PAPER LAID
By Hon. [illegible] Mohamed
17/6/2012

REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT – FOURTH SESSION (2012)

THE DEPARTMENTAL COMMITTEE
ON
ENERGY, COMMUNICATIONS AND INFORMATION

REPORT ON

ANNUAL ESTIMATES OF 2012/2013 FOR THE MINISTRIES OF ENERGY AND INFORMATION & COMMUNICATIONS

(VOTE R.30, D.30, R.32 & D.32)

Clerk's Chambers
Parliament Buildings
NAIROBI

May, 2012

1.0 PREFACE

Mr. Speaker, Sir,

1. The Committee on Energy, Communications and Information was constituted on June 17th 2009 and its membership is as follows:-

1. The Hon. (Eng.) James Rege, M.P. - **Chairman**
2. The Hon. Maina Kamau, M.P - **Vice Chairman**
3. The Hon. Aden Duale, M.P
4. The Hon. Joshua Kuttuny, M.P
5. The Hon. (Eng.) Nicholas Gumbo, M.P
6. The Hon. Edwin O. Yinda, M.P
7. The Hon. Emilio Kathuri, M.P
8. The Hon. Ekwee Ethuro ,M.P
9. The Hon. (Prof.) Phillip Kaloki, M.P
10. The Hon. Cyprian Omolo, M.P
11. The Hon. Adan Keynan, M.P

Mandate of the Committee

2. The Committee is mandated to consider:-

- Development, production, maintenance and regulation of Energy.
- Communication.
- Information.
- Broadcasting, and
- Information Communications Technology (ICT) development.

The Committee executes its mandate in accordance with the provisions of Standing Order 198 (3), which is -

a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;

b) to Study the programme and policy objectives on Ministries and Departments and the effectiveness of the implementation;

c) to Study and review all legislation referred to it;

d) to study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;

e) to investigate and enquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister; and

f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

Further, Standing Order No. 152 provides that:-

(1) Upon being laid before the National Assembly, the Annual Estimates shall stand committed to the respective Departmental Committees according to their mandates.

(2) Each Departmental Committee shall consider, discuss and review the Estimates committed to it under this standing order and submit its report thereon to the House within twenty one days after they were first laid before the House.

Ministries assigned

3. In executing its oversight mandate the Committee oversees the following Ministries:-

i) Ministry of Energy

ii) Ministry of Information and Communications.

2.0 EXECUTIVE SUMMARY

Mr. Speaker Sir,

4. The 2012/2013 Estimates of Development and Recurrent Expenditure of the Government of Kenya for the year ending 30th June, 2012 were laid on the Table of the House on Thursday 26th April, 2012. Section 221 (4) of the Constitution stipulates that, **"a Committee of the Assembly shall discuss and review estimates and make recommendations to the Assembly" while the Standing Order 152 stipulates that "the Annual Estimates are committed to the respective departmental Committees according to their mandates."** Pursuant to these provisions, the printed annual estimates were committed to the Committees which were expected to scrutinize and make a report of recommendations to the House.

5. Section 221(5) of the Constitution further provides that **"In discussing and reviewing the estimates, the Committee shall seek representations from the public and the recommendations shall be taken into account when the Committee makes its recommendations to the National Assembly."** In accordance with this provision, the Budget Committee together with the Departmental Committees conducted public hearings on the 2012/2013 budget estimates in 17 Counties from 12th May, 2012 to 15th May 2012.

6. The Committee considered and scrutinized the printed Estimates of Government Ministries and Departments under its mandate in 4 sittings. In considering the Estimates, the Committee held meetings with the Minister for Energy and the Minister of Information and Communications. The Ministers were accompanied by their Permanent Secretaries, senior officials from the Ministries and Chief Executives of State Corporations under their Ministries. The Committee also met with the staff of the Budget Office of the National Assembly. Pursuant to provisions of Standing Order No. 180, Committee sittings with the two Ministers were open to the public. The Minutes of these meetings are appended to this report.

7. While scrutinizing the Estimates, the Committee considered the following documents:

i) The Vision 2030;
ii) The Medium term plans
iii) The Ministries Strategic Plans
iv) The Printed Estimates for the FY 2012/2013 for Votes 130 and 132
v) The Budget Policy Statement 2012/2013

8. The Committee, based on the submission, presentations and evidence adduced, recommends that:-

i. **Amount not exceeding Kshs. 2, 553,350,000 be allocated to the Ministry of Energy (Vote 130) for Recurrent expenditure and that the Ministry be allowed to raise Appropriation-in-Aid amounting to Ksh. 220,000,000. Amount not exceeding KShs. 25,457, 972,380 be allocated for Development expenditure, and that the Ministry be allowed to raise Appropriation-in-Aid amounting to KShs. 51,716,183,431 for Development expenditure;**

ii. **Amount not exceeding Kshs. 2,486,467,000 be allocated to the Ministry of Information and Communications (Vote 132) for Recurrent expenditure and that the Ministry be allowed to raise Appropriation-in-Aid amounting to Ksh. 17,000,000. Amount not exceeding Kshs. 4, 790, 882,270 be allocated for Development expenditure, and that the Ministry be allowed to raise Appropriation-in-Aid amounting to KShs. 1, 200, 000 for Development expenditure;**

iii. **Amount of Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.**

iv. **Amount of Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0007, Unit 03 (Geothermal Development Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.**

v. **The Committee further recommends that an additional Kshs. 1,000,000,000 should be allocated to Rural Electrification Authority for the FY 2012/13.**

Mr. Speaker Sir,

9. The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the necessary support extended to it in the execution of its mandate. The Committee further wishes to thank the Ministers for Energy and Information & Communications for responding promptly to issues raised by the Committee during the examination of the 2012/2013 Estimates.

10. As Chairman, I take this opportunity to thank all the Members of the Committee for their endurance and hard work under tight schedules which enabled us to complete the task. The Committee also wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee.

Mr. Speaker Sir,

11. On behalf of the Departmental Committee on Energy, Communications and Information, I now have the honour and pleasure to present the Committee's Report and Recommendations of the 2012/2013 Financial Estimates for the Ministry of Energy and the Ministry of Information and Communications, to the House for debate and adoption.

Thank You.

Signed ....

Chairman

Hon. (Eng.) James Rege, MP

Date: May 17, 12. ....

3.0 MINISTRY OF ENERGY (VOTE 130)

Introduction

12. The Ministry of Energy is mandated to develop and implement energy policy, regulate the energy sector players and ensure secure, efficient utilization and conservation of energy. This mandate is in line with Vision 2030 which has identified energy as one of the key enablers of the Vision's three (3) pillars – economic, social and political governance. The Ministry plays a facilitative role in energy supply. This involves taking leadership in the development of policy as well as the legal and regulatory framework for the sector; and playing an oversight role over service providers including state corporations and private power producers.

13. Functionally, the Ministry is charged with energy policy and development; hydropower development; geothermal exploration and development; thermal power development; petroleum products, import/export/marketing policy; renewable energy development; energy regulation, security and conservation; fossil fuel exploration and development; rural electrification; expanding and upgrading of energy infrastructure; promoting energy efficiency and conservation; protecting the environment; mobilizing requisite financial resources for operation and expansion of energy services consistent with rising demand; ensuring security of supply through diversification of sources and mixes in a cost effective manner; increasing accessibility to all segments of the population; enhancing legal, regulatory and institutional frameworks to create both consumer and investor confidence; and enhancing and achieving economic competitiveness and efficiency in energy production, supply and delivery.

14. In the 2012/2013 Estimates, the Ministry of Energy has been allocated KSh 79.94 billion an increase from the KSh. 57.5 billion allocated in the 2011/12 fiscal year.

15. Commercial energy in Kenya is dominated by petroleum and electricity which are the prime movers of the modern sector economy, while wood fuel provides energy needs for the traditional sector including rural communities and urban poor. At the national level, wood fuel and other biomass account for about 68% of the total primary energy consumption followed by petroleum at 22%, electricity at 9% and others including coal at about less than 1%. Solar energy is extensively used for drying and to some extent for heating and lighting.

16. Kenya's electricity generation and supply comes from thermal oil which depends on crude oil prices. This indicates that the cost of energy in the country is erratic and subject to global forces that are beyond the ministry's control and there is therefore need for urgent and increased investments into alternative energy sources - geothermal, wind and solar - to satisfy the country's energy requirements. Furthermore, hydroelectric power generation has also proved to be unreliable in the recent past due to the persistent poor rains that result insufficient water capacity to generate electricity at full capacity.

17. In order to achieve its mandate, the Ministry needs to urgently address some of the challenges facing the energy sector including high fuel prices; inadequate power supply capacity; over-reliance on hydro power; weak transmission and distribution network; high power tariffs; high and escalating prices of fossil fuels; limited investor interest in oil and geothermal exploration; obsolete oil refinery; inadequate port facilities; stressed oil pipeline; and dependence on donor funding.

18. The Ministry has nine State Corporation under its jurisdiction. They are Kenya Power & Lighting Company (KPLC), Kenya Electricity Generating Company (KENGEN), National Oil Corporation of Kenya (NOCK), Kenya Pipeline Company (KPC), Rural Electrification Authority (REA), Energy Regulatory Commission (ERC), Kenya Petroleum Refineries Ltd (KPRL), Kenya Electricity Transmission Company (KETRACO) and Geothermal Development Company (GDC). However, two of the Corporations (KPLC and KENGEN) are not strictly state corporations under the State Corporations Act Cap.446.

3.1 Allocations for the Financial Year 2012/2013

19. The net estimate for the Ministry for the Financial Year 2011/2012 amounts to Kshs. 25, 534, 519, 709 billion compared to a total net of Kshs. 25, 856, 541, 750 billion in the last financial year reflecting a net decrease of Kshs. 322, 022, 048, . The Ministry expects to raise Kshs. 51, 716, 403,431 as Appropriations-in-Aid, from internal and external sources, to finance its operations totaling the gross budget to Kshs. 79,947.61 million up from Kshs. 65, 705.89 million. The Ministry's budget is 5.5% of the total budget.

20. Table 8: Summary of Ministry's Expenditures for 2008/09 – 2012/13 (Kshs. Millions)

	Approved Gross Estimates				Resource Requirement	Gross Estimates
	2008/09	2009/10	2010/11	2011/12	2012/13	2012/13
Recurrent Expenditure	365.86 (1.2%)	372.12 (1.2%)	2,282.95 (6.5%)	2,432.25 (3.7%)	4,376.3 (4%)	2,773.35 (3.5%)
Development Expenditure	31,332.25 (98.8%)	30,640.65 (98.8%)	32,623.30 (93.5%)	63,273.64 (96.3%)	95,553.4 (96%)	77,174.16 (96.5%)
TOTAL EXPENDITURE	**31,698.11**	**31,012.77**	**34,906.25**	**65,705.89**	**99,929.7**	**79,947.51**

3.2.1 Recurrent Expenditure (R.30)

21. The net estimate allocated for Recurrent Expenditure (Vote R.30) for the Ministry is Kshs. 2,553,350,000 (Two billion, five hundred and fifty three million, three hundred and fifty thousand shillings) as compared to Kshs. 2,432,249,800 (Two billion, four hundred and thirty two million, two hundred and forty nine thousand, eight hundred shillings) which reflects a net increase of Kshs. 121,100,200. The increase is mainly attributed to an increased provision to Geothermal Development Corporation (GDC).

22. Examination of Heads, by the Committee, under Vote R.30 is as follows:-

3.2.1 RECURRENT EXPENDITURE (R.30)

i) Head 0001: Headquarters Administrative Services

The proposed net expenditure under this Head is Kshs.203,152,363.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs.203,152,363 be allocated to the Ministry for the expenditure proposed in the items under Head 0001.

ii) Head 0002: Planning Services

The proposed net expenditure under this Head is Kshs. 69,411,105.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 69,411,105 be allocated to the Ministry for the expenditure proposed in the items under Head 0002.

iii) <u>Head 0003: Financial Management and Procurement Services</u>

The proposed net expenditure under this Head is Kshs. 22,313,144.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 22,313,144be allocated to the Ministry for the expenditure proposed in the items under Head 0003.

iv) <u>Head 0004: Wood fuel Resources Development</u>

The proposed net expenditure under this Head is Kshs 94,445,491.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 94,445,491 be allocated to the Ministry for the expenditure proposed in the items under Head 0004.

v) <u>Head 0005: Alternative Energy Technologies</u>

The proposed net expenditure under this Head is Kshs. 4,463,011.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 4,463,011 be allocated to the Ministry for the expenditure proposed in the items under Head 0005.

vi) <u>Head 0006: National Grid System</u>

The proposed net expenditure under this Head is Kshs. 419,628,530.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 419,628,530 be allocated to the Ministry for the expenditure proposed in the items under Head 0006.

vii) **Head 0007: Geothermal Resources Exploration**

The proposed net expenditure under this Head is Kshs. 1,040,612,884.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 1,040,612,884 be allocated to the Ministry for the expenditure proposed on the items under Head 0007.

viii) **Head 0008: Rural Electrification Programme**

The proposed net expenditure under this Head is Kshs. 665,000,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 665,000,000be allocated to the Ministry for the expenditure proposed on the item under Head 0008.

ix) **Head 0009: Petroleum and Coal Exploration**

The proposed net expenditure under this Head is Kshs. 34,323,472.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 34,323,472be allocated to the Ministry for the expenditure proposed on the items under Head 0009.

3.2.2 DEVELOPMENT EXPENDITURE (D.30)

23. The net estimate allocated for Development Expenditure (Vote D.30) for the Ministry is Kshs. 25,457,972,380 (twenty five billion, four hundred and fifty seven million, nine hundred and seventy two thousand, three hundred and eighty shillings) an increase from Kshs. 23,424,291,950 (twenty three billion, four hundred and twenty four million, two hundred and ninety one thousand, nine hundred and fifty shillings) which reflects a net increase of Kshs.2,033,680,430. In addition to the net estimates, the Ministry expects to raise Kshs. 51,716,183,431 as Appropriations-in-Aid from internal sources and from development partners.

24. Examination of Heads, by the Committee, under Vote D.30 is as follows:-

(i) **Head 0001: Headquarters Administrative Services**

The proposed net expenditure under this Head is Kshs. 293,880,000. In addition the Ministry expects to raise Kshs.117, 880,000 as Appropriation-in-Aid.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 293,880,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0001 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 117, 880,000 to finance its operations.

(ii) **Head 0002: Planning Services**

The Ministry expects to raise Kshs. 20,000,000 as Appropriations-in-Aid from internal sources and proposes to spend Kshs. 20,000,000 to finance its operations under this Head, making the net expenditure to be Nil.

The Committee is agreeable to the Minister's proposal.

(iii) **Head 0004: Woodfuel Resources Development**

The Ministry expects to raise Kshs. 245,000,000 as Appropriations-in-Aid from internal sources and proposes to spend the whole amount to finance its operations under this Head, making the net expenditure to be Nil.

The Committee is agreeable to the Minister's proposal.

(iv) **Head 0005: Alternative Energy Technologies**

The proposed net expenditure under this Head is Kshs. 185,941,702. This is in addition to the Kshs. 48,000,000 that the Ministry expects to raise as Appropriations-in-Aid from internal sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 185,941,702 be allocated to the Ministry for the expenditure proposed in the items under Head 0004 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 48,000,000 to finance its operations.

(v) Head 0006: National Grid System

The proposed net expenditure under this Head is Kshs. 9,659,930,678. This is in addition to the Kshs. 26,700,030,626 that the Ministry expects to raise as Appropriations-in-Aid from development partners.

Under Head Code 0006, Unit 06, Item 2630200 National Grid System-Kenya Electricity Transmission Company (KETRACO), the Committee notes that Kshs.5,196,000,000 has been allocated to KETRACO as Capital Grants to Government agencies and other Levels of Government. The Minister for Energy informed the Committee that the absorption rate of KETRACO from the previous budgetary allocation is 80%.

The Committee notes that KETRACO has further been allocated Kshs. 18,172,200,000 from donor funding bringing the gross expenditure to Kshs. 23,368,200,000. The Committee is of the view that given KETRACO's the low absorption capacity of budgetary funding, the Company will not be able to fully utilize the total allocation in this financial year and therefore there is a need to channel some of the Exchequer fund to other critically important sub-sector in the Energy Sector which have not adequately be catered for.

The Committee is **NOT** agreeable to the proposal by the Minister under this Head

Recommendations

The Committee therefore recommends that:-

1. **Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.**

2. **Further a sum not exceeding Kshs. 8,659,930,678 be allocated to the Ministry for the expenditure proposed in the items under Head 0006 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 26,700,030,626 to finance its operations.**

(vi) Head 0007: Geothermal and Coal Resources Exploration

The proposed net expenditure under this Head is Kshs. 8,964,600,000. This is in addition to the Kshs. 18,189,125,000 that the Ministry expects to raise as Appropriations-in-Aid from internal sources and development partners.

Under Head Code 0007, Unit 03, Item 2630200 Geothermal and Coal Resource Exploration and Development- Geothermal Development Company (GDC), the Committee notes that Kshs.8,203,000,000 has been allocated to GDC as Capital Grants to Government agencies and other Levels of Government.

The Committee notes that GDC has further been allocated Kshs. 10,787,725,000 from donor funding bringing the gross expenditure to Kshs. 18,990,725,000. The Committee is of the view there is a need to channel some of the Exchequer fund to other critically important sub-sector in the Energy Sector which have not adequately be catered for.

The Committee is **NOT** agreeable to the proposal by the Minister under this Head

Recommendations

The Committee therefore recommends that:-

1. **Amount of Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0007, Unit 03 (Geothermal Development Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.**

2. **Further, a sum not exceeding Kshs. 7,964,600,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0007 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 18,189,125,000 to finance its operations.**

(vii) Head 0008: Rural Electrification Programme

The proposed net expenditure under this Head is Kshs. 5,354,000,000. In addition, the Ministry intends to raise Kshs. 5,611,769,805 as Appropriations-in-Aid from internal and external sources.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 5,354,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0006 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 5,611,769,805 to finance its operations.

(viii) Head 0009: Petroleum Exploration and Distribution

The proposed net expenditure under this Head is Kshs. 1,000,000,000. In addition, the Ministry intends to raise Kshs. 784,378,000 as Appropriations-in-Aid from internal and external sources.

The Committee notes that there is no adequate funding for this important sub-sector of the economy despite the escalating pump prices which have negatively impact on the common *wananchi*. The National Oil Corporation of Kenya (NOCK) has been allocated a gross expenditure of Kshs. 195,500,000 which is not sufficient to meet NOCK's requirements of Kshs. 4.1 billion made up as follows: Kshs. 1.5 billion for working capital; Kshs. 1 billion for retail expansion and Kshs. 1.6 billion for construction of a common user petroleum terminal and truck loading facility in Mombasa.

The Committee is **NOT** agreeable to the proposal by the Minister.

Recommendations

The Committee therefore recommends that:-

1. **Amount of Kshs. 2,000,000,000 should be ALLOCATED to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100 being the REALLOCATION of Kshs. 1,000,000,000 from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 and Kshs. 1,000,000,000 from Head Code 0007, Unit 03 (Geothermal Development Company) Item 2630200.**

2. **Further, a sum not exceeding Kshs. 3,000,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0009 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 784,378,000 to finance its operations.**

4.0 MINISTRY OF INFORMATION AND COMMUNICATIONS (VOTE 132)

Introduction

25. The Ministry of Information and Communication is mandated to deal with information policy; communication policy; film development policy; dissemination of public information; development of national communications infrastructure and capacity building; development of the film industry; and public relation services.

26. In carrying out its mandate, the Ministry oversees the following State Corporations: Kenya Broadcasting Corporation (KBC), Kenya Institute of Mass Communication (KIMC), Kenya Film Censorship Board (KFCB), Kenya Film Commission (KFC), Communications Commission of Kenya (CCK), Postal Corporation of Kenya (PCK), Kenya Year Book Editorial Board (KYEB), Brand Kenya Board (BKB), and Kenya ICT Board.

27. In line with Vision 2030, the Ministry identifies Business Process Outsourcing (BPO), which is heavily dependent on ICT, as its flagship programme. The Programme entails the establishment of a BPO park in Nairobi, marketing, capacity building and development of initiatives to attract investors in this field. Other areas of focus for the Ministry are ICT infrastructure development, information and content development and the film industry.

Allocations for the Financial Year 2012/2013

28. The Ministry has been allocated Kshs. 7.3 billion for the 2012/13 fiscal year. This represents 0.5% of the total budget. The ministry had requested for Kshs. 17.7 billion, depicting that it has only been allocated 41% of its requirements.

29. The ministry's allocation is similar to that of the previous financial year 2011/12. However, the recurrent budget has been increased while the development budget reduced. This indicates that the ministry will reduce its development activities.

Table 2: Summary of Ministry's Expenditures for 2008/09 – 2012/13 (Kshs. Millions)

	Approved Gross Estimates				Resource Requirement	Gross Estimates
	2008/09	2009/10	2010/11	2011/12	2012/13	2012/13
Recurrent Expenditure	1,245.73 (38.2%)	1,239.21 (27.5%)	1,660.02 (27.7%)	1,942.90 (26.6%)	5,770 (32%)	2,503.47 (34.3%)
Development Expenditure	2,017.57 (61.8%)	3,268.52 (72.5%)	4,322.79 (72.3%)	5,360.21 (73.4%)	11,988 (68%)	4,792.08 (65.7%)
TOTAL EXPENDITURE	3,263.30	4,507.73	5,982.81	7,303.11	17,758	7,295.55

30. The estimates as per the sub-votes are as follows:-

Recurrent Expenditure (R.132)

31. The net estimate allocated for Recurrent Expenditure (Vote R.132) for the Ministry is KShs. 2,486,467,000 (two Billion, four hundred and eighty six million, four hundred and sixty seven thousand Kenya Shillings) which is 34.3% of the allocation. This reflects a net increase of Ksh. 543,467,000 from KShs. 1.943 (one billion, nine hundred and fourty three thousand shillings) allocated in 2011/2012.

32. The Ministry is also expected to collect Appropriations-In-Aid of Ksh. 17,000,000. The AIA is from the following sources:

i) Kshs. 4 million from the Media Council of Kenya
ii) Kshs. 11 million from the National Communication Secretariat
iii) Kshs. 2 million from the Kenya Film Classification Board

Examination of Heads, by the Committee, under Vote R.132 is as follows:-

i) <u>Head 0001: Headquarters Administrative Services</u>

The proposed net expenditure under this Head is Kshs.1, 346, 533, 724.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 1,346,533,724 be allocated to the Ministry for the expenditure proposed in the items under Head 0001.

ii) <u>Head 0002: Directorate of Communication</u>

The proposed net expenditure under this Head is Kshs.141, 797, 229.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 141,797,229be allocated to the Ministry for the expenditure proposed in the items under Head 0002.

iii) <u>Head 0003: Central Planning Unit</u>

The proposed net expenditure under this Head is KShs. 21,233,232.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding KShs. 21, 233, 232 be allocated to the Ministry for the expenditure proposed on the items under Head 0003.

iv) <u>Head 0004: Film Censorship Services</u>

The proposed net expenditure under this Head is Kshs.170, 000, 000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 170, 000, 000 be allocated to the Ministry for the expenditure proposed in the items under Head 0004.

v) <u>Head 0005: Financial Management and Procurement Services</u>

The proposed net expenditure under this Head is Kshs. 22, 525, 752.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 22, 525, 752 be allocated to the Ministry for the expenditure proposed in the items under Head 0005.

vi) <u>Head 0006: Directorate of Information</u>

The proposed net expenditure under this Head is Kshs.137, 948, 923.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 137, 948, 923 be allocated to the Ministry for the expenditure proposed in the items under Head 0006.

vii) <u>Head 0007: Provincial and District Information</u>

The proposed net expenditure under this Head is Kshs. 223, 960, 008

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 223, 960, 008 be allocated to the Ministry for the expenditure proposed in the items under Head 0007.

viii) <u>Head 0008: Publication, Photography and Kenya News Agency</u>

The proposed net expenditure under this Head is Kshs. 33, 582, 529.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 33, 582, 529 be allocated to the Ministry for the expenditure proposed in the items under Head 0008.

ix) <u>Head 0009: Mobile Cinema and Library Services</u>

The proposed net expenditure under this Head is Kshs. 16, 279, 171.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 16, 279, 171 be allocated to the Ministry for the expenditure proposed in the items under Head 0009.

x) <u>Head 0010: Rural Press</u>

The proposed net expenditure under this Head is Kshs. 17, 371, 710.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 17, 371, 710 be allocated to the Ministry for the expenditure proposed in the items under Head 0010.

xi) Head 0011: Central Media Services

The proposed net expenditure under this Head is Kshs. 75, 395, 570.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 75, 395, 570 be allocated to the Ministry for the expenditure proposed in the items under Head 0011.

xii) Head 0012: Kenya Institute of Mass Communication

The proposed net expenditure under this Head is Kshs. 164, 712, 776.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 164, 712, 776 be allocated to the Ministry for the expenditure proposed in the items under Head 0012.

xiii) Head 0013: Film Production Department - Headquarters

The proposed net expenditure under this Head is Kshs. 75, 869, 924.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 75, 869, 924 be allocated to the Ministry for the expenditure proposed in the items under Head 0013.

xiv) Head 0014: Film Production Department - Field

The proposed net expenditure under this Head is Kshs. 39, 256, 452.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 39, 256, 452 be allocated to the Ministry for the expenditure proposed on the items under Head 0014.

Development Expenditure (D.132)

33. The net estimate allocated for Development Expenditure (Vote D.132) for the Ministry is Kshs. 4,790,882,270 (Four billion, seven hundred and ninety million, eight hundred and eighty two thousand, two hundred and seventy million). This is a decrease from the 2011/12 allocation of 5.4 billion.

34. The development vote will be financed by both the government and external funding. The government intends to provide Kshs 1.91 billion while the donors will provide Kshs. 2.88 billion. The donor funds will be channeled as both revenue and AIA. The external funds will be from three major donors; IDA, UNDP and UNICEF.

35. Examination of Heads, by the Committee, under Vote D.132 is as follows:-

i) <u>Head 0001: Headquarters Administrative Services</u>

The proposed net expenditure under this Head is Kshs. 4, 283, 830, 275.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Ksh. 4, 283, 830, 275 be allocated to the Ministry for the expenditure proposed in the items under Head 0001.

ii) <u>Head 0004: Film Censorship Services</u>

The proposed net expenditure under this Head is Kshs.142, 000, 000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 142,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0004.

iii) <u>Head 0006: Directorate of Information</u>

The proposed net expenditure under this Head is Kshs. 77,255, 030.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 77,255, 030 be allocated to the Ministry for the expenditure proposed in the items under Head 0006.

iv) <u>**Head 0007: Provincial and District Information**</u>

The proposed net expenditure under this Head is Kshs. 63, 484, 965. In addition, the Ministry intends to raise Kshs. 1,200,000 as Appropriations-in-Aid from foreign Governments.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 63, 484, 965 be allocated to the Ministry for the expenditure proposed in the items under Head 0007 and that that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 1,200,000 to finance its operations.

v) <u>**Head 0010: Rural Press**</u>

The proposed net expenditure under this Head is Kshs.20, 000, 000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 20, 000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0010.

vi) <u>**Head 0012: Kenya Institute of Mass Communication**</u>

The proposed net expenditure under this Head is Kshs. 146, 812, 000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 146, 812, 000 be allocated to the Ministry for the expenditure proposed in the items under Head 0012.

vii) <u>**Head 0013: Film Production Department - Headquarters**</u>

The proposed net expenditure under this Head is Kshs. 57,500,000.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. 57, 500,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0013.

4. GENERAL RECOMMENDATIONS

1. MINISTRY OF ENERGY- VOTE D30

The Committee therefore recommends that:-

(ix) HEAD 0006: NATIONAL GRID SYSTEM

1. Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.

2. A sum not exceeding Kshs. 8,659,930,678 be allocated to the Ministry for the expenditure proposed in the items under Head 0006 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 26,700,030,626 to finance its operations.

a. HEAD 0007: GEOTHERMAL AND COAL RESOURCES EXPLORATION

3. Amount of Kshs. 2,000,000,000 should be ALLOCATED to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100 being the REALLOCATION of Kshs. 1,000,000,000 from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 and Kshs. 1,000,000,000 from Head Code 0007, Unit 03 (Geothermal Development Company) Item 2630200.

4. A sum not exceeding Kshs. 3,000,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0009 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 784,378,000 to finance its operations.

b. Head 0008: Rural Electrification Programme

5. The Committee further recommends that an additional Kshs. 1,000,000,000 should be allocated to Rural Electrification Authority for the FY 2012/13.

GENERAL OBSERVATIONS

The Committee Observes that:

2. MINISTRY OF ENERGY- VOTE D30

i. In the 2012/2013 Estimates, the Ministry of Energy has been allocated KSh 79.94 billion an increase from the KSh. 57.5 billion allocated in the 2011/12 fiscal year.

ii. The Committee notes that the Bulk of the Budget for the Ministry of Energy is channeled toward the Electricity generation, transmission and distribution sub-sector with, GDC, Ketraco, KPLC and KenGen getting the largest allocations.

iii. The Committee expresses its reservation that the Ministry of Energy has neglected the Petroleum subsector and nothing has been allocated for enhancement of the petroleum infrastructure and distribution notwithstanding that the fuel pump price has been on the increase.

iv. The Committee further expresses its reservation that the allocation to NOCK of Kshs. 195 million is not sufficient to meet NOCK's requirements of Kshs. 4.1 billion made up as follows: Kshs. 1.5 billion for working capital; Kshs. 1 billion for retail expansion and Kshs. 1.6 billion for construction of a common user petroleum terminal and truck loading facility in Mombasa. The Committee notes that NOCK need to be adequately funded to play its role of stabilizing fuel prices in the Country.

v. The Committee notes with concern that whereas REA had requested Kshs. 12,531,000,000 for its development requirements, it has been allocated Kshs. 3,804,000,000 thereby creating a deficit of Kshs. 8,727,000,000 and this will greatly impact implementation of its project

MINISTRY OF INFORMATION AND COMMUNICATIONS- VOTE D32

i. The Ministry of Information and Communication has been allocated Kshs. 7.3 billion for the 2012/13 fiscal year. This represents 0.5% of the total budget. The ministry had requested for Kshs. 17.7 billion, depicting that it has only been allocated 41% of its requirements.

ii. ***Inadequate Funding*** – *The ministry is being allocated only 41% of its requirements. This allocation is quite low a number of priority projects might not be undertaken. Funding for Construction and civil works at the Konza City Techno Polis and the KBC's migration from MW to FM are the likely key projects not to be undertaken. Also, it is noted that funding for KIMC and purchase of film equipment are likely to be reduced.*

iii. ***Effecting Austerity Measures*** – *The cabinet agreed to implement austerity measures and curb unnecessary expenditures by ministries. It is noted that the ministry is spending a lot on use of goods and services and acquisition of capital. It is critical for the ministry to clearly explain the need for large allocations for the following items:*

- Purchase of vehicles – Kshs. 44 million
- Hospitality Supplies and Services – Kshs. 65 million
- Other operating expenses – Kshs. 26.5 million

iv. **Fiber Optic Connections** – *There is a wide digital divide between the urban and rural areas in Kenya. Not all areas in the country are enjoying the full benefits of the fibre optic connections. The secondary school curriculum has already been digitized but a number of schools in the country have still not embraced ICT technology. The ministry should move hastily and ensure that the country is adequately connected.*

6. GENERAL RECOMMENDATIONS

3. MINISTRY OF ENERGY- VOTE D30

The Committee therefore recommends that:-

(x) <u>HEAD 0006: NATIONAL GRID SYSTEM</u>

7. Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.

8. A sum not exceeding Kshs. 8,659,930,678 be allocated to the Ministry for the expenditure proposed in the items under Head 0006 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 26,700,030,626 to finance its operations.

c. <u>HEAD 0007: GEOTHERMAL AND COAL RESOURCES EXPLORATION</u>

9. Amount of Kshs. 2,000,000,000 should be ALLOCATED to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100 being the REALLOCATION of Kshs. 1,000,000,000 from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 and Kshs. 1,000,000,000 from Head Code 0007, Unit 03 (Geothermal Development Company) Item 2630200.

10. A sum not exceeding Kshs. 3,000,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0009 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 784,378,000 to finance its operations.

d. <u>Head 0008: Rural Electrification Programme</u>

11. The Committee further recommends that an additional Kshs. 1,000,000,000 should be allocated to Rural Electrification Authority for the FY 2012/13.

MINUTES OF THE 13TH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON WEDNESDAY, MAY 8TH, 2012 IN THE MEDIA CENTRE, MAIN PARLIAMENT BUILDINGS AT 10.30 A.M.

Present

1. The Hon. (Eng.) James Rege, M.P. - **Chairman**
2. The Hon. Edwin O. Yinda, M.P
3. The Hon. Aden Duale, M.P
4. The Hon. Joshua Kutuny, M.P

Absent With Apology

1. The Hon. (Eng.) Nicolas Gumbo, M.P
2. The Hon. Emilio Kathuri, M.P
3. The Hon. (Prof) Phillip Kaloki, M.P
4. The Hon. Aden Keynan M.P
5. The Hon. Maina Kamau, M.P
6. The Hon. Ekwee Ethuro, M.P
7. The Hon. Cyprian Omollo, M.P

In Attendance: National Assembly

1. Ms. Emmy Chepkwony - Clerk Assistant
2. Mr. Jacob Ngwele - Clerk Assistant

Min.64/2012: Preliminaries

The proceedings commence with a word of prayer at 10.25am.

Min.65/2012: Meeting with the Budget office- Scrutiny of the two Votes Under the Committee's Mandate:

1. The Committee noted that the objective of the budget analysis is to interrogate the ministries under the purview of the Departmental Committee on Energy Communications and Information.
2. The Committee carried out an analysis to investigate the coherence between the Ministries' priorities and the government funding according to the budget estimates for 2012/13. The committee noted that these two ministries are critical in the devolution process since their activities will be allocated to the devolved governments. Completion of undergoing projects and the ease of transition of programmes undertaken to the relevant county governments will be key for the smooth switch to the devolved system.

3. The Committee received the following Highlights of the Total Budget Estimates

a) The total expenditures outlays during FY 2012/13 is estimated at Ksh.1.45 trillion that comprises of; Kshs. 657.19 billion equivalent to 45.2% for Recurrent Expenditures and Kshs. 451.68 billion which is equivalent to 31% for Development Expenditures. The mandatory budget that covers public debt, pensions, salaries for constitutional office holders and other consolidated fund services account for 23.8% of the total budget and is estimated at Kshs. 345.99 billion.

Table 1: Summary of total budget for 2008/09 – 2012/13

	Approved Gross Estimates				Gross Estimates
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
Recurrent Expenditure	390,564.17 (51.3%)	419,181.56 (45.2%)	508,072.20 (50.8%)	544,858.42 (47.2%)	657,185.45 (45.2%)
Development Expenditure	203,383.17 (26.7%)	321,231.88 (34.6%)	303,793.13 (30.4%)	398,551.22 (34.6%)	451,683.38 (31%)
Consolidated Fund Services (CFS)	167,592.43 (22%)	187,733.51 (20.2%)	187,412.33 (18.8%)	209,523.75 (18.2%)	345,987.76 (23.8%)
TOTAL EXPENDITURE	**761,539.77**	**928,146.95**	**999,277.66**	**1,152,933.39**	**1,454,856.59**

1) Though the recurrent expenditure as a fraction of the total budget has been reducing in the recent years, the total amount set aside for the recurrent vote has been increasing substantially. In 2008/09, the total amount of funds for the recurrent vote was Ksh. 390.56 billion and over the years it has increased to Kshs. 657.19 billion for the 2012/13 fiscal year.

2) The development expenditure has also been on the rise with it being 26.7% of the total budget in 2008/09 and presently stands at Kshs. 31.2% of the total budget.

3) The Consolidated Fund Services (CFS) has had a substantial increment of Kshs. 136.46 billion between the 2011/12 and 2012/13 years.

4) All these three categories of expenditure have been growing steadily. However, in the past year, the growth of the recurrent vote and the CFS has been higher than that of the development vote.

<u>Min.66/2012: Scrutiny of the Vote of the Ministry of Information and Communication:</u>

1. The Committee noted the following that the Ministry is focused on creation of a one-stop shop for all ICT related government activities. Its mandate includes Information and Communications Technology (ICT) development, Broadcasting and Film industry development, Dissemination of Public Information, Development of National Communications Capacity and Infrastructure, and Public Relations Services through its agencies. The Ministry has eleven (11) Government Agencies namely:

i) Communication Commission of Kenya (CCK) is a regulatory body for the Communications sector responsible for regulating Telecommunications, Postal and Radio Communication Services.

ii) Kenya Broadcasting Corporation (KBC) is responsible for public broadcasting services to inform, educate and entertain the public through radio and television

iii) Kenya Films Classification Board (KFCB) is responsible for regulating exhibitions of film content by examining and classifying films for public exhibition

iv) Kenya Film Commission (KFM) is responsible for developing and marketing Kenya as a filming destination

v) National Communications Secretariat (NCS) responsible for advising the government on info-communications policies

vi) Postal Corporation of Kenya (PCK) responsible for provision of communications, distribution and financial services

vii) Communications Appeal Tribunal (CAT) is responsible for arbitration of disputes between parties in the Communications sector

viii) Brand Kenya Board (BKB) is responsible for an integrated national brand is created, harnessed and sustained in the long term aimed at improving the national and international image of Kenya positioning it optimally in terms of investment, creditworthiness, tourism and international relations

ix) Kenya Year Book Editorial Board responsible for compiling, editing and publishing the Kenya Yearbook

x) Kenya Information Communication Technology Board is responsible for developing and positioning Kenya as the preferred ICT destination in Africa. It promotes competitive ICT industries, develops world class ICT institutions and increases access and utilization of ICT

xi) Media Council of Kenya is responsible for regulating media, conducts and disciplines journalists

2. The Committee received the following highlights of Ministry's Budget that:

a) The Ministry has been allocated Kshs. 7.3 billion for the 2012/13 fiscal year. This represents 0.5% of the total budget. The ministry had requested for Kshs. 17.7 billion, depicting that it has only been allocated 41% of its requirements.

b) The recurrent expenditure is projected to take 34.3% of this allocation amounting to Kshs. 2.5 billion while the development expenditure will take up Kshs. 4.8 billion which is 65.7% of the total allocation.

Table 2: Summary of Ministry's Expenditures for 2008/09 – 2012/13 (Kshs. Millions)

	Approved Gross Estimates				Resource Requirement	Gross Estimates
	2008/09	2009/10	2010/11	2011/12	2012/13	2012/13
Recurrent Expenditure	1,245.73 (38.2%)	1,239.21 (27.5%)	1,660.02 (27.7%)	1,942.90 (26.6%)	5,770 (32%)	2,503.47 (34.3%)
Development Expenditure	2,017.57 (61.8%)	3,268.52 (72.5%)	4,322.79 (72.3%)	5,360.21 (73.4%)	11,988 (68%)	4,792.08 (65.7%)
TOTAL	**3,263.30**	**4,507.73**	**5,982.81**		**17,758**	**7,295.55**

EXPENDITURE				**7,303.11**		

c) The ministry's allocation is similar to that of the previous financial year 2011/12. However, the recurrent budget has been increased while the development budget reduced. This indicates that the ministry will reduce its development activities.

3. Analysis of Ministry's Programmes

d) The Ministry was to undertake 2 programmes during the FY 2011/12. These programmes roll over to the 2012/13 fiscal year but the outputs to be achieved are different. The committee should request the Ministry to furnish them with the status these programmes for accountability of the public funds invested in them.

Table 3: Ministry's programmes and outputs for 2011/12 and 2012/13

PROGRAMME	PROGRAMME OBJECTIVE	PROGRAMME OUTPUT 2011/12	STATUS 2011/12	PROGRAMME OUTPUT 2012/13
Information & Communication services	To promote knowledge based society & economy	• Applications, books, reports publications & other documentaries • Provision of National Information & Broadcasting Services • Promotion of local content		• No. of BPO jobs created • No. of institutions supported with IT applications • No. of BPO centers developed • No. of MDAs branded • No. of film materials digitized • % of registered Film & Video Establishments • No. of films classified • No. of KNA stories disseminated and news features produced
ICT infrastructure development	To ensure the availability of accessible, efficient, reliable & affordable ICT Enabled	Coordinated ICT Infrastructure development through PPP		• Modernization and renovation of facilities and equipment • Establishment of film archive

	Services in Kenya			

4. Analysis of the Recurrent Expenditure

6) The total recurrent expenditure amounts to Kshs. 2.5 billion. This is an increase from the 2011/12 allocation of Kshs. 1.9 billion. The following table is an analysis of aggregate allocation of the recurrent expenditure in the ministry based on economic classification:

Table 4: Allocations of recurrent expenditure by economic classifications for 2012/13

Category	**Amount (Kshs. Millions)**	**Percentage**
Compensation to employees	424.9	17%
Use of goods and services	677.3	27%
Transfers	1,296.8	52%
Acquisition of Capital (Non-Financial Assets)	104.5	4%
Total	**2,503.5**	**100%**

7) The recurrent expenditure as shown in the table above clearly indicates that 52% of the budgetary provisions go to transfers. The largest transfers were grants to state corporations which amounted to Kshs. 1.3 billion. The budgeted amount for compensation to employees is largely used for paying salaries and allowances. Expenditure for use of goods and services represented 27% of the recurrent expenditure. This largely entails domestic and foreign travel, Specialized Materials and Supplies, communication, hospitality and other operation costs.

8) The ministry intends to fund the recurrent expenditure, with Kshs. 2.49 billion from the exchequer and Kshs. 17 million from AIA collection amounting to Kshs. 17 million. This AIA is from the following sources:
   i) Kshs. 4 million from the Media Council of Kenya
   ii) Kshs. 11 million from the National Communication Secretariat
   iii) Kshs. 2 million from the Kenya Film Classification Board

5. Analysis of the Development Expenditure

a) The total development expenditure amounts to Kshs. 4.79 billion. This is an decrease from the 2011/12 allocation of 5.4 billion. The following table is an analysis of the expenditure based on economic classification:

Table 5: Allocations of development expenditure by economic classifications for 2012/13

Category	**Amount (Kshs. Millions)**	**Percentage**
Use of goods and services	181.1	4%
Transfers	3,625.8	76%
Acquisition of Capital (Non-	985.1	20%

Financial Assets)		
Total	**4,792**	**100%**

b) The main component in the development budget was transfers which accounted for 76% of the total allocation. This was majorly for grants to state corporations of which the Kenya Information Communication Board was allocated Kshs. 2.9 billion.

c) The development vote will be financed by both the government and external funding. The government intends to provide Kshs 1.91 billion while the donors will provide Kshs. 2.88 billion. The donor funds will be channeled as both revenue and AIA. The external funds will be from three major donors; IDA, UNDP and UNICEF.

7. Analysis of the Ministry's Vote

12) The following are the salient issues on different heads of the Ministry's budget.

Table 6: Analysis of Ministry's vote

RECCURENT ESTIMATES		
Vote Head affected	**Issue**	**Remarks**
Directorate of Communication 2210800 - Hospitality and Supplies	This item has been allocated Kshs. 41,649,625 for 2012/13 with a projected reduction to Kshs. 11,650,000 in 2013/14	What is the rationale for the large allocation?
Kenya Broadcasting Corporation 2630100 – Current Grant to Government Agencies and other Levels of Government	This item has been allocated Kshs. 662,737,500 for 2012/13 with a projected drop to Kshs. 444,000,000 in 2013/14	What is the financial position of KBC?
DEVELOPMENT ESTIMATES		
Headquarters Administrative Services 3111400 – Research, Feasibility Studies, Project Preparation and Design, Project Supervision.	This item has been allocated Kshs. 30,000,000.	What activity is the headquarters undertaking to warrant such a large sum of money?

8. Analysis of transfers to SAGAS under Ministry of Information and Communication

a) The table below details a summary of the revenue and expenditure of Semi-Autonomous Government Agencies (SAGAs) for the fiscal year 2012/13. Most of the state corporations are funded by the grants from the government and development partners with the exception two; Communication Commission of Kenya (CCK) and Postal Corporation of Kenya (PSK).

b) Three state corporations are running surpluses in their budgets; CCK, PSK and Brand Kenya Board. Since Brand Kenya Board is majorly funded by the government grants, its allocation in the budget should be reduced by the surplus amount of Kshs. 2.2 million.

c) KBC has a deficit in its budget amounting to Kshs. 144 million. The Ministry should explain how this issue will be addressed.

d) The Ministry should also provide the budget estimates for the National Communication Secretariat for which the Ministry has indicated it is allocating it a grant of Kshs. 75 million.

9. Summary of key issues

i. The following are some of the key issues raised in the analysis:

i) ***Inadequate Funding*** – The ministry is being allocated only 41% of its requirements. This allocation is quite low a number of priority projects might not be undertaken. Funding for Construction and civil works at the Konza City Techno Polis and the KBC's migration from MW to FM are the likely key projects not to be undertaken. Also, it is noted that funding for KIMC and purchase of film equipment are likely to be reduced.

ii) ***Transfers to SAGAs*** – A large proportion of the Ministry's budget is allocated to state corporations as grants. Some of these corporations are operating surpluses in their budgets. Brand Kenya Board has a surplus in its budget amounting to Kshs. 2.2 million. The government needs to realign its allocations to state corporations by considering both their requirements and potential for revenue collections so as to curb wastages. Some corporations have deficits in their budgets; evident is KBC which has a Kshs. 144 million deficit. The government should consider this plight and address it so as to enable the corporation to adequately provide services to the country.

iii) ***Effecting Austerity Measures*** – The cabinet agreed to implement austerity measures and curb unnecessary expenditures by ministries. It is noted that the ministry is spending a lot on use of goods and services and acquisition of capital. It is critical for the ministry to clearly explain the need for large allocations for the following items:
- Purchase of vehicles – Kshs. 44 million
- Hospitality Supplies and Services – Kshs. 65 million
- Other operating expenses – Kshs. 26.5 million

iv) ***Fiber Optic Connections*** – There is a wide digital divide between the urban and rural areas in Kenya. Not all areas in the country are enjoying the full benefits of the fibre optic connections. The secondary school curriculum has already been digitized but a number of schools in the country have still not embraced ICT technology. The ministry should move hastily and ensure that the country is adequately connected.

v) ***Business Process Outsourcing*** – it has been identified in the Vision 2030 as a key pillar and driver for social economic improvement through job and wealth creation. This is

Min.68/2012: Scrutiny of the Vote of the Ministry of Energy:

1. The Committee noted that the Ministry is responsible for energy policy formulation and implementation. It is comprised of ten (10) Government Agencies which have the following responsibilities:
   i) Kenya Power and Lighting Company (KPLC) Limited is responsible for electricity transmission and distribution
   ii) Energy Regulatory Commission (ERC) is responsible for regulation of the entire energy sector and protects interest of stakeholders
   iii) Rural Electrification Authority (REA) is responsible for accelerating rural electrification at a pace consistent with government policy
   iv) Energy Tribunal is responsible for arbitration of disputes between ERC and aggrieved stakeholders in the energy sector
   v) Kenya Pipeline Company (KPC) is responsible for operation of the oil pipeline system for the transportation and storage of petroleum products
   vi) National Oil Corporation of Kenya (National Oil) is responsible for petroleum exploration and fuel marketing
   vii) Kenya Electricity Generating Company (KenGen) is responsible for the main electricity generation, accounting for 87% of the total installed capacity
   viii) Kenya Petroleum Refineries Ltd (KPRL) is responsible for crude oil refining in the country.
   ix) Geothermal Development Company (GDC) is responsible for development of geo-thermal resources.
   x) Kenya Electricity Transmission Company (KETRACO) is responsible for construction and operation of power transmission lines.

2. The Committee received the following highlights of the Ministry's Budget;

a) The total budget for the ministry is Kshs. 79.95 billion. This is against a total requirement of Kshs. 99.93 billion. The recurrent expenditure will account for 3.5% of the budget which is Kshs. 2.77 billion while the development expenditure accounts for 96.5% of the requirement, a total of Kshs. 77.17 billion.

Table 8: Summary of Ministry's Expenditures for 2008/09 – 2012/13 (Kshs. Millions)

	Approved Gross Estimates				Resource Requirement	Gross Estimates
	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**	**2012/13**
Recurrent Expenditure	365.86 (1.2%)	372.12 (1.2%)	2,282.95 (6.5%)	2,432.25 (3.7%)	4,376.3 (4%)	2,773.35 (3.5%)

Development Expenditure	31,332.25 (98.8%)	30,640.65 (98.8%)	32,623.30 (93.5%)	63,273.64 (96.3%)	95,553.4 (96%)	77,174.16 (96.5%)
TOTAL EXPENDITURE	**31,698.11**	**31,012.77**	**34,906.25**	**65,705.89**	**99,929.7**	**79,947.51**

b) The total budget for the Ministry has been steadily increasing for the past 5 years, from Kshs. 31.7 billion in 2008/09 to Kshs. 79.95 billion in 2012/13 fiscal year. Both the development and recurrent expenditures have also been increasing for the past 5 years.

3. Analysis of the Ministry's programmes

c) The Ministry was to undertake a number of programmes during the current FY 2011/12. Attached (Annex 2) are the programmes and outputs for the Ministry for the period. The Ministry should furnish the committee on the status of these programmes and their outputs.

Table 9: Ministry's programmes and outputs for 2011/12 and 2012/13

PROGRAM	PROGRAMME OBJECTIVE	PROGRAMME OUTPUT 2011/12	STATUS 2011/12	KEY OUTPUTS 2012/13
National Electrification Programme	Increase Access to Electricity	Kilometers of power transmission lines constructed, rehabilitated and energized		• Construction of transmission lines and sub-stations • Additional 30 Megawatts of geothermal power at Menengai Well heads • Delineation of coal blocks in Karoo Belt, Coast region • Drill 6 coal exploratory wells in Block A and B. • Connect 1,095 public Institutions
		New customers connected with Electricity		
		Rural public institutions connected with electricity		
		Public institutions installed with solar electricity generators (PVs) in ASAL areas.		
		Wind power station constructed at Ngong hills		
		MW of Emergency power procured		
		Geothermal power		

		generated by 2014		with electricity
Renewable Energy Resources Programme	Development of Renewable Sources of Energy	Acreage of trees planted		• Implement efficient lighting systems in 10 selected public buildings • Update wind resource atlas program • Complete feasibility report on alternative energy technologies
		New energy centers established		
		Households/institutions with improved cook stoves / charcoal kilns		
		Wind masts and data loggers installed, Updated Wind Resource Atlas		
		Biogas digester installed		
		Public buildings efficiently lighted		
Petroleum Exploration and Distribution Programme	Security of Fossil Fuel Resources	Seismic Survey of unlicensed Blocks carried out		• Geological Survey and Technical report in unlicensed block in Lamu Basin • Geophysical Survey and technical report in unlicensed blocks of Lamu Basin
		Gravity Survey of unlicensed Blocks conducted		
		National Petroleum Data Centre established		
		Accessibility of branded LPG in the market		
Centralized Support Programme	Efficient delivery of services	Administrative services offered		
		Planning services offered		
		Financial services offered		

III. Analysis of the Recurrent Expenditure

5) The total recurrent expenditure amounts to Kshs. 2.77 billion. This expenditure can be categorized as follows:

Table 10: Allocations of recurrent expenditure by economic classifications for 2012/13

Category	Amount (Kshs. Millions)	Percentage

Compensation to employees	254	9%
Use of goods and services	392	14%
Transfers	2,083	75%
Acquisition of Capital (Non-Financial Assets)	43	2%
Total	**2,772**	**100%**

6) The biggest share of the expenditure was for transfers which largely entailed grants to government agencies, amounting to Kshs. 2.08 billion. The largest grant is for Geothermal Development Company which is being allocated Kshs. 1.01 billion. The allocation for compensation for employees is for paying salaries and allowances. A large proportion of the budget for use of goods and services is allocated to hospitality, trainings and domestic travel. The allocation for acquisition of capital was largely used for purchase of office furniture and specialized plant.

7) It is noted that 75% of the total ministry's recurrent budget is taken by state corporations. The ministry should furnish the committee with these state corporations' budgets for scrutiny. Also the allocation for hospitality, training and purchase of furniture are quite large and the ministry should explain these requests.

8) The ministry's recurrent budget will comprise of funds from the exchequer and AIA collected by the ministry. The exchequer will provide Kshs 2.55 billion while the AIA collected by the ministry will account for Kshs. 220 million. This AIA will comprise of funds from the following sources:
    i) Kshs. 119 million from the Information Communication Technology Unit
    ii) Kshs. 7 million from the Planning Services
    iii) Kshs. 16 million from the Financial Management and Procurement Services
    iv) Kshs. 28 million from the Woodfuel Resource Development
    v) Kshs. 15 million from the Alternative Energy Technologies
    vi) Kshs. 9 million from the National Grid System
    vii) Kshs. 11 million from the Geothermal and Coal Resource Exploration & Development
    viii) Kshs. 15 million from the Petroleum Exploration and Distribution

V. Analysis of the Development Expenditure

9) The development expenditure amounts to Kshs. 77.17 billion. The largest allocation will go to construction and civil works which account for Kshs. 45.48 billion while grants to state corporations account for Kshs. 20.8 billion.

10) It is noted that the government is budgeting to buy vehicles worth Kshs. 27 million and spend Kshs. 151 million on other operating expenses. The ministry should detail what these expenses are and why it needs such a large amount. The ministry is also planning to use Kshs. 74.8 million for training of staff.

11) The development budget will be funded by both the government and donors. The government funds will comprise of Kshs. 21.02 billion from the exchequer and Kshs.

4.5 billion from AIA collected by the ministry. The external funds will comprise of collections from donor as revenue and AIA. The amount of revenue from donors is projected to be Kshs. 4.43 billion while their AIA will amount to Kshs. 47.2 billion.

VI. Analysis for the Ministry's Vote

12) The following are the salient issues on different heads of the Ministry's budget.

Table 11: Analysis of Ministry's vote

RECCURENT ESTIMATES		
Vote Head affected	**Issue**	**Remarks**
Planning Services 2210800 - Hospitality and Supplies	This item has been allocated Kshs. 50,161,602 for 2012/13 with a projected reduction to Kshs. 2,000,000 in 2013/14	What is the rationale for the large allocation?
Petroleum Exploration and Distribution 2210600 – Rental of Produced Assets	This item has been allocated Kshs. 22,000,000 for 2012/13	
DEVELOPMENT ESTIMATES		
Vote Head affected	**Issue**	**Remarks**
Alternative Energy Technologies 3111400 – Research Feasibility Studies, Project Preparation and Design, Project Supervision	This item has been allocated Kshs. 75,000,000 for 2012/13 and a similar allocation for the next 2 years.	What is the study for and why is it running on a similar budget for the next 3 years?
Geothermal and Coal Resource Exploration and Development 3130100 – Purchase of vehicles	This item has been allocated Kshs. 15,000,000 for 2012/13 and a similar amount in each of the next two years	What is the justification of this funding?

VI. Analysis of transfers to SAGAS under Ministry of Energy

13) The table below entails a summary of the revenue and expenditure of State corporations under the ministry. Most of these corporations generate their revenues from grant by the government and other development partners with exception of the Kenya Pipeline Company. A number of them also borrow from the public and other development partners.

14) It is noted that out of the eight state corporations unc have deficits in their budgets. Only Kenya Electrici (KENTRACO) and National Oil Corporation of Kenya (N ministry should be elaborate on how these corporations wi

15) Furthermore, KENTRACO has a surplus of Kshs. 103,966,000 ai Kshs. 640,429,000. Both of these corporations have been al government. These grants should be reconsidered.

16) The committee should also request the ministry to furnish it w Kenya Petroleum Refineries Limited which is also a state corpoi

Table 12: Summary of Revenue to SAGAS

Name	Grants	Borrowings	Internal Revenue	Total Expenditure	Surpluses
KENTRACO	21,859,200,000	-	603,900,000	22,359,134,000	103,966,00
GDC	9,213,000,000	10,021,125,000	20,400,000	19,259,525,000	(5,000,00(
REA	8,371,200,000	-	167,200,000	14,435,400,000	(5,897,00(00(
KPLC	5,493,147,000	13,000,000,000	113,765,000,000	133,296,103,000	(1,037,95(00(
ERC	10,000,000		343,731,000	363,746,000	(10,015,00
KENGEN	100,000,000	26,209,541,000	19,695,226,000	57,885,036,000	(11,880,26 ,00(
KENYA PIPELINE	-	8,400,000,000	19,971,567,000	28,878,500,000	(506,933,0 (
NOCK	195,500,000	876,600,000	43,164,096,000	43,595,767,000	640,429,00

VIII. Summary of Key Issues

..g are some of the key issues raised in the analysis:

i) . large proportion of the Ministry's funds are transferred as grants to government agencies. The Ministry should furnish the committee with the budget of these corporations for analysis.
ii) A number of state corporations have budget deficits. The ministry should explain how this issue will be addressed.
iii) Some state corporations have surpluses yet the government is allocating them grants. These allocations should be reduced and reallocated to other areas with deficiencies.
iv) The ministry should justify what is entailed in the 'other operating expense' item which is being allocated a large proportion of the budget.
v) The ministry is budgeting to buy vehicles for Geothermal and Coal Resource Exploration and Development head for the next three years. This expenditure should be explained by the ministry.
vi) The Equalization Fund has been introduced to the budget for the first time since its creation by the Constitution in 2010. It is part of the development vote. Ministry of Energy will be allocated Kshs. 0.18 billion from this fund. This amount is to be used for Solar.

Min.69/2012: The Committee the following Observations:

The Committee noted that there were clarifications needed from both the Ministry for Energy and the Ministry for Information and Communication and resolved to invite the two Ministries.

Min.70/2012: Any Other Business

The Committee proposed the following members to represent the Committee during its proposed visits to China and South Korea:

i. **Visit to China**
- Hon. Eng. James Rege, M.P
- Hon. Aden Duale, M.P
- Hon. Joshua Kutuny, M.P
- Hon. Edwin Yinda, M.P

ii. **Visit to South Korea**
- Hon. Eng. Cyprian Omollo, M.P
- Hon. Emillio Kathuri, M.P
- Hon. Aden Keynan, M.P
- Hon. Philip Kaloki, M.P
- Hon. Nicolas Gumbo, M.P

Min.71/2012: Adjournment

There being no other business, the meeting adjourned at twenty five minutes past twelve O'clock.

Hon. (Eng.) James Rege, MP

SIGNED: ....

CHAIRPERSON

DATE: May 17, 12.

MINUTES OF THE 14TH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON THE THURSDAY, 10TH MAY, 2012 AT THE COMMITTEE ROOM 9, MAIN PARLIAMENT BUILDINGS AT 10.30 A.M.

PRESENT

1. The Hon. (Eng.) James Rege, M.P. - **Chairman**
2. The Hon. Maina Kamau, M.P - **Vice Chairman**
3. The Hon. Aden Keynan M.P
4. The Hon. Ekwee Ethuro, M.P
5. The Hon. Emilio Kathuri, M.P
6. The Hon. Joshua Kutuny, M.P
7. The Hon. Aden Duale, M.P

ABSENT WITH APOLOGY

1. The Hon. (Prof) Phillip Kaloki, M.P
2. The Hon. (Eng.) Nicolas Gumbo, M.P
3. The Hon. Cyprian Omollo, M.P
4. The Hon. Edwin O. Yinda, M.P

IN ATTENDANCE: **NATIONAL ASSEMBLY**

1. Jacob Ngwele - Clerk Assistant
2. Veronicah Kibati - Research Officer
3. Mr. Denis Mutua - Intern, KNA

IN ATTENDANCE: **MINISTRY OF ENERGY**

1. Hon. Kiraitu Murungi , M.P - Minister
2. Hon. Amb. Mohamed Mohamed , M.P - Asst. Minister
3. Mr. Patrick Nyoike , PS - Permanent Secretary
4. Mr. John Omenge - Chief Geologist
5. Mr. Paul Ngatia - Snr. Deputy Secretary
6. Wilfred M. Deche - Chief Economist
7. Mrs. Sumaiyya Hassan - MD- NOCK
8. Mr. Z. O Ayieko - CEO- REA
9. Mr. S. Simiyu - CEO-GDC
10. Mr. Fernandes Barasa - KETRACO- Head of Finance
11. Bruno Linjiru - GDC- Finance Manager
12. Ms. Julia Nganga - MOE

13. Mr. Jacob Kirera — REA
14. Eng. Samson Akuto — Ketraco

MIN.72/2012 PRELIMINARIES

The proceedings commenced at 11.10am with a word of prayer from the Committee Chairperson.

MIN. 73/2012: MEETING WITH THE MINISTRY FOR ENERGY- SCRUTINY OF BUDGET ESTIMATE FOR THE FINANCIAL YEAR 2012/13

1. SUBMISSIONS BY MINISTRY OF ENERGY

In the financial year 2012/13, the Ministry has been given a budgetary ceiling of Kshs. 79.94 billion consisting of Kshs. 77.17 billion on development expenditure and Kshs. 2.77 billion on recurrent expenditure. This is 39% increase from the approved budget for the ministry for the FY 2011/12 which was Kshs.57.5 billion. It should be noted that this ministries exchequer allocation was reduced by 2.5 million in the revised budget to accommodate other activities of the Government.

Major achievement in the Energy Sector:

a. **Geothermal exploration:** to date, GDC has sunk 64 wells out of which 59 well are in Olkaria and 5 in Menegai. In total GDC HAS 429 mw of steam equivalent to 06mw AT Olkaria and 23 in Menegai
b. **Coal Exploration:** - exploration has been done in Mui Basin in Kitui and the concession agreement is at an advanced stage. The ministry has extended coal exploration activities to cover Kwale and Kilifi Counties.
c. **Oil and Gas exploration:** Ngamia-1 had encountered in excess of 20m of net oil pay on 26th March. More comprehensive exploration is going on.

2. 2011/2012 BUDGET ESTIMATES: SUBMISSIONS BY THE P.S

The Committee was informed that the total expenditure during the financial year 2011/2012 is estimated at Kshs. 1,152,933.39 comprising of Kshs. 544,858.42 (47.3%) for recurrent and Kshs. 398,551.22 (34.6%) for development. The remaining Kshs. 209,524 (18.2%) is for the consolidated fund services.

A. RECURRENT EXPENDITURE

Personal emoluments	**Kshs. 254,112,446**
Grants & transfers: GDC	**Kshs. 1,010,000,000**
REA	**Kshs. 665,000,000**

Ketraco	**Kshs. 400,000,000**
Operations and maintenance	**Kshs. 444,237,554**
Sub total	**Kshs. 2,773,350,000**

B. DEVELOPMENT EXPENDITURE

1. **Head D428: Headquarters Administrative Services- Kshs. 411.4 million for:**
   - Energy Sector Recovery Projects- Kshs. 111.4 million
   - Integrated Energy Sector Information Management systems- Kshs. 20 million
   - Implementation of new Constitution -Kshs. 15 million
   - Kenya Electricity Expansion Project -Kshs. 265 million

2. **Head D429: Headquarters Planning Services- Kshs. 20 million for:**
   - Casual Wages & Training - Kshs. 13 million
   - Acquisition of land - Kshs. 25 million
   - Construction of non residential Building - Kshs. 25 million
   - Wood fuel supply programme - Kshs. 80 million
   - Purchase of motor vehicle - Kshs. 12 million
   - Research and promotion of wood fuel burners- Kshs. 15 million
   - Capital grants to SAGA's - Kshs. 80 million
3. **Head D433: Alternative Energy Technologies - Kshs. 234 million**
   - Wind Resource atlas program - Kshs. 126 million
   - Wind mast and data loggers - Kshs. 60 million
   - Documentation of renewable energy activities - Kshs. 10 million
   - Database development - Kshs. 1 million
   - Hospitality - Kshs. 7 million
   - Grant to KAM - Kshs. 30million
4. **Head D435: National Grid System - Kshs. 36,360 million meant for:-**
   - MOE Headquarters - Kshs. 510 million
   - Power generation and grid related feasibility studies - Kshs. 10 million
   - LAPSET - Kshs. 428 million
   - KPLC grid upgrade and expansion under energy sector recovery project - Kshs. 2,250 million
   - Kenya Electricity Expansion Project (KEEP) - Kshs. 8,860 million
   - KETRACO, Transmission Grid Expansion - Kshs. 23,368 million
   - KenGen Energy Sector Recovery Project - Kshs. 663 million

5. **Head D436: Geothermal and Coal Resource Exploration Development - Kshs. 27,154 million going to:-**
    - Geothermal Resource Assessment and Coal exploration - Kshs. 163 million
    - GDC - Kshs. 18,991 million
    - KENGEN - Kshs. 8,000 million

6. **Head D444: Rural Electrification Programme - Kshs. 10,966 million going to:-**
    - MOE Headquarters - Kshs. 1,050 million
    - REA - Kshs. 8,916 million
    - KPLC System Losses - Kshs. 1,000 million

7. **Head D427: Petroleum Exploration and Distribution - Kshs. 1,784 million going to:-**
    - MOE Headquarters - Kshs. 1,589 million
    - NOCK - Kshs. 196 million

2. <u>ISSUES RAISED BY THE COMMITTEE</u>.

A. <u>Recurrent Budget</u>

i. **Item 2210800- Planning services -Hospitality and Supplies**

- This item has been allocated Kshs. 50,161,602 for 2012/13 with a projected reduction to Kshs. 2,000,000 in 2013/14. **What is the rationale for the large allocation?**

ii. **Item 2630100- GDC Current grants to Government agencies**

- The item has been allocated Kshs. 1,010,000,000 for 2012/13. This is an increase from last year's Kshs. 700,000,000. What is the basis for the increase?
- Stories in the press indicate that GDC is in the process of putting up a GDC Complex, is it true
    - ❖ The Committee was informed the increment is due to the fact that GDC is expected to hire new staff to operate the 4 new rings excepted this year.

iii. **Item 2630100– REA**

- This item has been allocated 665m which is a decrease from last year's allocation of 700M. What is the basis for the decrease yet a number of county's are yet to be connected?

Development Budget

1. **Item 311400 – Alternative Energy Technologies, Research and Feasibility Studies**

- The item has been allocated 75m for 2012/13 and a similar allocation for the next 2 years. What is the study for and why is it running on a similar budget for the next three years.

  - The Committee was informed that the breakdown of the funds was as follows:
    - Wind mast and data loggers - Kshs. 60 million
    - Documentation of renewable energy activities - Kshs. 10 million
    - Database development - Kshs. 1 million
    - Hospitality - Kshs. 7 million

2. **Item 2630200 – Kenya Energy Environmental Programme**

- Allocation of 80m. What for?

  - The Committee was informed that funds are used to implement the program in the areas of catchment conservation, energy efficient and renewable energy development and that currently the ministry was rehabilitating degraded catchment areas in upper tana catchment.

3. **Item 3111500 – Energy Sector Recovery Programme-** Constructions and Civil Works **KPLC**

Allocation of 2,225, 159 for civil works. What is the justification?

Item 3111500 – Energy Sector Recovery Programme- Constructions and Civil Works **KenGen** Allocation of 662,555,000 for civil works. What is the justification?

Item 2630200 – KPLC-

- Allocation of 708,000,000 Capital Grant to other Government Agencies. What is the justification?
- Allocation of 4,304,737,576 for rehabilitation of Civil works. What is the justification?

Item 2210700 – KENGEN- Allocation of 10,664,203 training expenses meant to increase to 12m in 2013 and 15m in 2014. What is the justification? Why can't KenGen fund its programmes?

  - The Committee was informed that the government had obtained a number of soft loans towards the Energy Sector Recovery Project between 2004-2009 and that the project is co-financed by GoK and various development partners.

- The project has four component covering institutional capacity and capacity building, studies and engineering services, generation and distribution. the

4. **Item 3111400 – Geothermal and Coal Resource Exploration and Development.**
   - Allocation of 119m for feasibility studies etc what are the justifications?
     - The Committee was informed that the amount will be used in undertaking geothermal resource assessment in areas where GDC does not operate with a view to mapping out the resource.

5. **Item 3110200- Petroleum Exploration and Distribution Item 3110200**
   - Allocation of 1,218,500,000 for contractions of a building, which building and where?

   Item 3110100 Allocation of 79,695,000 for purchase of specialized machinery. What is the justification?

   Item 3110400 Allocation of 80,500,000 for research and feasibility studies. What is the justification and where?

   - The Committee was informed that Kshs. 1,218,500,000 was for completion of MOE headquarters building at South C Nairobi and that Kshs. 79,695,000 was for the purchase of geo-exploration equipments and Kshs. 80,500,000 for related surface exploration.

6. **Item 3110500- REA**

7. Allocation of 1,050,500,000 for contractions and civil works projected to go down to 500,000,000 in 2013 and 2014? Why the underfunding?

   - The Committee was informed that REA had requested Kshs. 12,531,000,000 but it was allocated Kshs.3,804,000,000 from both direct funding and AIA

MIN. 74/2012 ANY OTHER BUSINESS

It was resolved the Minister should tie up his budget and submit to the Committee on 14th May, 2012 a comprehensive report tying the Ministry's budget to the printed estimates.

MIN. 75/2012: ADJOURNMENT

There being no other business and the time the Chair adjourned the meeting at 1.30pm

Hon. (Eng.) James Rege, MP

SIGNED: ....

CHAIRPERSON

May 17, 12

DATE: ....

MINUTES OF THE 15TH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION HELD ON THE TUESDAY, MAY 16TH, 2012 AT THE SMALL DINING, PARLIAMENT BUILDINGS AT 10.30 P.M.

Present

1. The Hon. (Eng.) James Rege, M.P. - **Chairman**
2. The Hon. Maina Kamau, M.P - **Vice Chairman**
3. The Hon. Aden Keynan M.P
4. The Hon. Emilio Kathuri, M.P
5. The Hon. Edwin O. Yinda, M.P
6. The Hon. Aden Duale, M.P.
7. The Hon. Cyprian Omollo, M.P
8. The Hon. Joshua Kutuny, M.P

Absent With Apology

1. The Hon. Ekwee Ethuro, M.P
2. The Hon. (Prof) Phillip Kaloki, M.P
3. The Hon. (Eng.) Nicolas Gumbo, M.P

In Attendance: **National Assembly**

1.	Emmy Chepkwony	Clerk Assistant
2.	Jacob Ngwele	Clerk Assistant

In Attendance: **Ministry of Information & Communication**

1.	Hon. Samwel Poghishio, M.P	Minister
2.	Bitange Ndemo	Permanent Secretary
3.	Henry Mung'asia	Director BPO
4.	Hirum Mucheke	Principal KMC
5.	Ernest K. Kerich	HOD/ Film Services
6.	Olewe Owiti	MOIC AG. Director
7.	Ali M.Hussein	MOIC Post Master General
8.	Peter Muite	Chief Executive Officer
9.	Mary Kimonye	CEO- Brand Kenya
10.	Mercy Wanjau	Principal CCK Principal Legal Officer
11.	Chebitwey Denis	C.E.O Kenya Yearbook editorial Board
12.	Waithaka Waihenya	C.E.O K.B.C
13.	Victor Bwire	MOIC Programmes Manager
14.	Zalpha Amulega	Media Council Finance Manager
15.	Peter Mbage	Finance Manager – Brand Kenya Board

16. Catherin Adeya	MOIC Director
17. Mary Ombara	MOIC Director, DPC
18. John Kariuki	MOIC Commission Secretary
19. Mutwere Bernard	PCK GM/ Finance
20. James Simiyu	MOIC Snr. Supt. Electronics
21. Eunice Kariuki	KICT Board Director Marketing
22. Zaccheus Ndirangu	Director of Finance – KIBTB
23. M. Makhuyi	Internal Director
24. Jonah Sunday Anzaya	MOIC internal Auditor
25. Eva Mbuni	KFCB Planning Officer
26. Augustus Munywoki	MOIC Economist
27. Erich Ochieng	MOIC ICT Intern
28. Joseph Kamau	MOIC Human Resource Officer
29. Dennis Ratemo	Manager- Kenya Film Commission
30. Orare Mose	Assistant Director DIDPC
31. P.G Karogi	MOIC DPAC
32. E. K. Kerich	MOIC DFS
33. J.K Chepchieng	Finance
34. Fredrick Musembi	Treasury Finance Officer
35. Ayaya Vincent	KBCB Accountant

Min.76/2012: Preliminaries

The proceedings commenced at 2.40 pm with a word of prayer from the Committee Chairperson.

Min.77/2012: Adoption of the Agenda

The committee adopted its agenda as follows;

1. Adoption of the Agenda
2. **Meeting with the Minister Information and Communication-** Scrutiny of the proposed Estimates for the financial year 2012/2013 Vote 32
3. Any Other Business

Min.78/2012: Meeting with the Minister for Information and Communication

Submissions by Ministry of Information and Communication;

The Minister presented the mission, vision and mandate and summary of resource allocation for the Ministry of Information and Communication. The Ministry has four functional departments and eleven Parast3atals.

The Ministry is mandated to provide equitable and affordable quality information and communication services. The policy priorities including the following:

i. Reduce coast of access to ICT through infrastructure development and provision of affordable hardware and software.
ii. Enable universal access to quality information, communication services and technology to build knowledge based economy.
iii. Encourage entrepreneurship and innovations to create more jobs.
iv. Enhance economic productivity by lowering transactions costs.

Highlights of the issues raised on the Ministry on the last appropriated accounts; 2012/2013 BUDGET ESTIMATES

The Committee sought to clarifications on the following issues:

i. 2012/2013 Budget Allocations: programmes and expected Outputs 2012/2013.
ii. Absorption capacity.
iii. Programmes left out in the Budget.
iv. Budgets for parastatals.
v. 2011/2012 Budget implementation Status, programmes and Outputs 2011/2012.

The committee heard that Konza technology city and the measures put by the Ministry to create awareness to improve interest by the youth in embracing information technology has been has been done.

The Committee sought to understand the steps taken by the Ministry to develop policy and legal framework to stimulate growth in ICT sector as a means to achieving Vision 2030 in the budget allocations.

In line with Vision 2030, the Minister informed the Committee that they had identified Business Process Outsourcing (BPO), which is heavily dependent on ICT, as its flagship programme. The Programme entails the establishment of a BPO park and digital villagers other areas of focus for the Ministry are ICT infrastructure development, information and content development and the film industry.

The Committee further heard that in the last Financial Year 2011/2012, the Ministry began construction of the ICT Park perimeter wall and promoted and marketed Kenya as a BPO/IT enabled services hub; laid 5500km of terrestrial fibre optic under the National Optic Fibre Backbone Infrastructure Project (NOFBI); produced the 2010 Kenya yearbook; reviewed conduct and practice of journalism; and established National digital TV Broadcasting platform in Nairobi and its environs.

<u>The Committee sought to understand the following:</u>

1. The status on implementation of the budgetary allocation for the 2011/2012 FY detailing what has been achieved or implemented.

- **the Budgets of all the SAGA's under the Ministry**
- **SAGAs**
    - Three state corporations are running surpluses in their budgets; CCK Kshs. 3.9 billion, PSK Kshs. 736,919,000 and Brand Kenya Board Kshs 2.2 million yet KBC has a deficit in its budget amounting to Kshs. 144 million.
    - **How KBC deficit will be addressed and whether some funds should be channeled from CCK to KBC.**
    - The budget estimates for the National Communication Secretariat for which the Ministry has indicated it is allocating it a grant of Kshs. 75 million.
    - How much was raised as AIA by Kenya School of Mass Communication and why isn't the same not reflected in the printed estimates.

2. **On the recurrent Budget the Committee sought to understand the following:**

i. **Item 2210500- Directorate of Communications –Printing advertisement and information suppliers & services (pg. 714)**

- This item has been allocated Kshs. 3.2 million for 2012/13 which is an increase from last year's allocation of Kshs. 528,400. **What is the rational for the increase?**

ii. **Item 2210800- Directorate of Communications –Hospitality and Suppliers(pg. 714)**

- This item has been allocated Kshs. 41,649,625 million for 2012/13 with a projected reduction to Kshs. 11,650,000 in 2013/14. **What is the rationale for the large allocation?**

iii. **Item 2630100- KBC –Grants to government agencies & other levels of Government (pg. 714)**

- This item has been allocated Kshs. 662,737,500 for 2012/13 a projected drop to Kshs. 444,000,000 in 2013/14.

- The committee sought to understand the following:-

- **What the funds will be used for.**
- **Whether the funds will be used for retrenchment, rationalization and harmonization of the huge KBC staff complement as promised by the PS.**

iv. **Item 2630100- National Communication Secretariat –Current Grant to government agencies (pg. 714)**

- This item has been allocated Kshs. 75 million for 2012/13 with a projected. **the rationale for the large allocation and why this function should not be merged with the ICT Board.**

3. **On the Development Budget the Committee sought to understand the following:**

1. **Item 3111400- Headquarters Administrative services- Research, feasibility, study projects (pg. 262)**
   - The item has been allocated Kshs. 30,000,000 for 2012/13 which is projected to increase to Kshs. 100 million in 2013/14 and 2014/15. **The activity the headquarters is undertaking to warrant such a large sum of money.**

2. **Item 3111400 – Kenya Information Communication Board (ICT Board)- Research and feasibility studies (pg. 262)**
   - The item has been allocated Kshs. 2,889,030,275 for 2012/13 which is projected to increase to Kshs. 3196,030 in 2013/14.

- The justification for this huge allocation.
- The Committee directed that the ICT Board provide (before end of business today) a breakdown of how they utilized the Kshs. 2.4 Billion allocated to them under a similar head in the last FY.

3. **Item 2630200 – Brand Kenya-** Capital Grants to government agencies **(pg. 262)**
   - The item has been allocated Kshs. 104,800,800 for 2012/13 which is projected to increase to Kshs. 110,000,000 in 2013/14.
     - **The rationale for the large allocation given that the Brand Kenya was allocated additional 40m in the supplementary estimates.**

- **The output of their huge budgetary allocations in the last 2 years.**

4. **Unit 9 Item 2211300, 3110500 etc – Business Process Outsourcing- (pg. 262)**

   - The Head has been given a gross allocation of Kshs. 750,000,000 for 2012/13 which is projected to increase to Kshs. 1,204,000,000 in 2013/14 and Kshs. 1,619,000,000.
     - **The justification for the new head of expenditure which was not there in the previous budget estimates.**
     - **The rationale for the large allocation.**
     - **The meaning of other operating expenses and the breakdown of the expenses.**

v. **Item 2630200- KBC –Grants to government agencies & other levels of Government (pg. 262)**

   - This item has been allocated Kshs. 450,000,000 for 2012/13.
     - **What will the fund will be used for.**
     - **How much will be channeled to restructuring and reforming KBC.**

The Committee noted that the main component in the development budget was transfers which accounted for 76% of the total allocation. This was majorly for grants to state corporations of which the Kenya Information Communication Board was allocated Kshs. 2.9 billion.

The Committee further noted that the development vote will be financed by both the government and external funding. The government intends to provide Kshs 1.91 billion while the donors will provide Kshs. 2.88 billion. The donor funds will be channeled as both revenue and AIA. The external funds will be from three major donors; IDA, UNDP and UNICEF.

The Committee was informed that the Ministry has provided KShs. 39 M for Film Development in 5 Regional Film offices and KShs. 342M for information and News services in all the 47 Counties.

The Committee further heard that the Anologue Digital Migration (KBC) allocated 450 Million will be used to establish national digital broadcasting platform in Nairobi, Mombasa and its environs, Satellite uplink in Nairobi, and upgrade Digital Platform to T2

Min.79/2012 Any Other Business

The Committee asked the Minister to remain after the meeting for another sitting with a different agenda.

Min.80/2012: Adjournment

There being no other business for discussion, the Chair adjourned the meeting at twenty minutes to Four o'clock.

Hon. (Eng.) James Rege, MP

SIGNED: ....

CHAIRPERSON

DATE: May 17, 12.

MINUTES OF THE 16TH SITTING OF THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION AND INFORMATION ON THE WEDNESDAY, MAY 16TH, 2012 AT THE COMMITTEE ROOM 9, MAIN PARLIAMENT BUILDINGS AT 4.00 P.M.

Present

1. The Hon. (Eng.) James Rege, M.P. Chairman
2. The Hon. Aden Keynan M.P
3. The Hon. Edwin O. Yinda, M.P
4. The Hon. Joshua Kutuny, M.P
5. The Hon. Cyprian Omollo, M.P
6. The Hon. Aden Duale, M.P
7. The Hon. Emilio Kathuri, M.P
8. The Hon. (Prof) Phillip Kaloki, M.P

Absent with Apology

1. The Hon. Maina Kamau, M.P - **Vice Chairman**
2. The Hon. Ekwee Ethuro, M.P
3. The Hon. (Eng.) Nicholas Gumbo, M.P

In Attendance: **National Assembly**

1. Emmy Chepkwony Third Clerk Assistant
2. Jacob Ngwele Third Clerk Assistant

Min.81/2012 Preliminaries

The proceedings commenced at 4.25pm with a word of prayer.

Min.82/2012 Confirmation of Minutes

The minutes of the following sittings were confirmed as a true record of the proceedings and signed by the Chairman.

i. Minutes of the 13th sitting were proposed by Hon. Aden Duale, M.P and Seconded by the Hon. Edwin Yinda, M.P
ii. Minutes of the 14th sitting were proposed by the Hon. Aden Keynan, M.P and seconded by the Hon. Aden Duale, M.P.
iii. Minutes of the 15th sitting were proposed by Hon. Aden Duale, M.P and Seconded by the Hon. Edwin Yinda, M.P
iv. Minutes of the 16th sitting were proposed by Hon. Aden Duale, M.P and Seconded by the Hon. Aden Keynan, M.P(for the purposes of Confirmation the minutes was chaired by the Hon. Edwin Yinda, M.P).

Min.83/2012: Deliberations and adoption of the Report for the Budget Estimates 2012/2013 for the Ministry of Energy and the Ministry for Information and Communication.

The Committee deliberated and adopted its report for the Budget Estimates 2012/2013.

The following observations were observations and recommendations were adopted as part of the report.

A. **Committee observations:**

The Committee Observes that:

1. **MINISTRY OF ENERGY- VOTE D30**

i. In the 2012/2013 Estimates, the Ministry of Energy has been allocated KSh 79.94 billion an increase from the KSh. 57.5 billion allocated in the 2011/12 fiscal year.

ii. The Committee notes that the Bulk of the Budget for the Ministry of Energy is channeled toward the Electricity generation, transmission and distribution sub-sector with, GDC, Ketraco, KPLC and KenGen getting the largest allocations.

iii. The Committee expresses its reservation that the Ministry of Energy has neglected the Petroleum subsector and nothing has been allocated for enhancement of the petroleum infrastructure and distribution notwithstanding that the fuel pump price has been on the increase.

iv. The Committee further expresses its reservation that the allocation to NOCK of Kshs. 195 million is not sufficient to meet NOCK's requirements of Kshs. 4.1 billion made up as follows: Kshs. 1.5 billion for working capital; Kshs. 1 billion for retail expansion and Kshs. 1.6 billion for construction of a common user petroleum terminal and truck loading facility in Mombasa. The Committee notes that NOCK need to be adequately funded to play its role of stabilizing fuel prices in the Country.

v. The Committee notes with concern that whereas REA had requested Kshs. 12,531,000,000 for its development requirements, it has been allocated Kshs. 3,804,000,000 thereby creating a deficit of Kshs. 8,727,000,000 and this will greatly impact implementation of its project

MINISTRY OF INFORMATION AND COMMUNICATIONS- VOTE D32

i. The Ministry of Information and Communication has been allocated Kshs. 7.3 billion for the 2012/13 fiscal year. This represents 0.5% of the total budget. The ministry had requested for Kshs. 17.7 billion, depicting that it has only been allocated 41% of its requirements.

ii. ***Inadequate Funding*** – *The ministry is being allocated only 41% of its requirements. This allocation is quite low a number of priority projects might not be undertaken. Funding for Construction and civil works at the Konza City Techno Polis and the KBC's migration from MW to FM are the likely key projects not to be undertaken. Also, it is noted that funding for KIMC and purchase of film equipment are likely to be reduced.*

iii. ***Effecting Austerity Measures*** – *The cabinet agreed to implement austerity measures and curb unnecessary expenditures by ministries. It is noted that the ministry is spending a lot on use of goods and services and acquisition of capital. It is critical for the ministry to clearly explain the need for large allocations for the following items:*

- Purchase of vehicles – Kshs. 44 million
- Hospitality Supplies and Services – Kshs. 65 million
- Other operating expenses – Kshs. 26.5 million

iv. **Fiber Optic Connections** – *There is a wide digital divide between the urban and rural areas in Kenya. Not all areas in the country are enjoying the full benefits of the fibre optic connections. The secondary school curriculum has already been digitized but a number of schools in the country have still not embraced ICT technology. The ministry should move hastily and ensure that the country is adequately connected.*

B. Committee Recommendation:

The Committee therefore recommends that:-

(i) <u>HEAD 0006: NATIONAL GRID SYSTEM</u>

1. **Kshs. 1,000,000,000 should be REALLOCATED from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100.**

2. A sum not exceeding Kshs. 8,659,930,678 be allocated to the Ministry for the expenditure proposed in the items under Head 0006 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 26,700,030,626 to finance its operations.

a. <u>HEAD 0007: GEOTHERMAL AND COAL RESOURCES EXPLORATION</u>

3. Amount of Kshs. 2,000,000,000 should be ALLOCATED to National Oil Corporation as Capital Transfer to Non Financial Public Enterprises to fund their activities under Head Code 0009, Unit 02, Item 2820100 being the REALLOCATION of Kshs. 1,000,000,000 from Head Code 0006, Unit 06 (Kenya Electricity Transmission Company) Item 2630200 and Kshs. 1,000,000,000 from Head Code 0007, Unit 03 (Geothermal Development Company) Item 2630200.

4. A sum not exceeding Kshs. 3,000,000,000 be allocated to the Ministry for the expenditure proposed in the items under Head 0009 and that the Ministry be allowed to raise Appropriations-in-Aid amounting to Kshs. 784,378,000 to finance its operations.

b. <u>Head 0008: Rural Electrification Programme</u>

5. The Committee further recommends that an additional Kshs. 1,000,000,000 should be allocated to Rural Electrification Authority for the FY 2012/13.

Min. 84/2012: Any Other Business

The Committee resolved to invite Green Energy Group (GEG) to verify its existence and capacity to handle geothermal contracts and conclude its report on the mobile well head technology.

Min.85/2012: Adjournment

There being no other business and the time being forty minutes past 6.00pm the meeting adjourned.

Hon. (Eng.) James Rege, MP

SIGNED: ....

CHAIRPERSON

DATE: May 17, 12.