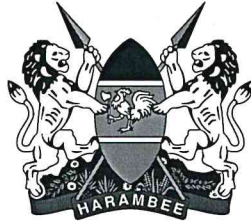




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REPUBLIC OF KENYA
KENYA NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FOURTH SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE BUDGET POLICY
STATEMENT AND THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY FOR FINANCIAL YEAR
2020/2021

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 04 MAR 2020	DAY: WEDNESDAY
TABLED BY:	HON. MOSES LESSONET FOR: BUDGET AND APPROPRIATIONS COMMITTEE
CLERK-AT THE-TABLE:	

MARCH 2020

CHAIRPERSON'S FOREWORD

Mr. Speaker, on behalf of the Members of the Budget and Appropriations Committee, and in conformity with Section 25(7) of the Public Finance Management Act 2012 and Standing Order 232(7); it is my utmost privilege to present to this House, the Committee's report on the Budget Policy Statement (BPS) 2020 and the Medium-Term Debt Management Strategy (MTDS) for financial year 2020/2021.

Mr. Speaker, the 2020 BPS has been prepared at a time when the economy is facing various challenges especially with regard to a weak global economic outlook which is likely to be worsened by the coronavirus outbreak; adverse effects of the weather including the locusts invasion; and rising expenditure pressures amidst revenue shortfalls. To overcome the aforementioned challenges **Mr. Speaker**, the BPS affirms that the government will continue to pursue fiscal consolidation in the FY 2020/2021 budget while prioritizing investments in the 'Big Four' Agenda even as it curtails spending in the non-productive areas of the economy. The theme of the Budget Policy Statement (BPS) 2020 is, '*Harnessing the 'Big Four' for Job Creation and Economic Prosperity.*'

Mandate of the Committee

Mr. Speaker, Article 221 (4) of the Constitution and Section 7 of the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates among which is to **examine the Budget Policy Statement and make recommendations to the House.**

Other mandates of the Committee include the following:

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

Membership of the Committee

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

Member	Constituency	Party
1. Hon. Kimani Ichung'wah, CBS, M.P- Chairperson	Kikuyu	Jubilee
2. Hon. Moses Lessonet, M.P- Vice Chairperson	Eldama Ravine	Jubilee
3. Hon. CPA John Mbadi, EGH, CBS, M.P.	Suba South	ODM
4. Hon. Richard Onyonka, M.P.	Kitutu Chache South	Ford Kenya
5. Hon. Samwel Moroto, M.P.	Kapenguria	Jubilee
6. Hon. Millie Odhiambo, M.P.	Suba North	ODM
7. Hon. Twalib Bady, M.P.	Jomvu	ODM
8. Hon. (Dr.) Gideon Ochanda, M.P.	Bondo	ODM
9. Hon. James Mwangi Gakuya, M.P.	Embakasi North	Jubilee
10. Hon. (Dr.) Makali Mulu Benson, M.P.	Kitui Central	Wiper
11. Hon. Moses Kiarie Kuria, M.P.	Gatundu South	Jubilee
12. Hon. Benard Masaka Shinali, M.P.	Ikolomani	Jubilee
13. Hon. John Muchiri Nyaga, M.P.	Manyatta	Jubilee
14. Hon. Jude Njomo, M.P.	Kiambu Town	Jubilee
15. Hon. (Dr.) Korei Ole Lemein, M.P.	Narok South	Jubilee
16. Hon. Sarah Paulata Korere, M.P.	Laikipia North	Jubilee
17. Hon. Naisula Lesuuda, OGW, M.P.	Samburu West	KANU
18. Hon. Sakwa Bunyasi, M.P.	Nambale	ANC
19. Hon. Danson Mwashako, M.P.	Wundanyi	Wiper
20. Hon. Fatuma Gedi Ali, CBS, M.P.	Wajir County	PDR
21. Hon. Florence Chepng'etich Koskey Bore, M.P.	Kericho County	Jubilee
22. Hon. James Gichuki Mugambi, M.P.	Othaya	Jubilee
23. Hon. (Dr.) John K. Mutunga, M.P.	Tigania West	Jubilee
24. Hon. (Eng.) Mark Nyamita, M.P.	Uriri	ODM
25. Hon. Paul Abuor, M.P.	Rongo	ODM
26. Hon. Qalicha Gufu Wario, M.P.	Moyale	Jubilee
27. Hon. Wangari Mwaniki, M.P.	Kigumo	Jubilee

Parliamentary Budget Office

1. Ms. Phyllis Makau	Director, Parliamentary Budget Office
2. Mr. Martin Masinde	Senior Deputy Director, Parliamentary Budget Office
3. Mr. Robert Nyaga	Deputy Director, Parliamentary Budget Office
4. Ms. Millicent Makina	Fiscal Analyst I
5. Ms. Julie Mwithiga	Fiscal Analyst II
6. Dr. Abel Nyagwachi	Fiscal Analyst III
7. Mr. Danson Kachumbo	Fiscal Analyst II; Clerk, Budget and Appropriations Committee
8. Mr. Chacha Machage	Fiscal Analyst II; Clerk, Budget and Appropriations Committee
9. Mr. Jonathan Lemurt	Fiscal Analyst III; Clerk, Budget and Appropriations Committee

Examination of the Budget Policy Statement (BPS) and the Medium Term Debt Management Strategy (MTDS)

Mr. Speaker, in conformity with the Constitution and the Public Finance Management Act 2012, the Budget Policy Statement (BPS) 2020 and the Medium Term Debt Management Strategy (MTDS) 2020/21 – 2022/23 were submitted to Parliament and tabled on the floor of the House on the 13th of February 2020. As per Standing Order 232 (5) and (6), the BPS was promptly committed to the Departmental Committees to deliberate on in line with their respective mandates and make recommendations to the Budget and Appropriations Committee. On its part, the Medium Term Debt Management Strategy paper as well as the Budgets of the Parliamentary Service Commission and the Office of the Auditor General were committed to the Budget and Appropriations Committee where they were examined and discussed.

Mr. Speaker, in line with the principle of public participation espoused in Article 201 of the Constitution the Committee also held stakeholder consultations with the Central Bank of Kenya (CBK), the Commission on Revenue Allocation (CRA), the Kenya Institute of Public Policy Research and Analysis (KIPPRA), and the Institute of Economic Affairs (IEA) to discuss critical aspects of the Budget Policy Statement in the context of the state of the economy. In addition, the Committee also held meetings with the Parliamentary Service Commission, the Judicial Service Commission, and the Office of the Auditor General to review their budgetary needs for the coming financial year.

Mr. Speaker, the Committee also received written memoranda from the International Budget Partnership (IBP) and the Kenya National Chamber of Commerce and Industry (KNCCI) which provided critical analysis on the policy direction of the Budget Policy Statement 2020 and the expenditure allocations including whether these are adequate enough to meet the needs of the *wananchi*.

Thereafter, **Mr. Speaker**, the Budget and Appropriations Committee held fruitful deliberations with the Departmental Committees and received their recommendations on the Budget Policy Statement 2020. Further discussions were also held with the National Treasury before this report was finalized. The recommendations arising from these discussions are contained in this report.

Mr. Speaker, once approved by the House, the BPS recommendations will form the basis for the finalization of the 2020/2021 Budget pursuant to section 25(8) of the PFM Act, PFM regulation 27(4) and Standing Order 232(10). On its part, the Medium Term Debt Management Strategy is expected to inform the country's borrowing plans over the medium term.

Acknowledgements

Mr. Speaker, the Committee wishes to thank the Office of the Speaker and the Clerk of the National Assembly for the support extended in fulfilling this mandate. The Committee is also grateful to all the Ministries, Departments and Agencies (MDAs), the Commission on Revenue Allocation, the Central Bank of Kenya, KIPPRA, IEA, the Judiciary and the National Treasury for being a part of this critical process of reviewing the Budget Policy Statement by the Legislature. The committee would also like to thank the

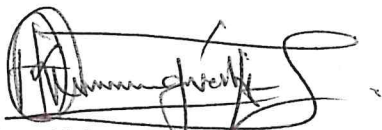
Departmental Committees and all the Members of Parliament who participated in the process, for their commitment to ensure that Parliament is able to live up to its mandate.

Finally, **Mr. Speaker**, the Committee would like to acknowledge the critical role of the Parliamentary Budget Office and the Clerks of the Departmental Committees in the review and processing of the Budget Policy Statement 2020 and the Medium Term Debt Management Strategy 2020/2021.

Mr. Speaker,

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

Signed

A handwritten signature in black ink, appearing to read 'Kimani Ichung'wah', written over a horizontal line.

The Hon. Kimani Ichung'wah, OBS, M.P.
Chairman, Budget & Appropriations Committee
March, 2020

I. Introduction

- 1) **Mr. Speaker**, the Budget Policy Statement (BPS) is an annual policy document prepared by the National government to guide the policy direction of the government in the coming financial year and the medium term. The BPS outlines the broad strategic policy goals and key priorities that will guide preparation of the budget for the National Governments and equally help the County governments align their policies to the national economic policies. According to the PFM Act and Standing Orders of the National Assembly, the policy direction of the BPS should be anchored on existing government policy documents, namely; the Vision 2030, the Big Four Agenda, Medium Term plans as well as Ministerial Strategic plans. Further, the economic growth strategy as well as revenue and expenditure proposals for the coming financial year and the medium term should take into account the current state of the global and domestic economy including the outlook of the various macroeconomic variables.
- 2) **Mr. Speaker**, I wish to point out that although the expectations of the Budget Policy Statement are very clear, the document as submitted by the National Treasury has consistently fallen short of its objectives. For instance, the document does not adequately assess tax and revenue mobilization policies to aid the committee to properly assess the adequacy of projected resources for FY 2020/2021 relative to expenditure demands. Inadequate revenue policy information hinders the assessment of whether or not the projected tax collections are realistic and whether the forecasted borrowing to address the fiscal deficit is realistic or not. Other missing information include missing list of pending bills even though this is required by law (Section 26 of PFM regulations); as well as missing information on the level of budgetary expenditures by economic and functional classifications.
- 3) At this juncture **Mr. Speaker**, I wish to highlight that according to PFM regulations Part 27(5), development expenditure and personnel spending of the national government approved by Parliament are supposed to be binding for the next two years. As an illustration **Mr. Speaker**, the ceilings provided for development and personnel spending of the national government in the 2020 BPS are not the indicative ceilings approved by the National Assembly during its consideration of the 2019 BPS last year. Indeed, the BPS has never adhered to this or any medium-term provisions for that matter, as required under the Medium-Term Expenditure Framework (MTEF). This presents a challenge to the credibility of the budget process over time.
- 4) **Mr. Speaker**, as earlier indicated, the theme for the 2020 BPS is, "*harnessing the Big Four for Job Creation and prosperity.*" In reviewing the BPS therefore, the Committee critically

examined the Big Four agenda policies and programmes to determine the status and progress of these policy interventions, if the outlined measures meet the country's development needs and if the policy interventions are adequately funded. To this extent, the Committee also reviewed the realism of the macroeconomic variables and whether the expenditure proposals have been aligned to fiscal consolidation efforts especially given the importance of maintaining debt at sustainable levels.

II. Realism of the Macroeconomic Framework of the BPS for 2020/2021 and the Medium Term

- 5) **Mr. Speaker**, economic growth projections are critical to the determination of the overall resource envelope (tax, grants, AIA and borrowing) and expenditure limits. As such, growth projections should be as accurate as possible. The Committee observes that in the past, the government growth projections have been overly optimistic only for these to be revised downwards in the course of the year when reality catches up.
- 6) In 2019, **Mr. Speaker**, the economy is projected to have grown by 5.6 percent against a government target of 6.2 percent. Though this growth is modest and in line with the average economic growth for the country over the past five-year period, the fact that it is lower than expected invariably implies that revenue will fall short of forecast and this may have an adverse impact on budget implementation. In addition, **Mr. Speaker**, the growth isn't broad based and is therefore not creating enough jobs. Further, there is growing concern that the growth benefits are not equitably distributed giving rise to pockets of poverty and joblessness among sections of rural and urban population including the youth.
- 7) **Mr. Speaker**, this committee has continuously expressed concern on the frequency of supplementary budgets as well as the extensive changes to the development budget which tends to hurt economic growth. Decisions in the annual budget appear not guided by policy and priorities of government approved by the National Assembly through the BPS. Furthermore, in year adjustments to the approved budgets are not guided by policy but the usual across-the-board expenditure cuts which do not take into account the unique needs and policy objectives of the various spending agencies. Crisis in crafting the budget leads to crisis in implementation. This haphazard implementation of the budget has significantly weakened the credibility of the budget.
- 8) **Mr. Speaker**, experience has shown that approving the BPS on an annual basis does not meet the original intention of the "medium term budget framework paper" which requires a multi-year perspective in determination of the resource envelope as well as expenditure

allocations. This calls for holistic reforms in the budget process including critically assessing the option of considering and approving the BPS after every three years rather than annually.

- 9) **Mr. Speaker**, the macro-fiscal framework for 2020/21 and the medium term is based on an economic growth projection of 6.2 percent in FY 2020/21 and 7.0 percent over the medium term. It is indicated in the 2020 BPS that this growth will be supported by a stable macroeconomic environment, strategic interventions under the Big Four agenda including their enablers, growth in tourism, sustained business and consumer confidence, resilience of exports as well as benefits of regional economic integration.
- 10) **Mr. Speaker**, the Committee is concerned that the government may not be able to meet its growth projection target for FY 2020/21 due to challenges in budget implementation. The investment programme is facing several but related monumental problems, namely; the need to scale up implementation of critical Big Four Agenda programmes; the need to resolve pending bills; and the need to raise approximately Kshs. 1 trillion to complete the large stock of stalled projects.
- 11) In addition, **Mr. Speaker**, although the National Government has identified exports as a key driver of economic growth in FY 2020/2021, exports as a share of GDP have been on a steady decline over the past decade. Our foreign exchange reserves are primarily being driven by foreign remittances as opposed to earnings from exports. This poses a risk because of the volatile nature of the annual growth of remittances. A negative shock could adversely affect Kenya's foreign reserves in the medium term.
- 12) **Mr. Speaker**, importantly, there is need to adopt an export led growth strategy by linking infrastructure development to export destinations within the region in order to boost foreign exchange earnings. As recommended in our previous BPS report, the policy plan of government in the coming financial year should include measures to attract Foreign Direct Investment (FDI) as well as diversifying and growing the country's exports.
- 13) In terms of Monetary Policy **Mr. Speaker** and as observed by the Committee in its previous report on the BPS, efforts by the Central Bank to ease monetary policy have not significantly expanded credit to the private sector. The BPS 2020 reports that annual credit to the private sector grew by 7.1 percent in the year to December 2019. Though this is a significant improvement when compared to an annual growth of 2.4 percent in the year to December 2018, it is still not adequate enough to boost private sector led economic growth.

Available statistics indicate that in the year to December 2019, robust credit growth has mostly been channelled towards consumer durables, finance, and insurance sectors. On the other hand, credit to the agriculture and mining sectors contracted whereas the manufacturing sector experienced an increase in private sector credit albeit at a slower rate.

- 14) **Mr. Speaker**, the outlook provided in the 2020 BPS is that private sector credit may recover significantly on account of repeal of the interest capping law as well as a further reduction of the Central Bank Rate (CBR) from 8.5 percent to 8.25 percent in January 2020. Should this materialize, it will support higher economic activity for the private sector thereby enhancing GDP growth and revenue collection.
- 15) To support this outcome, **Mr. Speaker**, it will be important for this House to ensure that the National government actually conforms to its fiscal consolidation efforts so as to reduce its reliance on domestic borrowing. But this is only feasible if the government can realistically access external borrowing at reasonable interest rates. Given uncertainty of the government plan to replace domestic borrowing with concessional external borrowing, it is only reasonable to assume that under fiscal consolidation regime, the primary anchor of economic growth in the medium term will be credit driven private sector growth.
- 16) **Mr. Speaker**, based on the projected decline in development spending, uncertainty of the quantum of domestic borrowing relative to commercial and concessional external borrowing, and the uncertain effects of removal of the capping laws, the forecasted economic growth in 2020 appears quite ambitious.

III. Alignment of the Medium-Term Priorities to the 'Big Four' Agenda

- 17) **Mr. Speaker**, as earlier indicated, the theme for the 2020 BPS is, "*Harnessing the Big Four for Job Creation and Economic Prosperity.*" The BPS 2020 therefore provides a review of status of key projects under the four pillars as well as Big Four ongoing interventions as contained in the FY 2020/2021 budget. It is therefore expected to continue with strategic interventions under the Big Four agenda which have been identified as a key driver of economic growth in the coming financial year.
- 18) However, **Mr. Speaker**, the committee observes that although some progress has been reported, the provided information was not detailed enough for the committee to properly keep track of progress made with regard to implementation of the Big Four agenda. In our

previous two reports on the BPS in 2018 and 2019, this House had resolved that a masterplan outlining the strategy in implementation of the Big Four plan be developed including a results based matrix for resource allocation, as well as a monitoring and evaluation framework. **Mr. Speaker**, such a blueprint would have been useful in guiding resource allocation as well as monitoring implementation of the Big Four Plan to ensure its success.

- 19) **Mr. Speaker**, the committee notes with concern that key projects under the Big Four agenda appear to be implemented at a very slow pace and may therefore not be completed within the timeframe provided. For instance, under manufacturing the Common Effluent Treatment Plant at Kinanie Leather Park is only 30% complete although the BPS reports an expected 80% completion by end of 2019/20 and 100% completion by 2020/21. Similarly, the Dongo Kundu SEZ and Naivasha Industrial Park reported 3% and 4% completion respectively in 2018/19 and have an extraordinary target of 40% and 30% completion targets respectively for 2019/20. Similarly, in Agriculture, a number of irrigation projects appear to be off-track as they are still quite far from achieving the targeted acreage for irrigation purposes as well as the targeted amount of produce.
- 20) **Mr. Speaker**, under the Affordable Housing pillar, only 228 units of the indicated 500,000 affordable houses have been constructed and with only one notable investor, it is not clear if the project is adequately funded. Similarly, there is lack of clarity in the financing mode of the Universal Health Coverage pillar as well as the role of the NHIF in the provision of Universal Health Care. Furthermore, though it is indicated in the BPS that the government will forge a multisectoral collaboration with the counties, the framework of such a collaboration and how soon this will be implemented remains unclear.
- 21) **Mr. Speaker**, given the critical role that the Big Four Agenda is supposed to play in promoting economic growth, the National government should be more purposeful in its implementation of Big Four policies and programmes. This entails proper identification of Big Four projects, a detailed framework for implementation, adequate resource allocation as well as a clear monitoring and evaluation framework.

IV. Budget Framework for FY 2020/2021 and the Medium Term

a. Expenditure Projections

22) **Mr. Speaker**, the requested expenditure ceilings for the three arms of the government including shareable revenue to the county governments for the FY 2020/2021 are as follows:

	(Kshs. Million)
1. Ministerial Expenditure	1,778,133
2. Parliament	54,264
3. Judiciary	37,415
4. Consolidated Fund Services	574,650
5. County Equitable Share	316,500
Total	2,760,962
6. Equalization Fund	6,500
7. Contingency Fund	5,000
Grand total	2,772,462

23) **Mr. Speaker**, it is indicated that the FY 2020/21 budget framework is in line with fiscal consolidation efforts to contain expenditures. As such, total ministerial expenditure is expected to decline to Kshs. 1.78 trillion from Kshs. 2 trillion in FY 2019/20. Despite the overall reductions however, it is observed that recurrent expenditure will increase by Kshs. 21 billion on account of increase in interest payments, wages & salaries as well as pensions payments. On the other hand, development expenditure has been contracted by Kshs. 143.5 billion or 5 percent of GDP.

24) **Mr. Speaker**, it should be noted that the expenditure requests submitted by Parliament and the Judiciary as indicated in the above matrix are higher than the indicative ceilings for these two institutions as contained in the BPS by Kshs. 18.078 billion and Kshs. 19.364 billion respectively.

25) **Mr. Speaker**, though we are supportive of the fiscal consolidation efforts of the National Government, the Committee is concerned that government investments in 2020 and the medium term will decline as indicated by the reduction of the development budget. Given the importance of development spending in enhancing sustainable economic growth, the committee reiterates the importance of critically reviewing government expenditure and

targeting reduction only in non-core expenditure areas. Significant reductions in development expenditure may lead to delays in ongoing projects, escalation in the number of stalled projects and increase in the amount of pending bills.

26) Mr. Speaker, the Committee observes that the 2020 BPS does not contain an allocation to respond to the expected requests of the public as may arise during the public hearings on the budget. **Mr. Speaker**, this is critical because Article 221 of the constitution requires that the committee consults and incorporates recommendations from members of the public on the budget. Therefore, the Committee considered the need to correct this anomaly by making a provision for strategic response to public initiatives.

b. Revenue Projections

27) Mr. Speaker, the 2020 BPS has revised the ordinary revenue target for FY 2019/20 downwards by Kshs 33.4 billion. The reductions are mostly under income tax, import duty, and Value Added Tax. However, Excise duty and other revenues (including investment revenues) are projected to increase by Kshs. 19.4 billion and Kshs. 79.2 billion respectively.

28) Going forward, Mr. Speaker, the projected total revenue collection for the FY 2020/21 including appropriation-in-aid (A.I.A) will amount to Kshs. 2,134.1 billion as compared to Kshs.2,084.2 billion in 2019/2020. Ordinary revenue in the next financial year is projected at Kshs.1, 856.7 billion. There is a huge mismatch between the nominal GDP growth and ordinary revenue projections in the BPS for 2020/21. While nominal GDP is expected to grow by 12.1%, ordinary revenue instead grows at a lethargic 0.7%. The Committee is concerned that the economy (in nominal terms) is growing nearly five times faster than the growth in revenues. Further, the revenue growth is based on increased collection from income tax as well as VAT despite projections under these tax heads having been revised downwards in the BPS.

29) Mr. Speaker, the growth of revenues in the medium term is underpinned by on-going reforms in tax policy, revenue administration, automation, modernization and simplification various tax laws. However, further details of these tax policies have not been provided. Indeed **Mr. Speaker**, and as indicated in previous reports, the committee is concerned that these reforms have been referred to in previous BPS documents but the impact has never been quantified. The National Treasury (in collaboration with KRA) should provide clear quantifiable and realistic tax administration measures towards boosting revenue collection.

Given the underperformance of revenue in previous years and the impact on budget implementation, it is very important to ensure that the revenues projected for 2020/21 are realistic. As such, and as previously recommended by this committee, the impact of these reforms should be adequately assessed and quantified.

- 30) Mr. Speaker**, the National Government has not been able to meet its revenue target over the past ten years. This is despite the economy continuously expanding which then raises serious concern on why revenue would underperform. Besides tax administration challenges that could be contributing to revenue underperformance, it is possible Mr. Speaker, that we have given too many tax exemptions and this could be contributing to the non-realization of revenue. Indeed, a study by the Parliamentary Budget Office indicates that on average, the revenue loss annually arising from Income tax and VAT exemptions amounts to a cumulative figure of approximately Kshs. 136.2 billion.

V. DEFICIT FINANCING AND THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY

- 31) Mr. Speaker**, as earlier indicated, the government has renewed its commitment towards fiscal consolidation in FY 2020/21 and is targeting to achieve a fiscal deficit level of 4.9% of GDP in 2020/21 with a target of 3.0 percent over the medium term in line with the EAC fiscal convergence criteria. While this is commendable **Mr. Speaker**, the committee is concerned that previous effort by the government to restrict expenditure growth in order to reduce the deficit level have not been successful leading to an increase in debt accumulation.
- 32) Mr. Speaker**, the 2020 Medium-Term Debt Management Strategy (MTDS) proposes a more pro-domestic borrowing strategy of 72:28 of domestic to external debt compared to the 2019 MTDS which proposed a strategy of 62:38 of domestic to external debt. Specifically, there is a shift in the composition of external debt where concessional and semi concessional financing is proposed to reduce to 15% in the 2020 MTDS from 34% in the 2019 MTDS. Conversely, the Commercial financing is proposed to increase from 4% in the 2019 MTDS to 13% in the 2020 MTDS.
- 33) In essence Mr. Speaker**, total planned borrowing is falling from Kshs. 657.4 billion in 2019/20 (revised budget) to Kshs. 571.2 billion in 2020/21. However, commercial borrowing is projected to increase from Kshs. 213.1 billion in 2019/20 to Kshs. 274.4 billion in 2020/21. This seems to contradict government promise during approval of the debt ceiling of shifting from external commercial loans to concessional loans. It is obvious that

commercial debt share of total financing is increasing rapidly. This will come at a very high cost to the economy due to an increase in the interest rate component of debt service.

- 34) On the increased share of domestic borrowing **Mr. Speaker**, the committee is concerned that the domestic debt portfolio still has a higher refinancing risk due higher proportion of short term instruments relative to long term instruments and higher interest rate risk compared to that of the external debt portfolio.
- 35) **Mr. Speaker**, the Committee is concerned about Kenya's vulnerability associated with debt service. The debt service to revenue ratio, breached its threshold of 30 percent according to the recent debt sustainability assessment of the IMF and is projected to remain above the threshold over the medium term. In addition, under the external debt sustainability ratios, the debt service to exports ratio has also been breached. Furthermore **Mr. Speaker**, it is our understanding that County governments will soon be allowed to start borrowing. As such, estimation of debt burden will soon need to take into account debt guarantees for counties.
- 36) **Mr. Speaker**, this House should also take note of debt guarantees as these also form part of the national stock of debt. Debt guarantees are a contingent liability to the National Government because if the guaranteed institution fails to make payments for a guaranteed loan, the National Government has to step in and shoulder this burden despite its already constrained fiscal space. As at end of December 2019, a total of Kshs. 158.1 billion worth of guarantees had been provided to seven institutions in form of debt guarantees. This House should take note that out of the portfolio, Tana & Athi Rivers Dev. Authority and East African Portland cement are non-performing resulting in Kshs. 305.1 million whose repayment is now imposed on the National Government.
- 37) **Mr. Speaker**, there is need to map every loan contracted by the government to its application in the budget. In this regard, the list of projects that will benefit from external borrowing should be brought to Parliament. This House has consistently requested such information to be provided but this request hasn't been fully adhered to. Indeed, the National Treasury should submit data on debt on a quarterly basis. In addition, once the borrowing framework is approved, changing of figures halfway will require re-tabling of the document.
- 38) Finally, **Mr. Speaker**, the borrowing framework in the BPS should be guided by the 2020 Medium Term Debt Strategy. But, a careful review of the optimal 2020 debt management

strategy proposed in the MTDS is not accurately translated to the framework in the 2020 BPS. For instance, while the MTDS in page 27 states that the optimal debt strategy would require gross external financing should be set at 28% and domestic borrowing at 72% of gross borrowing, However, the financing requirements for 2020/21 financial year comprise different ratios, with domestic borrowing comprising 39% of total new borrowing while external borrowing will take 61% of total new borrowing. Mr. Speaker there is need for the Government to send to Parliament a reliable and well evaluated borrowing and debt repayment framework. This will create certainty on the expected evolution of public debt which will further enhance measures and strategies for debt repayment and to ensure sustainability of public debt.

VI. VERTICAL DIVISION OF REVENUE 2020/2021

39) Mr. Speaker, out of the total projected shareable revenue of Kshs. 1,856.70 billion, the National Treasury proposes an allocation of **Kshs. 369.87 billion** to the County Governments for FY 2020/21. This allocation amount comprises of the following:

- a. County Equitable Share - Kshs. 316.5 billion
- b. GoK Conditional grants - Kshs. 13.73 billion
- c. Road Maintenance Levy - Kshs. 9.43 billion
- d. Loans and Grants - Kshs. 30.20 billion
- e. Equalization Fund - Kshs. 6.53 billion

40) Mr. Speaker, the proposed county equitable share allocation is similar to the 2019/2020 level. The decision by the National Treasury to maintain it at the 2019/20 level was informed by continued underperformance in ordinary revenue, which forms the base for the annual division of revenue; the fact that the National Government solely bears the shortfalls in revenue in any given Financial Year; as well as the National Government's efforts to contract spending in FY 2020/21. Indeed **Mr. Speaker**, the strategy of the National Government is that any incremental revenue in FY 2020/21 be earmarked for CFS expenditures, specifically debt repayment and pensions.

41) It should be noted Mr. Speaker, that the recent transfer of functions by Nairobi County to the National government will affect the vertical and horizontal division of revenue.

42) With regard to conditional loans and grants **Mr. Speaker**, the committee observes that there is a lack of an approved and published criteria on the spatial distribution of external loans and grants from development partners particularly the negotiation process and selection of projects/counties which benefit from these grants. Furthermore, there isn't sufficient information provided on the rationale behind changes in some of the conditional grant allocations some of which have not been allocated any funds in the FY 2020/21.

VII. SUBMISSIONS FROM THE DEPARTMENTAL COMMITTEES

43) **Mr. Speaker**, during the Committee's deliberations with the Departmental Committees on the Budget Policy Statement 2020, a number of key observations were made which I now wish to highlight:

a. Agriculture, rural and urban development

Under this sector, the Departmental Committee made the following key observations:

- i. There is a need to fund tea, coffee and sugar research over the medium term in order to improve and sustain productivity performance of these crops.
- ii. There are a number of pending bills in the sector owed to maize millers and traders and farmers who supplied the KMC.
- iii. Shortage of agricultural extension officers is hampering agricultural performance and funds should be made available to facilitate their employment
- iv. The BPS does not explicitly outline measures to deal with the possible impact of desert locusts on food security.

b. Energy infrastructure and information communication and technology

Under this sector, the Departmental Committee made the following key observations:

- i. Expected proceeds from floating of the roads bond were not taken into consideration in the BPS 2020.
- ii. There are pending bills from operation and maintenance of SGR; under parastatals such as GDC, KPLC and KETRACO and in the State Department of Broadcasting.
- iii. The affordable housing programme has only delivered 228 units.
- iv. There are stalled projects requiring Kshs. 5,700 million to complete under public works.

- v. There is a discrepancy between amount of total pending bill stated by the National Treasury and the State Department of Petroleum. Also, there are variations in amount of pending bills presented by the state Department of ICT and those presented by the National Treasury especially in regard to SAGAs under the State Department of ICT.
- vi. Connectivity projects under the big four agenda lack policy and planning coherence.
- vii. There is need to reduce the cost of Government advertisement.

c. General economic and commerce affairs

Under this sector, the Departmental Committee made the following key observations:

- i. Implementation of Dongo Kundu SEZ is taking long due to land compensation concerns.
- ii. Production capacity of Rivatex is still underutilised because of lack of cotton.
- iii. Pending bills under State Department of Industrialization that were recommended to be paid in 2019/20 have not yet been paid.
- iv. The Cherry Coffee Revolving Fund should not be operationalized until regulations are completed.
- v. The relevant committee of Parliament should be engaged for development of the Cherry Coffee Revolving Fund.

d. Health

Under this sector, the Departmental Committee made the following key observations:

- i. The ministry of Health has not informed the house on the policy the country is using to implement the UHC including how UHC will be financed.
- ii. There is no clear policy to guide establishment and/or upgrade of hospitals from one level to another.
- iii. There is no clarity in the role of NHIF in rolling out of the UHC.
- iv. The Ministry did not provide the criteria used for selection of PPP projects in the Health sector.
- v. There were no guidelines on upgrading level 6 hospitals to referral hospitals set policy that would ensure equity in distribution of referral hospitals across the Country.

e. Education

Under this sector, the Departmental Committee made the following key observations:

- i. Some of the KPIs and targets within the sector were not based on the resource ceilings provided in the BPS 2020. E.g. TSC KPI for the TSC is to recruit 20,006 secondary teachers however the commission has resources to only recruit 5,000 teachers.
- ii. The school feeding programme only covers ASAL areas but leaves out urban slums and other pockets of poverty.
- iii. The current capitation offered to both primary and secondary school learners was not sensitive to the prevailing economic conditions.

f. Governance justice law and Order

Under this sector, the Departmental Committee made the following key observations:

- i. The State Department of Interior still holds the Human resource function of the National Police Service Commission.
- ii. The Officers Commanding Stations (OCS) did not have adequate resources for service delivery despite BPS 2020 undertaking to bring services closer to the people.

g. Public administration and international relations

Under this sector, the Departmental Committee made the following key observations:

- i. The recruitment of Interns across the 290 constituencies is not being carried out in an equitable manner.
- ii. The Ministry of Foreign Affairs has no policy on the acquisition and/or construction of missions abroad

h. Social protection culture and recreation

Under this sector, the Departmental Committee made the following key observations:

- i. There is a lack of timely labour market information.
- ii. The Social Assistance Act is not yet operational.
- iii. Operations at the Child Welfare Society have been hampered by leadership wrangles.
- iv. The Youth Empowerment Project in 69 informal settlements includes provisions for payment of tuition fees for students at TIVET institutions.
- v. There is no list of the specific projects that were to be funded from the Sports, Arts and Social Development Fund

i. Environment protection water and natural resources

Under this sector, the Departmental Committee made the following key observations

- iii. Removal of NEMA's Environmental Impact Assessment fees by the Treasury is affecting AIA collection and its effectiveness.
- iv. Ministry of Environment and forestry has several acting CEOs in its Agencies.
- vi. The State Department for Wildlife receives 1% from Road Maintenance Levy Fund set aside for rehabilitation of roads in National Parks is not sufficient.
- vii. The National Treasury should consider reinstating the Environmental Impact Assessment fees collection by NEMA as AIA.
- viii. There is a need to develop a policy on how long senior officers should serve in an acting capacity.
- ix. State Department for Wildlife to initiate a legislative amendment to the Kenya Roads Board Act to increase the percentage set aside for road maintenance in National Parks.

j. National Security

Under this sector, the Departmental Committee made the following key observations:

- i. The Ministry of Defence has funding from an Export Credit Agreement managed at the National Treasury.
- ii. The Ministry of Defence has no provision of Kshs. 4.7 billion for operationalization of the Peace Support Operations policy?

44) Mr. Speaker, I wish to bring to the attention of this House that the Committee received additional expenditure requests amounting to **Kshs. 119.68 billion**, comprising of Kshs. 82.24 billion for the Executive; Ksh. 18.08 billion for Parliament and Kshs. 19.36 billion for the Judiciary. Given prevailing fiscal consolidation and limited resources, most of these requests have not been approved.

45) Mr. Speaker, owing to these constraints, the Committee was unable to approve certain requests for Parliament including the purchase of new buildings and the proposed development of a masterplan for the CPST. Similarly, the Committee declined certain requests for the Judiciary which could wait for the next financial year. The Committee has therefore allowed slight adjustment to the budgets of the two independent institutions to ensure they have adequate resources for completion of critical ongoing projects.

VIII. RECOMMENDATIONS ON THE BUDGET POLICY STATEMENT AND THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY

Policy Recommendations

46) Mr. Speaker, on matters of policy, the committee recommends as follows:

- i. **That**, before the Budget Estimates for 2020/2021 are submitted to the House, the National Treasury should resubmit the Macroeconomic and Fiscal Framework with adequate information on debt, clearly indicating the amount of concessional, semi concessional and commercial loans; as well as clearly outlining the country's borrowing strategy. This information should be accompanied by a list of specific projects that will benefit from these funds and realign what they submit to the MTDS
- ii. **That**, by 30th April 2020 when the budget is submitted to the House, there be developed a criteria for identifying and isolating core priority programmes (Big 4) in the 2020/2021 budget in order to protect these from ad-hoc expenditure cuts. In addition, an accountability matrix should be provided clearly identifying the total resource requirements as well as a monitoring and evaluation framework.
- iii. **That**, user fees (fines and forfeitures) collected by the Judiciary for services rendered be retained and applied at source to enable operationalization of the Judiciary Fund in line with Article 173 of the Constitution and similar to other government institutions that generate and retain AIA revenues.
- iv. **That**, to enforce commitment control, MDAs should submit a quarterly projection of details of commitments by sub-programme/ project to the National Treasury. Treasury should ensure that its cash releases are aligned to those specific commitments.
- v. **That**, pending bills that have been established as legally payable and above Kshs. 500 million be settled through a long term instrument including establishment, where necessary, of debt swaps for intergovernmental bills.
- vi. **That**, in order to enhance transparency and accountability, beginning 1st July 2020 the net exchequer issues be published in the website of the National Treasury at the end of the month and this be by vote, programme and project.
- vii. **That**, adequate funds be provided for full operationalization of institutions of public finance, in particular, recent institutions created through various pieces of legislation
- viii. **That**, on the expenditure reduction efforts, the policy of cutting the budget by a certain percentage across the board is not a very effective way of expenditure control. Rather, there should be critical reforms in expenditure that will isolate wasteful expenditure and ensure only key expenditure needs are funded.

- ix. **That**, by 30th April 2020 when the Budget is submitted, it should clearly indicate projects that will be funded through the Sports fund and the funds be directly applied to these projects.
- x. **That**, the process of filling a vacant constitutional, statutory, or any critical senior leadership position in the public financial and budgetary sectors including the Audit Office should be expedited before the incumbent leaves office to ensure continuity and performance of critical roles provided in the Constitution and the Statutes.
- xi. **That**, to support ongoing reduction in the fiscal deficit, the borrowing strategy should entail a reliable net domestic borrowing target for 2020/21 and the medium term, and a commercial debt borrowing target consistent with the debt ceiling and to ensure that external debt service costs do not breach internationally accepted debt service to exports ratio threshold in the medium term.

Financial Recommendations

47) Finally, Mr. Speaker, the Committee requests that this House adopts this report and further resolves as follows:

- I. **That**, the ceilings of each arm of government for FY 2020/2021 be capped as follows:
 - i. Parliament – **Kshs.39.14 billion**
 - ii. Judiciary – **Kshs.19.05 billion**
 - iii. Executive – **Kshs.1,778.13 billion**
- II. **That, Kshs. 3 billion** be allocated for strategic response to public initiatives
- III. **That**, the financing gap of **Kshs. 7 billion** be funded through reprioritization and realignment within the Executive's approved ceiling.
- IV. **That**, in effecting the proposed ceilings for each arm of government, the National Treasury should take into consideration the summary of recommendations of the Departmental Committees on specific Ministries, Departments and Agencies as attached to this report in Schedule 2 and 3.

V. **That**, county governments be allocated **Kshs. 369.868** billion for FY 2020/2021 distributed as follows:

a. County Government Equitable share of **Kshs. 316.5 billion**.

b. Conditional allocations from the national government's equitable share of revenue as follows:

i.	Leasing of medical equipment	Kshs. 6.205 billion
ii.	Compensation for user fees foregone	Kshs. 900 million
iii.	Level 5 hospitals	Kshs. 4.326 billion
iv.	Supplement for construction of county headquarters	Kshs. 300 million
v.	Rehabilitation of village polytechnics	Kshs. 2 billion
vi.	Allocation from Fuel Levy Fund (15% of collections)	Kshs. 9.433 billion
vii.	Allocation from loans and grants	Kshs.30.204billion

c. Before finalization of the Division of Revenue Bill (DoRB), the transfer of functions of the Nairobi County to the National Government should be reflected in the allocations provided.

VI. **That**, the allocation to the Equalization Fund of **Kshs. 6.53 billion** be approved as provided in the Budget Policy Statement.

VII. **That**, once approved by this House these recommendations together with Schedule 1 attached **SHALL** form the basis of the 2020/2021 budget.

SCHEDULE ONE

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1011	The Presidency	5,819,500,000	471,400,000	6,290,900,000
	0702000 Cabinet Affairs	1,308,000,000	225,200,000	1,533,200,000
	0703000 Government Advisory Services	618,800,000	165,000,000	783,800,000
	0704000 State House Affairs	2,424,500,000	63,200,000	2,487,700,000
	0734000 Deputy President Services	1,468,200,000	18,000,000	1,486,200,000
1021	State Department for Interior	127,912,700,000	7,849,900,000	135,762,600,000
	0601000 Policing Services	94,490,400,000	3,180,900,000	97,671,300,000
	0602000 Planning, Policy Coordination and Support Service	25,080,700,000	475,000,000	25,555,700,000
	0603000 Government Printing Services	697,800,000	50,000,000	747,800,000
	0625000 Road Safety	2,022,700,000	100,000,000	2,122,700,000
	06256000 Population Management Services	3,621,500,000	3,177,000,000	6,798,500,000
	0605000 Migration & Citizen Services Management	1,999,600,000	867,000,000	2,866,600,000
1023	State Department for Correctional Services	27,366,800,000	784,100,000	28,150,900,000
	0604000 Correctional services	27,017,500,000	784,100,000	27,801,600,000
	0623000 General Administration, Planning and Support Services	349,300,000	-	349,300,000
1032	State Department for Devolution	870,200,000	4,875,000,000	5,745,200,000
	0712000 Devolution Services	135,400,000	4,875,000,000	5,010,400,000
	0732000 General Administration, Planning and Support Services	312,800,000	-	312,800,000
	Management of Intergovernmental Relations	387,000,000	-	387,000,000
	0713000 Special Initiatives	35,000,000	-	35,000,000
1035	State Department for Development of the ASAL	987,300,000	7,889,600,000	8,876,900,000
	0733000 Accelerated ASAL Development	987,300,000	7,889,600,000	8,876,900,000
1041	Ministry of Defence	106,294,400,000	13,974,300,000	120,268,700,000
	0801000 Defence	104,037,000,000	13,974,300,000	118,011,300,000
	0802000 Civil Aid	200,000,000	-	200,000,000
	0803000 General Administration, Planning and Support Services	1,857,400,000	-	1,857,400,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0805000000 National Space Management	200,000,000	-	200,000,000
1052	Ministry of Foreign Affairs	15,777,000,000	701,400,000	16,478,400,000
	0714000 General Administration Planning and Support Services	2,549,900,000	30,400,000	2,580,300,000
	0715000 Foreign Relation and Diplomacy	12,992,300,000	601,000,000	13,593,300,000
	0741000 Economic and Commercial Diplomacy	80,900,000	-	80,900,000
	0742000 Foreign Policy Research, Capacity Dev. & Technical Cooperation	153,900,000	70,000,000	223,900,000
1064	State Department for Vocational and Technical Training	16,836,000,000	6,778,000,000	23,614,000,000
	0505000 Technical Vocational Education and Training	16,669,000,000	4,758,000,000	21,427,000,000
	0507000 Youth Training and Development	38,000,000	2,020,000,000	2,058,000,000
	0508000 General Administration, Planning and Support Services	129,000,000	-	129,000,000
1065	State Department for University Education	108,334,000,000	5,097,000,000	113,431,000,000
	0504000 University Education	106,740,000,000	3,943,000,000	110,683,000,000
	0506000 Research, Science, Technology and Innovation	1,364,000,000	1,154,000,000	2,518,000,000
	0508000 General Administration, Planning and Support Services	230,000,000	-	230,000,000
1066	State Department for Early Learning & Basic Education	89,417,700,000	6,203,000,000	95,620,700,000
	0501000 Primary Education	17,636,000,000	1,310,000,000	18,946,000,000
	0502000 Secondary Education	63,310,000,000	4,723,000,000	68,033,000,000
	0503000 Quality Assurance and Standards	4,253,000,000	100,000,000	4,353,000,000
	0508000 General Administration, Planning and Support Services	4,218,700,000	70,000,000	4,288,700,000
1068	State Department for Post Training	128,000,000	-	128,000,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	and Skills Development			
	0508000 General Administration, Planning and Support Services	99,000,000	-	99,000,000
	0512000 Workplace Readiness Services	15,000,000	-	15,000,000
	0513000 Post-Training Information Management	14,000,000	-	14,000,000
	The National Treasury	59,411,600,000	29,670,600,000	89,082,200,000
	0717000 General Administration Planning and Support Services	47,941,300,000	1,322,600,000	49,263,900,000
1071	0718000 Public Financial Management	9,981,100,000	28,258,300,000	38,239,400,000
	0719000 Economic and Financial Policy Formulation and Management	1,213,100,000	59,700,000	1,272,800,000
	0720000 Market Competition	276,100,000	30,000,000	306,100,000
	State Department for Planning	3,156,800,000	42,450,200,000	45,607,000,000
	0706000 Economic Policy and National Planning	1,470,200,000	41,922,700,000	43,392,900,000
1072	0707000 National Statistical Information Services	1,317,600,000	470,200,000	1,787,800,000
	0708000 Monitoring and Evaluation Services	72,700,000	57,300,000	130,000,000
	0709000 General Administration Planning and Support Services	296,300,000	-	296,300,000
	Ministry of Health	63,714,000,000	50,762,500,000	114,476,500,000
	0401000 Preventive, Promotive & RMNCAH	1,810,000,000	6,059,000,000	7,869,000,000
	0402000 National Referral & Specialized Services	29,639,000,000	9,830,500,000	39,469,500,000
1081	0403000 Health Research and Development	9,291,000,000	587,000,000	9,878,000,000
	0404000 General Administration, Planning & Support Services	7,244,000,000	1,195,000,000	8,439,000,000
	0405000 Health Policy, Standards and Regulations	15,730,000,000	33,091,000,000	48,821,000,000
1091	State Department of Infrastructure	64,956,000,000		190,317,800,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
			125,361,800,000	
	0202000 Road Transport	64,956,000,000	125,361,800,000	190,317,800,000
	State Department of Transport	9,670,000,000	51,898,800,000	61,568,800,000
	0201000 General Administration, Planning and Support Services	344,000,000	100,000,000	444,000,000
1092	0203000 Rail Transport	-	19,223,800,000	19,223,800,000
	0204000 Marine Transport	1,138,000,000	32,125,000,000	33,263,000,000
	0205000 Air Transport	8,157,000,000	450,000,000	8,607,000,000
	0216000 Road Safety	31,000,000	-	31,000,000
	State Department for Shipping and Maritime	1,645,000,000	650,000,000	2,295,000,000
1093	0219000 Shipping and Maritime Affairs	1,645,000,000	650,000,000	2,295,000,000
	State Department for Housing and Urban Development	1,078,000,000	22,602,000,000	23,680,000,000
	0102000 Housing Development and Human Settlement	591,000,000	10,516,000,000	11,107,000,000
1094	0105000 Urban and Metropolitan Development	314,000,000	12,086,000,000	12,400,000,000
	0106000 General Administration Planning and Support Services	173,000,000	-	173,000,000
	State for Public Works	2,331,000,000	1,185,000,000	3,516,000,000
	0103000 Government Buildings	536,000,000	620,000,000	1,156,000,000
1095	0104000 Coastline Infrastructure and Pedestrian Access	160,000,000	310,000,000	470,000,000
	0106000 General Administration Planning and Support Services	292,000,000	17,000,000	309,000,000
	0218000 Regulation and Development of the Construction Industry	1,343,000,000	238,000,000	1,581,000,000
1107	Ministry of Water, Sanitation and	6,292,000,000		70,947,000,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Irrigation		64,655,000,000	
	1001000 General Administration, Planning and Support Services	891,000,000	-	891,000,000
	1004000 Water Resources Management	1,122,000,000	8,984,000,000	10,106,000,000
	1017000 Water and Sewerage Infrastructure Development	3,530,000,000	37,505,000,000	41,035,000,000
	1015000 Water Storage and Flood Control	-	8,340,000,000	8,340,000,000
	Programme 5: Irrigation and Land Reclamation	724,000,000	8,128,000,000	8,852,000,000
	Programme 6: Water Harvesting and Storage for Irrigation	25,000,000	1,698,000,000	1,723,000,000
	Ministry of Environment and Forestry	10,153,800,000	5,643,000,000	15,796,800,000
	1002000 Environment Management and Protection	1,661,000,000	1,487,000,000	3,148,000,000
1108	1010000 General Administration, Planning and Support Services	301,000,000	-	301,000,000
	1012000 Meteorological Services	1,078,800,000	592,000,000	1,670,800,000
	1018000 Forests and Water Towers Conservation	7,113,000,000	3,564,000,000	10,677,000,000
	Ministry of Lands and Physical Planning	2,876,000,000	3,299,000,000	6,175,000,000
1112	0101000 Land Policy and Planning	2,876,000,000	3,299,000,000	6,175,000,000
	State Department for Information Communication and Technology & Innovation	2,721,700,000	22,975,300,000	25,697,000,000
	0207000 General Administration Planning and Support Services	245,300,000	-	245,300,000
1122	0210000 ICT Infrastructure Development	501,000,000	18,549,000,000	19,050,000,000
	0217000 E-Government Services	961,000,000	4,237,300,000	5,198,300,000
	0221000 Film Development Services	1,014,400,000	189,000,000	1,203,400,000
1123	State Department for Broadcasting	4,725,700,000		5,324,700,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	& Telecommunications		599,000,000	
	0207000 General Administration Planning and Support Services	243,000,000	-	243,000,000
	0208000 Information and Communication Services	4,280,700,000	530,000,000	4,810,700,000
	0209000 Mass Media Skills Development	202,000,000	69,000,000	271,000,000
1132	State Department for Sports	1,270,700,000	14,155,600,000	15,426,300,000
	0901000 Sports	1,270,700,000	14,155,600,000	15,426,300,000
1134	State Department for Heritage	2,683,300,000	43,100,000	2,726,400,000
	0902000 Culture Development	1,627,700,000	43,100,000	1,670,800,000
	0903000 The Arts	154,700,000	-	154,700,000
	0904000 Library Services	752,400,000	-	752,400,000
	0905000 General Administration, Planning and Support Services	148,500,000	-	148,500,000
1152	State Department for Energy	5,792,000,000	66,735,700,000	72,527,700,000
	0211000 General Administration Planning and Support Services	396,000,000	128,000,000	524,000,000
	0212000 Power Generation	1,574,000,000	9,346,000,000	10,920,000,000
	0213000 Power Transmission and Distribution	3,603,000,000	53,584,700,000	57,187,700,000
	0214000 Alternative Energy Technologies	219,000,000	3,677,000,000	3,896,000,000
1162	State Department for Livestock	2,066,200,000	4,277,400,000	6,343,600,000
	0112000 Livestock Resources Management and Development	2,066,200,000	4,277,400,000	6,343,600,000
1165	State Department for Crop Development & Agricultural Research	9,196,000,000	18,555,200,000	27,751,200,000
	0107000 General Administration Planning and Support Services	2,572,000,000	742,000,000	3,314,000,000
	0108000 Crop Development and Management	816,000,000	15,487,200,000	16,303,200,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0109000 Agribusiness and Information Management	114,000,000	1,476,000,000	1,590,000,000
	0120000 Agricultural Research & Development	5,694,000,000	850,000,000	6,544,000,000
	State Department for Fisheries, Aquaculture & the Blue Economy	2,028,600,000	4,521,000,000	6,549,600,000
1166	0111000 Fisheries Development and Management	1,755,000,000	2,355,000,000	4,110,000,000
	0117000 General Administration, Planning and Support Services	145,000,000	-	145,000,000
	0118000 Development and Coordination of the Blue Economy	128,600,000	2,166,000,000	2,294,600,000
	State Department for Cooperatives	831,800,000	845,200,000	1,677,000,000
1173	0304000 Cooperative Development and Management	831,800,000	845,200,000	1,677,000,000
	State Department for Trade	1,646,500,000	99,500,000	1,746,000,000
1174	0307000 Trade Development and Promotion	1,646,500,000	99,500,000	1,746,000,000
	State Department for Industrialization	3,238,900,000	6,833,800,000	10,072,700,000
1175	0301000 General Administration Planning and Support Services	346,700,000	-	346,700,000
	0302000 Industrial Development and Investments	1,540,800,000	3,270,600,000	4,811,400,000
	0303000 Standards and Business Incubation	1,351,400,000	3,563,200,000	4,914,600,000
	State Department for Labour	2,790,200,000	2,954,700,000	5,744,900,000
1184	0910000 General Administration Planning and Support Services	445,700,000	-	445,700,000
	0906000 Promotion of the Best Labour Practice	664,200,000	45,000,000	709,200,000
	0907000 Manpower Development, Employment and Productivity Management	1,680,300,000	2,909,700,000	4,590,000,000
	State Department for Social Protection	30,232,900,000	2,515,300,000	32,748,200,000
1185	0908000 Social Development and	3,708,900,000		3,934,600,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Children Services		225,700,000	
	0909000 National Social Safety Net	26,277,600,000	2,289,600,000	28,567,200,000
	0914000 General Administration, Planning and Support Services	246,400,000	-	246,400,000
	State Department for Mining	660,800,000	312,000,000	972,800,000
1192	1007000 General Administration Planning and Support Services	284,800,000	-	284,800,000
	1009000 Mineral Resources Management	84,000,000	112,000,000	196,000,000
	1021000: Geological Surveys and Geo Information	292,000,000	200,000,000	492,000,000
	State Department for Petroleum	254,000,000	3,844,000,000	4,098,000,000
1193	0215000 Exploration and Distribution of Oil and Gas	254,000,000	3,844,000,000	4,098,000,000
	State Department for Tourism	5,964,500,000	436,800,000	6,401,300,000
1202	0306000 Tourism Development and Promotion	5,964,500,000	436,800,000	6,401,300,000
	State Department for Wildlife	8,088,000,000	924,000,000	9,012,000,000
1203	1019000 Wildlife Conservation and Management	8,088,000,000	924,000,000	9,012,000,000
	State Department for Gender	1,498,000,000	2,362,000,000	3,860,000,000
1212	0911000 Community Development	-	2,130,000,000	2,130,000,000
	0912000 Gender Empowerment	1,180,600,000	232,000,000	1,412,600,000
	0913000 General Administration, Planning and Support Services	317,400,000	-	317,400,000
	State Department for Public Service	8,066,600,000	312,100,000	8,378,700,000
1213	0710000 Public Service Transformation	3,542,900,000	312,100,000	3,855,000,000
	0709000 General Administration Planning and Support Services	4,523,700,000	-	4,523,700,000
1214	State Department for Youth	11,176,400,000		14,621,100,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
			3,444,700,000	
	0711000 Youth Empowerment	11,176,400,000	3,444,700,000	14,621,100,000
1221	State Department for East African Community	662,500,000	-	662,500,000
	0305000 East African Affairs and Regional Integration	662,500,000	-	662,500,000
1222	State Department for Regional & Northern Corridor Development	1,966,800,000	1,027,500,000	2,994,300,000
	1013000 Integrated Regional Development	1,966,800,000	1,027,500,000	2,994,300,000
1252	State Law Office and Department of Justice	4,727,000,000	118,000,000	4,845,000,000
	0606000 Legal Services	2,159,700,000	-	2,159,700,000
	0607000 Governance, Legal Training and Constitutional Affairs	1,866,300,000	20,000,000	1,886,300,000
	0609000 General Administration, Planning and Support Services	701,000,000	98,000,000	799,000,000
1271	Ethics and Anti-Corruption Commission	3,072,200,000	40,800,000	3,113,000,000
	0611000 Ethics and Anti-Corruption	3,072,200,000	40,800,000	3,113,000,000
1281	National Intelligence Service	39,051,000,000	-	39,051,000,000
	0804000 National Security Intelligence	39,051,000,000	-	39,051,000,000
1291	Office of the Director of Public Prosecutions	3,121,300,000	128,500,000	3,249,800,000
	0612000 Public Prosecution Services	3,121,300,000	128,500,000	3,249,800,000
1311	Office of the Registrar of Political Parties	1,192,100,000	-	1,192,100,000
	0614000 Registration, Regulation and Funding of Political Parties	1,192,100,000	-	1,192,100,000
1321	Witness Protection Agency	476,000,000	-	476,000,000
	0615000 Witness Protection	476,000,000	-	476,000,000
2011	Kenya National Commission on Human Rights	404,900,000	-	404,900,000
	0616000 Protection and Promotion of Human Rights	404,900,000	-	404,900,000
2021	National Land Commission	1,274,000,000	-	1,274,000,000
	0116000 Land Administration and	1,274,000,000	-	1,274,000,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Management			
2031	Independent Electoral and Boundaries Commission	4,459,200,000	150,000,000	4,609,200,000
	0617000 Management of Electoral Processes	4,038,000,000	150,000,000	4,188,000,000
	0618000 Delimitation of Electoral Boundaries	421,200,000	-	421,200,000
2061	The Commission on Revenue Allocation	400,000,000	-	400,000,000
	0737000 Inter-Governmental Transfers and Financial Matters	400,000,000	-	400,000,000
2071	Public Service Commission	2,108,200,000	19,300,000	2,127,500,000
	0725000 General Administration, Planning and Support Services	736,800,000	19,300,000	756,100,000
	0726000 Human Resource Management and Development	1,218,100,000	-	1,218,100,000
	0727000 Governance and National Values	114,000,000	-	114,000,000
	0744000 Performance and Productivity Management	39,300,000	-	39,300,000
2081	Salaries and Remuneration Commission	459,700,000	-	459,700,000
	0728000 Salaries and Remuneration Management	459,700,000	-	459,700,000
2091	Teachers Service Commission	264,404,800,000	600,000,000	265,004,800,000
	0509000 Teacher Resource Management	256,767,800,000	600,000,000	257,367,800,000
	0510000 Governance and Standards	320,000,000	-	320,000,000
	0511000 General Administration, Planning and Support Services	7,317,000,000	-	7,317,000,000
2101	National Police Service Commission	689,500,000	-	689,500,000
	0620000 National Police Service Human Resource Management	689,500,000	-	689,500,000
2111	Auditor General	5,437,100,000	146,700,000	5,583,800,000
	0729000 Audit Services	5,437,100,000	146,700,000	5,583,800,000

VOTE CODE	VOTE/PROGRAMME CODES & TITLE	FINAL BPS CEILING FOR FY 2020/21		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
2121	Office of the Controller of Budget	663,400,000	-	663,400,000
	0730000 Control and Management of Public finances	663,400,000	-	663,400,000
2131	Commission on Administrative Justice	529,300,000	-	529,300,000
	0731000 Promotion of Administrative Justice	529,300,000	-	529,300,000
2141	National Gender and Equality Commission	495,300,000	-	495,300,000
	0621000 Promotion of Gender Equality and Freedom from Discrimination	495,300,000	-	495,300,000
2151	Independent Policing Oversight Authority	799,900,000	-	799,900,000
	0622000 Policing Oversight Services	799,900,000	-	799,900,000
	TOTAL EXECUTIVE CEILING	1,166,354,800,000	611,778,800,000	1,778,133,600,000
1261	The Judiciary	14,772,728,600	3,701,800,000	18,474,528,600
	0610000 Dispensation of Justice	14,772,728,600	3,701,800,000	18,474,528,600
2051	Judicial Service Commission	576,371,400	-	576,371,400
	0619000 General Administration, Planning and Support Services	576,371,400	-	576,371,400
	TOTAL JUDICIARY CEILING	15,349,100,000	3,701,800,000	19,050,900,000
2041	Parliamentary Service Commission	6,985,000,000	-	6,985,000,000
	0722000 Senate Affairs	6,985,000,000	-	6,985,000,000
2042	National Assembly	23,932,000,000	-	23,932,000,000
	0721000 National Legislation, representation and oversight	23,932,000,000	-	23,932,000,000
2043	Parliamentary Joint Services	6,161,100,000	2,065,550,000	8,226,650,000
	0723000 General Admin, planning and support services	5,975,000,000	2,065,550,000	8,040,550,000
	Legislative Training Research & Knowledge Management	186,100,000	-	186,100,000
	TOTAL PARLIAMENT CEILING	37,078,100,000	2,065,550,000	39,143,650,000
	TOTAL BUDGET CEILING	1,218,782,000,000	617,546,150,000	1,836,328,150,000

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
AGRICULTURE, RURAL & URBAN DEVELOPMENT SECTOR		
1112	Ministry of lands and physical planning (Vote 1112)	<ol style="list-style-type: none"> 1. The National Land Commission should develop a policy by July 1st 2020 to ensure that all government Agencies acquiring land for infrastructural projects simultaneously avail funds for compensation and vesting the acquired land. 2. The National Treasury should review the policy on allocation of all ICT related funds to the Ministry of Information, Communication and Technology by July 1st 2020 to ensure timely implementation of the Land Information Management System Project. 3. The Cabinet Secretary, Ministry of Lands and Physical Planning should fast track the development of an integrated digital revenue collection system by July 1st 2020 to eliminate revenue collection leakages and ensure that the Ministry meets its revenue collection targets. 4. The Ministry of Lands and Physical Planning should develop a data bank of all Settlement Scheme beneficiaries by July 1st 2020 and ensure that each beneficiary is only allocated one parcel of land on a “one parcel one person” basis to address multiple allocation of land to squatters.
1162	State Department for Livestock(Vote 1162)	1) The Ministry gives its records of extension officers. Funds be made available as a conditional grant to counties to facilitate employment of the officers.
2021	National Land Commission (Vote 2021)	The National Land Commission should rationalize its staff establishment and ensure that staffs are deployed in core mandate areas and to the County offices to aid service delivery.

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		ENERGY, INFRASTRUCTURE AND ICT SECTOR
1091	State Department of Infrastructure	<ol style="list-style-type: none"> 1. The committee recommends that the National Treasury amends the annuity legal instruments through the finance bill 2020 to allow the annuity fund finance Development of roads and used as counterpart funding in the budget estimates. 2. That the National Treasury should take into account the expected proceeds from the roads bond in formulating the Budget Estimates for the FY 2020/21.
1092	State Department of Transport	<ol style="list-style-type: none"> 1. The committee recommends amendments to the Customs and Excise Act to allow the Railway Development Levy Fund (RDLF) to finance the operations of the Standard Gauge Railway (SGR) since land compensation is completed and phase 2 B (Naivasha – Kisumu) is yet to take off.
1093	State Department for shipping and Maritime	<ol style="list-style-type: none"> 1. The committee recommends the State Department for shipping and Maritime completes the operationalization of the Kenya National Shipping Line by the end of calendar year 2020.
1095	State Department for public Works	<ol style="list-style-type: none"> 1. The committee recommends that resources to enablers of the big four projects be made available only when sites are ready from the side of the drivers to avoid locking resources from other priority areas.
1122	State Department for Information Communications and Technology & Innovation	<ol style="list-style-type: none"> 1. That implementation of the ICT connectivity projects (to various levels of health facilities and Special Economic Zones) under the big four plan be informed by an elaborate Responsibility and Accountability Framework with costed activities and timelines. This to ensure clear resource needs, mitigate duplication and harmonized engagement with other functional players such as respective counties, Ministry of Health and State Department for Industry as well as non-state actors such as NGOs and private sector players. That the Digital Literacy Programme be indicated as a fully-fledged programme within the meaning and provisions of the Programmed Based Budget Framework with clear sub programmes and comprehensive KPIs. 2. That the Ajira projects/activities be also considered as a fully-fledged programme, or as sub programme, within the meaning and provisions of the Programmed Based Budget Framework with clear sub programmes and comprehensive KPIs

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		<p>3. That the following flagship projects be renamed or re-designed taking into account the need for clarity of the project and linked with the overall programme objective under which the project falls as well as comprehensive KPIs and actionable outputs:</p> <ul style="list-style-type: none"> i. Konza EPCF - Engineer, Procure, Construct and Finance of Infrastructure projects (EPC-F) ii. Access Roads-Konza(/ Streetscape/ Wastewater Reclamation Facility) iii. Master Delivery Partner (MDP – 2) iv. Supply and installation of an internet based 4000 network county connectivity - CCP phase III v. ICT Shared Services <p>4. To ensure priority allocation and completion of on-going projects, state department of ICT to factor all payable pending bills within the ceilings measures provided in the 2020 BPS if current effort to settle outstanding bills in the current year is not achievable, and subsequently ensure curtailing of pending bills in the medium term.</p> <p>5. That the state department to ensure prioritization of policies and priorities under the creative sector to improve employment creation and enhance utilization of youth talents and the same be considered under the Film development Services Programme and ICT and Infrastructure Development Programme</p>
1123	State Department for Broadcasting & Telecommunications	<p>1. That the State department follows through the proposal to further reduce the cost of government advertisement by printing through the Kenya Year Book and distributed through cost effective means such as the Postal Corporation of Kenya and other means as per the Cabinet Memo of 2017</p> <p>2. That the State Department of Broadcasting and Telecommunication and National Treasury to ascertain the correct amount of the pending bills and type and nature of the historical pending bills particularly under KBC. Further, all payable pending bills be prioritized in the current fiscal year and the same provided in the finalization of the 2020/21 budget estimates</p>

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		<p>3. That in light of the underfunded priorities in the Broadcasting and Telecommunication such as priorities under the Kenya Year Book and Media Council be further prioritized or reallocated within the sector by the Ministry. This will be in line with cost effective measures that include reduction of costs associated with printing and distribution of centralized advertisement.</p>
1193	State Department For Petroleum(Vote 1193)	<ol style="list-style-type: none"> 1. That the approved ceilings for fiscal year 2020/21 and per program as well as subsequent finalization of the same per project/activities is subject to payment of pending bills which are currently outstanding under GDC, KENGEN, KPLC and KETRACO. 2. That, the State Department and National Treasury to submit the status of contingent liabilities/guarantees including any insurance covers or commitment for all electricity transmission projects as well as the status of the funding each respective project and the same be submitted to the relevant Committee of the National Assembly within sixty days upon adoption of the 2020 BPS report by the House. 3. The National Treasury and State Department of Petroleum to fast track regulations to govern the fiscal management of proceeds from sale of crude oil and use of the same as well as the legal basis to ensure effective and accountable control of expenditure and other investments incurred both in the pilot phase and subsequent development of associated infrastructure in the upstream petroleum operations. A status report on the Early Oil Pilot Scheme (EOPS) including recommendations on financial management of proceeds from sale of the crude oil be submitted to National Assembly within ninety days upon adoption of the report by the House. 4. To enhance budget performance and accountability, including transfers to SAGAs, the State Department to submit quarterly status reports of both financial and non-financial performance of 2019/20 allocations to the Controller of Budget for onward transmission to National Assembly. 5. To ensure priority allocation and completion of on-going projects, the State Department to prioritise payment of all pending bills in the current FY and before the finalization of the 2020/21 estimates.

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
SECTOR - GENERAL ECONOMIC AND COMMERCIAL AFFAIRS		
1221	State Department for East African Community	<ol style="list-style-type: none"> 1. The Cabinet Secretary, Ministry of East African Community and Regional Development Authorities to fastrack the finalization of the Regional Development Policy by 31st December 2020. Further, the Cabinet Secretary to liaise with the Office of the Attorney General to ensure the Bill on Regional Development Authorities is submitted to Parliament for debate by 31st December 2020. 2. The Treasury and State Department should justify why the projects undertaken by the development authorities under it have not been fast-tracked and fully funded.
HEALTH SECTOR		
1081	Ministry of Health	<ol style="list-style-type: none"> 1. That, the national government and county governments should come up with a policy framework where the former provincial general hospitals are converted to national referral hospitals as part of the supportive initiative towards UHC. This will reduce of the resources required to establish new referral systems as envisaged in the Ministry's priorities. 2. That, the National Government as matter urgency, to issue a clear policy strategy and roadmap including financing mechanism for UHC. 3. In order to achieve smooth implementation of the UHC, the Ministry should within sixty (60) days put in place clear policy, strategy and criteria of upgrading level 4 to level 6 medical facilities to ensure equity in the distribution of facilities in the country. 4. That, the existing social health programmes such as the Linda mama, health insurance subsidy for the poor and the elderly to be merged to form part of the UHC to ensure there is no duplication since it is the same individuals who are targeted in the UHC programme. 5. That, within sixty (60) days of adoption of this report by the House, the Ministry of Health to submit to the National Assembly are a detailed report on the role to be played by the NHIF in the implementation of UHC alongside a matrix of reforms undertaken

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		<p>on NHIF which include ensuring of all acting positions within this critical institution are substantively filled. This will ensure that NHIF is able to adequately play its role in the implementation of UHC.</p> <ol style="list-style-type: none"> 6. That, the Auditor General undertakes a special audit on the operation and management of the conditional grants to level 5 hospitals. This audit to focus among other areas, disbursements to the counties since the inception as well as the actual expenditures, the impact the grant has had in health service delivery at the county level, as well as the challenges if any in the monitoring of the usage of this funds. The report to be submitted to the National Assembly within 90 days of adoption of this report in House. 7. That, the Ministry develops the constitutive instruments for Mathare Teaching and Referral hospital and the Spinal Injury referral hospital within the next 90 days in order for these institutions to have financial autonomy like the other referral facilities. 8. That, the Ministry of Health to prepares an amendment to the relevant laws to exempt the National Hospital Insurance Fund (NHIF) from the regulation of the Insurance Regulatory Authority (IRA) to ensure it works as a provider of social insurance to support UHC. 9. The Ministry of Health to provide a report to the National Assembly on the criteria of arriving at the partners in Public Private Partnerships in the Health sector, the financing arrangement of the PPPs and its impact on UHC in the long run.
EDUCATION SECTOR		
1066	State Department for Early learning & Basic Education	<ol style="list-style-type: none"> 1. The Committee recommends that the Ministry of Education undertakes a costing of the free primary and free day Secondary Schools programmes within the next three months to ensure that the resources allocated to these flagship programmes are sufficient and responsive to the current economic realities. 2. The Committee recommends that within the next one month, the State Department for Early Learning and Basic Education reviews the school feeding programme policy to expand access to other areas such as slums in urban areas and other pockets of poverty within the country.

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
1064	State Department for Vocational and Technical Training	<ol style="list-style-type: none"> 1. The Committee recommends that the State for Vocational and Technical Training and the NGCDF collaborate to ensure that the newly established TTI's that lack adequate power are connected to the required power to ensure that the various equipment are able to function. 2. The Committee recommends that the State Department for Vocational and Technical Training develop policy guidelines and framework for the management of TVET instructors (Trainers) in the next six months. The policy should among other things include a framework for the distribution of trainers to ensure equity.
GOVERNANCE,JUSTICE ,LAW AND ORDER SECTOR		
1021	State Department for Interior	<ol style="list-style-type: none"> 1. The Cabinet Secretary, National Treasury to expedite the process of transferring the Personnel Emoluments budget for the police from the state department for Interior to the National Police Service Commission by 1st of July 2020 to enable the Commission exercise its Human Resource function fully in line with the Constitution and the National Police Service Act The PS, state department for Interior to expedite the process of designating all OCSs to have dedicated budget for Operations and Maintenance and be the AIE holders for prompt service delivery before the 1st of July 2020. 2. Recognizing the tight fiscal framework, it is recommended that the State Department for Interior rationalize it budget to accommodate critical infrastructure needed for combating terrorism and other forms of crime which can compromise the necessary environment for socio-political and economic development.
	Judiciary	<ol style="list-style-type: none"> 1. The Committee recommends the extension of the World Bank agreement beyond October 2020 to facilitate the completion of the World Bank funded projects. The Department is not likely to absorb its proposed allocation of Kshs 0.9 billion for the world projects in FY 2020/21 if the agreement is not extended beyond October, 2020. 2. The Committee urges the National Treasury to stick with the cash plans submitted by the various departments and upload budgets on time and more importantly find lasting solutions

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		to the challenges associated with IFMIS to enable the department to implement their budgets fully.
PUBLIC, ADMINISTRATION AND INTERNATIONAL RELATIONS SECTOR		
1011	The Presidency	
1032	State Department for Devolution	<ol style="list-style-type: none"> 1. Under the special initiative of supply of relief food, the Government should develop long term food security initiatives like irrigation and food production enhancement. The funds allocated to the relief food can be used to educate farmers on food storage to avoid post-harvest losses and contamination. The initiatives will go along to complement the government agenda on food security. 2. The Department should finalise the transfer of assets and liabilities that belonged to the defunct local authorities to the county governments. For instances where there exists disputes, the departments should through the intergovernmental forums ensure that there are resolved forthwith.
1052	Ministry of Foreign Affairs	<ol style="list-style-type: none"> 1. The Cabinet Secretary in charge of the National Treasury, going forward to consider clustering the Ministry of Foreign Affairs under the National Security Sector given the role of the Ministry in global peace and security and being a member of the National Security Advisory Council; 2. The Cabinet Secretary Ministry of Foreign Affairs jointly with the Cabinet Secretary in charge of Public Works to fastrack the development of an asset acquisition and management policy, which provides for design and standards for its mission buildings. This should be done before commencement of any new project, but not later than 31st December 2020.
1071	The National Treasury	<ol style="list-style-type: none"> 1. Pragmatic measures should be instituted by the National Treasury in the fiscal year 2020/21 so as to stimulate the economy to enhance revenue yield. This is owing to the fact that revenue is projected at 18.4% of the Gross Domestic product (GDP) in 2020/21, which will remain nearly constant in the medium term at 18.5% and 18.6% respectively. Perhaps the revenue enhancement reforms may have reached the peak. Further, the tax base may have also reached its elastic limit. 2. The National Treasury should fast track within the next six months to automate the pensions system by coming up with an Integrated Pensions Administration System that can be shared across all government departments so as to reduce the time taken to receive documents for processing of pensions.

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		<p>3. The resource allocation towards the leasing of vehicles for the security sector in 2020/21 ought to be domiciled in the user department as opposed to the National Treasury. This is to ensure the ceilings to state departments are realistic.</p>
1072	State Department for planning	<p>1. The National Treasury through the Intergovernmental Forums should develop a framework of implementation for the stalled projects that were previously implemented through NG-CDF but now under the new Constitution fall within the mandate of the county governments.</p>
2061	The Commission on Revenue allocation	<p>1. The Commission on Revenue Allocation in consultation with the Council of Governors and the Controller of Budget should develop either a legal framework or an administrative measure to ensure budgeting and implementation of the budgets deliver maximum benefits to the citizenry and as such, counties should be at the epicenter of economic growth.</p> <p>2. The Commission should consider revenue performance in determining the allocation to county governments as opposed to basing its recommendations entirely on the set formulae or criteria as this may not factor in the realistic situation on the fiscal space.</p> <p>3. Parliament should fast track the approval of the Third Generation Revenue Sharing criteria among County governments. The current formula has run its course in accordance with the law and therefore, a new one is due.</p>
2071	Public Service Commission	<p>1. The Public Service Commission internship programme already established to be sustained and adequately funded. The Commission to ensure full compliance with the constitution in the implementation of the programme and in doing so to secure equity, regional and ethnic balance in recruitment of interns</p>
2081	Salaries and Remuneration Commission	<p>1. The Salaries & Remuneration Commission should, in 2020/21, focus on analyzing and making recommendation on job productivity which will inform salaries harmonization, if need be. Job productivity encompasses among other things, the optimum staffing levels for each cadre and scheme of service in the public sector.</p>

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
2121	Controller of Budget	1. The office of the Controller of Budget should provide quarterly Budget Implementation Review Reports (BIRR) contains both the financial and non-financial performance. The information on non-financial should carry details on quarterly achievement targets and key performance indicators in order to facilitate effective oversight by the Parliament and County Assemblies.
NATIONAL SECURITY SECTOR		
1041	Ministry of Defence	<ol style="list-style-type: none"> 1. The Cabinet Secretary, National Treasury and the Cabinet Secretary, Ministry of Defence to involve the Committee and The National Assembly from inception, before negotiation, of projects funded under the Export Credit Arrangement; Further, the Ministry to submit disaggregated list of projects with proposed allocation for FY 2020/21 reconcilable with its development expenditure by 30th April 2020. 2. The Ministry hastens the development of the Peace Support Operations Policy and submits it to the National Assembly by 30th June 2020.
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES SECTOR		
1107	Ministry of Water & Sanitation and Irrigation	<ol style="list-style-type: none"> 1. The Cabinet Secretaries for Environment and Forestry and that of Water & Sanitation and Irrigation to address the issue of the provision of way leaves for the water projects. The Committee has facilitated a meeting of the two Cabinet Secretaries to address the matter. The National Treasury in collaboration with other stakeholders should consider fast tracking tax exemptions approvals where applicable to facilitate timely donor-funded projects seamlessly. To this end, the Committee has facilitated a meeting for the Cabinet Secretaries for the National Treasury and that of Water & Sanitation and Irrigation to address the matter expeditiously 2. The Ministry of Water & Sanitation and Irrigation to fast track receipt of the consultancy reports so as to necessitate allocation for the remaining works for the projects to completion for the Umaa and Badasa Dams
1108	Ministry of Environment and Forestry	<ol style="list-style-type: none"> 1. The Ministry of Environment and Forestry to ensure that procurement plans are done in good time to ensure timely absorption of funds. 2. The Ministry of Environment and Forestry together with the National Treasury and the Public Service Commission to jointly work out on a formula for a progressive recruitment process to enhance service delivery 3. The Ministry of Environment and Forestry in collaboration with the National Treasury should ring –fence funds provided for national

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		restoration of 10% forest cover programmes in the current financial year and in the medium term. This will ensure the programme is insulated from irregular budgetary cuts. The parties should also consider introduction of conditional grant to county governments by setting aside funds to for tree planting programme.
1203	State Department for Wildlife	<ol style="list-style-type: none"> 1. The State Department for Wildlife to initiate legislative amendment to Kenya Roads Board Act to increase the percentage quantum set aside for access road maintenance in the national and game reserves. 2. On Human Wildlife Conflict Mitigation Programme through fencing, the State Department for Wildlife outsource the services to contractors with full fencing contracts for efficiency. 3. The National Treasury to expand the Department ceiling for the FY 2020/21 to include funds for the following projects: Recruitment of Rangers, Kenya Parks Sustainability Programme (Kshs. 2.350 billion), Operationalization of Kenya Wildlife Research and Training Institute (kshs. 100 million), Ban of Plastic in Protected Areas (Kshs. 100 million), Beach Management Programme Kshs. 100 million) and new Wildlife Bill, Policy and Regulation (Kshs. 50 million), Human Wildlife Conflict Compensation Insurance Scheme (Kshs. 1 billion) and Securing Wildlife Corridors and Dispersal Areas (Kshs. 100 million).
SOCIAL PROTECTION, CULTURE AND RECREATION SECTOR		
1184	State Department for Labour	<ol style="list-style-type: none"> 1. The State Department for Labour should fast track the development of the National Migration policy and its enabling legislation. This should be in place by December 2020. The policy should provide a clear framework on labour migration and ensure that Kenya leverages on opportunities available in other countries to tackle the challenge of unemployment, while at the same time ensuring better terms and conditions of work for them. 2. The State Department for Labour should finalize the ongoing development of the Labour Market Information System (LMIS) by the end of the 2019/2020 Financial Year. This will enable Kenyans access labour market opportunities both locally and internationally easily. The system will also readily avail data on areas of skills shortage and excesses to enable training institutions train for the labour market. 3. The State Department for Social Protection should, within two months, submit to Parliament the amendment to operationalize the Social Assistance Act generally and in particular the establishment of the Social Assistance Fund. This will give the

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		<p>legal backing to the National Safety Net Programme, which has been allocated close to Kshs30 billion shillings in the current Financial Year.</p> <p>4. The State Department for Social Protection should within one month, resolve the current stalemate at the Child Welfare Society of Kenya, where accounts have been frozen because of leadership wrangles between the Society Trustees and the Board. The situation is not tenable as it puts the welfare of children at great risk.</p> <p>5. The National Treasury should before preparing the budget estimates for 2020/21 assign the relevant name to the project under the National Youth Service, currently named Youth Empowerment Project in 69 informal Settlements. The Project has been allocated Ksh. 2.8 billion and the Committee has confirmed that the funds were used to pay fees for youth undergoing training at various TIVET institutions. Such a disparity in naming of projects makes it difficult to track expenditure.</p>
1212	State Department for Gender	<p>6. The National Gender and Equality Commission, in conjunction with other relevant arms of the Government should establish a Tribunal within the next one year where Kenyans aggrieved on equality issues can channel their grievances. The Tribunal should move around the country to give all Kenyans an opportunity to be heard.</p>

SCHEDULE THREE: KEY OBSERVATIONS FROM THE DEPARTMENTAL COMMITTEES

A. Agriculture, rural and urban development

- i. There is a need to fund tea, coffee and sugar research over the medium term.
- ii. There were pending bills owed to maize millers and traders as well as farmers who supplied livestock to Kenya Meat Commission.
- iii. There is a shortage of agricultural extension officers.
- iv. The BPS does not explicitly outline measures to deal with the possible impact of desert locusts on food security.
- v. Digitization of records at the Ministry of Lands is key to service delivery.

Policy recommendations

- i. The Ministry of Agriculture to provide its records of extension officers.
- ii. Funds should be made available as a conditional grant to counties to facilitate the employment of extension officers.
- iii. The Ministry of Lands and Physical Planning to develop a data bank of all settlement scheme beneficiaries by 1st July 2020.
- iv. The National Land Commission should develop a policy by July 1st 2020 to ensure that all government agencies acquiring land for infrastructural projects simultaneously avail funds for compensation and vesting the acquired land.

B. Energy infrastructure and information communication and technology

- i. Expected proceeds from floating the roads bond were not taken into consideration in the BPS 2020.
- ii. There were pending bill from operation and maintenance of SGR.
- iii. The affordable housing programme had only delivered 228 units.
- iv. There were stalled projects requiring 5,700 million to complete under public works.
- v. There were pending bills under parastatals such as GDC, KPLC and KETRACO.
- vi. There was a discrepancy between the amount of total pending bill stated by the National Treasury and the State Department of Petroleum.
- vii. Connectivity projects under the big four agenda lack policy and planning coherence.
- viii. There was variation in the value of pending bills presented by the state Department of ICT and those presented by the National Treasury especially in regard to SAGAs under the State Department of ICT.
- ix. There were pending bills under the State Department of Broadcasting.
- x. There is a need to reduce the cost of Government advertisement.

Policy recommendations.

- i. Expected proceeds from the roads bond should be taken into account during the preparation of 2020/21 budget estimates.
- ii. The Customs Excise Act should be amended to allow the Railway Development Levy to finance the operations of SGR.
- iii. Funds should be availed by the National Treasury in FY 2020/21 for completion of stalled projects.
- iv. The committee Approved ceilings for FY 2020/21 subject to payment of pending bills outstanding under GDC, KENGEN, KPLC and KETRACO.

- v. The National Treasury to submit status of contingent liabilities for all electricity transmission projects to the relevant committee of the National Assembly within sixty days upon adoption of 2020 BPS report by the House.
- vi. A status report on the Early Oil Pilot Scheme (EOPS) including recommendations on the financial management of proceeds from the sale of crude oil to be submitted to the National Assembly within ninety days upon adoption of BPS report by the House.
- vii. Reduce government advertising costs by printing through the Kenya Year Book as per the Cabinet Memo of 2017.

C. General economic and commerce affairs

- i. Implementation of Dongo Kundu SEZ is taking too long and issues to do with land compensation for the project have not been fully resolved.
- ii. The production capacity of Rivatex is still underutilised because of lack of cotton.
- iii. There were pending bills under State Department of Industrialization that are to be paid in 2019/20 FY.
- iv. The Cherry Coffee Revolving Fund should not be operationalized until regulations are completed.
- v. Relevant committee of Parliament should be engaged in the development of the Cherry Coffee Revolving Fund.
- vi. There were governance challenges hampering implementation of projects under the various regional development authorities.

Policy recommendation

- i. The Cabinet Secretary Ministry of East African Community and Regional Development Authorities to ensure that the Regional Development Policy is finalized by 30th June 2020 and that the Bill on Regional Development Authorities is submitted to for debate by 31st December 2020.

D. Health

- i. The Ministry of Health has not informed the house on the policy the country is using to implement UHC including how UHC will be financed.
- ii. There is no clear policy to guide the establishment and or upgrade of hospitals from one level to another.
- iii. There is no clarity in the role of NHIF in rolling out of the UHC.
- iv. The Ministry did not provide the criteria used for selection of PPP projects in the Health sector.
- v. There were no guidelines on upgrading level 6 hospitals to referral hospitals further, there was no set policy that would ensure equity in the distribution of referral hospitals across the Country.

Policy recommendations

- i. There is a need to develop a clear policy strategy and roadmap including financing mechanism of UHC.
- ii. Within 60 days of the adoption of this report, the Ministry should put in place a criterion for upgrading hospitals and ensuring equity in distribution.
- iii. Within 60 days of the adoption of this report, the Ministry of Health should submit to the National Assembly a detailed report on the role NHIF will play in the implementation of UHC alongside a matrix of reforms to be undertaken at the NHIF.

- iv. Within 90 days of the adoption of this report, the Auditor General should undertake a special Audit of Grants to level 5 hospitals.
- v. The Ministry of Health to prepare an Amendment to the Insurance Act 2019 so as to place NHIF under the regulation of IRA.

E. Education

- i. Some of the KPIs and targets within the sector were not based on the resource ceilings provided in the BPS 2020. E.g. The KPI for the TSC is to recruit 20,006 secondary teachers however the commission has resources to only recruit 5,000 teachers.
- ii. The school feeding programme only covers ASAL areas but leaves out urban slums and other pockets of poverty.
- iii. The current capitation offered to both primary and secondary school learners was not sensitive to the prevailing economic conditions.
- iv. High voltage power had not been provided to a number of TTIs.

Policy recommendations

- i. Within a one month of the adoption of this report, the Ministry should reconcile KPIs with the available resources.
- ii. During the submission of the budget estimates for 2020/21, the conditional grants to VTCs should not be lumped together under the development budget since part of the grants are used for capitation. The conditional grants should be disintegrated between recurrent and development budget.
- iii. The Ministry of Education should undertake costing of free primary and Secondary education within three months of the adoption of this report to ensure resources allocated to these flagship programmes are sufficient.
- iv. Within one month of the adoption of this report, the State Department of Early Learning and Basic Education should review the school feeding programme policy to expand access to other pockets of poverty including urban slums.
- v. The Committee recommends that the State for Vocational and Technical Training and the NGCDF collaborate to ensure that the newly established TTI's that lack adequate power are connected.

F. Governance justice law and Order

- i. The State Department of Interior still holds Human resource function of the National Police Service Commission.
- ii. The Officers Commanding Stations (OCS) did not have resources for service delivery despite BPS 2020 undertaking to bring services closer to the people.

Policy Recommendations

- i. National Treasury should Transfer the personnel emoluments budget for the police from State Department of Interior to the National Police Service Commission by 1st July 2020.
- ii. PS State Department of Interior should ensure all OCSs have a dedicated budget for operations and maintenance and that OCSs are designated as AIE holders before 1st July 2020.

G. Public administration and international relations

- i. The policy of recruiting Interns across the 290 constituencies was not equitable.
- ii. The Ministry of Foreign Affairs has no policy on the acquisition and/or construction of missions abroad.

Policy Recommendations

- i. Public Service Commission should ensure there is equity, regional and ethnic balance in the recruitment of interns.
- ii. The Cabinet Secretary Ministry of Foreign Affairs to develop an asset acquisition and Management policy for its missions abroad by 31st December 2020.
- iii. The Cabinet Secretary in charge of the National Treasury should consider clustering the Ministry of Foreign Affairs under the National Security Sector.
- iv. There should be a focus on the implementation of Section 109 (2) of the Public Finance Management Act, 2012 which provides that each County Treasury shall ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund, except where there is exclusion by an Act of parliament. This will ensure that revenue is not utilized at source as seen in some counties

H. Social protection culture and recreation

- i. There is a lack of timely labour market information.
- ii. The Social Assistance Act was not operational.
- iii. Operations at the Child Welfare Society have been hampered by leadership wrangles.
- iv. The Youth Empowerment Project in 69 informal settlements includes provisions for paying tuition fees for students at TIVET institutions.
- v. There is a need to establish a tribunal to handle grievances on equality.
- vi. The state Department of Heritage is getting about 5% of the Sports, Arts and Social Development Fund allocation.
- vii. There was no list of the specific projects that were to be funded from the Sports, Arts and Social Development Fund

Policy Recommendations

- i. The State Department of Labour to ensure the National Migration Policy and its enabling legislation are in place by 31st December 2020.
- ii. The Ministry of Labour to finalize the Labour Market Information System (LMIS) by the end of the 2019/20 FY.
- iii. Within two months of the adoption of this report, the State Department for Social Protection should submit to Parliament the amendment to operationalize the Social Assistance Act.
- iv. Within one month of the adoption of this report, the State Department for Social Protection should ensure the stalemate at the Child Welfare Society of Kenya is resolved.
- v. Before the preparation of the 2020/21 budget estimates the National Treasury should assign a relevant name to the project currently named Youth Empowerment Project in 69 informal settlements.
- vi. The National Gender and Equity Commission should establish the relevant tribunal.
- vii. The Department of Heritage to be allocated its 20% share from the Sports, Arts and Social Development Fund.
- viii. The National Treasury to itemize allocations under from the Sports, Arts and Social Development Fund for pre-budget scrutiny.

I. Environment protection water and natural resources

- i. The removal of NEMA's Environmental Impact Assessment fees by the National Treasury was affecting NEMA's AIA collection and its effectiveness.
- ii. The Ministry of Environment and forestry has several acting CEOs in its Agencies.
- iii. The State Department for Wildlife receives 1% from Road Maintenance Levy Fund set aside for rehabilitation of roads in National Parks. This allocation is not sufficient.

Policy recommendations

- i. The National Treasury should consider reinstating the Environmental Impact Assessment fees collection by NEMA as AIA.
- ii. There is a need to develop a policy on how long senior officers should serve in an acting capacity.
- iii. State Department for Wildlife to initiate a legislative amendment to the Kenya Roads Board Act to increase the percentage set aside for road maintenance in National Parks.

J. National Security

- i. The Ministry of Defence has funding from an Export Credit Agreement managed at the National Treasury.
- ii. The Ministry of Defence has no provision of Ksh. 4.7 billion for operationalization of the programme.

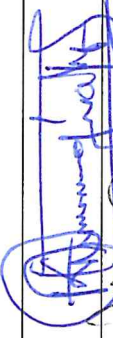








Policy Recommendations







- i. The National Assembly to be involved in the scrutiny of projects under the Export Credit Agreement (ECA) and the Ministry of Defence to submit the disaggregated list of projects with proposed allocation for FY 2020/21, by 30th April 2020.
- ii. The Ministry of Defence to submit the Peace Support Operations policy to the National Assembly by 30th June 2020.




ADOPTION SCHEDULE

Members attendance list

Budget and Appropriations Committee: Date: 3rd / 03 / 2019 Time: 9:30 AM Sitting: 1st

Name	Signature
1. Hon. Kimani Ichung'wah, CBS, M.P- Chairperson	
2. Hon. (CPA) Moses Lessonet, M.P- Vice Chairperson	
3. Hon. (CPA) John Mbadi, EGH, 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, M.P.	
18. Hon. Sakwa Bunyasi, M.P.	
19. Hon. Danson Mwashako, M.P.	
20. Hon. Fatuma Gedi Ali, CBS, M.P.	
21. Hon. Florence C.K. Bore, M.P.	
22. Hon. James Gichuki Mugambi, M.P.	
23. Hon. (Dr.) John K. Mutunga, M.P.	

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

Signed..... Date.....

Committee Clerk

Signed..... Date.....

Director of Committee Services

