forest areas as well as carry out other operations within the Service rather than fully relying on the exchequer.
2. recruit 1,500 Forest Rangers to replace 419 rangers who have exited the service for effective forest protection and conservation.
3. Prepare an audit report on pending bills to be submitted to the Committee and to the National Treasury. Further the National Treasury should allocate funds to clear the Ministry's verified pending bills to enable the Ministry implement targets for the FY 2018/2019.

##### **Ministry of Water and Sanitation should:**

1. Ensure that GOK funded projects engage the available technical resources within the government to conduct consultancy-project supervisions.
2. Ensure that land issues are cleared before signing of contracts to avoid delays in project implementation and loss of money as a result of idle time charges.
3. The National Treasury should disburse counterpart funds to ensure achievement of project targets and to avoid cost overruns/interest from the contractor due to pending payment.
4. Promote local contractors through the conditions in the financing agreements in the construction of water projects.

##### **State Department of Mining should:**

1. Ensure proper monitoring of royalties through mining inspection systems to generate more income.
2. Fast track the amendments in the Mining Act, 2016 to seal the gaps and inconsistencies therein.



3. Come up with regulations which sets out clearly the royalties expected from each mineral to enhance revenue generation and to seal the loopholes experienced.
4. Establish the National Mining Corporation as per section 22,23,24 of the Mining Act. There is need to allocate Kshs. 200 million to the staffing and capacity building in National Mining Corporation which is the investment arm of the Government in the Mining Sector as per the Mining Act, 2016.

**State Department for Wildlife should:**

1. Ensure that the Kenya Wildlife Service provided more detailed information on the Endowment Fund and regulations put in place on the use of the Fund for operations.
2. Liaise with the National Treasury to ensure timely release of funds to ensure smooth implementation of the budget.
3. Coordinate with other stakeholders to ensure that the transfer of Programmes from one Ministry to another should be done at the beginning of the FY rather than in the course of the year and that the National Treasury should ensure that the transfers do not affect project implementations.

