

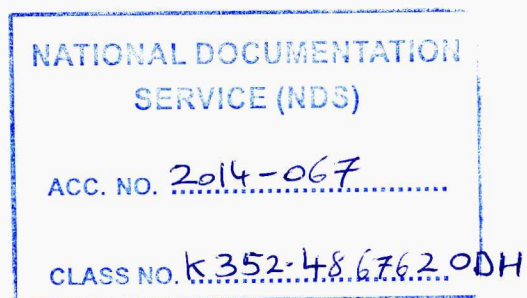


REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**BUDGET IMPLEMENTATION REVIEW REPORT**

**Half Year  
2011/2012**



**January 2012**





## **Forward**

It gives me great pleasure to present the first 2011/12 Half year Budget Implementation Review Report. Budget implementation has attracted a great deal of attention in the 2011/12 fiscal year. This is not surprising as the Government Budget is the principal policy instrument for allocating public resources amongst competing socio-economic needs, and holding the Ministries, Departments and Agencies (MDA) of Government responsible for the expenditure and revenues over which they exercise control.

The Constitution mandates this office to prepare and publish quarterly reports on the implementation of the budgets both at National and County governments. These reports are required to be submitted to the Executive, National Assembly, and County Assemblies and are to be widely disseminated to the general public and other stakeholders. The 2011/12 half year Budget Implementation Review Report will be duly published and publicized.

One of the functions of the Office of the Controller of Budget (OCOB) as stipulated in the Constitution (Article 228(4)) is to oversee the implementation of the Budgets of the National and County governments. This function entails regularly undertaking monitoring and evaluation of programmes and projects both at the National and County level. In an effort to carry out this function effectively, the OCOB is developing a comprehensive monitoring and evaluation framework, which will be ready for use by May 2012. The office will therefore report on selected capital projects in the June 2012 report.

Finally, as the Office of the Controller of Budget continues to be operationalized, this report will be subjected to continuous review and improvement to ensure it matches international best practice. I have no doubt the report will be useful in gauging the budget implementation of MDAs and improvement of efficiency and effectiveness in public financial management. I further urge the readers of this report to give their feedback, so that, we can all contribute towards ensuring value for money to the citizenry.



**Mrs. Agnes N. Odhiambo**  
**Controller of Budget**

## Table of Contents

Forward .....	i
Executive summary .....	iii
Acronyms .....	v
<b>1. Introduction .....</b>	<b>1</b>
<b>2. Macroeconomic Development Highlights .....</b>	<b>3</b>
2.1. Economic Growth (GDP).....	3
2.2. Inflation .....	3
2.3. Exchange Rate .....	4
2.4. Balance of Payments.....	4
2.5. Interest Rate.....	5
<b>3. Financial Analysis of the 2011/2012 Budget Implementation.....</b>	<b>6</b>
3.1. Revenue Performance.....	6
3.2. Exchequer Issues.....	7
3.3. Donor Releases.....	8
3.4. Domestic Borrowing.....	8
3.5. Consolidated Fund Services (CFS).....	9
<b>3.6. Recurrent Expenditure Analysis by Sector .....</b>	<b>10</b>
3.6.1. Human Resource Development.....	10
3.6.2. Public Administration and International Relations Sector .....	12
3.6.3. Trade, Tourism and Industry (TTI) Sector.....	13
3.6.4. Agricultural and Rural Development Sector .....	14
3.6.5. Environment, Water and Irrigation Sector .....	15
3.6.6. Governance, Justice, Law and Order Sector (GJLOS).....	16
3.6.7. Physical Infrastructure Sector .....	18
3.6.8. Special Programmes Sector.....	19
3.6.9. Research, Innovation and Technology Sector.....	20
3.6.10. National Security Sector .....	21
<b>3.7. Development Expenditure Analysis by Sector .....</b>	<b>22</b>
3.7.1. Human Resource Development.....	23
3.7.2. Public Administration and International Relations Sector .....	23
3.7.3. Trade, Tourism and Industry (TTI) Sector.....	24
3.7.4. Agricultural and Rural Development Sector .....	25
3.7.5. Environment, Water and Irrigation Sector .....	26
3.7.6. Governance, Justice, Law and Order Sector (GJLOS).....	27
3.7.7. Physical Infrastructure Sector .....	28
3.7.8. Special Programmes Sector.....	29
3.7.9. Research, Innovation and Technology (RIT) Sector.....	30
<b>4. Challenges Affecting Implementation of the Budget .....</b>	<b>31</b>
<b>5. Recommendations .....</b>	<b>33</b>
<b>6. Conclusion.....</b>	<b>35</b>
<b>Annexes .....</b>	<b>36</b>



## **Executive Summary**

The 2011/12 financial year Budget focuses on enhancing the efficiency of government expenditure in view of critical resource limitations and ensuring macroeconomic stability. One approach adopted in the budgeting process was the linking of key projects and programmes in the budget to the Kenya's Vision 2030 which is the country's long term development plan .

In this first half year report of FY2011/12, data from the Kenya National Bureau of Statistics (KNBS) demonstrates that economic growth was relatively low compared to the same period the previous year and the growth was driven by the agricultural, manufacturing, tourism and construction sectors. The overall inflation rose to 19.8% during the month of November 2011. The interest rates remained high with the average interbank call rate rising to 14.3% during the month of August. The Kenya shilling depreciated against major currencies hitting the low of Ksh 107 against the dollar during the month of October 2011.

The total revenue target for fiscal year 2011/12 is Ksh.789.5 billion (or 24.7% of GDP) comprising of Ksh.713.6 billion of ordinary revenue and Ksh.75.9 billion of Appropriations in Aid (AIA). Revenue collected during the first half of the financial year under review stood at Ksh. 338 billion. The revenue collected over the period was below the target of Ksh. 351.8 billion expected to be collected. This development shows clearly the challenges of implementing the 2011/12 Budget in the first half of the financial year.

The recurrent and development expenditures for FY 2011/12 for all the sectors were estimated at Ksh.552.9 billion and Ksh. 398.6 billion respectively. The MDAs received Ksh. 239.9 billion and Ksh. 90.0 billion for recurrent and development expenditures respectively for the period July to December 2011. For the same period the MDAs spent Ksh. 231.9 billion for recurrent budget and Ksh. 70.2 billion for development activities.

In conclusion, there has been a significant shortfall in revenue collection due to the economic growth challenges. The Ministry of Finance and the Office of Controller of Budget have worked in partnership with MDAs to ensure that the priority areas receive funding in time. On average the utilization of development funds by MDAs remains below expectation, a challenge that

needs to be addressed. As MDAs undertake measures to accelerate the execution of their projects and programmes, the rate of development budget utilization should increase for the remaining quarters to ensure achievement of the budget.

## **Acronyms**

AIA	Appropriation in Aid
AIE	Authority to Incur Expenditure
AG	Auditor General
BSD	Budget Supply Department
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CFS	Consolidated Fund Services
CRR	Cash Reserve Ratio
COB	Controller of Budget
GDP	Gross Domestic Product
GJLOS	Governance Justice Law and Order Sector
GOK	Government of Kenya
IFMIS	Integrated Financial Management Information System
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
MDAs	Ministries Departments and Agencies
MTP	Medium Term Plan
NSIS	National security Intelligence Service
OCOB	Office of the Controller of Budget
OPM	Office of Prime Minister
ODPM	Office of Deputy Prime Minister
OVP	Office of Vice President
PAIR	Public Administration and International Relations
RIT	Research Innovation and Technology
TTI	Trade Tourism and Industry





## **1. Introduction**

The theme of FY 2011/12 Budget is “Building Resilience and Sustaining Inclusive Growth for a Prosperous Kenya” and this is to ensure that the economy grows broadly and sustainably. In line with this objective, the 2011/12 Budget provides a platform to ensure continuous creation of jobs for the youth, food security, reducing poverty and inequality as envisaged in the three pillars of the Kenya’s Vision 2030. The Budget also lays emphasis on the growth momentum in infrastructure, and social programmes under education and health. The investments in these sectors are aimed at improving the quality of life of all Kenyans, addressing infrastructural inadequacies, particularly in power and transportation, human capital development and the implementation of the Constitution. The Government through the Budget aims at catering for deepening of structural reforms to promote productivity, and strengthening of financial management including the modernization and simplification of the tax administration system. It also aims to increase access to financial services while ensuring adequate supervision and enhancing the operating environment for business to flourish.

The Government is putting in place a comprehensive legal framework through the Public Financial Management Bill, the County Government Financial Management Bill, the Contingencies Fund and County Emergency Funds Act, Intergovernmental Fiscal Relations Bill, Intergovernmental Relations Bill, Public Audit Act and the Controller of Budget’s Bill all of which when enacted will greatly improve both the Budget preparation and implementation. It has also embarked on various reforms under the Public Financial Management Reforms Programme to ensure proper budgeting and utilization of the public financial resources. These reforms include; development of an all-inclusive chart of accounts, which will be used for preparation and reporting of financial activities at all levels of government; formulation and implementation of Programme Based Budgeting in the medium term expenditure framework; promotion of participation of the private sector through a structured public private partnership arrangement and implementation of Integrated Financial Management Information System all which are key to proper budget implementation and efficient utilization of scarce resources by the Ministries and state agencies.

The Ministries, Departments and Agencies’ (MDAs) budgets are prioritized and implemented within the framework of the Kenya’s Vision 2030. The Kenya’s Vision 2030 is the long-term

development blue print of the country and which is being implemented in phases of five-year periods. The Vision is anchored on three key pillars i.e. the political, economic and social pillar. Further the Vision has specific flagship projects that are administered by the respective MDAs. Vision 2030, unlike the past Development Plans has an integrated approach of economic growth, political environment, globalization and the social structures in development. This is particularly important in today's competitive world of globalization, demanding markets and population.

This Report covers the first half of the 2011/2012 Budget Implementation for the Government of Kenya. It gives an appraisal of the Government's revenue and expenditure targets by sectors and sub-sectors and provides information on progress of both the recurrent and development budget implementation by each sub-sector. The report looks at the prevailing macroeconomic environment for the period under review and analyses the 2011/2012 budget implementation starting with revenue, exchequer issues, donor fund releases, domestic borrowing, external debt expenses, expenses in respect to consolidated fund services, and recurrent and development expenditures. The recommendations and conclusions have been highlighted with a view to improve the budget implementation process.



## 2. Macroeconomic Development Highlights

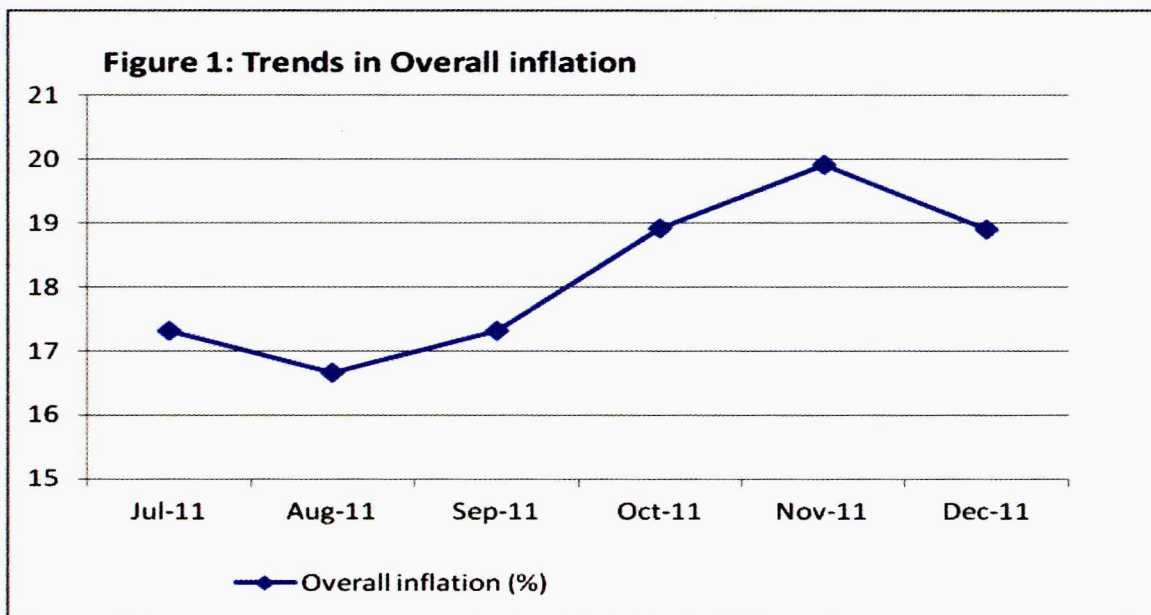
### 2.1. Economic Growth (GDP)

The economic growth in the period under review has been driven by growth in the Manufacturing and Production Sectors, particularly the Agricultural Sector, which was as a result of favourable weather conditions, which prevailed in some parts of the country resulting in increased agricultural outputs. The sectors were constrained with the high production costs, unreliable energy supply, taxes, poor infrastructure and cheap imports, however despite this the Agriculture sector performed quite well after two consecutive years of low output. Manufacturing, which is a key component in the economy, contributes substantially to growth in output, exports and employment.

According to the Kenya National Bureau of Statistics (KNBS) the Gross Domestic Product (GDP) slowed down to 3.6% during the third quarter of 2011 compared to 5.7 per cent recorded over the same period of 2010. Some of the factors that slowed the growth are sharp rise in oil and food prices, persistent increase in interest and inflation rates. In order to improve on this trend in the growth rate, the government must strategize to directly increase investments in infrastructure and where feasible through Public-Private Partnership.

### 2.2. Inflation

The inflation put pressure on the growth of the economy for the period July to December 2011, which stood at 17.3% by end of July. The overall inflation rate for first half of the year peaked during the month of November at 19.7% before decreasing marginally to 18.9% during the month of December. The trend in inflation was largely driven by the food index. The high cost of fuel and the weak shilling against major currencies also contributed to the rise in overall inflation. The figure below shows the trend of inflation for the period under review.



Source: Kenya National Bureau of Statistics, 2011

### 2.3. Exchange Rate

Exchange rate stabilization has posed a challenge for the Central Bank of Kenya. The Kenya Shilling weakened against major world currencies over the period July to December 2011 mainly due to the volatility of international oil prices. For instance, the shilling during the month of October 2011 depreciated by 5.1 percent against the dollar to exchange at an average of Ksh. 102.7 per US dollar compared with Ksh. 96.36 per US dollar in September 2011. The depreciation of the Kenya shilling has increased the external debt repayment costs and the operating costs for the country's foreign missions abroad during the period under review.

### 2.4. Balance of Payments

The balance of payments for the year up to August 2011 weakened reflecting a faster growth of imports compared to the exports. Kenya's overall balance of payments surplus narrowed to US\$ 85 million up to August 2011 compared with US\$ 362 million in the year to August 2010 (CBK, Monthly Economic Review September 2011). For the period up to September 2010 Kenya's overall balance of payments position reduced from surplus of US\$ 365 million to US\$ 220 million in September 2011. The movement was due to the widening of the current account deficit, which surpassed improvement in the capital and financial account. The deficit in the current account widened from US\$ 2,073 million in the year to September 2010 to US\$ 4,017 million in the year to September 2011. The deterioration in current account comprised a 28.4 per

cent or US\$ 1,929 million widening of the merchandise account deficit and US\$ 16 million decline in the services account

## **2.5. Interest Rate**

The Central Bank of Kenya in September 2011 raised the Central Bank Rate (CBR) to 7.0 per cent from 6.25 per cent in an effort to tame inflation and stabilizes the exchange rate. The Bank also enhanced flexibility in the management of interbank liquidity by extending the Cash Reserve Ratio (CRR) from weekly to monthly subject to a daily minimum of 3.0 percent. The average interbank rate rose to 14.3% in August 2011 from 8.6% in July 2011 while the average lending rates increased to 14.3% in August 2011 from 14.1% in July 2011.



### 3. Financial Analysis of the 2011/2012 Budget Implementation

#### 3.1. Revenue Performance

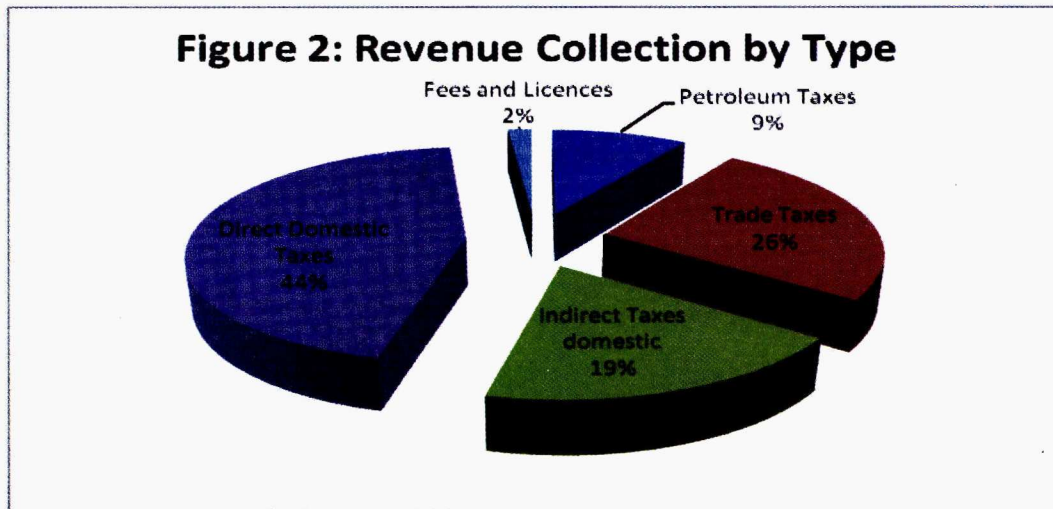
The total revenue target for fiscal year 2011/12 is Ksh. 789.5 billion (or 24.7% of GDP) comprising of Ksh. 713.6 billion of ordinary revenue and Ksh. 75.9 billion of Appropriations in Aid (AIA). The ordinary revenue includes Ksh. 9.2 billion that has to be collected as Appropriation in Aid applied. The targeted revenue was predicated on projected economic growth, the on-going reforms on tax and customs administration, and new tax measures. The Appropriations in Aid collected this financial year will include fees collected by Public Universities, which were previously not captured in the Budget.

**Table 1.1 Revenue Performance by Revenue Type (Kshs Millions) First Half of 2011/12**

Category	2011/12	% of Total Revenue	2010/11	Growth %
Petroleum Taxes	31,689	9.4	32,938	-3.8
Trade Taxes	86,585	25.6	75,073	15.3
Indirect Domestic Taxes	63,626	18.8	67,680	-6
Direct Domestic	150,604	44.5	122,611	22.8
Fees and Licences	5,691	1.7	4,827	17.9
<b>Total</b>	<b>338,194</b>	<b>100</b>	<b>303,128</b>	<b>11.6</b>

Source: Kenya Revenue Authority

Revenue collected during the first half of the financial year under review stood at Ksh. 338 billion, which is an 11% increase from Ksh. 303.1 billion collected within the same period the previous year. The increase was attributed to improved process of tax management and tax collection. However, the revenue collected over the period was below the target of Ksh. 351.8 billion. This was partly attributed to the low level of business and slow growth and change in withholding tax regime mechanisms. The direct domestic taxes contributed the highest revenue at 44% while fees and licences contributed the least at 2% of the overall collections as shown in figure 2.



Source: Kenya Revenue Authority 2012

### 3.2. Exchequer Issues

The total budget for the financial year 2011/2012 was Ksh. 1,158.9 billion, comprising Ksh. 209.5 billion for Consolidated fund services, Ksh. 552.8 billion for Recurrent, and Ksh. 396.5 billion for development respectively. During the period under review the MDAs received a total of Ksh. 239.9 billion in exchequer issues for recurrent expenditure, which represents 49.8% of the total net recurrent estimates. A total of Ksh. 90 billion was released from the exchequer to the MDAs for the development expenditure, which represents 34.5% of the total budget for development expenditure. These amounts exclude the Appropriations in Aid collections by MDAs. The amount disbursed to the MDAs was based on the allocations in the budget (refer to annexes 1 and 2).

Ministry of Special Programmes received the highest percentage of its requirements for recurrent vote during the period at 81.7% while the Ministry of Immigration and Registration of Persons received the least at 3.6%. The over expenditure by the Ministry of Special Programmes was due to provision of relief food to the drought ravaged part of the country and emergency relief food for parts of the country affected by floods. On the other hand the Ministry of Immigration and Registration of Persons used revenue collected at site, which is contrary to laid down regulations. Annex 1 and 2 show the exchequer issues to the ministries and departments for both the recurrent and development expenditures respectively.



### 3.3. Donor Releases

This financial year's budget expected to raise Ksh. 183.1 billion through external sources as shown in Table 3.1. Over the period under review, a total of Ksh. 34.6 billion was received from donors and has been released from the exchequer, which represents 18.9% of the total expected during the financial year 2011/12. Of this releases Ksh. 8,846,133,774 was in form of loans revenue, Ksh. 3,457,795,248 as grants revenue, Ksh. 18,735,072,780 as loans Appropriations in Aid and Ksh. 3,527,277,791 as grants Appropriations in Aid. Owing to the fact that the donor funding is within the framework of the national budgeting process the low disbursement of donor releases if not addressed will slow down the implementation of the Budget. Consequently, all the spending agencies are urged to put in place proper measures that will increase their absorption capacity of donor funds.

**Table 3.1: Summary of Grants and Loans Disbursement Status (in Kshs)**

Funding Type	Printed Estimates	Cumulative Disbursement July– December 2011	
			% Achieved Against Printed Estimates
Loans Revenue	39,484,965,790	8,846,133,774	22.4
Grants Revenue	12,733,001,923	3,457,795,248	27.2
Loans AIA	102,485,155,956	18,735,072,779	18.3
Grants AIA	28,379,183,956	3,527,277,791	12.4
<b>Total</b>	<b>183,082,307,625</b>	<b>34,566,279,592</b>	<b>18.9</b>

Source: Ministry of Finance

### 3.4. Domestic Borrowing

The Government had targeted Kshs 86 billion through domestic borrowing. During the period under review (July to December 2011) Central Bank of Kenya (CBK) raised only Ksh 14 billion through Treasury bills. This leaves a budget deficit of about Ksh 72 billion. This under performance was attributed to weakening of the shilling between the months of August and December last year. To finance the gap the Treasury left with the option of utilizing external sources .

### 3.5. Consolidated Fund Services (CFS)

The Consolidated Fund Services was allocated Ksh. 209.5 billion in financial year 2011/2012, which comprised Ksh. 76.6 billion for domestic interest payments; Ksh. 7.5 billion for foreign interest payments; Ksh. 31.8 billion for pensions, and Ksh. 3.0 billion for salaries and allowances of constitutional office holders and other non discretionary expenditures. In addition, the Budget expected to finance external and internal redemptions amounting to Ksh.25.8 billion and Ksh.63.4 billion respectively.

The Pensions department was allocated Ksh.31.8 billion that was to pay pension & gratuity. A total of Ksh. 11,636,487,892 was paid out as pension during the period under review from CFS. This amount was paid to 1,259,841 pensioners who are in the payroll. The exchequer issues, as at 30<sup>th</sup> December to the pension's department was Ksh. 11,250,000,000. The expenditure of the department is however in excess of exchequer issues by Ksh 386,487,892. The pension department paid some of their pensioners using funds in suspense account for claimants whose money had been returned by the banks, which is an irregularity. The table below summarizes the CFS net exchequer issues and expenditures.

**Table 3.2 Analysis of CFS Expenditures in Ksh.**

Details of Votes	Gross Estimates	Net Estimates	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates	Expenditure as % of exchequer issues
Public Debt	173,281,197,511	173,281,197,511	58,602,006,960	58,602,006,960	33.8	100
Pensions and Gratuities	31,759,132,221	31,759,132,221	11,250,000,000	11,636,487,892	36.6	103.4
Salaries and Allowances	3,013,374,912	3,013,374,912	184,437,555	157,204,731	5.2	85.2
International Organizations	500,000	500,000	-	-	-	-
Misc Services	60,000,000	60,000,000	-	-	-	-
Guaranteed Debt	1,409,545,552	1,409,545,552	-	-	-	-
<b>Total.</b>	<b>209,523,750,196</b>	<b>209,523,750,196</b>	<b>70,036,444,515</b>	<b>70,395,698,583</b>	<b>33.6</b>	<b>100.5</b>

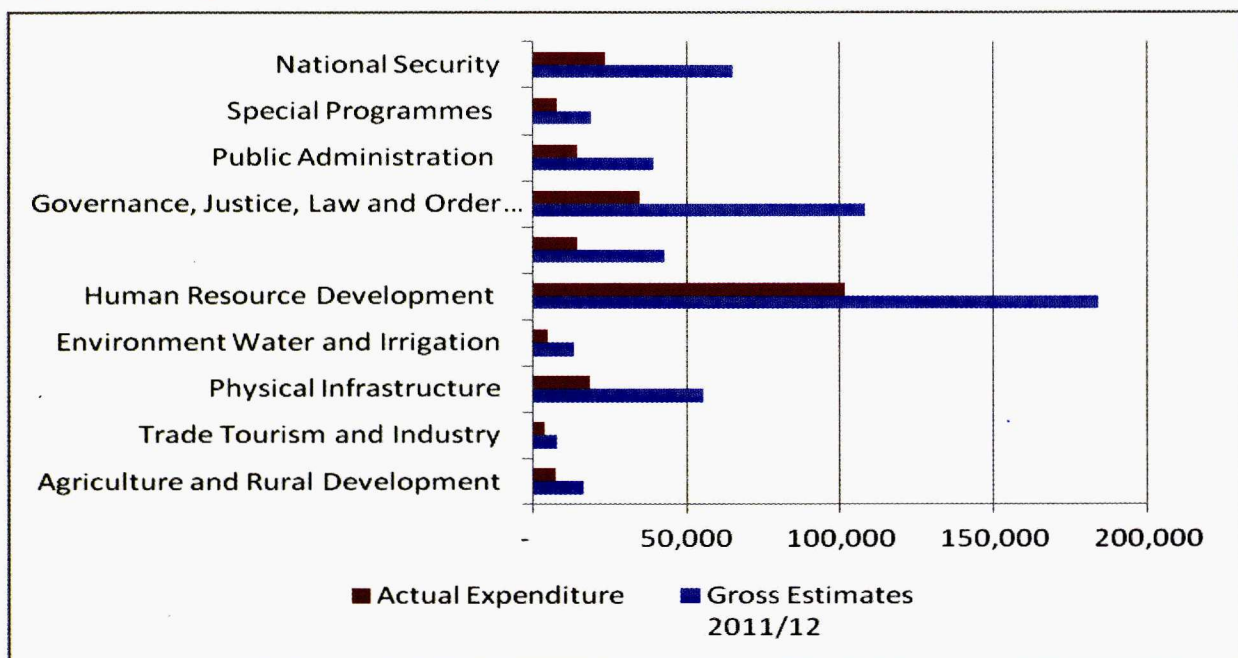
Source: Ministry of Finance and MDAs



### 3.6. Recurrent Expenditure Analysis by Sector

This section takes a critical analysis of each sector's recurrent budget verses the exchequers issues and actual expenditures. The gross recurrent expenditure for FY 2011/12 for all the sectors was estimated at Ksh. 552.9 billion. This included Ksh. 70.7 billion, which was to be financed through Appropriations-in-Aid. For the period July to December 2011 the MDAs spent Ksh. 231.9 billion of their recurrent budget (refer Annex 5). The Human Resources Development and Physical Infrastructure sectors spent more than their exchequer issues. This is attributed to appropriations in aid collected to fund their activities.

**Figure 3: Comparison of Actual Expenditure and Gross Estimates (in Kshs Millions)**



Source: Office Controller of Budget

#### 3.6.1. Human Resource Development

This sector comprises five sub sectors namely; Education, Teachers Service Commission, Labour, Medical Services and Public Health and Sanitation. The Kenya Vision 2030 identifies Human Resource Development as a key Foundation for National Socio-economic Transformation. The Human Resource Development Sector is responsible for the provision and co-ordination of services relating to Education, Labour, Medical Services, Public Health and Sanitation in order to create a globally competitive and adaptive human resource. For the current



FY 2011/12 this sub-sector was allocated a gross estimate of Kshs 183.8 billion for recurrent expenditure. The amount allocated included Ksh. 7.3 billion that was to be collected as AIA.

For the period under review the sector received exchequer issues amounting to Ksh. 91.1 billion for recurrent, which represents 51.6 % of the total net estimates. The Education sub-sector received Ksh. 18.7 billion, which is 53.0%, which covers both the Ministry of Education and Teachers Service Commission. The other sub sector's exchequer issues in terms of percentages were as follows: Public Health and Sanitation 48.3%, Medical Services 48.9%, and Labour 37.7%. On the expenditure side, the sector absorbed close to the expected target of 50% with total recurrent expenditure at Ksh. 91.5 billion which represents 49.8% absorption level of the gross estimates. Labour sub sector was the least performer at 33.2%. The table below summarizes each sub-sector's budget estimates and expenditures

**Table 3.3 Analysis of Recurrent Expenditure and Net exchequer issues for Human resources and Development (in Kshs Millions)**

Details of Votes	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Medical Services	27,628.9	3,824.0	23,804.9	11,629.0	13,193.7	47.8
Ministry of Labour	1,720.3	89.0	1,631.3	614.7	570.3	33.2
Ministry of Education	37,537.8	3,227.0	34,310.8	18,707.0	16,598.0	44.3
The Teachers Service Commission	105,912.6	80.0	105,832.6	54,910.0	55,438.4	52.3
Ministry of Public Health and Sanitation	10,970.5	58.0	10,912.5	5,273.3	5,720.1	52.1
<b>Total</b>	<b>183,770.0</b>	<b>7,278.0</b>	<b>176,492.0</b>	<b>91,134</b>	<b>91,520.5</b>	<b>49.8</b>

Source: Ministry of Finance & MDAs

### **3.6.2. Public Administration and International Relations Sector**

The Public Administration and International Relations (PAIR) Sector comprises the Cabinet Office, State House, Office of the Prime Minister, Planning, National, Development and Vision 2030, Public Service, Finance, Foreign Affairs and the Public Service Commission. During the 2011/12 financial year the Sector was allocated a total of Ksh. 39.3 billion under recurrent expenditure.

Public Administration and International Relations Sector received a total of Ksh 19.9 billion as exchequer issues over the period July to December 2011, which is 49.9% of the total net estimates for FY 2011/12. The Public Service sub-sector received the least amount of exchequer of Ksh. 0.5 billion out of the possible Ksh. 5.1 billion, which represents only 10.3%. The low absorption by the ministry of state for public service was due to procurement delays in implementing a medical scheme for civil servants. The medical scheme is being implemented in the third quarter.

The Ministry of Foreign Affairs received the highest amount totaling Ksh. 4.7 billion, which is 57.9% of the gross estimates. This over-issue of 7.9% was to cater for the increased cost of running foreign missions as a result of the depreciation of the Kenya shilling against major foreign currencies that was prevalent in the first and second quarters of the financial year. However, the actual expenditure for the period was only Ksh. 2.1 billion representing 26% of the gross expenditure; which may be attributed to under reporting of expenditures incurred by the Ministry in the foreign mission.

The Public Administration Sector has used Ksh. 14.9 billion to fund its recurrent activities as at 31<sup>st</sup> December 2011, which represents 38.0% of the total gross estimates. This indicates low levels of absorption and requires appropriate measures to be taken by the government to ensure the budget is implemented as required for service delivery to the citizenry. State House sub sector has the highest levels of absorption at 66.3% and the Commission of Revenue Allocation the least at 22.6% of the gross estimates. The table below summarizes the recurrent expenditures and net exchequer issues for the sector.



**Table 3.4 Analysis of Recurrent Expenditure and Net exchequer issues for PAIR (in Ksh. Millions)**

Name of the Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
State House	1,277.0	2.0	1,275.0	697.6	846.3	66.3
Ministry of State for Public Service	5,097.5	46.0	5,051.5	520.9	636.1	12.5
Ministry of Foreign Affairs	8,062.0	787.0	7,275.0	4,671.2	2,143.6	26.6
Ministry of State for Planning, National Development and Office of the Deputy Prime	2,806.2	12.0	2,794.2	1,411.3	1,286.8	45.9
Minister and Ministry of Finance	17,930.4	-	17,930.4	10,616.6	8,329.1	46.5
Cabinet Office	1,310.5	1.0	1,309.5	576.9	517.0	39.5
Public Service Commission	649.7	4.0	645.7	257.0	266.7	41.0
Office of the Prime Minister	1,812.0	1.0	1,811.0	920.8	830.9	45.9
The Commission on Revenue Allocation	367.9	-	367.9	200.0	83.2	22.6
<b>Total</b>	<b>39,313.3</b>	<b>853.0</b>	<b>38,460.3</b>	<b>19,872.3</b>	<b>14,939.6</b>	<b>38.0</b>

Source: Ministry of Finance &amp; MDAs

### 3.6.3. Trade, Tourism and Industry (TTI) Sector

The sector comprises the following sub-sectors namely Trade, East African Community, National Heritage and Culture, Tourism and Industrialization. During the 20011/12 financial year, the Sector was allocated a total of Ksh. 8.1 billion under recurrent expenditure, which is less than 2% of the total recurrent budget yet it is expected to drive the manufacturing sector and ensure the country is industrialized by the year 2030. There is need to consider providing more funds to this sector as it is the largest contributor to growth of the GDP and is further expected to drive the manufacturing sector and ensure the country is industrialized by the year 2030.

The sector received a total of Ksh. 3.9 billion for its recurrent expenditure for the period under review. The average exchequer issues to the sector were 50.6% of the total net estimates. In terms of exchequer issues to cover recurrent expenditure the sector received all the expected issues for the first half of the financial year. The Industrialization sub-sector was funded to



rehabilitate the Pan African Paper mills at Webuye and increase the production capacity of commodities through construction of the industrial centres in each constituency. The total expenditure of the sector for the period under review stood at Ksh. 3.5 billion which is 43.7% of the gross estimates for the financial year. The East African Community sub sector absorbed 46.2% of net estimates and Trade absorbed only 36.5% of the total estimates for the period under review. Table 3.5 summarizes the details for the whole sector.

**Table 3.5 Analysis of Recurrent Expenditure and Net exchequer issues for Trade, Tourism and Industry sector (in Kshs Millions)**

Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Trade	1,803.5	215.5	1,588.0	915.7	658.0	36.5
Min. of East African Community	1,015.9	1.0	1,014.9	494.7	469.3	46.2
Ministry of State for National Heritage and Culture	1,765.6	21.0	1,744.6	894.2	855.6	48.5
Ministry of Tourism	1,568.5	11.0	1,557.5	780.0	710.1	45.3
Ministry of Industrialization	1,914.1	126.0	1,788.1	860.6	830.3	43.4
<b>Total</b>	<b>8,067.6</b>	<b>374.5</b>	<b>7,693.1</b>	<b>3,945.3</b>	<b>3,523.3</b>	<b>43.7</b>

Source: Ministry of Finance & MDAs

### 3.6.4. Agricultural and Rural Development Sector

This sector comprises the following five subsectors: Agriculture; Livestock Development; Fisheries Development; Lands and Settlement; Cooperative Development and Marketing. The sector is critical for economic growth, employment and poverty reduction. Agricultural and Rural Development Sector was allocated Ksh. 16.8 billion inclusive of Ksh. 212.8 million to be collected as Appropriation in Aid. For the period July to December 2011 the sector received Ksh. 8.9 billion as exchequer issues which is 48.1% of the gross estimates. The actual recurrent expenditure for the sector was Ksh. 3.8 billion, which is 44.5% of the gross estimates. Table 3.6 gives the details of the sector's expenditures and exchequer issues.



**Table 3.6 Analysis of Recurrent Expenditure and Net Exchequer Issues for Agricultural and Rural Development Sector (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Agriculture	8,541.0	175.3	8,365.7	4,592.2	3,748.3	43.9
Ministry of Livestock Development	3,709.3	24.5	3,684.8	2,031.3	1,889.5	50.9
Ministry of Cooperative Development and Marketing	1,105.4	13.0	1,092.4	567.7	399.3	36.1
Ministry of Lands	2,167.3	-	2,167.3	1,071.2	881.3	40.7
Ministry of Fisheries Development	1,262.1	-	1,262.1	601.9	472.7	43.1
<b>Total</b>	<b>16,785.1</b>	<b>212.8</b>	<b>16,572.3</b>	<b>8,864.4</b>	<b>7,391.1</b>	<b>44.0</b>

Source: Ministry of Finance & MDAs

### 3.6.5. Environment, Water and Irrigation Sector

This sector comprises of Environment & Mineral Resources, Water & Irrigation and Forestry & Wildlife sub sectors. These sub sectors form the foundation for a clean, secure and sustainable environment by promoting the quality of the country's environment and natural resources. The country's natural resources play a vital role in economic growth and poverty reduction. Prospects for the country's long-term growth are therefore dependent on effective management of these resources.

The sector was allocated Ksh. 13.7 billion for recurrent expenditure and received a total of Ksh 5.1 billion as exchequer issues, which represents 48.2% of the total expected net total estimates for the financial year. The total recurrent expenditure for the sector for period under review was Ksh. 4.8 billion, which represents 34.9% of the gross recurrent estimates for the sector. Forestry and Wildlife sub-sector received Ksh. 2.0 billion in exchequer issues and was able to collect Ksh. 390 million as appropriations in aid. The Ministry of Environment and Natural Resources received Ksh. 1.2 billion over the same period for its recurrent expenditure, which represents 42.6% of its gross estimates. The Ministry of Water and Irrigation sub-sector over the same period received Ksh. 1.9 billion in exchequer issues and spent Ksh. 1.5 billion, which represents



24.9% of its total estimates. Table 3.7 shows the detailed analysis of the sector's expenditure and exchequer issues.

**Table 3.7 Analysis of Recurrent Expenditure and Net Exchequer Issues for Environment Water and Irrigation (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Water and Irrigation	5,998.6	1,923.7	4,074.9	1,870.0	1,493.6	24.9
Ministry of Environment and Mineral Resources	2,545.6	203.4	2,342.2	1,208.4	1,083.0	42.5
Ministry of Forestry and Wildlife	5,153.3	1,091.1	4,062.2	1,974.4	2,205.5	42.8
<b>Total</b>	<b>13,697.5</b>	<b>3,218.2</b>	<b>10,479.3</b>	<b>5,052.8</b>	<b>4,782.1</b>	<b>34.9</b>

Source: Ministry of Finance &MDAs

### 3.6.6. Governance, Justice, Law and Order Sector (GJLOS)

The Governance, Justice, Law and Order Sector (GJLOS) comprises of the following sub sectors; Provincial Administration and Internal Security, Office of the Vice President and Home Affairs, Justice, National Cohesion and Constitutional Affairs, State Law Office, Judiciary, Ethics and Anti-Corruption Commission, National Assembly, Kenya National Audit Office, Immigration and Registration of Persons, Independent Electoral and Boundaries Commission and Directorate of Public Prosecution. During the 20011/12 financial year the sector was allocated a total of Ksh. 108.3 billion for recurrent expenditure, which includes Ksh. 286 million to be collected as Appropriations in Aid. The allocated funds are being used to fund projects and activities under the programmes prioritised during the 2011/12 financial year. The Independent Electoral and Boundaries Commission was allocated Ksh. 11.4 billion, which represents 10.5% of the total estimates for the sector.

The GJLOS sector has received a total of Ksh. 47.6 billion from the exchequer issues for the first half of financial year 2011/12. The Judiciary sub-sector received Ksh. 2.4 billion exchequer

issues, which represents 38.3% its total estimates for the financial year to fund reform initiatives taking place in the sector. The other sub sectors have received their exchequer issues as follows; Provincial Administration and internal security sub-sector received Ksh. 27.5 billion which is 49.2% of total estimates but absorbed Ksh. 18.2 billion in exchequer issues, which represents 32.4% of the total estimates, Justice, National Cohesion and Constitutional affairs sub-sector received exchequer issues of Ksh. 942.8 million, which is 49.6% of total estimates, State Law Office sub-sector Ksh. 657.3 million in exchequer issues which is 49.2% of total estimates, Ethics and Anti-Corruption Commission sub-sector received Ksh. 692.1 in exchequer issues which is 43.0% of total estimates and Immigration and Registration of persons sub-sector received a paltry Ksh. 142.5 million representing 5% of total estimates this low absorption is due to use of revenue collected at source.

The actual expenditure for the sector was Ksh. 34.8 billion for the period July to December 2011, which is 32.1% of the gross estimates. The sector has a low level of absorption, which is attributed to the new offices under the sector that have not been fully operationalized such as the National Police Service Commission. The Immigration and Registration of Persons sub sector on the other hand has spent Ksh. 2.4 billion against Kshs 142.5 million that was released as exchequer. The over expenditure is attributed to use of revenue at source, which is contrary to financial management regulations. The table below summarizes the expenditures and net exchequer issues of each sub sector.



**Table 3.8 Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOS (Kshs. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of State for Provincial Administration and Internal Security	55,940.2	-	55,940.2	27,493.7	18,140.5	32.4
Office of the Vice-President and Ministry of Home Affairs	13,742.6	-	13,742.6	8,823.9	4,092.8	29.8
Ministry of Justice, National Cohesion and Constitutional Affairs	2,057.1	157.0	1,900.1	942.8	935.0	45.5
State Law Office	1,336.0	-	1,336.0	657.3	632.6	47.3
The Judiciary	6,362.5	-	6,362.5	2,437.2	2,527.8	39.7
Kenya National Audit Office	1,547.7	110.0	1,437.7	613.8	334.0	21.6
National Assembly	8,861.1	4.0	8,857.1	4,229.7	3,454.2	39.0
Interim Independent Electoral Commission	11,438.9	7.0	11,431.9	1,140.5	1,266.4	11.1
Kenya Anti-Corruption Commission	1,617.0	8.0	1,609.0	692.1	665.6	41.2
Ministry of State for Immigration and Registration of Persons	3,921.0	-	3,921.0	142.5	2,398.0	61.2
Directorate of Public Prosecutions	355.0	-	355.0	130.0	91.3	25.7
Human Rights and Equality Commission	324.5	-	324.5	165.0	139.2	42.9
Commission for the Implementation of the Constitution	524.0	-	524.0	165.0	169.1	32.3
The National Police Service Commission	250.0	-	250.0	-	-	-
<b>Total</b>	<b>108,277.5</b>	<b>286.0</b>	<b>107,991.5</b>	<b>47,633.5</b>	<b>34,846.4</b>	<b>32.1</b>

Source: Ministry of Finance &amp;MDAs

### 3.6.7. Physical Infrastructure Sector

The Physical Infrastructure Sector consists of Roads; Public Works; Transport; Energy; Local Government; Nairobi Metropolitan Development and Housing sub-sectors. The Kenya Vision 2030 identifies this sector as an enabler for sustained development of the economy. During the 2011/12 financial year the Sector was allocated a total of Ksh. 55.8 billion under recurrent expenditure. The allocation includes Ksh. 43.0 billion to be collected as Appropriation in Aid. The sector received Kshs 5.1 billion as exchequer issues which is 39.8% of the net estimates.

The total expenditure of the sector during the period under review is Ksh. 18.5 billion, which is 33.2% of the gross estimates. The absorption levels for Roads and Energy sub-sectors was 55.7%



and 48.4% respectively of their gross estimates for FY2011/12, however the absorption of resources by the Housing sub-sector is lower than expected at 14.8%. The absorption level of financial resources of the Transport subsector is also lower than expected at 15.5%.

**Table 3.9 Analysis of Recurrent and Net Exchequer Issues for Physical Infrastructure Sector (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Office of the Deputy Prime Minister and Ministry of Local Government	18,380.7	17,301.9	1,078.8	605.9	552.6	3.0
Ministry of Roads	27,446.2	25,147.5	2,298.7	1,312.0	15,288.1	55.7
Ministry of Transport	4,036.8	62.0	3,974.8	716.3	626.1	15.5
Ministry of Energy	2,371.5	-	2,371.5	1,093.6	1,146.8	48.4
Ministry of Housing	1,680.3	485.0	1,195.3	605.6	249.8	14.9
Ministry of Nairobi Metropolitan Development	291.9	1.0	290.9	197.5	130.4	44.7
Ministry of Public Works	1,545.8	-	1,545.8	551.1	489.0	31.6
<b>Total</b>	<b>55,753.2</b>	<b>42,997.4</b>	<b>12,755.8</b>	<b>5,081.9</b>	<b>18,482.9</b>	<b>33.2</b>

Source: Ministry of Finance & MDAs

### 3.6.8. Special Programmes Sector

Special Programmes Sector comprises of five sub-sectors namely: Regional Development Authorities; Gender, Children and Social Development; Special Programmes; Youth Affairs and Sports; and Development of Northern Kenya & Other Arid Lands. The sector spearheads the formulation and implementation of regional development policies, youth empowerment, gender, children and social development. The sector also identifies projects and programmes that target improvement and promotion of the social and economic aspirations of Kenyans with special emphasis on the most vulnerable groups in the society and marginalised areas. During the 20011/12 financial year the Sector was allocated a total of Ksh. 19.0 billion under recurrent budget.

The sector received a total of Ksh. 10.7 billion from the exchequer to cover its activities over the period under review; this represents 59.2% of the total net estimates. Development of Northern Kenya and Other Arid Lands was funded up to 63% of its total net estimates. The Special

NATIONAL DOCUMENTATION  
SERVICE (NDS)

ACC

19

2014-067

CLASS NO. K.352.48.676.2.0DH



Programmes sub-sector was issued with the exchequer to the tune of 81.74% of its net estimates, which was used to fund the drought and flood mitigation activities during the period under review. The subsector will require additional funds during revised estimates. During the period under review the sector has used a total of Ksh. 8.0 billion, which represents 42.3% of the gross estimates. Ministry of State for Youth Affairs and Sports has spent the least amount of Ksh. 1.7 billion, which represents 29.6% of its gross estimates and the Ministry of Regional Development Authorities has absorbed 47.1% of its gross estimates. The table 3.10 gives details of actual expenditure and exchequer issues for the sector.

**Table 3.10 Analysis of Recurrent Expenditure and Net Issues for Special Programmes (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Regional Development Authorities	794.2	-	794.2	431.9	374.0	47.1
Ministry of Gender, Children and Social Development	4,021.7	9.5	4,012.2	1,585.9	1,668.3	41.5
Ministry of State for Special Programmes	7,922.8	3.0	7,919.8	6,473.4	4,125.9	52.1
Ministry of Youth Affairs and Sports	5,902.1	69.5	5,832.6	2,494.4	1,749.5	29.6
Min. of Development of Northern Kenya and Other Arid Lands	313.1	2.0	311.1	179.7	106.4	34.0
<b>Total</b>	<b>18,953.8</b>	<b>84.0</b>	<b>18,869.9</b>	<b>11,165.4</b>	<b>8,024.2</b>	<b>42.3</b>

Source: Ministry of Finance & MDAs

### 3.6.9. Research, Innovation and Technology Sector

The Research, Innovation and Technology (RIT) Sector comprises of Ministry of Information and Communications and Ministry of Higher Education, Science and Technology sub-sectors. The Sector's main responsibility is to facilitate the process of acquiring new knowledge and technology in a systematic manner in order to produce and improve products, processes and harness new innovations. During the 20011/12 financial year, the Sector was allocated a total of Ksh. 43.1 billion under recurrent budget, which represents close to 7.8% of the total recurrent budget.



The sector has received a total of Ksh. 14.7 billion as exchequer issues from July to December 2011, which is 53.1% of the total net estimates for the FY2011/12. On the expenditure side the sector used Ksh. 14.6 billion, which is 33.9% of the gross estimates. The sector's expenditure levels remained low even though the sector had been issued with more than 50% of exchequer issues. The sector needs to come up with strategies to address the low levels of spending which are as a result of non-collection of appropriation in aid. The sector must ensure the appropriation in aid of Ksh. 15.4 billion from university fees which has been included in the budget for the first time is collected. Table 3.11 shows the levels of funding and expenditures over the period under review for the sector.

**Table 3.11 Analysis of Recurrent Expenditure and Net exchequer issues for RIT in (Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Information and Communications	1,839.1	-	1,839.1	891.5	834.5	45.4
Ministry of Higher Education, Science and Technology	41,266.9	15,392.0	25,874.9	13,827.9	13,752.0	33.3
<b>Total</b>	<b>43,106.0</b>	<b>15,392.0</b>	<b>27,714.0</b>	<b>14,719.3</b>	<b>14,586.5</b>	<b>33.8</b>

Source: Ministry of Finance &MDAs

### 3.6.10. National Security Sector

The sector comprises the two sub-sectors namely Defense and National Security Intelligence Service (NSIS). This sector is important in ensuring the country is both nationally and internationally secure. The National Security sector was allocated Ksh. 65.2 billion for its recurrent budget. The NSIS subsector has received Ksh. 6.4 billion for the period July to December 2011 as exchequer issues representing 48.8% of its net estimates. The NSIS subsector has spend Ksh. 5.5 billion over period under review, which represents 41.9% of its gross estimates. The Ministry of State for Defence has spent Ksh. 23.6 billion, which represents 45.3% of its gross budget estimates. The rate of absorption of the sector is moderate at 44.6% (table 3.12) which may increase due to the on-going 'Linda Nchi' Security Operation in Somalia by the Kenya Defence Forces (KDF).

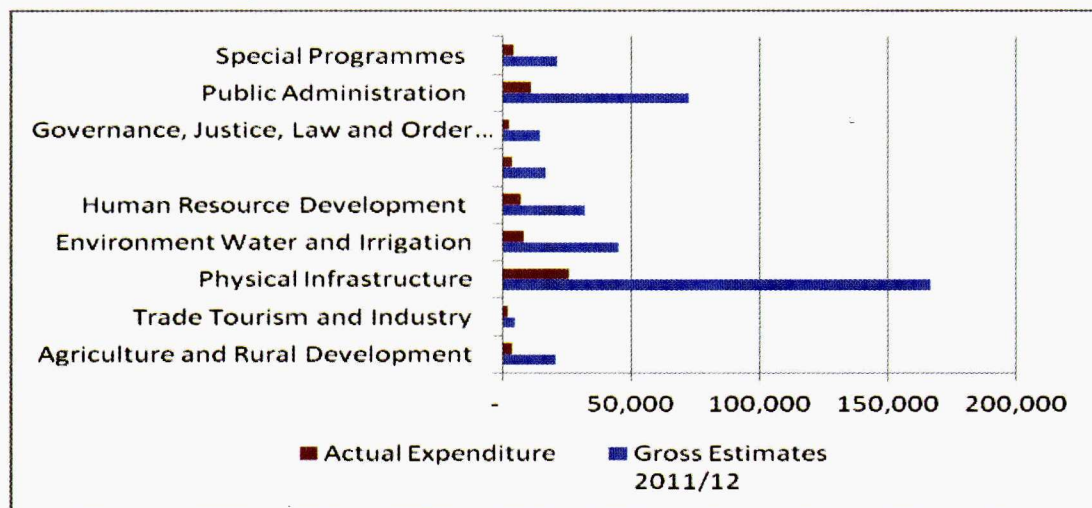
**Table 3.12a Analysis of Recurrent Expenditure and Net Exchequer Issues for National Security Sector (in Ksh. Millions)**

Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of State for Defense	52,016.7	-	52,016.7	26,097.3	23,577.7	45.3
National Security Intelligence Service <sup>1</sup>	13,146.1	-	13,146.1	6,412.5	5,503.6	41.9
<b>Total</b>	<b>65,162.8</b>	<b>-</b>	<b>65,162.8</b>	<b>32,509.9</b>	<b>29,081.3</b>	<b>44.6</b>

Source: Ministry of Finance & MDAs

### 3.7. Development Expenditure Analysis by Sector

The development expenditure of all the sectors for FY2011/12 was estimated at Ksh. 398.6 billion. Out of this amount, Ksh. 136.1 billion was to be financed through Appropriations-in-Aid, comprising of direct project financing of Ksh.28.4 billion in form of grants, Ksh. 102.5 billion in form of loans and Ksh. 5.2 billion in form of local AIA. The sectors received Ksh. 90.0 billion, which is 34.5% of the net estimates during the period under review. The MDAs spent a total of Ksh. 70.2 billion to fund capital projects, which represents 17.8% of the gross estimates. The absorption of development funds is generally lower than expected.

**Figure 3: Comparison of Net Exchequer Issues and MDAs' Actual Expenditure (in Kshs. millions)**

Source: Office of the Controller of Budget and Ministry of Finance



### 3.7.1. Human Resource Development

The Human Resources sector was allocated a total of Ksh. 32.5 billion, which includes Ksh. 12.7 billion to be collected as AIA. For the first half of the FY 2011/12 the exchequer issues to the Sector were Ksh. 8.4 billion, which represents 42.4 % of the total net estimates. The Education sub-sector received 51%; Public Health and Sanitation sub-sector 40%, Medical Services sub-sector 44%, and Labour sub-sector 21% of the exchequer for the period under review. The sector has spent Ksh. 7.5 billion which represents 23.3% of the total allocation.

**Table 3.12b Analysis of Development Expenditure and Net Exchequer Issues for Human Resources Development (in Ksh. Millions)**

Name of the Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Ministry of Medical Services	4,434.5	2,098.5	2,336.0	1,017.6	2,241.9	50.6
Ministry of Labour	1,167.0	611.1	555.9	118.9	60.7	5.2
Ministry of Education	5,615.5	1,670.5	3,945.0	2,020.4	1,724.0	30.7
Ministry of Public Health and Sanitation	21,280.5	8,326.0	12,954.5	5,231.3	3,540.7	16.6
<b>Total</b>	<b>32,497.5</b>	<b>12,706.1</b>	<b>19,791.4</b>	<b>8,388.2</b>	<b>7,567.3</b>	<b>23.3</b>

Source: Ministry of Finance & MDAs

### 3.7.2. Public Administration and International Relations Sector

The sector was allocated Ksh. 72.6 billion for development expenditure. The sector has received a total of Ksh. 13.1 billion from the exchequer for the period under review, which is 23.7% of the total net estimates for the development activities in the FY2011/12. Provincial Administration and Internal Security has received 50% of its total net issues from the exchequer followed by Foreign Affairs 40%, Public Service 37%, Cabinet Office 30%, Office of the Prime Minister 34%, Planning, National Development and vision 2030 (MPND&V2030) 23 % and State House 23%. The PAIR sector for the period July to December 2011 spent Ksh. 11.2 billion which is 21.7% of the gross estimates (table 3.13).



**Table 3.13 Analysis of Development Expenditure and Net Exchequer Issues for PAIR (in Kshs. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of G Estimates
State House	423.0	-	423.0	98.5	676.8	23.3
Min. of S. for Public Service	714.1	24.0	690.1	254.6	57.7	36.9
M. of Foreign Affairs	892.5	22.5	870.0	349.8	213.3	40.2
Min. Plan, N. Dev. and Vision 2030	27,893.8	3,414.6	24,479.2	5,511.9	4,989.7	22.5
ODPM and Ministry of Finance	37,285.7	4,067.3	33,218.4	6,625.7	4,989.7	19.9
Cabinet Office	4,185.6	4,000.6	185.0	55.9	56.4	30.2
Office of the Prime Minister	1,224.4	554.3	670.2	226.6	197.5	33.8
<b>Total</b>	<b>72,619.1</b>	<b>12,083.2</b>	<b>60,535.9</b>	<b>13,123.0</b>	<b>11,181.1</b>	<b>21.7</b>

Source: Ministry of Finance & MDAs

### 3.7.3. Trade, Tourism and Industry (TTI) Sector

The TTI sector was allocated Ksh. 5.3 billion for its development programmes. The total exchequer release for the sector for the period under review was Ksh. 2.1 billion, which represents 42.6% of the net estimates for the sector. The East Africa Community has received Ksh. 0.7 billion, which is 7% of the net estimates. Tourism sub-sector received Ksh. 1.21 billion, which is about 24.2% of the total net estimates and Industrialization sub-sector received Ksh. 2.7 billion, which is 45% of the net estimates. The overall expenditure of the sector stood at Ksh. 2.2 billion, which is a 41.9% of the gross estimates. Table 3.14 shows expenditure and net exchequer issues per sub-sector.



Table 3.14: Analysis of Development Expenditure and Net Exchequer Issues for TTI (in Ksh. Millions)

Name of the Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of G Estimates
Ministry of Trade	614.4	184.4	430.0	165.0	168.0	27.3
Min. of E A Community	74.4	65.4	9.0	0.7	1.3	1.7
Min of State for N. Heritage and Culture	686.0	-	686.0	276.6	268.9	39.2
Ministry of Tourism	1,242.0	33.0	1,209.0	490.7	492.9	39.7
Ministry of Industrialization	2,700.8	39.5	2,661.3	1,193.7	1,297.2	48.0
<b>Total</b>	<b>5,317.6</b>	<b>322.3</b>	<b>4,995.3</b>	<b>2,126.6</b>	<b>2,228.4</b>	<b>41.9</b>

Source: Ministry of Finance & MDAs

### 3.7.4. Agricultural and Rural Development Sector

Agriculture and Rural development sector is the engine of the GDP growth of the Kenyan economy. The development budget for FY2011/12 for this sector is Ksh. 17.82 billion. The exchequer issues to this sector for the first half of the FY2011/12 is Ksh. 5.7 million, which represents 32% of the net estimates. Lands sub-sector received 38%; Agriculture sub-sector 34%, Livestock development sub-sector 33%, Co-operative and Marketing subsector 29% and Fisheries Development sub-sector 22%. Fisheries development sub-sector has spent the least of 10% of the total net estimates. The total expenditure for the sector for the period under review was Ksh. 3.7 billion, which represents 17.6 % of the gross estimates. This low absorption of resources has adverse implications on the performance of the sector because it employs more than 26.1% of the population.



**Table 3.15 Analysis of Development Expenditure and Net Exchequer Issues for Agriculture and Rural Development Sector (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure Returns	Expenditure as a % of Gross Estimates
Ministry of Agriculture	11,349.2	2,126.3	9,222.9	3,153.6	1,984.9	17.5
Ministry of Livestock Development	4,378.6	269.8	4,108.8	1,364.7	946.2	21.6
Ministry of Cooperative Development and Marketing	368.0	-	368.0	106.3	98.2	26.7
Ministry of Lands	1,304.2	131.2	1,172.9	446.3	308.3	23.6
Ministry of Fisheries Development	3,316.5	370.4	2,946.1	646.1	313.6	9.5
<b>Total</b>	<b>20,716.4</b>	<b>2,897.6</b>	<b>17,818.8</b>	<b>5,717.0</b>	<b>3,651.3</b>	<b>17.6</b>

Source: Ministry of Finance & MDAs

### 3.7.5. Environment, Water and Irrigation Sector

This sector was allocated Ksh. 45.5 billion for development activities, which included Ksh. 17.8 billion that was to be collected as AIA. Over the period July to December 2011, the sector received a total of Ksh. 10.8 billion, which represents 39.1% of the total estimates. The Water and Irrigation sub sector received 43%, Environment and Mineral Resources sub-sector 19% and Forestry and Wildlife sub-sector 40% of the exchequer issues for the period under review. The sector spent Ksh. 8.5 billion, which is 22% of the gross estimates. The rate of absorption for the sector is low with an average at 18.7%. The sector must collect Ksh. 17.8 billion, which has been factored as appropriations in aid representing 39.1% of the sectors gross estimates. Table 3.16 shows details of expenditure and net exchequer issues to the sector.



**Table 3.16 Analysis of Recurrent Expenditure and Net Exchequer Issues for Environment Water and Irrigation Sector (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	A-in A 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure returns	Expenditure as a % of Gross Estimates
Ministry of Water and Irrigation	37,918.5	17,160.0	20,758.5	8,852.5	5,948.7	15.7
Ministry of Environment and Mineral Resources	4,105.8	153.9	3,951.9	761.9	1,611.7	39.3
Ministry of Forestry and Wildlife	3,488.9	484.0	3,004.9	1,196.0	953.2	27.3
<b>Total</b>	<b>45,513.2</b>	<b>17,797.9</b>	<b>27,715.3</b>	<b>10,810.4</b>	<b>8,513.5</b>	<b>18.7</b>

Source: Ministry of Finance & MDAs

### 3.7.6. Governance, Justice, Law and Order Sector (GJLOS)

The GJLOS sector was allocated Ksh. 14.5 billion and has received a total of Ksh. 3.9 billion from the exchequer for the first half of the FY 2011/12 representing 14.1% of the net estimates for the sector. Ksh. 1.1 billion is to be collected as appropriations in aid. The Judiciary sub-sector has received Ksh. 172.6 million, which is 7% of the net estimates for the sub-sector. The other sub-sectors have received their exchequer issues as follows; Home Affairs has received 51%, Justice National Cohesion and Constitutional Affairs 59%, State Law Office 24%, Ethics and Anti-Corruption Commission 0.4% and Immigration and Registration of Persons 5%. The sector spent Ksh. 2.7 billion over the period July to December 2011, which is 18.6% of the gross estimates. The rate of expenditure of development funds of the sector is low in some of the sub-sectors like Ethics and Anti-Corruption Commission, Immigration and Registration of Persons, the Judiciary, National assembly and State Law office. Table 3.17 summarizes the analysis of each sub sector.



**Table 3.17 Analysis of Development Expenditure and Net Exchequer Issues for GJLOS Sector (in Ksh. Millions)**

Sub Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
Min. of State for P. A. and Internal Security	4,734.5	150.0	4,584.5	2,300.7	655.1	13.8
OVP and Min. of Home Affairs	1,918.0	-	1,918.0	982.4	252.3	13.2
Ministry of Justice, N. Cohesion and C. Affairs	1,040.4	925.5	114.9	67.6	53.5	5.1
State Law Office	42.8	-	42.8	10.3	15.1	35.2
The Judiciary	2,519.0	-	2,519.0	172.6	671.3	26.6
National Assembly	1,600.0	-	1,600.0	194.0	286.9	17.9
Ethics and Anti-Corruption Commission	232.0	32.0	200.0	0.8	0.2	0.1
M. of S. for Immigration and Reg. of Persons	2,387.4	-	2,387.4	130.5	748.4	31.3
<b>Total</b>	<b>14,474.0</b>	<b>1,107.5</b>	<b>13,366.5</b>	<b>3,858.8</b>	<b>2,682.9</b>	<b>18.5</b>

Source: Ministry of Finance & MDAs

### 3.7.7. Physical Infrastructure Sector

The Physical Infrastructure sector was allocated Ksh. 166.8 billion for development activities for the current financial year. For the period July to December 2011 the sector received exchequer issues amounting to Ksh. 35.2 billion to cover its development budget, which represents 21.1% of the total allocation for the sector. The sector has spent Ksh. 26 billion over the period under review, which represents 15.6% of the total allocation. Public Works was funded up to 82% of its total exchequer issues requirements. However the ministry of Public, Works has only absorbed Ksh. 2.8 billion, which represents 57.3% of its gross estimates. The sector must collect Ksh. 79.2 billion appropriations in aid, which represents 47.5% of its gross estimates to meet its budget target. The appropriations in aid will mainly be collected from development partners by ministry of energy, Ksh. 39.8 billion; ministry of roads, Ksh. 31.8 billion; and ministry of transport, Ksh. 6.9 billion respectively.



**Table 3.18: Analysis of Development Expenditure and Net Exchequer Issues for Physical Infrastructure Sector (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
ODPM and Ministry of Local Government	6,117.1	646.0	5,471.1	1,770.4	2,053.1	33.6
Ministry of Roads	73,424.2	31,812.1	41,612.1	18,468.8	18,374.6	25.0
Ministry of Transport	14,257.3	6,931.3	7,326.0	1,536.5	917.7	6.4
Ministry of Energy	63,773.6	39,849.4	23,924.3	7,947.6	36.8	0.1
Ministry of Housing	2,319.4	-	2,319.4	734.5	652.0	28.1
Ministry of Nairobi Metropolitan Development	1,980.7	-	1,980.7	704.4	892.3	45.1
Ministry of Public Works	4,961.0	-	4,961.0	4,060.9	3,109.5	62.7
<b>Total</b>	<b>166,833.4</b>	<b>79,238.8</b>	<b>87,594.6</b>	<b>35,223.1</b>	<b>26,036.2</b>	<b>15.6</b>

Source: Ministry of Finance &amp; MDAs

### 3.7.8. Special Programmes Sector

The Special Programmes sector was allocated Ksh. 21.4 billion, which includes Ksh. 4.8 billion as AIA. The sector has received exchequer issues of Ksh. 7.2 billion to fund its development activities in the first half of FY 2011/12. The expenditure for the period under review for the sector was Ksh. 4.4 billion, which is 20.6% of the gross estimates. The table below shows the analysis for expenditure and exchequer issues for the sub-sectors.

**Table 3.19: Analysis of Development Expenditure and Net Exchequer Issues for Special Programmes Sector (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure returns	Expenditure as a % of Gross Estimates
Ministry of Regional Development Authorities	6,333.2	2,481.2	3,852.0	1,461.1	1,454.5	22.97
Ministry of Gender, Children and Social Development	3,969.4	685.9	3,283.5	1,767.3	366.4	9.23
Ministry of State for Special Programmes	5,139.2	1,579.6	3,559.6	970.6	945.6	18.40
Ministry of Youth Affairs and Sports	3,772.2	19.0	3,753.2	1,698.8	552.3	14.64
Min. of Dev. of Northern Kenya and Other Arid Lands	2,151.5	20.9	2,130.7	1,348.8	1,069.6	49.71
<b>Total</b>	<b>21,365.6</b>	<b>4,786.6</b>	<b>16,579.0</b>	<b>7,246.6</b>	<b>4,388.3</b>	<b>20.6</b>

Source: Ministry of Finance &amp; MDAs



### 3.7.9. Research, Innovation and Technology (RIT) Sector

The Research, Innovation and Technology (RIT) Sector was allocated Ksh. 17.2 billion for its development activities. The RIT has received exchequer issues of Ksh. 3.5 billion, which is 28.9 % of its net estimates for the financial year 2011/2012. The ministry of information and communication has utilized Ksh. 1.6 billion for the period under review, which represents 29.9% of its gross estimates. The ministry of higher education, science and technology has absorbed Ksh. 2.5 billion, which represents 20.9% of the gross estimates. The sector must collect Ksh. 5.1 billion from development partners as an appropriation in aid in order to meet its budget target. Table 3.19 shows expenditure and net exchequer issues for the sector

**Table 3.19 Analysis of Development Expenditure and Net Exchequer Issues for Information, Science and Technology (in Ksh. Millions)**

Sub-Sector	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure returns	Expenditure as a % of Gross Estimates
Ministry of Information and Communications	5,360.2	1.2	5,359.0	1,498.9	1,600.8	29.9
Ministry of Higher Education, Science and Technology	11,854.3	5,140.3	6,714.0	2,034.4	2,480.4	20.9
<b>Total</b>	<b>17,214.5</b>	<b>5,141.5</b>	<b>12,073.0</b>	<b>3,533.3</b>	<b>4,081.3</b>	<b>23.7</b>

Source: Ministry of Finance & MDAs



## 4. Challenges Affecting Implementation of the Budget

The following challenges have been noted in the implementation of the budget by the office of the Controller of Budget: -

- The delay in enactment of bills related to fiscal decentralization poses a lot of challenges in the coordination and management of the initial activities necessary to ensure smooth transition to county governments.
- The computerized Systems are not fully integrated which at times has resulted in receipt of incomplete and inaccurate data from some spending units, and which pose many challenges, as the data cannot be relied upon for decision-making.
- The absorption of development resources has been low in some of the key ministries mainly due organizational capacity, procurement delays, donor conditionalities, cash rationing due to revenue inflows and unreliable cash projections from MDAs.
- Lack of a structured monitoring framework for budget implementation by MDAs poses a challenge resulting in poor absorption of the project resources.
- The change management process when implementing the Integrated Financial Management Information system (IFMIS) needs to be carefully managed as it may result in resistance. Development of core activities such as reports and standards required by users needs full engagement with the stakeholders. The other on going reforms i.e. devolution, legal reforms etc also need to be properly managed to avoid inter- departmental conflicts that will delay budget implementation.
- The shortfall in revenue collections and slow uptake of both the treasury bills and bonds is posing major challenges in budget implementation as MDAs have to keep adjusting their budgets due to austerity measures taken by the Treasury and as such may not be able to provide all the necessary services and also complete the projected programmes.
- The operation 'Linda Nchi' by the Kenya defence forces will definitely require additional resources to secure the Kenyan borders and will thus affect the budget implementation of other sectors.
- The Euro-zone crisis will impact negatively on our exports especially the horticulture products, as Europe is the largest consumer of the country's horticultural products.

Inadequate Financial Resources for Budget Implementing units for planned activities as they are forced to revise their budgets downwards due to austerity measures that are taken without

consultation leading to non-completion of projects, which deny the public use of the facilities or the services required.

- The capacity to maintain the technology in use and the licencing regimes may also pose a challenge due to lack of skills set in most of the counties and licencing costs.
- The un-integrated decentralized legacy systems in use to Monitor Budget Implementation pose various challenges hence the need for the successful implementation of Integrated Financial Management Information System (IFMIS) is paramount for proper fiscal decentralization and planning during the devolution to counties.



## 5. Recommendations

The Office of the Controller of Budget is proposing the following recommendations, which are aimed at improving budget implementation and also provide solutions to some of the challenges identified earlier in the report:

- There is need for the government to fast track all legislations pertaining to financial management for both the national and county governments. This will ensure that there is a proper legal framework for budget implementation. There is also need to have in place a single entity coordinating the initial activities on county devolution, which must be properly anchored in law.
- The change management process of the whole implementation for Integrated Financial Management Information System (IFMIS) both at National and County governments level must be properly managed to achieve the intended results. The involvement of stakeholders in the crucial processes of (IFMIS) implementation and testing has to be strengthened.
- Ministries and departments should prepare implementation plans of individual projects in their capital project proposals. This will aid close monitoring of deviations and prompt corrective actions and hence improve resource absorption rates.

With the exception of critical projects, ongoing projects, which are consistent with the Vision 2030 flagship projects, should be given priority in the annual capital budgets in the medium-term by MDAs.

- The donor conditionalities have been seen to hamper the absorption of resources by most MDAs. In this regard, the government must ensure the conditionalities incorporated in the agreements facilitate smooth the implementation of the projects

There is need to start building capacity of the county governments so as to prepare them for the absorption of the resources ear-marked for them.

- The implementation of the Integrated financial management information system (IFMIS) should be fast tracked to ensure rollout to ministries and county governments is completed on time as most agencies will rely on it for information, financial management and control, monitoring of financial activities and more importantly on its timeliness of reports for planning and decision making.

- The number of users to be trained in use of the IFMIS system is large and therefore the capacity of the IFMIS academy should be enhanced to cope with this large number of users.
- The Office of the Controller of Budget has noted with concern that the allocations to the Tourism, Trade, and Industrialization Sector; and Agriculture and Rural Development Sectors is only 4.3% of the budget resources yet they are the key sectors which will ensure the country is industrialized by 2030 and that the economy is growing at 10%. It is strongly recommended that Treasury should consider increasing the allocations to these two sectors to ensure the targeted rate of growth in the Vision 2030 blue print is achieved.
- The Treasury and Kenya Revenue Authority need to come up with strategies to plug the deficit in revenue collected so far.

The Treasury to ensure sector-working groups are fully involved in determining budget ceilings

- The Ministries, Departments and Agencies (MDAs) prepare Cash plans that are in conformity with budget authorization;
- The MDAs carry out adequate budgetary monitoring, use clearly defined procedures for recording transactions, and put in place effective control for expenditures at each stage of expenditure cycle.



## **6. Conclusion**

In conclusion, the Office of the Controller of Budget has noted from the expenditure returns that some of the MDAs have only partially absorbed the resources available, which is a major concern, as the non-utilization of resources results in non-provision of public goods and services. The absorption of resources can be improved if MDAs adopt the right project management practices and implement a series of government intervention policies aimed at instilling best practices in budget implementation.

The government has endeavored to meet the cash requirements for the implementation of recurrent budget where the exchequer issues have been as per the projected cash requirements i.e. the recurrent exchequer issues so far to the MDAs is Ksh. 239.9 billion, which is 50% of the total net recurrent estimates budgeted for the financial year 2011/2012. The MDAs have utilized a total of Ksh. 231.5 billion for recurrent activities, which is 95.6% of the total exchequer issues. This implies that the government was able to fund most of the required recurrent services.

However, in regard to the development (capital) budget, the government was only able to release Ksh. 90 billion which is 35% of the total net development estimates, which was below the targeted Exchequer issues of Ksh. 130.2 billion (50%) for the period under review. The MDAs however have only been able to absorb Ksh. 70.2 billion, which is 78.0% of the total exchequer issued. Some of the MDAs have been unable to utilize the available development resources due to problems with procurement processes and lack of adequate capacity for project management. The uptake of donor funds has also been challenging to most of the MDAs due to problems with the procurement processes, governance and accountability issues, and delays in obtaining no objections to facilitate the absorption of the funds.



## Annexes

## Annex 1: Recurrent Exchequer Issues 2011/2012 as At 31st December 2011 (in Ksh.)

Vote No.	Ministries/ Departments	Voted Provision	Exchequer Issues	Balance Ksh.	%
01	Provincial Admin. & Int. Sec.	55,940,175,169	27,493,676,627	28,446,498,542	49
02	State House	1,275,000,000	697,582,210	577,417,790	55
03	Public Service	5,051,543,783	520,865,313	4,530,678,470	10
04	Foreign Affairs	7,275,006,500	4,671,224,678	2,603,781,822	64
05	V.Ps Office & Home Affairs	13,742,576,088	8,823,895,597	4,918,680,491	64
06	Planning & National Dev.	2,794,188,070	1,411,280,543	1,382,907,527	51
07	Ministry of Finance	17,930,446,184	10,616,642,420	7,313,803,764	59
08	Department of Defence	52,016,698,310	26,097,336,128	25,919,362,182	50
09	Regional Development & Auth.	794,211,390	431,949,026	362,262,364	54
10	Ministry of Agriculture	8,365,686,239	4,592,235,387	3,773,450,852	55
11	Medical Services	23,804,876,317	11,629,000,000	12,175,876,317	49
12	D. P. M.s Office & Local Govt.	1,078,837,059	605,911,167	472,925,892	56
13	Ministry of Roads	2,298,650,563	1,311,989,735	986,660,828	57
14	Ministry of Transport	3,974,814,032	716,263,946	3,258,550,086	18
15	Labour & H.Res.Dev.	1,631,292,074	614,671,800	1,016,620,274	38
16	Trade	1,588,002,798	915,724,222	672,278,576	58
17	Justice N. C.& Const. Affairs	1,900,101,208	942,825,481	957,275,727	50
18	Gender & Children Dev.	4,012,218,079	1,585,917,509	2,426,300,570	40
19	Livestock Development	3,684,768,650	2,031,347,136	1,653,421,514	55
20	Water and Irrigation	4,074,870,261	1,870,000,000	2,204,870,261	46
21	Environment & Mineral Res.	2,342,243,681	1,208,363,864	1,133,879,817	52
22	Co-operative Dev. & Mkting.	1,092,416,280	567,672,954	524,743,326	52
23	Cabinet Office	1,309,477,333	576,860,997	732,616,336	44
24	East Africa Community	1,014,864,944	494,721,269	520,143,675	49



Vote No.	Ministries/ Departments	Voted Provision	Exchequer Issues	Balance Ksh.	%
25	State Law Office	1,336,010,659	657,324,011	678,686,648	49
26	Judicial Department	6,362,509,531	2,437,201,077	3,925,308,454	38
27	Public Serv. Comm.	645,723,590	257,000,000	388,723,590	40
28	Kenya National Audit Office	1,437,660,000	613,759,082	823,900,918	43
29	National Assembly	8,857,053,181	4,229,650,883	4,627,402,298	48
30	Ministry of Energy	2,371,500,319	1,093,575,614	1,277,924,705	46
31	Ministry of Education	34,310,762,551	18,707,001,376	15,603,761,175	55
32	Information & Communication	1,839,087,117	891,480,765	947,606,352	48
33	Electoral Commission of Kenya	11,431,881,094	1,140,518,384	10,291,362,710	10
34	Kenya Anti-Corruption	1,609,030,000	692,148,522	916,881,478	43
35	Special Programmes	7,919,766,199	6,473,367,523	1,446,398,676	82
36	Ministry of Lands	2,167,326,538	1,071,203,637	1,096,122,901	49
38	The Commission on Revenue Allocation	367,900,000	200,000,000	167,900,000	54
40	Immigration & Reg. of Persons	3,920,956,854	142,498,004	3,778,458,850	4
41	National Heritage & Culture	1,744,617,996	894,169,684	850,448,312	51
42	Youth Affairs & Sports	5,832,563,616	2,494,385,978	3,338,177,638	43
43	Higher Education, Science & Tech.	25,874,893,712	13,827,862,340	12,047,031,372	53
44	Ministry of Housing	1,195,311,158	605,592,288	589,718,870	51
45	National Security Internal Service	13,146,113,300	6,412,522,614	6,733,590,686	49
46	Ministry of Tourism	1,557,548,460	780,041,848	777,506,612	50
47	The Teachers Service Commission	105,832,600,670	54,910,000,000	50,922,600,670	52
48	Office of the Prime Minister	1,810,994,950	920,809,294	890,185,656	51
49	Public Health and Sanitation	10,912,491,857	5,273,275,905	5,639,215,952	48
55	Forestry & Wildlife	4,062,166,921	1,974,397,257	2,087,769,664	49
56	Fisheries Development	1,262,096,299	601,902,835	660,193,464	48
57	Nairobi Metropolitan Dev.	290,899,822	197,501,142	93,398,680	68
58	Dev. Of N. Kenya & other Arid areas		179,734,736		58



Vote No.	Ministries/ Departments	Voted Provision	Exchequer Issues	Balance Ksh.	%
		311,093,089		131,358,353	
59	Public Works	1,545,810,526	551,078,612	994,731,914	36
60	Ministry of Industrialization	1,788,066,492	860,638,447	927,428,045	48
61	Interim Ind. Boundaries Rev. Comm.		-	-	
63	Directorate of Public Prosecution	355,000,000	130,000,000	225,000,000	37
64	Human Rights & Equality Commission	324,500,000	165,000,000	159,500,000	51
65	Comm. For The Implementation of the Constitution	524,000,000	165,000,000	359,000,000	31
66	The National Police Service Commission	250,000,000	-	250,000,000	-
	<b>Total</b>	<b>482,190,901,513</b>	<b>239,978,599,867</b>	<b>242,212,301,645</b>	<b>50</b>

Source: Office of the Controller of Budget

#### Annex 2: Development Exchequer Issues 2011/2012 as at 30th December 2011 ( in Ksh.)

Vote No.	Ministries/ Departments	Voted/Provision in Ksh.	Exchequer Issues in Ksh.	Balance	%
01	Provincial Admin. & Int. Security	4,584,470,000.00	2,300,659,524	2,283,810,476	50
02	State House	423,000,000.00	98,455,321	324,544,679	23
03	Public Service	690,055,460.00	254,601,924	435,453,536	37
04	Foreign Affairs	870,032,000.00	349,774,902	520,257,098	40
05	V.P.s Office & Home Affairs	1,918,000,000.00	982,372,415	935,627,585	51
06	Planning & National Dev.	24,479,214,914.00	5,511,930,937	18,967,283,977	23
07	Ministry of Finance	33,218,421,680.00	6,625,678,058	26,592,743,622	20
09	Regional Development & Auth.	3,852,000,000.00	1,461,076,579	2,390,923,421	38
10	Ministry of Agriculture	9,222,896,480.00	3,153,642,118	6,069,254,362	34
11	Medical Services	2,336,000,000.00	1,017,583,525	1,318,416,475	44
12	D. P.M.s Office & Local Govt.	5,471,140,000.00	1,770,368,500	3,700,771,500	32
13	Ministry of Roads	41,612,101,790.00	18,468,828,475	23,143,273,315	44
14	Ministry of Transport	7,326,000,000.00	1,536,452,680	5,789,547,320	21
15	Labour & H.Res.Dev.	555,883,000.00	118,900,880	436,982,120	21



Vote No.	Ministries/ Departments	Voted/Provision in Ksh.	Exchequer Issues in Ksh.	Balance	%
16	D. P.M.s Office & Trade	430,000,000.00	165,000,000	265,000,000	38
17	Justice N. H. & Const. Affairs	114,850,000.00	67,563,096	47,286,904	59
18	Gender & Children Dev.	3,283,470,690.00	1,767,313,969	1,516,156,721	54
19	Livestock Development	4,108,836,530.00	1,364,694,500	2,744,142,030	33
20	Water and Irrigation	20,758,482,986.00	8,852,478,835	11,906,004,151	43
21	Environment & Mineral Resources	3,951,867,685.00	761,935,135	3,189,932,550	19
22	Co-operative Dev. & Mkting.	368,000,000.00	106,276,637	261,723,363	29
23	Cabinet Office	185,000,000.00	55,924,751	129,075,249	30
24	East African Community	9,000,000.00	657,766	8,342,234	7
25	State Law Office	42,810,000.00	10,344,416	32,465,584	24
26	Judicial Dept.	2,519,000,000.00	172,550,000	2,346,450,000	7
29	National Assembly	1,600,000,000.00	194,000,000	1,406,000,000	12
30	Ministry of Energy	23,924,291,950.00	7,947,632,895	15,976,659,055	33
31	Ministry of Education	3,945,000,000.00	2,020,389,767	1,924,610,233	51
32	Information & Communication	5,359,008,186.00	1,498,888,456	3,860,119,730	28
34	Ethics and Anti-Corruption Comm.	200,000,000.00	768,287	199,231,713	0
35	Special Programmes	3,559,606,200.00	970,633,742	2,588,972,458	27
36	Ministry of Lands	1,172,944,125.00	446,312,347	726,631,778	38
40	Immigration & Reg. of Pers.	2,387,400,000.00	130,502,787	2,256,897,213	5
41	National Heritage & Culture	686,000,000.00	276,599,782	409,400,218	40
42	Youth Affairs & Sports	3,753,230,000.00	1,698,774,796	2,054,455,205	45
43	Higher Education Science & Tech.	6,714,000,000.00	2,034,441,460	4,679,558,540	30
44	Ministry of Housing	2,319,353,300.00	734,465,392	1,584,887,908	32
46	Ministry of Tourism	1,209,000,000.00	490,690,942	718,309,058	41
48	Office of the Prime Minister	670,165,560.00	226,630,894	443,534,666	34
49	Public Health & Sanitation	12,954,515,110.00	5,231,292,397	7,723,222,713	40



Vote No.	Ministries/ Departments	Voted/Provision in Ksh.	Exchequer Issues in Ksh.	Balance	%
55	Forestry and Wildlife	3,004,912,000.00	1,195,993,480	1,808,918,520	40
56	Fisheries Department	2,946,105,175.00	646,111,219	2,299,993,956	22
57	Nairobi Metropolitan Dev.	1,980,700,000.00	704,440,610	1,276,259,390	36
58	Dev. Of North. Kenya & O. Arid Areas	2,130,684,000.00	1,348,833,318	781,850,682	63
59	Ministry of Public Works	4,961,000,000.00	4,060,870,516	900,129,484	82
60	Ministry of Industrialization	2,661,322,000.00	1,193,652,823	1,467,669,177	45
	<b>TOTAL</b>	<b>260,469,770,821.00</b>	<b>90,026,990,855</b>	<b>170,442,779,966</b>	<b>35</b>

Source: Office of the Controller of Budget

### Annex 3: Overall Inflation (%)

Month	Overall inflation
July	17.32
August	16.67
September	17.32
October	18.91
November	19.91
December	18.9

Source: Kenya National Bureau of Statistics

### Annex 4: Revenue Collections by Category (July to December 2011 in Ksh. Millions)

No.	Category	Amount in Ksh. Millions
1	Net Import duty	27,083.50
2	Net Excise duty	34,337.93
3	PAYE collection	87,277.00
4	Net Other Income Tax	66,672.15
5	VAT, Imports	50,789.15
6	VAT, Local net	40,381.74
7	Net Motor Vehicles	1,431.59
8	P.I.F/ IDF	13,586.91
9	Excise duty Air Time	3,583.04
10	Net Stamp Duty	4,365.56
11	Land Rent	460.43
12	LATF	8,115.74
	<b>Total</b>	<b>338,084.74</b>

Source: Kenya Revenue Authority



## Annex 5: Analysis of MDAs Recurrent Exchequer Issues and Expenditures (in Ksh. Millions )

Vote No.	Details of Votes	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
01	Ministry of State for Provincial Administration and Internal Security	55,940.2	-	55,940.2	27,493.7	18,140.5	32.4
02	State House	1,277.0	2.0	1,275.0	697.6	846.3	66.3
03	Ministry of State for Public Service	5,097.5	46.0	5,051.5	520.9	636.1	12.5
04	Ministry of Foreign Affairs	8,062.0	787.0	7,275.0	4,671.2	2,143.6	26.6
05	Office of the Vice-President and Ministry of Home Affairs	13,742.6	-	13,742.6	8,823.9	4,092.8	29.8
06	Ministry of State for Planning, National Development and Vision 2030	2,806.2	12.0	2,794.2	1,411.3	1,286.8	45.9
07	Office of the Deputy Prime Minister and Ministry of Finance	17,930.4	-	17,930.4	10,616.6	8,329.1	46.5
08	Ministry of State for Defence	52,016.7	-	52,016.7	26,097.3	23,577.7	45.3
09	Ministry of Regional Development Authorities	794.2	-	794.2	431.9	374.0	47.1
10	Ministry of Agriculture	8,541.0	175.3	8,365.7	4,592.2	3,748.3	43.9
11	Ministry of Medical Services	27,628.9	3,824.0	23,804.9	11,629.0	13,193.7	47.8
12	Office of the Deputy Prime Minister and Ministry of Local Government	18,380.7	17,301.9	1,078.8	605.9	552.6	3.0
13	Ministry of Roads	27,446.2	25,147.5	2,298.7	1,312.0	15,288.1	55.7
14	Ministry of Transport	4,036.8	62.0	3,974.8	716.3	626.1	15.5
15	Ministry of Labour	1,720.3	89.0	1,631.3	614.7	570.3	33.2
16	Ministry of Trade	1,803.5	215.5	1,588.0	915.7	658.0	36.5
7	Ministry of Justice, National Cohesion and Constitutional Affairs	2,057.1	157.0	1,900.1	942.8	935.0	45.5
18	Ministry of Gender, Children and Social Development	4,021.7	9.5	4,012.2	1,585.9	1,668.3	41.5
19	Ministry of Livestock Development	3,709.3	24.5	3,684.8	2,031.3	1,889.5	50.9
20	Ministry of Water and Irrigation	5,998.6	1,923.7	4,074.9	1,870.0	1,493.6	24.9
21	Ministry of Environment and Mineral Resources	2,545.6	203.4	2,342.2	1,208.4	1,083.0	42.5
22	Ministry of Cooperative Development and Marketing	1,105.4	13.0	1,092.4	567.7	399.3	36.1
23	Cabinet Office	1,310.5	1.0	1,309.5	576.9	517.0	39.5
24	Ministry of East African Community	1,015.9	1.0	1,014.9	494.7	469.3	46.2
25	State Law Office	1,336.0	-	1,336.0	657.3	632.6	47.3
26	The Judiciary	6,362.5	-	6,362.5	2,437.2	2,527.8	39.7
27	Public Service Commission	649.7	4.0	645.7	257.0	266.7	41.0
28	Kenya National Audit Office	1,547.7	110.0	1,437.7	613.8	334.0	21.6
29	National Assembly	8,861.1	4.0	8,857.1	4,229.7	3,454.2	39.0
30	Ministry of Energy	2,371.5	-	2,371.5	1,093.6	1,146.8	48.4



Vote No.	Details of Votes	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net Exchequer Issues	Actual Expenditure	Expenditure as a % of Gross Estimates
31	Ministry of Education	37,537.8	3,227.0	34,310.8	18,707.0	16,598.0	44.2
32	Ministry of Information and Communications	1,839.1	-	1,839.1	891.5	834.5	45.4
33	Interim Independent Electoral Commission	11,438.9	7.0	11,431.9	1,140.5	1,266.4	11.1
34	Kenya Anti-Corruption Commission	1,617.0	8.0	1,609.0	692.1	665.6	41.2
35	Ministry of State for Special Programmes	7,922.8	3.0	7,919.8	6,473.4	4,125.9	52.1
36	Ministry of Lands	2,167.3	-	2,167.3	1,071.2	881.3	40.7
38	The Commission on Revenue Allocation	367.9	-	367.9	200.0	83.2	22.6
40	Ministry of State for Immigration and Registration of Persons	3,921.0	-	3,921.0	142.5	2,398.0	61.2
41	Ministry of State for National Heritage and Culture	1,765.6	21.0	1,744.6	894.2	855.6	48.5
42	Ministry of Youth Affairs and Sports	5,902.1	69.5	5,832.6	2,494.4	1,749.5	29.6
43	Ministry of Higher Education, Science and Technology	41,266.9	15,392.0	25,874.9	13,827.9	13,752.0	33.3
44	Ministry of Housing	1,680.3	485.0	1,195.3	605.6	249.8	14.9
45	National Security Intelligence Service	13,146.1	-	13,146.1	6,412.5	5,503.6	41.9
R46	Ministry of Tourism	1,568.5	11.0	1,557.5	780.0	710.1	45.3
47	The Teachers Service Commission	105,912.6	80.0	105,832.6	54,910.0	55,438.4	52.3
48	Office of the Prime Minister	1,812.0	1.0	1,811.0	920.8	830.9	45.9
49	Ministry of Public Health and Sanitation	10,970.5	58.0	10,912.5	5,273.3	5,720.1	52.1
55	Ministry of Forestry and Wildlife	5,153.3	1,091.1	4,062.2	1,974.4	2,205.5	42.8
56	Ministry of Fisheries Development	1,262.1	-	1,262.1	601.9	472.7	37.5
57	Ministry of Nairobi Metropolitan Development	291.9	1.0	290.9	197.5	130.4	44.7
58	Ministry of Development of Northern Kenya and Other Arid Lands	313.1	2.0	311.1	179.7	106.4	34.0
59	Ministry of Public Works	1,545.8	-	1,545.8	551.1	489.0	31.6
60	Ministry of Industrialization	1,914.1	126.0	1,788.1	860.6	830.3	43.4
63	Directorate of Public Prosecutions	355.0	-	355.0	130.0	91.3	25.7
64	Human Rights and Equality Commission	324.5	-	324.5	165.0	139.2	42.9
65	Commission for the Implementation of the Constitution	524.0	-	524.0	165.0	169.1	32.3
66	The National Police Service Commission	250.0	-	250.0	-	-	-
	<b>TOTAL</b>	<b>552,886.8</b>	<b>70,695.9</b>	<b>482,190.9</b>	<b>239,978.6</b>	<b>227,178.0</b>	<b>41.1</b>

Source: Office of the Controller of Budget and Ministry of Finance



## Annex 6: Analysis of Development Net Exchequer Issues and Expenditure in Ksh. Millions

Vote	Vote Details	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure returns	Expenditure as a % of Gross Estimates
1	Ministry of State for Provincial Administration and Internal Security	4,734.5	150.0	4,584.5	2,300.7	655.1	13.8
2	State House	423.0	-	423.0	98.5	676.8	160.0
3	Ministry of State for Public Service	714.1	24.0	690.1	254.6	57.7	8.1
4	Ministry of Foreign Affairs	892.5	22.5	870.0	349.8	213.3	23.9
5	Office of the Vice-President and Ministry of Home Affairs	1,918.0	-	1,918.0	982.4	252.3	13.2
6	Ministry of State for Planning, National Development and Vision 2030	27,893.8	3,414.6	24,479.2	5,511.9	4,989.7	17.9
7	Office of the Deputy Prime Minister and Ministry of Finance	37,285.7	4,067.3	33,218.4	6,625.7	4,989.7	13.4
9	Ministry of Regional Development Authorities	6,333.2	2,481.2	3,852.0	1,461.1	1,454.5	23.0
10	Ministry of Agriculture	11,349.2	2,126.3	9,222.9	3,153.6	1,984.9	17.5
11	Ministry of Medical Services	4,434.5	2,098.5	2,336.0	1,017.6	2,241.9	50.6
12	Office of the Deputy Prime Minister and Ministry of Local Government	6,117.1	646.0	5,471.1	1,770.4	2,053.1	33.6
13	Ministry of Roads	73,424.2	31,812.1	41,612.1	18,468.8	18,374.6	25.0
14	Ministry of Transport	14,257.3	6,931.3	7,326.0	1,536.5	917.7	6.4
15	Ministry of Labour	1,167.0	611.1	555.9	118.9	60.7	5.2
16	Ministry of Trade	614.4	184.4	430.0	165.0	168.0	27.3
17	Ministry of Justice, National Cohesion and Constitutional Affairs	1,040.4	925.5	114.9	67.6	53.5	5.1
18	Ministry of Gender, Children and Social Development	3,969.4	685.9	3,283.5	1,767.3	366.4	9.2
19	Ministry of Livestock Development	4,378.6	269.8	4,108.8	1,364.7	946.2	21.6
20	Ministry of Water and Irrigation	37,918.5	17,160.0	20,758.5	8,852.5	5,948.7	15.7
21	Ministry of Environment and Mineral Resources	4,105.8	153.9	3,951.9	761.9	1,611.7	39.3
22	Ministry of Cooperative Development and Marketing	368.0	-	368.0	106.3	98.2	26.7
23	Cabinet Office	4,185.6	4,000.6	185.0	55.9	56.4	1.3
24	Ministry of East African Community	74.4	65.4	9.0	0.7	1.3	1.7
25	State Law Office	42.8	-	42.8	10.3	15.1	35.2
26	The Judiciary	2,519.0	-	2,519.0	172.6	671.3	26.6
29	National Assembly	1,600.0	-	1,600.0	194.0	286.9	17.9
30	Ministry of Energy	63,773.6	39,849.4	23,924.3	7,947.6	36.8	0.1
31	Ministry of Education	5,615.5	1,670.5	3,945.0	2,020.4	1,724.0	30.7



Vote	Vote Details	Gross Estimates 2011/12	Appropriation in Aid 2011/12	Net Estimates 2011/12	Net exchequer issues	Actual Expenditure returns	Expenditure as a % of Gross Estimates
32	Ministry of Information and Communications	5,360.2	1.2	5,359.0	1,498.9	1,600.8	29.9
34	Kenya Anti-Corruption Commission	232.0	32.0	200.0	0.8	0.2	0.1
35	Ministry of State for Special Programmes	5,139.2	1,579.6	3,559.6	970.6	945.6	18.4
36	Ministry of Lands	1,304.2	131.2	1,172.9	446.3	308.3	23.6
40	Ministry of State for Immigration and Registration of Persons	2,387.4	-	2,387.4	130.5	748.4	31.3
41	Ministry of State for National Heritage and Culture	686.0	-	686.0	276.6	268.9	39.2
42	Ministry of Youth Affairs and Sports	3,772.2	19.0	3,753.2	1,698.8	552.3	14.6
43	Ministry of Higher Education, Science and Technology	11,854.3	5,140.3	6,714.0	2,034.4	2,480.4	20.9
44	Ministry of Housing	2,319.4	-	2,319.4	734.5	652.0	28.1
46	Ministry of Tourism	1,242.0	33.0	1,209.0	490.7	492.9	39.7
48	Office of the Prime Minister	1,224.4	554.3	670.2	226.6	197.5	16.1
49	Ministry of Public Health and Sanitation	21,280.5	8,326.0	12,954.5	5,231.3	3,540.7	16.6
55	Ministry of Forestry and Wildlife	3,488.9	484.0	3,004.9	1,196.0	953.2	27.3
56	Ministry of Fisheries Development	3,316.5	370.4	2,946.1	646.1	313.6	9.5
57	Ministry of Nairobi Metropolitan Development	1,980.7	-	1,980.7	704.4	892.3	45.1
58	Ministry of Development of Northern Kenya and Other Arid Lands	2,151.5	20.9	2,130.7	1,348.8	1,069.6	49.7
59	Ministry of Public Works	4,961.0	-	4,961.0	4,060.9	3,109.5	62.7
60	Ministry of Industrialization	2,700.8	39.5	2,661.3	1,193.7	1,297.2	48.0
	<b>TOTAL</b>	<b>396,551.2</b>	<b>136,081.4</b>	<b>260,469.8</b>	<b>90,027.0</b>	<b>70,329.9</b>	<b>17.8</b>

Source: Office of the controller of Budget and Ministry of Finance

