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REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY



TWELFTH PARLIAMENT

SECOND SESSION

THE BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE ~~PROPOSED~~ BUDGET
ESTIMATES FOR THE FINANCIAL YEAR 2018/2019

JUNE 2018

PREFACE

Mr. Speaker Sir, on behalf of the Members of the Budget and Appropriations Committee and as required under Article 221 of the Constitution as well as section 39(2) of the Public Finance Management Act and Standing Orders 235(5); it is my pleasure to present to this House the Committee's report on the Estimates of Revenue and Expenditure for Financial Year 2018/2019 and the medium term for the National Government, Parliament and the Judiciary.

Mr. Speaker, this is the first budget to be prepared in the second term of the current administration. In addition to implementing the third medium term plan, it is expected that this budget is also geared towards achievement of the government's big Four agenda targeted at supporting manufacturing, improving food security, enhancing health coverage as well as improvement of living conditions through affordable housing. This is in addition to the ongoing strategic interventions under the pillars for the economic transformative agenda which the government has been implementing in the last four financial years.

Mandate of the Committee

Mr. Speaker, Article 221 (4 and 5) of the Constitution and the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight. In this regard, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates among which is to:

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

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

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA John Mbadi, M.P.
4. Hon. Richard Onyonka, M.P.
5. Hon. Samwel Moroto, M.P.

6. Hon. Millie Odhiambo, M.P.
7. Hon. Twalib Bady, M.P.
8. Hon. (Dr.) Gideon Ochanda, M.P.
9. Hon. James Mwangi Gakuya, M.P.
10. Hon. (Dr.) Makali Mulu Benson, M.P.
11. Hon. Moses Kiarie Kuria, M.P.
12. Hon. Benard Masaka Shinali, M.P.
13. Hon. John Muchiri Nyaga, M.P.
14. Hon. Jude Njomo, M.P.
15. Hon. (Dr.) Korei Ole Lemein, M.P.
16. Hon. Sarah Paulata Korere, M.P.
17. Hon. Naisula Lesuuda, M.P.
18. Hon. Christopher Wangaya Aseka, M.P.
19. Hon. Danson Mwashako, M.P.
20. Hon. Fatuma Gedi Ali, M.P.
21. Hon. Florence Chepng'etich Koskey, M.P.
22. Hon. James Gichuki Mugambi, M.P.
23. Hon. (Dr.) John K. Mutunga, M.P.
24. Hon. (Eng.) Mark Nyamita, M.P.
25. Hon. Paul Abuor, M.P.
26. Hon. Qalicha Gufu Wario, M.P.
27. Hon. Ruth W. Mwaniki, M.P.

Examination of the Budget Estimates Financial Year 2018/2019

Mr. Speaker, the proposed Budget Estimates for the financial year 2018/2019 were submitted to the National Assembly on 26th April 2018 and were committed to the Budget and Appropriations committee as well as the departmental committees of the National Assembly for review of the budget proposals for each Ministry, Department and Agency within their purview. The Budget and Appropriations Committee examined and discussed the estimates and has made recommendations which are contained in this report.

Mr. Speaker, in reviewing the Estimates for FY 2018/2019, the Budget and Appropriations Committee held nine (9) sittings which included one (1) meeting with the National Treasury. The committee also held meetings with the chairpersons of all the Departmental Committees and received submissions on the budgets of the various Ministries, Departments and Agencies. These submissions have been incorporated in the Budget and Appropriations Committee recommendations on the budget. Once approved by the House, these recommendations will form the basis for the passage of the FY 2018/2019 Appropriation Bill.

Mr. Speaker, as part of its budget review, the committee examined the budget in order to determine to what extent it has met economic and development objectives. This includes establishing the extent to which the Budget Policy Statement (BPS) was the basis of the preparation of the annual estimates for financial year 2018/2019 and the medium term. The Committee also evaluated the medium term approach to budgeting and the programme based budgeting process so as to ensure resources allocated are linked to planned outputs and targets. Further, the Committee considered the quantum of resources allocated to various planned activities relative to targeted outputs with a view to ensuring that public resources are applied cost-effectively.

Mr. Speaker, in line with Article 221(5) of the constitution, the committee held public consultations on the proposed 2018/2019 budget in the following twelve (12) counties: **West Pokot, Kajiado, Bungoma, Nakuru, Kirinyaga, Tharaka Nithi, Nairobi, Migori, Nyamira, Marsabit, Mombasa and Makueni**. The Committee also received written memoranda from the public through the office of the Clerk notably from institutions such as the Institute of Social Accountability (TISA), the Kenya Disability Parliamentary Association, World Vision Kenya, Development Initiatives, International Institute for Legislative Affairs, Dagoretti District Landowners Welfare Association, HakiJamii, African Population and Health Research Center, PATH, Oxfam, Institute of Public Finance, Health Rights Advocacy Kenya, National Taxpayers Association and the International Budget Partnership Kenya among others.

Mr. Speaker, the submissions of the public as well as organized groups covered a broad range of concerns from infrastructure, education, health and security to matters of public finance management including tax administration. The committee has reviewed these submissions and incorporated a number of recommendations in this report. The reports from all public hearing centres are in Annex II of this report.

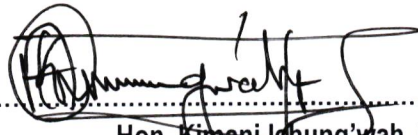
Acknowledgements

Mr. Speaker, the Budget and Appropriations Committee is grateful to the Departmental Committees and all Members of Parliament who participated in the process for their hard work and dedication in making sure that Parliament lives up to its budgetary oversight role. **Mr. Speaker**, the Chairs of Departmental Committees delivered to the Budget and Appropriations committee reports which were well organized and this was commendable. The consolidated reports are contained in Annex III of this report.

Mr. Speaker, the Committee is also grateful to the public for having turned up in large numbers to take part in the public hearings as well as those who took their time to send written memoranda to Parliament; and to the Members of Parliament who, though not members of the Budget and Appropriations Committee, took time out of the busy schedules to attend the public hearings on the National Budget.

Lastly **Mr. Speaker**, the Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly, the Clerks to Departmental Committees and the Parliamentary Budget Office for the support received as it discharged its mandate of reviewing the Printed Budget Estimates for the Financial Year 2018/2019.

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

Signed: 
Hon. Kimani Ichung'wah, M.P.
Chairperson, the Budget and Appropriations Committee

Date: 05/6/18

I. INTRODUCTION

- 1) **Mr. Speaker**, the 2018/2019 budget is the first to be prepared in the second term of the current administration. In addition to implementing the third medium term plan, the budget is also geared towards achievement of the government's Big Four Agenda targeted at supporting manufacturing, improving food security, enhancing health coverage as well as improvement of living conditions through affordable housing. This is in addition to the ongoing strategic interventions under the pillars for the economic transformative agenda which the government has been implementing in the last four financial years.
- 2) **Mr. Speaker**, the committee is pleased to note that in terms of preparation and submission of the budget estimates for financial year 2018/2019, the National Treasury has broadly adhered to the legal provisions as outlined in the Constitution of Kenya, the Public Finance Management (PFM) Act as well as the PFM Regulations. Indeed, unlike in previous years, the committee received additional information on the budget including budgetary information on Semi-Autonomous Government Agencies (SAGAs) as well as a list of all current and new projects under various programmes including the estimated project costs and timelines. This is highly commendable as it shows increasing openness and transparency by the National government and has enabled the committee to make more informed decisions on the budget. This committee is committed to enhancing transparency and accountability in order to ensure that all resources raised nationally are allocated and utilized to improve the welfare of the citizenry in an accountable and transparent manner. It is our belief that all members in this House are committed to this purposeful oversight as this is what we owe Kenyans who elected us into this August House.
- 3) **Mr. Speaker**, the committee has tasked the Parliamentary Budget Office (PBO) to create a compendium of projects at the national level. I invite all committees to use this compendium to actualize their oversight role by conducting regular monitoring and evaluation activities so as to ensure that the budget is implemented as approved.
- 4) However **Mr. Speaker**, keeping track of this information will not be possible if the in-year reports are not by programme and project. This committee is concerned that although appropriations are by programmes, exchequer issues published in the Kenya Gazette are not by programme. In addition **Mr. Speaker**, this committee is concerned that this House is only informed of large projects during the review of the budget. International practice now demands for a pre-approval of such projects by Parliament before they are tendered for. Thus we need to review the Public Finance management Act 2012 to ensure that this information is availed to this House at the appropriate time.

II. LINKING THE 2018/19 BUDGET TO MEDIUM TERM PRIORITIES

- 5) **Mr. Speaker**, in terms of linking the proposed 2018/2019 budget to the big four agenda as well as the medium term priorities as contained in the Medium Term Plan III, the committee is concerned that though there have been attempts to map the Big Four agenda into existing programmes in the budget, some information gaps exist that may hinder achievement of some key big four agenda projects. Notably, gaps under food security relate to developing of four breeding farms which is mentioned in MTP III but is missing in the 2018/19 budget estimates. Further, the proposal to enlist 100,000 community health volunteers under universal health coverage is not mentioned in the 2018/19 budget estimates. **Mr. Speaker**, I wish to point out that the recruitment of community health volunteers is an issue that came up in the public hearings including the need to compensate them for their services. Community Health Volunteers play an important role in the provision of health services at the community level. It is important therefore to ensure that the recruitment of these workers as envisioned in the Medium Term Plan III is undertaken through the budget.
- 6) **Mr. Speaker**, other missing links under health services include digitization services and online registration as well as incentives to private investment in the health sector. It is not clear how or whether these targets are on course as these are missing in the 2018/19 estimates. Under Manufacturing, though the Medium Term Plan III contains proposals for production of automotive parts & components and supporting establishment of an automotive industry in Kenya the same is not embraced in the 2018/2019 Budget Estimates, which may imply that the proposal, a primary part of manufacturing, will remain in abeyance. Under affordable housing, though construction of social housing units is contained in the budget, establishing of the national social housing development fund is not part of the budget proposals.
- 7) **Mr. Speaker**, for the big four agenda and indeed Medium Term Plan III to become a reality, projects and programmes that require budgetary provisions should be explicitly provided for in the budget. I urge the Departmental Committees to thoroughly scrutinize the budgets of the various Ministries, Departments and Agencies within their purview and ensure that these are aligned to the medium term priorities of the Government. In addition, in order for all key players to own the Big Four agenda, it should have been brought to this House as a sessional paper as the Budget and Appropriations Committee had recommended during review of the Budget Policy Statement (BPS).
- 8) **Mr. Speaker**, to further strengthen fiscal consolidation adopted by the government, the Committee is considering deeper scrutiny of all public finances including all finances held by various parastatals. In this regard, the Committee has started using past fiscal prudence to review expenditure allocations to various agencies. To do this, the Committee has endeavoured to reduce in a targeted way, allocations of agencies with numerous audit queries relating to misuse of public money. Similarly, the Committee has proposed removal or

reduction of spurious allocations, particularly those allocations in the budget estimates without proper justification and performance targets.

III. REALISM OF MACRO FRAMEWORK UNDERPINNING THE BUDGET

- 9) **Mr. Speaker**, the committee is pleased to note that the 2018/2019 budget has been prepared at a time when the economic environment is favourable. Business activity has picked up due to improved political stability; Inflation is within the 5% target and has recently declined 4.18 percent in March 2018 to 3.78 percent in April 2018; the exchange rate is stable due to increased diaspora remittances and the food outlook seems promising even though there are significant downside risks from the recent floodings.

Mr. Speaker, according to the macro-framework underpinning the 2018/2019 budget, the economy is projected to expand by 5.8 percent in 2017, from 4.9 percent in 2016; and to expand further to approximately 7.0 percent over the medium term. The key drivers for this growth are improved agricultural performance, manufacturing activities, as well as ongoing public infrastructural investments. Stability in the macroeconomic environment is expected to strengthen this growth. Inflation is expected to remain within a target range of 5% over the medium term; interest rates are expected to remain low and stable and exchange rate stability will be safeguarded in the medium term.

- 10) **Mr. Speaker**, for the economic environment to continue to be favourable, it requires the country to rise up and say **NO** to corruption. Then the formal sector will rebound and the fundamentals driving economic growth will be strong enough to achieve the targeted growth of 5.8 percent in 2018 and 7.0 percent over the medium term. To illustrate, improved agricultural performance is deemed a key driver of growth. For this to happen, the pace of implementation and the governance issues surrounding Mwea irrigation scheme, Galana Kulalu, and Bura scheme among others need to be urgently addressed. Similarly, the challenges that hinder full implementation of the development budget in the manufacturing sector as well as ongoing infrastructure investments and indeed many development projects across all MDAs should be explicitly addressed. This calls for intensive monitoring and oversight of projects by the relevant committees. In addition **Mr. Speaker**, the committee urges this House not to agree to any reduction of development budgets during the supplementary budget in the future.

- 11) **Mr. Speaker**, on macroeconomic stability, the risks to the macro outlook include the likelihood of higher inflation if food production does not improve given the aforementioned challenges, risks from increased energy costs, likelihood of a worsening trade deficit on account of reduced exports associated with Kenya's export competitiveness and potential underperformance of Kenya's tea, coffee and horticulture exports associated with the negative effects of poor weather conditions.

12) **Mr. Speaker**, based on these fundamentals, an economic growth target of 5.8 percent in 2018 is quite optimistic. Given that the budget is based on this optimistic growth scenario, any growth underperformance will lead to lower revenue collection which may hamper implementation of the budget as has been envisaged. Close monitoring of the macroeconomic fundamentals is thus required.

IV. KEY HIGHLIGHTS OF THE 2018/2019 BUDGET

13) **Mr. Speaker**, the overall proposed budget for financial year 2018/2019 amounts to Ksh. 3.074 trillion. This comprises of the following allocations:

- Ksh. 1.676 trillion for the National Government;
- Ksh. 17.768 billion for the Judiciary;
- Ksh. 42.548 billion for Parliament;
- Ksh. 962.562 billion for Consolidated Fund Services; and
- Ksh.372.742 billion for County Revenue Allocation.

14) **Mr. Speaker**, the general direction of fiscal policy as indicated by the National government is a reduction in expenditure as the government pursues fiscal consolidation in line with the EAC monetary convergence criteria to bring down the fiscal deficit to 3.0 percent by the year 2020/21. The approach of fiscal consolidation is to address the issues of deficit financing so as to reduce the rate of accumulation of public debt while ensuring priority programs are ring-fenced.

15) **Mr. Speaker**, to achieve a lower deficit, the budget should be based on realistic revenues. Underperformance of revenue typically leads to a higher deficit unless the expenditure is reduced. This may affect performance of some targets. The Committee has observed that over the last five years, there have been revenue shortfalls or underperformance, mainly attributed to over projection of revenue.

16) **Mr. Speaker**, as a result of increasing expenditure pressures amid revenue underperformance, the committee is concerned that it will be difficult to adhere to the targeted deficit level as has been the case in previous financial years. Indeed in 2016/17, this House committed to a fiscal deficit of 6.0 percent but this ended up at 8.9 percent amidst significant expenditure pressures. If the current trend continues, a lower fiscal deficit will continue to be a moving target and the country may not achieve the EAC monetary convergence criteria to bring down the fiscal deficit to 3.0 percent by the year 2020/21. This may lead to further accumulation of debt.

17) **Mr. Speaker**, other than enhancing revenue collection, it is equally important for expenditure growth to be contained in order to achieve fiscal consolidation. The 2018/2019 budget indicates that the overall budget as a percentage of GDP will decline over the medium term from 32.05 percent in 2017/18 to 27.17 percent by 2020/21. This is especially with regard to the recurrent

budget which is declining as a percentage of GDP from 12.45 percent to 9.72 percent. The development budget will also decline slightly from 6.73 percent to 6.17 percent.

- 18) **Mr. Speaker**, a review of the budget as per the functions of the government indicates that the highest share of government expenditure (29%) constitutes public debt transactions. Indeed **Mr. Speaker**, total Consolidated Fund Services (CFS) expenditures are estimated at KSh. 962.5 billion of which debt related payments (interest and redemption payments) amount to KSh. 870.6 billion. These debt payments have grown by KSh. 221.2 billion from the previous financial year and will account for approximately 50% of total national domestic revenue for Financial Year 2018/2019. This reduces money available for discretionary development expenditure. There is need therefore to exercise caution in accumulation of additional debt in order to ensure adequate fiscal space for planning and budgeting.
- 19) On the Equalization Fund **Mr. Speaker**, there is an allocation of **Ksh. 4.7 billion** in the 2018/2019 budget. However, the Estimates of revenue allocated to and expenditures projected from the Equalization Fund for 2018/2019 were not submitted to Parliament as required under article 216(4) of the Constitution and section 39(b) (ii) of the Public Finance Management Act due to the marginalization policy lacuna.

V. FINANCING OF THE 2018/2019 BUDGET AND THE MEDIUM TERM

- 20) **Mr. Speaker**, the budget will be financed through domestic revenue estimated at Ksh. 1.923 trillion, comprising of ordinary revenue (Ksh. 1.743 trillion) and AIA amounting to (Ksh. 179.95 billion). The proportion of revenue estimates to GDP for 2018/19 is 19.6% which is equivalent to that of the 2017/18 budget. This means that our revenue collection effort or performance will remain fairly the same in the coming budget as that of the current financial year.
- 21) **Mr. Speaker**, expected grants from foreign governments and international organizations will amount to Ksh. 47.037 billion, bringing the total revenue to Ksh. 1.970 trillion. Given that these resources are inadequate to finance the projected total expenditure and net lending amounting to Ksh. 2533.129 trillion, then the government will need to finance the Ksh. 562.748 billion fiscal deficit through borrowing.
- 22) **Mr. Speaker**, the performance of revenue estimates in 2018/19 is contingent on ongoing reforms in tax administration primarily as a result of modernizing VAT Systems, reducing zero rated products through the Tax Laws (Amendment) Bill, 2018)), tax base expansion through targeting nil and non-filers, ensuring that all national and county government suppliers are tax compliant, reducing diversion of transit cargo through electronic cargo tracking system, implementation of the Excisable Goods Management System, and improved customs systems and border control. Further, planned repeal of the Income Tax Act is expected to greatly influence the collection of income taxes positively if substantial tax waivers and exemptions in

the law are removed. The planned repeal of the income tax system through the Income Tax Bill is expected to improve tax collection.

- 23) However, **Mr. Speaker**, some of these positive effects could be undermined by possible negative effects of tax exemptions, proposed reduction of taxes on gambling, legal hiccups in the application of excise duties on some products such as soft drinks and cosmetics, among others. Therefore, the revenue estimate for 2018/19 should be held cautiously with the hope that the National Treasury and the Kenya Revenue Authority will ensure attainment of the revenue estimates submitted to the National Assembly so as to ensure that the budget is implemented as planned.
- 24) **Mr. Speaker**, I also wish to bring to the attention of this committee that the borrowing ratio of 50% for external borrowing and 50% for domestic borrowing as contained in the proposed 2018/2019 budget deviates from the initial borrowing ratio indicated under the Medium Term Debt Management Strategy (MTDS) which indicated a ratio of 57% and 43% for external and domestic borrowing respectively. This implies an increasing focus on domestic borrowing.
- 25) **Mr. Speaker**, total debt service is expected to reach Ksh. 870.616 billion in 2018/19, including the expected repayment of Ksh. 194 billion in form of principal repayments for the tap-sale component of the 2014 sovereign bond, and two syndicated bonds. Equally, a high amount of domestic debt is maturing in the next financial year implying a substantial refinancing risk. Under these conditions, it is critical for the government to decelerate debt accumulation in coming years so as to achieve reduction of the fiscal deficit from the planned 6% as a proportion of GDP in the coming financial year to 3% in line with the agreements with our East African Community partners.

VI. SUBMISSIONS FROM DEPARTMENTAL COMMITTEES

- 26) **Mr. Speaker**, as earlier indicated, the budget proposals for financial year 2018/2019 were also committed to the Departmental Committees of the National Assembly for review of the budget proposals for each Ministry, Department and Agency within their purview. These committees examined and discussed the budget estimates in line with their specific mandates and made both policy and financial recommendations which were submitted to the Budget and Appropriations Committee for incorporation in this report.
- 27) **Mr. Speaker**, during the discussions with the various Departmental committees, some pertinent concerns and observations arose; notably the issue of pending bills. This is a major concern that cuts across almost all MDAs and has led to increased project costs. Other major concerns include delayed project implementation mostly due to underfunding, contractual agreements that are entered into by the government without the knowledge of parliament and the fact that some of these projects are facing implementation challenges, lack of necessary structures and

enabling legislations to operationalized some funds, duplication of some projects by different government agencies, the reorganization of government and need for clarity on key deliverables of each MDA as well as the need to set up an emergency fund to repair all damaged roads and bridges across the country that have been destroyed by floods.

28) **Mr. Speaker**, upon the advice of Departmental Committees, those MDAs that could not give proper justifications for some of their allocations were subjected to some deductions and the funds have been reallocated towards those areas deemed to be of critical need but are inadequately funded. A summary of all departmental committee submissions is included in Annex I.

VII. RESOLUTIONS FROM THE PUBLIC HEARINGS

29) **Mr. Speaker**, in line with Article 221(5) of the constitution, the committee has adopted a framework where all counties will host public hearings over the next four financial years. The hearings will also take into account the Big Four Agenda initiatives. In this regard, the Budget and Appropriations Committee conducted public hearings on the proposed 2018/2019 budget in the following twelve (12) counties: **West Pokot, Kajiado, Bungoma, Nakuru, Kirinyaga, Tharaka Nithi, Nairobi, Migori, Nyamira, Marsabit, Mombasa and Makeni**. It should be noted however, that the public hearings exercise generated significant interest across the country and in some instances, members of the public from counties adjacent to those hosting public hearing centres attended the meetings and gave their submissions. As such, the Committee also received submissions from the people of Kwale, Meru, Baringo and Busia counties.

30) In addition, **Mr. Speaker**, the committee received written submissions through the Office of the Clerk from organized groups as well as individuals. Notable submissions were received from the Institute of Social Accountability (TISA), the Kenya Disability Parliamentary Association, World Vision Kenya, Development Initiatives, International Institute for Legislative Affairs, Dagoretti District Landowners Welfare Association, HakiJamii, African Population and Health Research Center, PATH, Oxfam, Institute of Public Finance, Health Rights Advocacy Kenya, National Taxpayers Association and the International Budget Partnership Kenya among others.

31) **Mr. Speaker**, the submissions received from the public as well as the organized groups covered a broad range of concerns, from public financial management to infrastructure (mostly roads and energy), education (basic school infrastructure), water, health and other basic social needs. Indeed **Mr. Speaker**, the requests from the public were numerous and very critical but due to limited resources, not all submissions could be accommodated in the 2018/19 financial year.

32) Arising from the submissions during the public hearings, the Committee made the following observations:

- (i) **Timing of public participation:** It was observed that public hearings are held towards the tail end of the budget process when the macro framework has been finalized and expenditure ceilings broadly agreed upon. As such, it becomes difficult to incorporate major projects from the public hearing into the budget.

- (ii) **Stalled Government Projects:** The committee noted that there are numerous government projects which have taken too long to complete yet these are critical for the economic well-being of the country. Examples of such projects include the KIRDI laboratories, the civil servant housing scheme in Makueni, construction of foot bridges, Nyayo wards hospital in Kariobangi North, Mama Lucy Kibaki hospital (unit under construction) among others.

- (iii) **Access to Basic Social Services:** In almost all the counties visited, there were challenges experienced with regard to access to water for domestic and animal use as well as provision of quality health services. Indeed, many hospitals are not fully equipped and are therefore not able to provide the services required. Examples of such hospitals include 41 health centre in Dandora, Embakasi North constituency, Mama Lucy Kibaki hospital among, Mathari Mental hospital, among others.

- (iv) **Poor infrastructure:** The committee observed that in many counties, the roads are in poor condition and actually impassable in some areas, particularly after the recent flooding. In some counties, existing bridges have been washed away by floods.

- (v) **Electricity Connectivity:** It was noted that there are some challenges with regard to rural electrification. In some areas, there is no electric power due to lack of transformers. This has made it difficult to implement some health and education programmes and is adversely affecting schools, health facilities and individual households.

- (vi) **Unequal development of school infrastructure:** Many public primary schools are facing challenges with regard to infrastructure such as lack of enough classrooms, lack of power and other basic facilities. Some schools are mud-walled and in a dilapidated state.

- (vii) **Managed Equipment Services:** It was observed that most hospitals in the counties visited have utilized the MES efficiently but some are unable to utilize it due to lack of power as well as requisite personnel and inadequate space. Notably, the MES equipment is not utilized in West Pokot referral hospital reportedly due to lack of a transformer. In other places, the water available is not fit for use in the machines. These challenges have made it difficult to fully utilize these equipments in some regions.

- (viii) **Lack of extension services:** many farmers, notably the rice growing farmers in Mwea as well as farmers in Tharaka Nithi require agricultural extension services but these are lacking.

VIII. COMMITTEE RECOMMENDATIONS

33) Having considered the above matters, the committee recommends as follows:

a) Policy Recommendations

- i. That, the public hearings on the National budget should be done after the Budget Review and Outlook Paper (BROP) has been submitted to Parliament so that the projects arising from public consultations are included in the Budget before the Budget Policy Statement is finalized. This House should therefore amend the PFM law to ensure that Public participation on the budget is conducted in the months of October and November.
- ii. That, given the large projects being initiated by the National Government with contractual agreements which Parliament only gets to know about later, any contractual agreement worth more than **Ksh. 1 billion** should be pre-approved by Parliament beginning 1st July 2018.
- iii. That, given the importance of finalizing ongoing projects particularly in Infrastructure, Manufacturing and Agriculture sector, resources allocated for these projects should be ring-fenced and a proper monitoring and evaluation framework be put in place to ensure that these projects are completed within the stipulated time frame. Any budgetary changes within the year should not affect projects related to manufacturing unless substantial reason is provided along with a plan on how this will be mitigated.
- iv. That, a list of all pending bills should be provided by the National Treasury and these should be given priority in the 2018/19 budget to limit accrual of penalties.
- v. That, the government considers expanding the current leasing framework of motor vehicles for the entire public service as opposed to purchasing of vehicles as this is quite expensive.
- vi. That, an audit of Mitihani House, Umaa dam, KIRDI laboratories in South B, the civil servant housing scheme in Makueni and other major stalled government projects be carried out by the Departmental Committees in liaison with the MDAs to determine why these projects have taken so long to complete and a report be presented to this House. These projects should be prioritized for completion over the medium term as they have consumed a significant amount of taxpayers' money and still continue to incur costs without yielding any returns.
- vii. That, going forward, the government should pursue a public private partnership (PPP) framework modeled along the (PPP) framework which has been adopted by the Office of the Auditor General for designing and construction of OAG headquarters at upper hill Nairobi. Once finalized, this building can also host offices of other Ministries,

Departments and Agencies thereby achieving value for money. It is the considered view of the committee that going forward, this will be the best model for implementation capital projects/construction of buildings by government agencies.

- viii. That, the last mile connectivity programme should be intensified to ensure all public institutions are connected to power as well as individual households.
- ix. That, a performance audit of the MES equipment be carried out to ensure value for money.
- x. That a performance audit of the CT-scan project be carried out to ensure value for money.
- xi. That, the National government should improve on policy with regard to agricultural extension services and ensure that all counties are offering these services.
- xii. **That, within the allocation for fertilizer subsidy, Ksh. 1 billion** be ringfenced for coffee farmers
- xiii. **That, the budgetary allocations for Parliament and that of Judiciary should be based on a 7.5% annual increase on their recurrent budget. Thus, discussions should be held on allocative efficiency and not ceilings and that development budget allocation be contested on a need basis.**
- xiv. **That, the development budget should not be subject to deductions during the supplementary budget and that this House will not approve any such reductions should these occur.**

b) Financial Recommendations

❖ Committee Recommendations arising from the Public Hearings

34) Mr. Speaker, the committee came up with three priority areas that need to be urgently addressed; namely, **Water, Roads** and **Basic Social Services (Health and Education)**. The Committee recommends the following:

- i. That, to address the water needs, the following allocations be made:

❖ Kajiado County:

Kajiado East- **Ksh. 15 million** and Kajiado South- **Ksh. 20 million**, for water pans for holding flood waters to be used for irrigation of pasture and drinking water for animals.

❖ Marsabit County:

Drilling of boreholes and earth dams for water to be used for irrigation, drinking water for animals and other domestic use - Ksh. 20 million per constituency. Total amount **Ksh. 80 million.**

❖ **West Pokot County:**

Feasibility, design and compensation of land to facilitate construction of the Kaprom Dam – **Ksh. 100 million**

- ii. That, improvement of roads and other infrastructure is an urgent and critical need. Cognizant of the fact that long term tarmacking of roads will take time, the committee has set aside funds for the following counties for the development of all-weather roads and other infrastructure to be distributed in the following manner:

❖ **Nairobi County:**

Riruta- Dagoretti- Kawangware Road C63- **Ksh. 60 million**

❖ **Nakuru County:**

Construction of Kuresoi North sub-county Deputy County Commissioner's (DCC's) headquarter offices and the access road- **Ksh. 30 million**

Rehabilitation of roads in Nakuru East- (**Ksh. 10 million**),

Rehabilitation of roads in Bahati Constituency (**Ksh. 10 million**),

Rehabilitation of roads Naivasha Constituency (**Ksh. 10 million**) and

Rehabilitation of roads in Gilgil constituency (**Ksh. 10 million**).

❖ **Bungoma County:**

The county be given Ksh. 100 million for repairs of the following roads:

Turbo – Naitiri- Sikhendu road C44-the roads covers three constituencies that is Turbo, Tongaren and Kiminini

Construction of Emia road in Kopsiro area to help in movement of agricultural goods

❖ **Nyamira County:**

Rehabilitation of various roads (upgrading 100 km) in:

Borabu constituency – **Ksh. 10 Million**

Kitutu Masaba constituency – **Ksh. 10 Million**

North Mugirango Constituency – **Ksh. 10 million**

West Mugirango constituency – **Ksh. 10 Million**

❖ **Migori County:**

Rehabilitation of various roads and construction of box culverts in:

Suna East Constituency – **Ksh. 20 million**

Suna West Constituency – **Ksh. 15 million**

Uriri Constituency- **Ksh. 10 million**

Nyatike Constituency- **Ksh. 15 million**

Kuria West Constituency- **Ksh. 10 million**

Kuria East Constituency- **Ksh. 15 million**

Awendo Constituency- **Ksh. 15 million**

❖ **Tharaka Nithi County:**

Construction of classrooms in Kamutuandu primary school- **Ksh. 10 million**

❖ **Kirinyaga County:**

Upgrading of St. Augustine Mwea Boys High school – **Ksh. 10 million**

- vi. That, **Ksh. 20 million** be allocated to the Coast General Hospital, Mombasa County for reconstruction of the drugs rehabilitation centre.
- vii. That, **Ksh. 70 million** be set aside for the construction of a social innovation centre, Tharaka Nithi County.
- viii. That, **Ksh. 40 million** be set aside for fencing of the Kapenguria Museum to protect our national heritage for future generations.

35) Mr. Speaker, given resource constraints, the committee could not provide for every expenditure request from the public. However, all requests received from the public have been compiled and can be found in Annex II of this report. Some of the critical needs highlighted by counties not hosting public hearings as well as through written memoranda include the following:

❖ **Kwale county:**

Rehabilitation of Madibwani Primary, Kinango constituency

Rehabilitation of Dzuho Ra Mawe primary school, Kinango constituency

❖ **Meru county:**

Rehabilitation of various roads notably in Imenti south constituency

❖ **Busia county:**

Construction of Nambale- Busibwabo-Mundika-Mayenje-Busia Road. The road covers Nambale and Matayos constituencies

36) Mr. Speaker, even within centres where public hearings were held. Not all expenditure needs could be met. Some of the critical needs not allocated resources include:

❖ **Marsabit County**

- Construction of two bridges in Sololo region in order to connect Sololo town to other neighboring towns and more importantly control and reduce the effects of floods in the area, the two proposed bridges are Malka Dulacha Qallu and Karibururi.

Rongo Constituency – **Ksh. 10 million**

❖ **Mombasa County:**

Aldina – Mikanjuni road: connects two wards in Jomvu that is Mikindani ward and Jomvu Kuu ward (3km road stretch). **Total amount Ksh. 15 million**

❖ **Tharaka Nithi County:**

Rehabilitation of various roads in:

Maara constituency- **Ksh. 10 million**

Tharaka constituency – **Ksh. 10 million**

❖ **Kirinyaga County:**

Rehabilitation of various roads in:

Mwea Constituency – **Ksh. 15 million**

Kirinyaga Central Constituency – **Ksh. 5 million**

Ndia Constituency– **Ksh. 5 million**

Gichugu Constituency – **Ksh. 15 million**

- iii. That, to improve street lighting in the counties that expressed critical need, the following allocations be made:

❖ **Nairobi County:**

Street lights – Ebalezi- Karinde (Karen) – Gitiba- Mutuini **Ksh. 5 million**

Street lights in Embakasi Central, Embakasi North, Embakasi West and Mathare constituencies – **Ksh. 15 million**

❖ **Mombasa County:**

Installation of street lights on roads in Changamwe – **Ksh. 5 million**

- iv. That, funds be allocated for bridges and be distributed in the following manner:

❖ **Makueni County:**

Thwake Bridge – **Ksh. 150 million** for completion

❖ **Kajiado County:**

Oleusuyea – Kona Baridi Bridge- **Ksh. 100 million**

- v. That, to improve basic infrastructure in public schools, the following allocations be made:

❖ **Nakuru County:**

Reconstruction of Solai School – **Ksh. 20 million**

- The Construction of Kenya Medical Training College (KMTC) in Marsabit County to increase health personnel's by enhancing local training.
- Construction of Marsabit-Wajir Road to open up the region to the neighboring counties to ease free movement of people and goods.
- The tarmacking of Moyale –Dabeel road to bitumen standards so as to open the region into other counties for easy movements of people, goods and services.

❖ **Nakuru County**

- Construction of a 200 capacity hostel at Naivasha Technical Training Institute (TTI).
- Construction of Youth Polytechnic / Tertiary College in Njoro.

❖ **Kirinyaga County**

- The construction of Kirinyaga Industrial Park.
- Tomato and French beans processing plant in Mwea.

❖ **Tharaka Nithi County**

- Construction of Mbututia, Nguthirulaing'o, Kithina Dams.
- The completion of Ruguti Bridge.

❖ **Nyamira County**

- Establishment of fresh produce processing plants for agricultural value addition.
- Drilling of mega boreholes to serve residents, learning institutions and health facilities.

❖ **Migori County**

- Establishment of Fish processing plant.
- Conversion of Migori TTC into a university.

❖ **West Pokot County**

- Honey Processing Plant
- Construction of West Pokot Airstrip
- Repair and rehabilitations of the bridge on Makutano-Kacheliba Road.

❖ **Bungoma County**

- Dualing of Bungoma – Mumias Road
- Rehabilitation of Matulo Airstrip.
- Expansion of Bungoma Medical Training College.

❖ **Kajiado County**

- The completion of Oleusuyea-Kona Baridi Road.
- Completion of Mailua Water Project.

❖ **Makueni County**

- Renovation of the office of the County Commissioner.
- Repair of Emali-Ukia Road –C46

❖ **Mombasa County**

- construction of KTDA Vikobani Road
- Ahmed Shahame Technical Training College

❖ **Nairobi City County**

- Mitigation for flood damaged roads in Dagoretti South constituency especially the Riruta - Dagoretti Road through to Kawangware road including the access roads to the Dagoretti slaughter house/ abattoir
- Complete construction of Nyayo wards hospital in Kariobangi North as well as the road linked to the hospital.
- Expand 41 health center in Dandora III Embakasi North constituency and install maternity equipment.
- Equip Mama Lucy Kibaki hospital, Mathari Mental hospital and Mutuini sub-district hospital to enhance health service delivery.

37) These projects require significant capital outlays and could therefore not be implemented in this budget cycle. The committee recommends therefore that these projects be prioritized in the 2018/2019 budget.

38) In addition **Mr. Speaker**, this committee observed that there are some projects which were previously funded through public hearings such as the Laikipia University, Maralal Campus which requires Ksh. 83 million as well as the Ewaso Nyiro South Development Authority (ENSDA) Leather factory which requires Ksh. 300 million. Therefore, the committee recommends that resources be found to allocate to these critical projects.

❖ **Committee Recommendations on the National Budget 2018/2019**

Reallocations

- **That, Ksh. 15.215 million** be reallocated from the National Land Commission foreign travel budget in the Land Administration and Management Programme to the Ministry of Lands and Physical Planning County Land Office to cater for allowances for the Land Control Board
- **That, Ksh. 100 million** be reallocated from the School Greening Program to Urban Rivers Rehabilitation Project under the Environment Management and Protection Programme in the Ministry of Environment and Forestry. This is aimed at rehabilitating urban rivers to restore their former pristine nature.
- **That, Ksh. 100 million** be reallocated from the Community Livelihood Improvement Programme (CLIP) under the Forests and Water Towers Conservation Programme to

Imarisha Lake Naivasha Project under the Environment Management and Protection Programme to conserve and rehabilitate Lake Naivasha in further support to the industrial park to be built in FY 2018/2019.

- **That, Ksh. 50 million** be re-allocated from the Mitigation and Management of Soil Loss under the Forests and Water Towers Conservation Programme to Nairobi River Rehabilitation Project under the Environment Management and Protection Programme towards the objective of rehabilitating and protecting 100 KM stretch of the river.
- **That, Ksh. 50 million** be re-allocated from Egerton University to Rongo University for construction of a library
- **That, Ksh. 200 million** be reallocated from ICT shared services in the Ministry of Information, Communication and Technology to the Konza Technopolis Development Authority (Ksh. 100 million) and the Media Council of Kenya (Ksh. 100 million)
- **That, Ksh. 200 million** be reallocated from consultancies (MDP2) in the Ministry of Information, Communication and Technology to the Konza Complex Headquarters to cater for the accumulated pending bills
- **That, Ksh. 320 million** be reallocated from the slum upgrading project under the Ministry of Health to the rehabilitation and improvement of infrastructure in the Kenya Medical Training Colleges (KMTCs) across the country
- **That, Ksh. 2 billion** be reallocated from the funds for acquisition of land for the Naivasha Industrial Park to the military modernization programme in the Ministry of Defence
- **That, Ksh. 700 million** be reallocated from the provision of credit to SMEs in the Manufacturing sector (K.I.E) in the state department for industry to the military modernization programme in the Ministry of Defence
- **That, Ksh. 600 million** be reallocated from the research technology, innovation and laboratory for KIRDI to the military modernization programme in the Ministry of Defence
- **That, Ksh. 700 million** be reallocated from the funds for construction and equipping of constituency industrial development centres (CIDC) to the military modernization programme in the Ministry of Defence
- **That, Ksh. 30 million** be reallocated from the funds for the acquisition of equipment by new KCC to SASRA for recurrent expenditure
- **That, Ksh. 26 million** be reallocated from the Tourism Recovery programme in the Ministry of Tourism and Wildlife to the Ushanga Kenya Initiative
- **That, Ksh. 200 million** be reallocated from the Mama Ngina waterfront development programme to the Ushanga Kenya Initiative in the Ministry of tourism and wildlife
- **That, Ksh. 100 million** be reallocated from the project 'improve Tourism Institutional Framework' in the Ministry of Tourism and Wildlife to the Ushanga Kenya Initiative
- **That, Ksh. 100 million** be reallocated from the Nairobi railway museum in the Ministry of Tourism and Wildlife to the Ushanga Kenya Initiative

Deductions

- **That, Ksh. 8.25 billion** be deducted from the National Youth Service
- **That, Ksh. 150 million** be deducted from the water resource management programme - drilling of exploratory boreholes in Turkana- under the State department for water and sanitation.
- **That, Ksh. 50 million** be deducted from the Athi River Restoration Programme under the Water resource management programme in the state department for water and sanitation.
- **That,** a 25% reduction in recurrent spending be effected in the recurrent budget (domestic travel, foreign travel and hospitality services) of the following votes: basic education, technical and vocational education, university education, post training and skills and Teachers Service Commission) resulting in savings of **Ksh. 215.43 million**.
- **That, Ksh. 300 Million** be deducted from the school feeding programme in the state department for early learning and basic education.
- **That,** Ksh. 560 Million be deducted from secondary school infrastructure in the state department for early learning and basic education.
- **That, Ksh. 100 million** be deducted from the National Council for Science, Technology and Innovation.
- **That, Ksh. 30 million** be deducted from the Commission for University Education.
- **That, Ksh. 5 billion** be deducted from the Pensions department in the National Treasury
- **That, Ksh. 828 million** be deducted from the Kenya Revenue Authority
- **That, Ksh. 12 million** be deducted from domestic travel and subsistence and other transportation costs in the National Treasury
- **That, Ksh. 100 million** be deducted from the Judicial Service Commission
- **That, Ksh. 2.5 billion** be deducted from the development budget of the Judiciary of which Ksh. 1 billion is GoK funded and Ksh. 1.5 billion is donor funded on account that they will not be able to absorb these funds by December.
- **That Ksh. 500 million** be deducted from the National Justice for Restorative Fund
- **That, Ksh. 100 million** be deducted from the establishment of disease free zones in Bachuma
- **That, Ksh. 400 million** be deducted from the funds for development of leather industrial park at Kenanie, Athi River in the state department for industry
- **That, Ksh. 200 million** be deducted from the development of Kajiado Leather Factory in the state department for industry
- **That, Ksh. 600 million** be deducted from the planning, policy, coordination and support services in the state department for interior
- **That, Ksh. 600 million** be deducted from the National secure communication and surveillance system development project in the state department for interior
- **That, Ksh. 20 million** be deducted from the office of the presidency headquarters, planning, policy coordination and support services programme

- **That, Ksh. 500 million** be deducted from the Lake Basin Development Authority in the State Department for Devolution

Additions

- **That, Ksh. 200 Million** be allocated to the Northern Water Service Board to initiate government funded water harvesting projects to improve access to safe water in the northern dry areas.
- **That, Ksh. 800 million** be allocated to the water and sewerage infrastructure development programme for the regeneration of Nairobi River.
- **That, Ksh. 50 million** be allocated to Tanathi Water Service Board as an additional funding towards the rehabilitation of the Nolturesh Water supply under the water and sewerage infrastructure development programme.
- **That, Ksh. 40 million** be allocated to Lake Victoria South Water Service Board as an additional funding for the Water Harvesting Programme under the Water and Sewerage Infrastructure Development programme.
- **That, Ksh. 10.1 million** be allocated to the General Administration Planning and support services Programme in the state department for labour towards the payment of pending bills.
- **That, Ksh. 100 million** be allocated to the National Safety Net Programme to facilitate operationalization of the 290 constituency social assistance committees.
- **That, Ksh. 200 million** be allocated to the Social Development and Children Services Programme to enhance the budgetary allocation to the child welfare society of Kenya to support orphanages and vulnerable children.
- **That, Ksh. 145 million** be allocated to the National Government Affirmative Action Fund in the State Department for Gender.
- **That, Ksh. 100 million** be allocated to the Technical and Vocational Education Training Authority (TVETA)
- **That, Ksh. 100 million** be allocated to the National Council for Nomadic Education (NACONEK)
- **That, Ksh. 500 million** be allocated to the recurrent budget of the University of Nairobi
- **That, Ksh. 100 million** be allocated to the recurrent budget of Kenyatta University
- **That, Ksh. 100 million** be allocated to the recurrent budget of Moi University
- **That, Ksh. 100 million** be allocated to the recurrent budget of Jomo Kenyatta University of Agriculture and Technology
- **That, Ksh. 5.4 million** be allocated to the development budget of Muranga University College
- **That, Ksh. 200 million** be allocated to the Teachers Service Commission for the leasing of vehicles.
- **That, Ksh. 1.5 billion** be allocated to the State Department for Petroleum for the Mwananchi LPG gas cylinders project
- **That, Ksh. 1 billion** be allocated for the last mile connectivity

- **That, Ksh. 1 billion** be allocated for electrification of public facilities and installation of transformers in constituencies
- **That, Ksh. 4 billion** be allocated to KETRACO under the Ministry of Energy for land compensation
- **That, Ksh. 3.8 billion** be allocated to the National Government Constituency Development Fund
- **That, Ksh. 1.8 billion** be allocated to the State Department for planning to cater for the finalization of the mapping and other preparatory activities for the 2019 census
- **That, Ksh. 12 million** be allocated to the Commission on Revenue Allocation for Public Financial Management
- **That, Ksh. 1.25 billion** be allocated towards the strategic initiatives for the Big Four Agenda under the sub programme budget formulation, coordination and management in the Public Financial Management Programme
- **That,** the salaries and remuneration commission be allocated Ksh. 15.6 million for compensation to employees; Ksh. 3.04 million for domestic travel and Ksh. 3.5 million for insurance costs
- **That, Ksh.400 million** be allocated to the Konza complex to complete the project
- **That, Ksh. 12 million** be allocated for capacity building on legislative drafting and review for the counties
- **That, Ksh. 75 million** be allocated to the Ethics and anticorruption Commission of which Ksh. 25 million is for the acquisition of headquarters and Ksh. 50 million is for operating expenses.
- **That, Ksh. 45.4 million** be allocated to the witness Protection Agency for the recruitment of additional staff
- **That, Ksh. 15 million** be allocated to the Commission on Administration of Justice for the recruitment of ten (10) additional staff
- **That, Ksh. 3.6 million** be allocated to the Kenya National Commission on Human Rights (KNCHR) for the settlement of pending bills
- **That, Ksh. 85 million** be allocated to the Kenya Meat Commission for the settlement of pending bills owed to farmers
- **That, Ksh. 15 million** be allocated to the directorate of policy regulation and research in the programme of general administration, planning and support services under the State Department of Livestock
- **That, Ksh. 40 million** be allocated to the state department of investment and industry for the completion of infrastructure project at the Kenya Industrial Training Institute (KITI)
- **That, Ksh. 420 million** be allocated to the state department of investment and industry for the development of the Athi River Textile Hub
- **That, Ksh. 570 million** be allocated towards construction of sub-county headquarters in the state department for interior
- **That, Ksh. 30 million** be allocated towards construction of police housing in the state department for interior

- **That, Ksh. 200 million** be allocated to the office of the Deputy Inspector General, Kenya Police for security operations under sub-programme, Kenya Police services, Policing Services Programme
- **That, Ksh. 100 million** be allocated to the sub-programme criminal investigation services, policing services programme
- **That, Ksh. 20 million** be allocated towards compensation of owners of plots taken over by government to build government offices at the Embu North district Headquarters.
- **That, Ksh. 200 million** be allocated to NACADA to cater for shortfall in their operations and maintenance under planning, policy coordination and support services
- **That, Ksh. 100 million** be allocated to the sub-programme Human Resource Management under the Programme National Police Service Human Resource Management to set up 8 counseling units for the police in the National Police Service Commission
- **That, Ksh. 150 million** be allocated to the Nyayo stadium to purchase seats and for completion of the stadium.
- **That, Ksh. 40 million** be allocated for the rehabilitation and upgrade of the Tom Mboya memorial
- **That, Ksh. 8.7 billion** be allocated to the state department for infrastructure for the infrastructure rehabilitation following the damage caused by floods
- **That, Ksh. 500 million** be allocated to the Office of the director of public prosecution for operations.
- **That, Ksh. 500 million** be allocated to the National Intelligence Service for joint resource mapping.
- **That, Ksh. 300 million** be allocated to the National Treasury for financial reporting
- **That, Ksh. 1 billion** be allocated to the Office of the Auditor General to cater for personnel emoluments (Ksh. 250 million), outsourcing of audits and other consultancies (Ksh. 300 million) and development (Ksh. 450 million). The additional development allocation will be as follows: for consultancies for Public Private Partnership (PPP) for designing and preliminaries for the construction of OAG headquarters at upper hill Nairobi (Ksh. 280 million), construction of Kakamega hub office (Ksh. 40 million), construction of Eldoret Hub Office (Ksh. 56 million) and construction of Embu Hub Office (Ksh. 74 million).

Allocation for Parliament

- **That, the budget allocation for the parliament for 2018/19 be Ksh. 37.579 billion.**
- **That, Ksh. 500 million** for Monitoring and Evaluation be reflected under the State Department for Planning.

Allocation for the Judiciary

- **That, the budget allocation for the Judiciary for 2018/19 be Ksh. 15.168 billion.**

39) Further, the committee recommends that this House resolves:

- a) Approve the Report and the recommendations of the Budget and Appropriations Committee on the Budget Estimates for the National Government, the Judiciary and Parliament for Financial Year 2018/2019.
- b) Approve that Schedule I attached to this report forms the basis of the Appropriation Act 2018/2019.
- c) Approve that the National Treasury finalizes the required budget documents as per the Public Finance Management Act on detailed estimates and in addition, ensure that the approved appropriation bill will be line with the reorganized structure of government as per the Executive Order.

SCHEDULE 1

2018/19 submitted estimates		Budget and Appropriations Committee (BAC) adjustments			Budget and Appropriations Committee (BAC) recommendations on 2018/19 Estimates				
VOTE, PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	Current	Capital	Total	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1011 The Presidency	7,673,262,253	1,108,830,000	8,782,092,253	0	0	0	7,673,262,253	1,108,830,000	8,782,092,253
0702000 Cabinet Affairs	1,395,913,982	714,200,000	2,110,113,982	0	0	0	1,395,913,982	714,200,000	2,110,113,982
0703000 Government Advisory Services	845,980,649	0	845,980,649	0	0	0	845,980,649	0	845,980,649
0704000 State House Affairs	3,215,934,363	305,030,000	3,520,964,363	0	0	0	3,215,934,363	305,030,000	3,520,964,363
0734000 Deputy President Services	2,215,433,259	89,600,000	2,305,033,259	0	0	0	2,215,433,259	89,600,000	2,305,033,259
1021 State Department for Interior	109,356,595,943	15,538,702,000	124,895,297,943	-300,000,000	0	-300,000,000	109,056,595,943	15,538,702,000	124,595,297,943
0601000 Policing Services	85,224,937,594	9,852,105,003	95,077,042,597	300,000,000	30,000,000	330,000,000	85,524,937,594	9,882,105,003	95,407,042,597
0602000 Planning, Policy Coordination and Support Service	18,825,072,135	4,466,596,997	23,291,669,132	-600,000,000	-30,000,000	-630,000,000	18,225,072,135	4,436,596,997	22,661,669,132
0603000 Government Printing Services	720,390,037	150,000,000	870,390,037	0	0	0	720,390,037	150,000,000	870,390,037
0605000 Population Management Services	4,586,196,177	1,070,000,000	5,656,196,177	0	0	0	4,586,196,177	1,070,000,000	5,656,196,177



1023 State Department for Correctional Services	26,065,711,187	1,812,600,000	27,878,311,187	200,000,000	200,000,000	0	200,000,000	26,265,711,187	1,812,600,000	28,078,311,187
0602000 Planning, Policy Coordination and Support Services	240,338,058	0	240,338,058	200,000,000	200,000,000	0	440,338,058	440,338,058	0	440,338,058
0624000 Betting Control, Licensing and Regulation Services	116,660,845	0	116,660,845	0	0	0	116,660,845	116,660,845	0	116,660,845
0604000 Correctional Services	25,250,839,234	1,749,400,000	27,000,239,234	0	0	0	25,250,839,234	25,250,839,234	1,749,400,000	27,000,239,234
0623000 General Administration, Planning and Support Services	457,873,050	63,200,000	521,073,050	0	0	0	457,873,050	457,873,050	63,200,000	521,073,050
1024 State Department for Immigration and Citizen Services	1,884,968,823	2,690,300,000	4,575,268,823	0	0	0	1,884,968,823	1,884,968,823	2,690,300,000	4,575,268,823
0605000 Population Management Services	1,884,968,823	2,690,300,000	4,575,268,823	0	0	0	1,884,968,823	1,884,968,823	2,690,300,000	4,575,268,823
1032 State Department for Devolution	2,883,499,310	9,637,920,000	12,521,419,310	0	-500,000,000	-500,000,000	2,883,499,310	2,883,499,310	9,137,920,000	12,021,419,310
0712000 Devolution Services	835,689,251	1,027,970,000	1,863,659,251	0	0	0	835,689,251	835,689,251	1,027,970,000	1,863,659,251



0732000 General Administration, Planning and Support Services	342,035,707	1,173,000,000	1,515,035,707	0	0	0	0	0	0	342,035,707	1,173,000,000	1,515,035,707
0713000 Special Initiatives	50,388,068	0	50,388,068	0	0	0	0	0	0	50,388,068	0	50,388,068
1013000 Integrated Regional Development	1,655,386,284	7,436,950,000	9,092,336,284	0	-500,000,000	-500,000,000	0	0	0	1,655,386,284	6,936,950,000	8,592,336,284
1035 State Department for Development of the ASAL	1,034,530,922	5,358,000,000	6,392,530,922	0	0	0	0	0	0	1,034,530,922	5,358,000,000	6,392,530,922
0733000 Accelerated ASAL Development	1,034,530,922	5,358,000,000	6,392,530,922	0	0	0	0	0	0	1,034,530,922	5,358,000,000	6,392,530,922
1041 Ministry of Defence	96,079,397,700	10,974,349,680	107,053,747,380	0	4,000,000,000	4,000,000,000	0	0	0	96,079,397,700	14,974,349,680	111,053,747,380
0801000 Defence	94,378,000,000	10,974,349,680	105,352,349,680	0	4,000,000,000	4,000,000,000	0	0	0	94,378,000,000	14,974,349,680	109,352,349,680
0802000 Civil Aid	200,000,000	0	200,000,000	0	0	0	0	0	0	200,000,000	0	200,000,000
0803000 General Administration, Planning and Support Services	1,301,397,700	0	1,301,397,700	0	0	0	0	0	0	1,301,397,700	0	1,301,397,700
0805000000 National Space Management	200,000,000	0	200,000,000	0	0	0	0	0	0	200,000,000	0	200,000,000
1052 Ministry of Foreign Affairs	15,170,174,901	1,937,740,000	17,107,914,901	0	0	0	0	0	0	15,170,174,901	1,937,740,000	17,107,914,901



0714000 General Administration Planning and Support Services	1,419,957,544	93,000,000	1,512,957,544	0	0	0	0	0	0	1,419,957,544	93,000,000	1,512,957,544
0715000 Foreign Relation and Diplomacy	13,537,881,040	1,644,740,000	15,182,621,040	0	0	0	0	0	0	13,537,881,040	1,644,740,000	15,182,621,040
0741000 Economic and Commercial Diplomacy	81,941,701	0	81,941,701	0	0	0	0	0	0	81,941,701	0	81,941,701
0742000 Foreign Policy Research, Capacity Development and Technical Cooperation	130,394,616	200,000,000	330,394,616	0	0	0	0	0	0	130,394,616	200,000,000	330,394,616
1064 State Department for Vocational and Technical Training	2,587,094,377	7,728,000,000	10,315,094,377	85,062,036	0	0	0	0	0	2,672,156,413	7,728,000,000	10,400,156,413
0505000 Technical Vocational Education and Training	2,351,842,753	5,728,000,000	8,079,842,753	94,356,878	0	0	0	0	0	2,446,199,631	5,728,000,000	8,174,199,631
0507000 Youth Training and Development	53,235,939	2,000,000,000	2,053,235,939	-1,497,123	0	0	0	0	0	51,738,816	2,000,000,000	2,051,738,816
0508000 General Administration, Planning and Support Services	182,015,685	0	182,015,685	-7,797,719	0	0	0	0	0	174,217,966	0	174,217,966



1066 State Department for Early Learning & Basic Education	88,504,860,854	11,178,830,978	99,683,691,832	6,594,452	-760,000,000	-753,405,548	88,511,455,306	10,418,830,978	98,930,286,284
0501000 Primary Education	16,633,329,299	4,300,363,125	20,933,692,424	-13,782,452	-200,000,000	-213,782,452	16,619,546,847	4,100,363,125	20,719,909,972
0502000 Secondary Education	63,336,391,097	6,478,917,853	69,815,308,950	-13,124,447	-560,000,000	-573,124,447	63,323,266,650	5,918,917,853	69,242,184,503
0503000 Quality Assurance and Standards	3,964,313,900	257,000,000	4,221,313,900	-1,471,893	0	-1,471,893	3,962,842,007	257,000,000	4,219,842,007
0508000 General Administration, Planning and Support Services	4,570,826,558	142,550,000	4,713,376,558	34,973,244	0	34,973,244	4,605,799,802	142,550,000	4,748,349,802
1067 State Department for Research & University Education	87,301,678,500	13,038,000,000	100,339,678,500	649,115,269	-100,000,000	549,115,269	87,950,793,769	12,938,000,000	100,888,793,769
0504000 University Education	84,734,187,584	12,740,500,000	97,474,687,584	672,359,435	0	672,359,435	85,406,547,019	12,740,500,000	98,147,047,019
0506000 Research, Science, Technology and Innovation	2,297,944,858	297,500,000	2,595,444,858	-6,735,091	-100,000,000	-106,735,091	2,291,209,767	197,500,000	2,488,709,767
0508000 General Administration, Planning and Support Services	269,546,058	0	269,546,058	-16,509,075	0	-16,509,075	253,036,983	0	253,036,983



1068 State Department for Post Training and Skills Development	887,818,000	1,039,480,000	1,927,298,000	-2,125,000	-2,125,000	0	-2,125,000	885,693,000	1,039,480,000	1,925,173,000
0502000 Secondary Education	92,000,000	0	92,000,000	0	0	0	0	92,000,000	0	92,000,000
0508000 General Administration, Planning and Support Services	47,580,000	0	47,580,000	-2,125,000	-2,125,000	0	-2,125,000	45,455,000	0	45,455,000
0907000 Manpower Development, Employment and Productivity Management	748,238,000	1,039,480,000	1,787,718,000	0	0	0	0	748,238,000	1,039,480,000	1,787,718,000
1071 The National Treasury	74,295,400,000	37,377,476,758	111,672,876,758	-5,540,000,000	-5,540,000,000	1,200,000,000	-4,340,000,000	68,755,400,000	38,577,476,758	107,332,876,758
0717000 General Administration Planning and Support Services	68,530,860,023	3,445,936,355	71,976,796,378	-5,840,000,000	-5,840,000,000	0	-5,840,000,000	62,690,860,023	3,445,936,355	66,136,796,378
0718000 Public Financial Management	4,317,329,124	33,010,758,552	37,328,087,676	300,000,000	300,000,000	1,200,000,000	1,500,000,000	4,617,329,124	34,210,758,552	38,828,087,676
0719000 Economic and Financial Policy Formulation and Management	1,032,635,480	865,781,851	1,898,417,331	0	0	0	0	1,032,635,480	865,781,851	1,898,417,331
0720000 Market Competition	339,000,000	55,000,000	394,000,000	0	0	0	0	339,000,000	55,000,000	394,000,000
0740000 Government Clearing Services	75,575,373	0	75,575,373	0	0	0	0	75,575,373	0	75,575,373



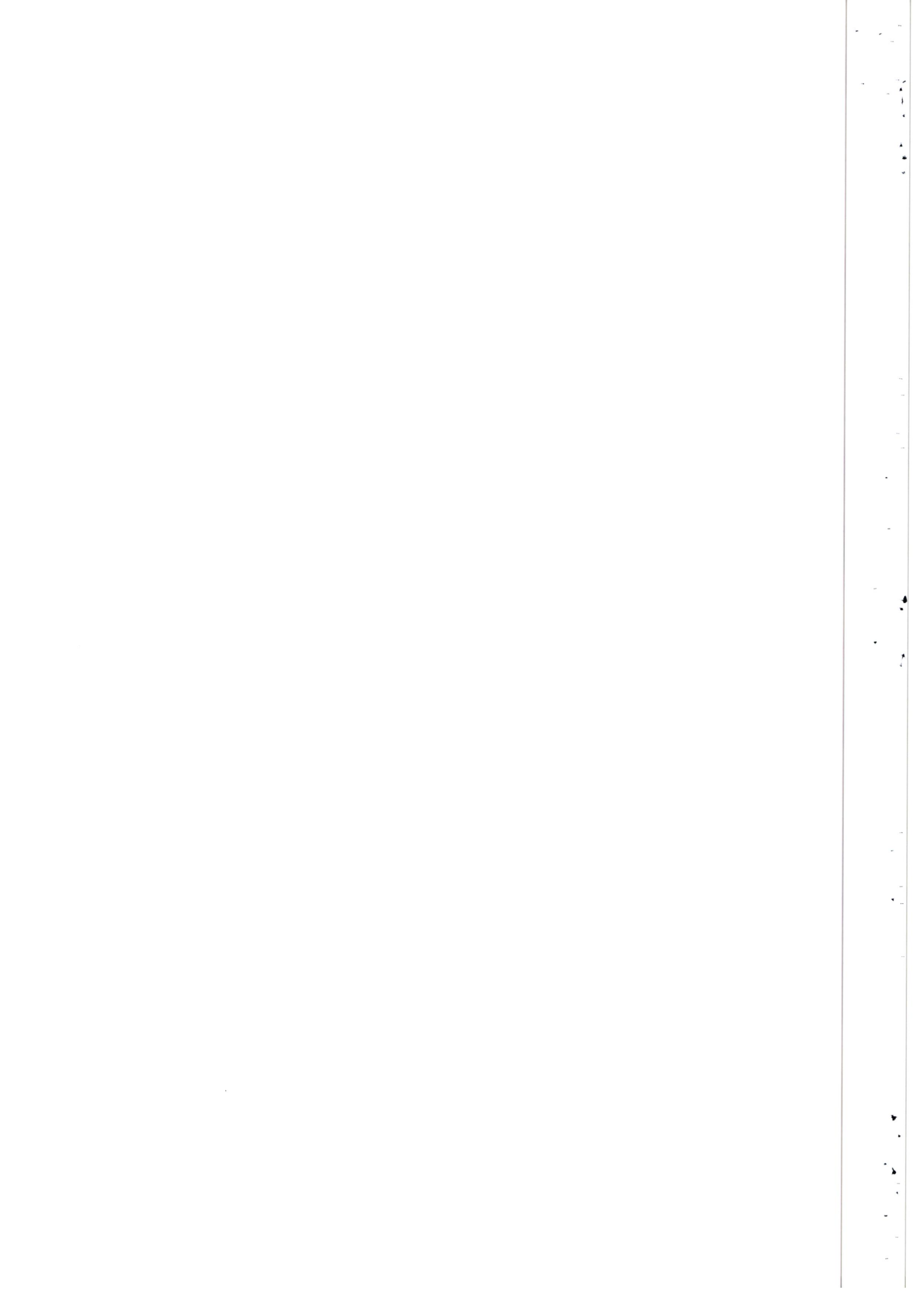
1072 State Department for Planning	9,363,400,002	34,061,020,000	43,424,420,002	1,800,000,000	4,300,000,000	6,100,000,000	11,163,400,002	38,361,020,000	49,524,420,002
0706000 Economic Policy and National Planning	1,297,897,835	32,515,546,400	33,813,444,235	0	4,300,000,000	4,300,000,000	1,297,897,835	36,815,546,400	38,113,444,235
0707000 National Statistical Information Services	7,540,568,288	1,434,500,000	8,975,068,288	1,800,000,000	0	1,800,000,000	9,340,568,288	1,434,500,000	10,775,068,288
0708000 Monitoring and Evaluation Services	123,617,272	110,973,600	234,590,872	0	0	0	123,617,272	110,973,600	234,590,872
0709000 General Administration Planning and Support Services	401,316,607	0	401,316,607	0	0	0	401,316,607	0	401,316,607
1081 Ministry of Health	49,100,820,808	40,906,449,648	90,007,270,456	0	0	0	49,100,820,808	40,906,449,648	90,007,270,456
0401000 Preventive, Promotive & RMNCAH	1,686,224,200	8,270,164,143	9,956,388,343				1,686,224,200	8,270,164,143	9,956,388,343
0402000 National Referral & Specialized Services	22,694,658,104	17,510,301,335	40,204,959,439	0	0	0	22,694,658,104	17,510,301,335	40,204,959,439
0403000 Health Research and Development	6,470,337,792	426,400,000	6,896,737,792	0	320,000,000	320,000,000	6,470,337,792	746,400,000	7,216,737,792
0404000 General Administration, Planning & Support Services	6,890,519,328	2,220,000,000	9,110,519,328	0	-320,000,000	-320,000,000	6,890,519,328	1,900,000,000	8,790,519,328



0405000 Health Policy, Standards and Regulations	11,359,081,384	12,479,584,170	23,838,665,554	0	0	0	0	0	11,359,081,384	12,479,584,170	23,838,665,554
1091 State Department of Infrastructure	58,364,000,000	112,985,380,000	171,349,380,000	0	8,700,000,000	8,700,000,000	8,700,000,000	8,700,000,000	58,364,000,000	121,685,380,000	180,049,380,000
0202000 Road Transport	58,364,000,000	112,985,380,000	171,349,380,000	0	8,700,000,000	8,700,000,000	8,700,000,000	8,700,000,000	58,364,000,000	121,685,380,000	180,049,380,000
1092 State Department of Transport	10,324,195,400	90,424,591,835	100,748,787,235	0	0	0	0	0	10,324,195,400	90,424,591,835	100,748,787,235
0201000 General Administration, Planning and Support Services	306,655,953	1,108,000,000	1,414,655,953	0	0	0	0	0	306,655,953	1,108,000,000	1,414,655,953
0203000 Rail Transport	0	74,755,591,835	74,755,591,835	0	0	0	0	0	0	74,755,591,835	74,755,591,835
0204000 Marine Transport	815,168,490	12,226,000,000	13,041,168,490	0	0	0	0	0	815,168,490	12,226,000,000	13,041,168,490
0205000 Air Transport	7,245,422,571	2,035,000,000	9,280,422,571	0	0	0	0	0	7,245,422,571	2,035,000,000	9,280,422,571
0216000 Road Safety	1,956,948,386	300,000,000	2,256,948,386	0	0	0	0	0	1,956,948,386	300,000,000	2,256,948,386
1093 State Department for Maritime Affairs	1,668,659,873	0	1,668,659,873	0	0	0	0	0	1,668,659,873	0	1,668,659,873
0220000 Shipping and Maritime Affairs	1,668,659,873	0	1,668,659,873	0	0	0	0	0	1,668,659,873	0	1,668,659,873
1096 State Department for Housing, Urban Development and Public Works	3,122,021,961	29,101,373,965	32,223,395,926	0	0	0	0	0	3,122,021,961	29,101,373,965	32,223,395,926



0102000 Housing Development and Human Settlement	478,575,197	7,571,000,000	8,049,575,197	0	0	0	0	0	478,575,197	7,571,000,000	8,049,575,197
0103000 Government Buildings	468,121,832	1,564,200,000	2,032,321,832	0	0	0	0	0	468,121,832	1,564,200,000	2,032,321,832
0104000 Coastline Infrastructure and Pedestrian Access	104,604,734	339,200,000	443,804,734	0	0	0	0	0	104,604,734	339,200,000	443,804,734
0105000 Urban and Metropolitan Development	196,588,840	19,435,373,965	19,631,962,805	0	0	0	0	0	196,588,840	19,435,373,965	19,631,962,805
0106000 General Administration Planning and Support Services	611,550,789	55,600,000	667,150,789	0	0	0	0	0	611,550,789	55,600,000	667,150,789
0218000 Regulation and Development of the Construction Industry	1,262,580,569	136,000,000	1,398,580,569	0	0	0	0	0	1,262,580,569	136,000,000	1,398,580,569
1107 Ministry of Water Services and Sanitation	4,048,224,948	37,207,390,000	41,255,614,948	0	890,000,000	890,000,000	0	0	4,048,224,948	38,097,390,000	42,145,614,948
1001000 General Administration, Planning and Support Services	374,907,966	0	374,907,966	0	0	0	0	0	374,907,966	0	374,907,966
1004000 Water Resources Management	1,221,118,271	5,986,000,000	7,207,118,271	0	-200,000,000	-200,000,000	0	0	1,221,118,271	5,786,000,000	7,007,118,271
1017000 Water and Sewerage Infrastructure Development	2,452,198,711	31,221,390,000	33,673,588,711	0	1,090,000,000	1,090,000,000	0	0	2,452,198,711	32,311,390,000	34,763,588,711



1108 Ministry of Environment and Forestry		9,964,390,329	6,169,000,000	16,133,390,329		0	0	0	0	9,964,390,329	6,169,000,000	16,133,390,329
1002000 Environment Management and Protection	1,483,570,436	1,374,700,000	2,858,270,436		0	250,000,000	250,000,000	1,483,570,436	1,624,700,000	3,108,270,436		
1010000 General Administration, Planning and Support Services	321,819,569	0	321,819,569		0	0	0	321,819,569	0	321,819,569		
1012000 Meteorological Services	1,074,121,134	1,082,300,000	2,156,421,134		0	0	0	1,074,121,134	1,082,300,000	2,156,421,134		
1018000 Forests and Water Towers Conservation	7,084,879,190	3,712,000,000	10,796,879,190		0	-250,000,000	-250,000,000	7,084,879,190	3,462,000,000	10,546,879,190		
1112 Ministry of Lands and Physical Planning	2,690,474,000	3,330,000,000	6,020,474,000		0	15,214,997	15,214,997	2,690,474,000	3,345,214,997	6,035,688,997		
0101000 Land Policy and Planning	2,690,474,000	3,330,000,000	6,020,474,000		0	15,214,997	15,214,997	2,690,474,000	3,345,214,997	6,035,688,997		
1121 Ministry of Information Communications and Technology	4,854,383,839	27,046,614,114	31,900,997,953		0	600,000,000	600,000,000	4,854,383,839	27,646,614,114	32,500,997,953		
0207000 General Administration Planning and Support Services	443,371,980	0	443,371,980		0	0	0	443,371,980	0	443,371,980		
0208000 Information And Communication	2,579,613,956	438,000,000	3,017,613,956		100,000,000	0	100,000,000	2,679,613,956	438,000,000	3,117,613,956		
0209000 Mass Media Skills Development	207,450,000	250,000,000	457,450,000		0	0	0	207,450,000	250,000,000	457,450,000		



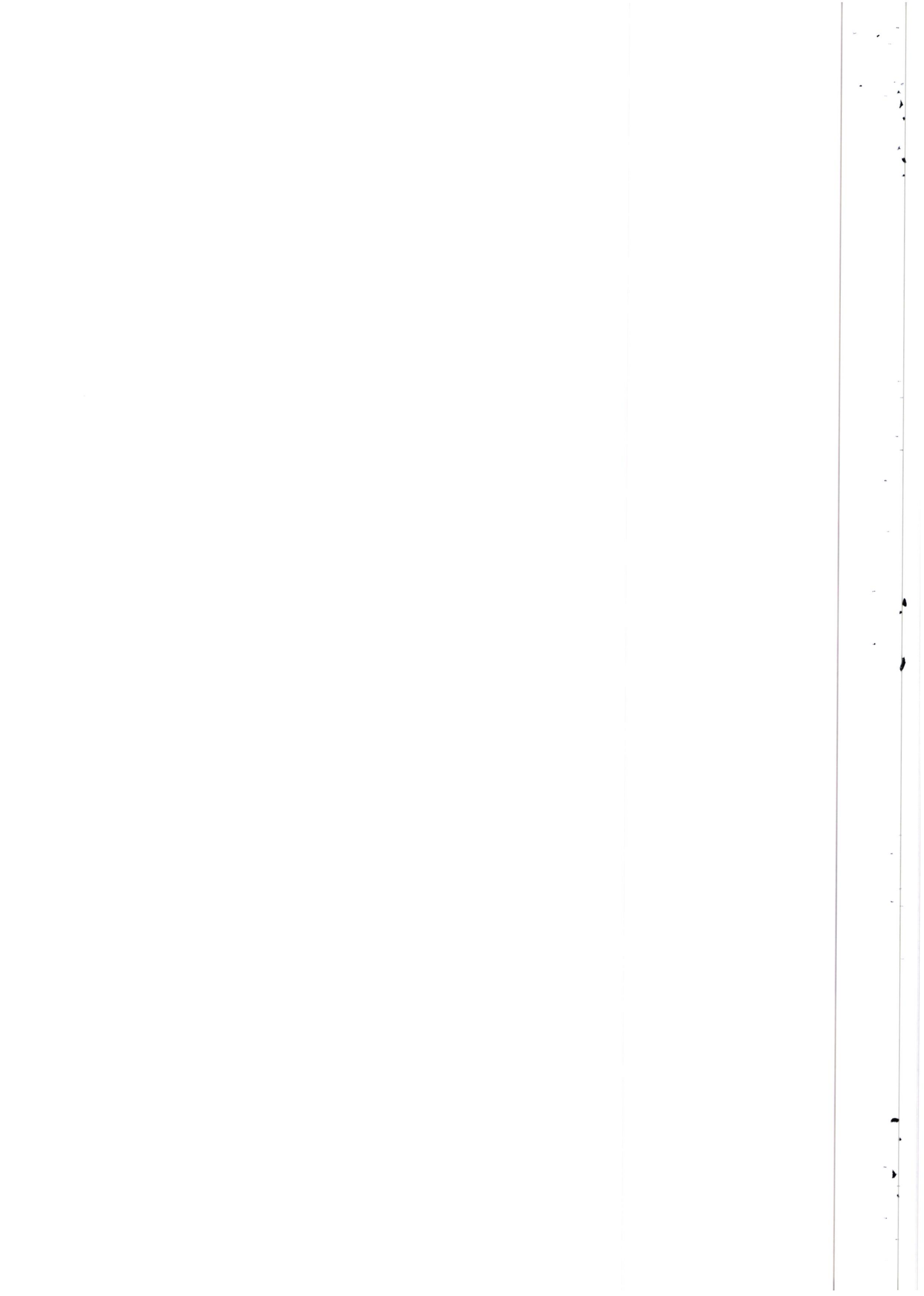
0210000 ICT Infrastructure Development	279,100,085	23,798,000,000	24,077,100,085	100,000,000	600,000,000	700,000,000	379,100,085	24,398,000,000	24,777,100,085
0217000 E-Government	1,344,847,818	2,560,614,114	3,905,461,932	-200,000,000		-200,000,000	1,144,847,818	2,560,614,114	3,705,461,932
1132 State Department for Sports Development	1,502,040,337	525,000,000	2,027,040,337	0	150,000,000	150,000,000	1,502,040,337	675,000,000	2,177,040,337
0901000 Sports	1,502,040,337	525,000,000	2,027,040,337	0	150,000,000	150,000,000	1,502,040,337	675,000,000	2,177,040,337
1134 State Department for Heritage	3,057,463,521	841,600,000	3,899,063,521	0	40,000,000	40,000,000	3,057,463,521	881,600,000	3,939,063,521
0902000 Culture/Heritage	1,408,391,017	466,600,000	1,874,991,017	0	40,000,000	40,000,000	1,408,391,017	506,600,000	1,914,991,017
0903000 The Arts	774,902,980	75,000,000	849,902,980	0	0	0	774,902,980	75,000,000	849,902,980
0904000 Library Services	687,938,467	300,000,000	987,938,467	0	0	0	687,938,467	300,000,000	987,938,467
0905000 General Administration, Planning and Support Services	186,231,057	0	186,231,057	0	0	0	186,231,057	0	186,231,057
1152 State Department for Energy	2,188,000,000	59,886,827,489	62,074,827,489	0	6,000,000,000	6,000,000,000	2,188,000,000	65,886,827,489	68,074,827,489
0211000 General Administration Planning and Support Services	343,561,150	128,885,000	472,446,150	0	0	0	343,561,150	128,885,000	472,446,150
0212000 Power Generation	906,031,734	12,265,769,777	13,171,801,511	0	0	0	906,031,734	12,265,769,777	13,171,801,511
0213000 Power Transmission and Distribution	788,944,920	46,284,172,712	47,073,117,632	0	6,000,000,000	6,000,000,000	788,944,920	52,284,172,712	53,073,117,632
0214000 Alternative Energy Technologies	149,462,196	1,208,000,000	1,357,462,196	0	0	0	149,462,196	1,208,000,000	1,357,462,196



1162 State Department for Livestock.	1,961,791,619	4,296,740,920	6,258,532,539	15,000,000	-15,000,000	0	1,976,791,619	4,281,740,920	6,258,532,539
0112000 Livestock Resources Management and Development	1,961,791,619	4,296,740,920	6,258,532,539	15,000,000	-15,000,000	0	1,976,791,619	4,281,740,920	6,258,532,539
1165 State Department for Crop Development	5,038,331,056	20,215,429,236	25,253,760,292	0	0	0	5,038,331,056	20,215,429,236	25,253,760,292
0107000 General Administration Planning and Support Services	2,501,568,169	194,000,000	2,695,568,169	0	0	0	2,501,568,169	194,000,000	2,695,568,169
0108000 Crop Development and Management	2,378,878,344	18,562,095,006	20,940,973,350	0	0	0	2,378,878,344	18,562,095,006	20,940,973,350
0109000 Agribusiness and Information Management	157,884,543	1,459,334,230	1,617,218,773	0	0	0	157,884,543	1,459,334,230	1,617,218,773
1164 State Department for Fisheries Aquaculture & the Blue Economy	607,161,651	2,184,000,000	2,791,161,651	0	0	0	607,161,651	2,184,000,000	2,791,161,651
0111000 Fisheries Development and Management	302,276,282	1,174,000,000	1,476,276,282	0	0	0	302,276,282	1,174,000,000	1,476,276,282
0117000 General Administration, Planning and Support Services	163,006,252	0	163,006,252	0	0	0	163,006,252	0	163,006,252



0118000 Development and Coordination of the Blue Economy	141,879,117	1,010,000,000	1,151,879,117	0	0	0	0	0	0	141,879,117	1,010,000,000	1,151,879,117
1167 State Department for Irrigation	918,128,745	17,058,000,000	17,976,128,745	0	0	0	0	0	0	918,128,745	17,058,000,000	17,976,128,745
1014000 Irrigation and Land Reclamation	766,176,225	6,664,000,000	7,430,176,225	0	0	0	0	0	0	766,176,225	6,664,000,000	7,430,176,225
1015000 Water Storage and Flood Control	45,000,000	10,394,000,000	10,439,000,000	0	0	0	0	0	0	45,000,000	10,394,000,000	10,439,000,000
1016000 General Administration, Planning and Support Services	106,952,520	0	106,952,520	0	0	0	0	0	0	106,952,520	0	106,952,520
1168 State Department for Agricultural Research	5,085,872,824	475,899,330	5,561,772,154	0	0	0	0	0	0	5,085,872,824	475,899,330	5,561,772,154
0120000 Agricultural Research & Development	5,085,872,824	475,899,330	5,561,772,154	0	0	0	0	0	0	5,085,872,824	475,899,330	5,561,772,154
1173 State Department for Cooperatives	500,599,580	870,000,000	1,370,599,580	30,000,000	-30,000,000	0	0	0	0	530,599,580	840,000,000	1,370,599,580
0304000 Cooperative Development and Management	500,599,580	870,000,000	1,370,599,580	30,000,000	-30,000,000	0	0	0	0	530,599,580	840,000,000	1,370,599,580
1175 State Department for Industry	2,618,101,543	7,738,000,000	10,356,101,543	0	-3,440,000,000	0	0	0	0	2,618,101,543	4,298,000,000	6,916,101,543



0301000 General Administration Planning and Support Services	445,487,863	180,000,000	625,487,863	0	0	0	0	0	0	445,487,863	180,000,000	625,487,863
0302000 Industrial Development and Investments	1,069,179,280	5,094,000,000	6,163,179,280	0	-2,140,000,000	-2,140,000,000	-2,140,000,000	0	0	1,069,179,280	2,954,000,000	4,023,179,280
0303000 Standards and Business Incubation	1,103,434,400	2,464,000,000	3,567,434,400	0	-1,300,000,000	-1,300,000,000	-1,300,000,000	0	0	1,103,434,400	1,164,000,000	2,267,434,400
1176 State Department for Small and Medium Enterprises	1,712,381,914	1,012,000,000	2,724,381,914	0	-700,000,000	-700,000,000	-700,000,000	0	0	1,712,381,914	312,000,000	2,024,381,914
0302000 Industrial Development and Investments	5,233,055	0	5,233,055	0	0	0	0	0	0	5,233,055	0	5,233,055
0303000 Standards and Business Incubation	110,244,400	700,000,000	810,244,400	0	-700,000,000	-700,000,000	-700,000,000	0	0	110,244,400	0	110,244,400
0307000 Trade Development and Promotion	1,596,904,459	312,000,000	1,908,904,459	0	0	0	0	0	0	1,596,904,459	312,000,000	1,908,904,459
1184 State Department for Labour	1,778,921,574	509,920,000	2,288,841,574	10,000,000	0	10,000,000	10,000,000	0	0	1,788,921,574	509,920,000	2,298,841,574
0910000 General Administration Planning and Support Services	667,037,072	0	667,037,072	10,000,000	0	10,000,000	10,000,000	0	0	677,037,072	0	677,037,072
0906000 Promotion of the Best Labour Practice	684,397,387	150,900,000	835,297,387	0	0	0	0	0	0	684,397,387	150,900,000	835,297,387



0907000 Manpower Development, Employment and Productivity Management	427,487,115	359,020,000	786,507,115	0	0	0	0	0	427,487,115	359,020,000	786,507,115
1185 State Department for Social Protection	18,711,704,440	12,291,090,000	31,002,794,440	100,000,000	200,000,000	300,000,000	18,811,704,440	12,491,090,000	31,302,794,440		
0908000 Social Development and Children Services	3,271,665,992	1,002,190,000	4,273,855,992	0	200,000,000	200,000,000	3,271,665,992	1,202,190,000	4,473,855,992		
0909000 National Social Safety Net	15,142,401,487	11,288,900,000	26,431,301,487	100,000,000	0	100,000,000	15,242,401,487	11,288,900,000	26,531,301,487		
0914000 General Administration, Planning and Support Services	297,636,961	0	297,636,961	0	0	0	297,636,961	0	297,636,961		
1192 State Department for Mining	1,103,684,125	509,000,000	1,612,684,125	0	0	0	1,103,684,125	509,000,000	1,612,684,125		
1007000 General Administration Planning and Support Services	706,022,974	25,000,000	731,022,974	0	0	0	706,022,974	25,000,000	731,022,974		
1008000 Resources Surveys and Remote Sensing	132,467,430	184,000,000	316,467,430	0	0	0	132,467,430	184,000,000	316,467,430		
1009000 Mineral Resources Management	265,193,721	300,000,000	565,193,721	0	0	0	265,193,721	300,000,000	565,193,721		
1193 State Department for Petroleum	271,500,000	3,258,500,000	3,530,000,000	0	1,500,000,000	1,500,000,000	271,500,000	4,758,500,000	5,030,000,000		



0215000 Exploration and Distribution of Oil and Gas	271,500,000	3,258,500,000	3,530,000,000	0	1,500,000,000	1,500,000,000	271,500,000	4,758,500,000	5,030,000,000
1204 Ministry of Tourism and Wildlife	9,204,210,198	3,745,516,000	12,949,726,198	-426,000,000	426,000,000	426,000,000	8,778,210,198	4,171,516,000	12,949,726,198
0306000 Tourism Development and Promotion	142,140,000	0	142,140,000	-426,000,000	426,000,000	426,000,000	-283,860,000	426,000,000	142,140,000
0307000 Trade Development and Promotion	2,667,987,235	2,620,000,000	5,287,987,235	0	0	0	2,667,987,235	2,620,000,000	5,287,987,235
1019000 Wildlife Conservation and Management	6,394,082,963	1,125,516,000	7,519,598,963	0	0	0	6,394,082,963	1,125,516,000	7,519,598,963
1211 State Department for Public Service and Youth	13,442,533,200	12,318,334,400	25,760,867,600	0	-8,250,000,000	-8,250,000,000	13,442,533,200	4,068,334,400	17,510,867,600
0710000 Public Service Transformation	1,850,923,776	1,398,404,400	3,249,328,176	0	0	0	1,850,923,776	1,398,404,400	3,249,328,176
0709000 General Administration Planning and Support Services	4,149,188,773	0	4,149,188,773	0	0	0	4,149,188,773	0	4,149,188,773
0711000 Youth Empowerment	7,442,420,651	10,919,930,000	18,362,350,651	0	-8,250,000,000	-8,250,000,000	7,442,420,651	2,669,930,000	10,112,350,651
1212 State Department for Gender	1,557,079,282	2,968,000,000	4,525,079,282	0	145,000,000	145,000,000	1,557,079,282	3,113,000,000	4,670,079,282



0911000 Community Development	0	2,230,000,000	2,230,000,000	0	145,000,000	145,000,000	0	2,375,000,000	2,375,000,000
0912000 Gender Empowerment	1,293,744,564	738,000,000	2,031,744,564	0	0	0	1,293,744,564	738,000,000	2,031,744,564
0913000 General Administration, Planning and Support Services	263,334,718	0	263,334,718	0	0	0	263,334,718	0	263,334,718
1221 Ministry of East African Community & Northern Corridor Development	1,026,757,114	65,000,000	1,091,757,114	0	0	0	1,026,757,114	65,000,000	1,091,757,114
0305000 East African Affairs and Regional Integration	1,026,757,114	65,000,000	1,091,757,114	0	0	0	1,026,757,114	65,000,000	1,091,757,114
1251 Office of the Attorney General and Department of Justice	4,028,129,000	1,614,000,000	5,642,129,000	12,000,000	-500,000,000	-488,000,000	4,040,129,000	1,114,000,000	5,154,129,000
0606000 Legal Services	1,812,377,536	0	1,812,377,536	0	0	0	1,812,377,536	0	1,812,377,536
0607000 Governance, Legal Training and Support Services	1,570,903,629	1,548,000,000	3,118,903,629	12,000,000	-500,000,000	-488,000,000	1,582,903,629	1,048,000,000	2,630,903,629
0609000 General Administration, Planning and Support Services	644,847,835	66,000,000	710,847,835	0	0	0	644,847,835	66,000,000	710,847,835
1261 The Judiciary	13,255,000,000	4,049,000,000	17,304,000,000	0	-2,500,000,000	-2,500,000,000	13,255,000,000	1,549,000,000	14,804,000,000
0610000 Dispensation of Justice	13,255,000,000	4,049,000,000	17,304,000,000	0	-2,500,000,000	-2,500,000,000	13,255,000,000	1,549,000,000	14,804,000,000



1271 Ethics and Anti-Corruption Commission	2,751,540,000	100,000,000	2,851,540,000	50,000,000	25,000,000	75,000,000	2,801,540,000	125,000,000	2,926,540,000
0611000 Ethics and Anti-Corruption	2,751,540,000	100,000,000	2,851,540,000	50,000,000	25,000,000	75,000,000	2,801,540,000	125,000,000	2,926,540,000
1281 National Intelligence Service	30,711,000,000	0	30,711,000,000	500,000,000	0	500,000,000	31,211,000,000	0	31,211,000,000
0804000 National Security Intelligence	30,711,000,000	0	30,711,000,000	500,000,000	0	500,000,000	31,211,000,000	0	31,211,000,000
1291 Office of the Director of Public Prosecutions	2,312,276,000	100,000,000	2,412,276,000	500,000,000	0	500,000,000	2,812,276,000	100,000,000	2,912,276,000
0612000 Public Prosecution	2,312,276,000	100,000,000	2,412,276,000	500,000,000	0	500,000,000	2,812,276,000	100,000,000	2,912,276,000
1311 Office of the Registrar of Political Parties	822,232,095	0	822,232,095	0	0	0	822,232,095	0	822,232,095
0614000 Registration, Regulation and Funding of Political Parties	822,232,095	0	822,232,095	0	0	0	822,232,095	0	822,232,095
1321 Witness Protection Agency	437,686,280	0	437,686,280	45,400,000	0	45,400,000	483,086,280	0	483,086,280
0615000 Witness Protection	437,686,280	0	437,686,280	45,400,000	0	45,400,000	483,086,280	0	483,086,280
2011 Kenya National Commission on Human Rights	391,843,114	0	391,843,114	3,600,000	0	3,600,000	395,443,114	0	395,443,114



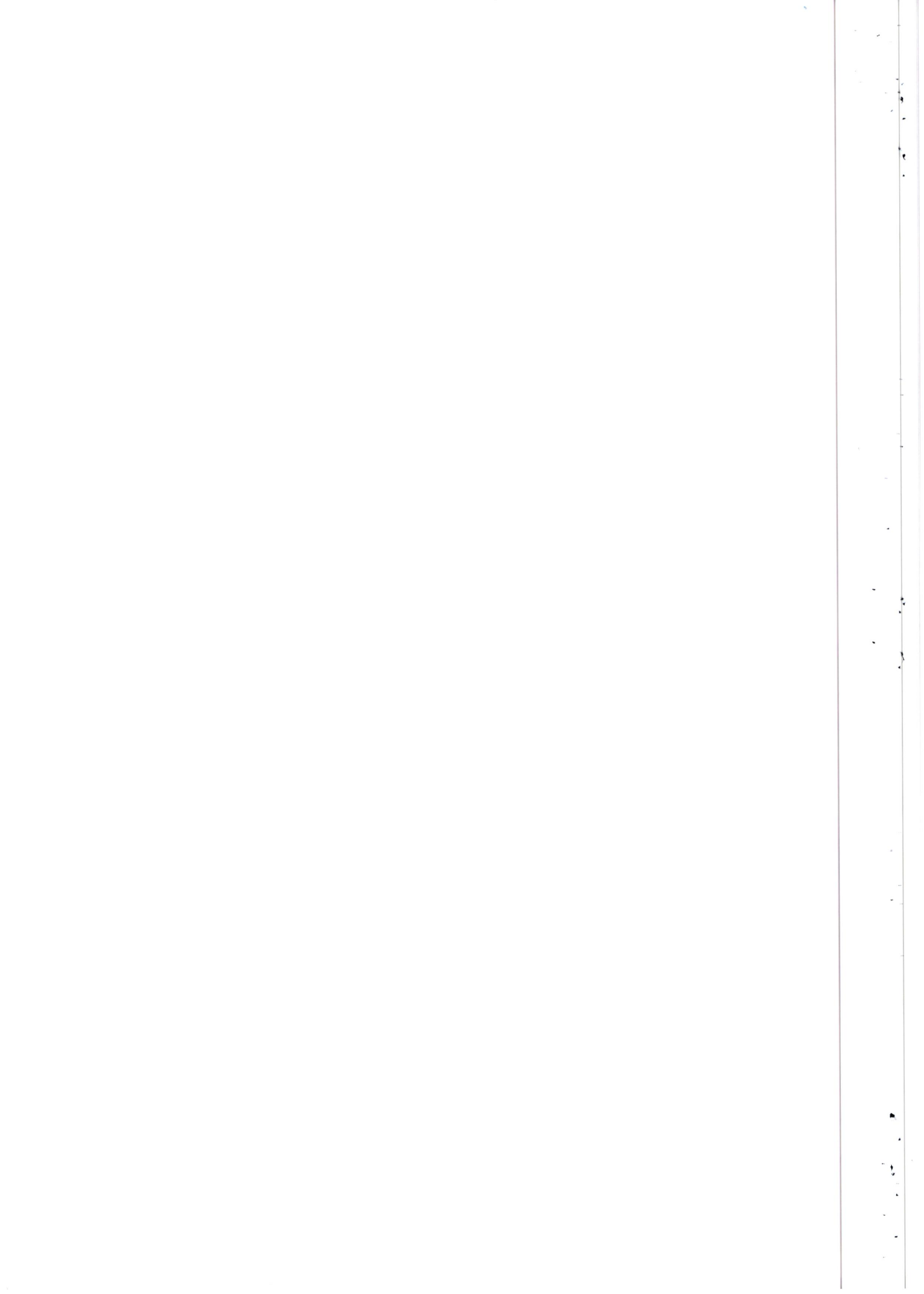
0616000 Protection and Promotion of Human Rights	391,843,114	0	391,843,114	3,600,000	0	3,600,000	395,443,114	0	395,443,114
2021 National Land Commission	1,275,666,510	0	1,275,666,510	-15,214,997	0	-15,214,997	1,260,451,513	0	1,260,451,513
0113000 Land Administration and Management	1,275,666,510	0	1,275,666,510	-15,214,997	0	-15,214,997	1,260,451,513	0	1,260,451,513
2031 Independent Electoral and Boundaries Commission	4,190,624,477	43,000,000	4,233,624,477	0	0	0	4,190,624,477	43,000,000	4,233,624,477
0617000 Management of Electoral Processes	3,780,167,627	43,000,000	3,823,167,627	0	0	0	3,780,167,627	43,000,000	3,823,167,627
0618000 Delimitation of Electoral Boundaries	410,456,850	0	410,456,850	0	0	0	410,456,850	0	410,456,850
2041 Parliamentary Service Commission	15,900,000,000	3,200,000,000	19,100,000,000	-3,436,000,000	0	-3,436,000,000	12,464,000,000	3,200,000,000	15,664,000,000
0722000 Senate Affairs	8,900,000,000	0	8,900,000,000	-2,486,000,000	0	-2,486,000,000	6,414,000,000	0	6,414,000,000
0723000 General Administration, Planning and Support Services	7,000,000,000	3,200,000,000	10,200,000,000	-950,000,000	0	-950,000,000	6,050,000,000	3,200,000,000	9,250,000,000
2042 National Assembly	23,400,000,000	0	23,400,000,000	-1,485,000,000	0	-1,485,000,000	21,915,000,000	0	21,915,000,000
0721000 National Legislation, Representation and Oversight	23,400,000,000	0	23,400,000,000	-1,485,000,000	0	-1,485,000,000	21,915,000,000	0	21,915,000,000



2051 Judicial Service Commission	464,000,000	0	464,000,000	-100,000,000	0	-100,000,000	364,000,000	0	364,000,000
0619000 General Administration, Planning and Support Services	464,000,000	0	464,000,000	-100,000,000	0	-100,000,000	364,000,000	0	364,000,000
2061 The Commission on Revenue Allocation	422,556,341	0	422,556,341	12,000,000	0	12,000,000	434,556,341	0	434,556,341
0724000 Inter-Governmental Revenue and Financial Matters	422,556,341	0	422,556,341	12,000,000	0	12,000,000	434,556,341	0	434,556,341
2071 Public Service Commission	1,160,220,000	59,290,000	1,219,510,000	0	0	0	1,160,220,000	59,290,000	1,219,510,000
0725000 General Administration, Planning and Support Services	806,395,296	59,290,000	865,685,296	0	0	0	806,395,296	59,290,000	865,685,296
0726000 Human Resource management and Development	202,088,409	0	202,088,409	0	0	0	202,088,409	0	202,088,409
0727000 Governance and National Values	151,736,295	0	151,736,295	0	0	0	151,736,295	0	151,736,295
2081 Salaries and Remuneration Commission	542,170,000	0	542,170,000	22,000,000	0	22,000,000	564,170,000	0	564,170,000



0728000 Salaries and Remuneration Management	542,170,000	0	542,170,000	22,000,000	0	22,000,000	564,170,000	0	564,170,000
2091 Teachers Service Commission	226,629,400,000	136,000,000	226,765,400,000	121,353,422	0	121,353,422	226,750,753,422	136,000,000	226,886,753,422
0509000 Teacher Resource Management	219,716,477,896	0	219,716,477,896	(5,500,000)	0	-5,500,000	219,710,977,896	0	219,710,977,896
0510000 Governance and Standards	38,400,000	0	38,400,000	(7,750,000)	0	-7,750,000	30,650,000	0	30,650,000
0511000 General Administration, Planning and Support Services	6,874,522,104	136,000,000	7,010,522,104	134,603,422	0	134,603,422	7,009,125,526	136,000,000	7,145,125,526
2101 National Police Service Commission	530,556,818	0	530,556,818	100,000,000	0	100,000,000	630,556,818	0	630,556,818
0620000 National Police Service Human Resource	530,556,818	0	530,556,818	100,000,000	0	100,000,000	630,556,818	0	630,556,818
2111 Auditor General	4,936,687,300	232,230,000	5,168,917,300	550,000,000	450,000,000	1,000,000,000	5,486,687,300	682,230,000	6,168,917,300
0729000 Audit Services	4,936,687,300	232,230,000	5,168,917,300	550,000,000	450,000,000	1,000,000,000	5,486,687,300	682,230,000	6,168,917,300
2121 Controller of Budget	618,470,000	0	618,470,000	0	0	0	618,470,000	0	618,470,000
0730000 Control and Management of Public finances	618,470,000	0	618,470,000	0	0	0	618,470,000	0	618,470,000
2131 The Commission on Administrative Justice	484,389,200	0	484,389,200	15,000,000	0	15,000,000	499,389,200	0	499,389,200



0731000 Promotion of Administrative Justice	484,389,200	0	484,389,200	15,000,000	0	15,000,000	499,389,200	0	499,389,200
2141 National Gender and Equality Commission	374,965,388	0	374,965,388	0	0	0	374,965,388	0	374,965,388
0621000 Promotion of Gender Equality and Freedom from Discrimination	374,965,388	0	374,965,388	0	0	0	374,965,388	0	374,965,388
2151 Independent Policing Oversight Authority	817,002,200	0	817,002,200	0	0	0	817,002,200	0	817,002,200
0622000 Policing Oversight Services	817,002,200	0	817,002,200	0	0	0	817,002,200	0	817,002,200
Total	1,075,968,241,376	660,954,426,353	1,736,922,667,729	-6,477,214,818	11,846,214,997	5,369,000,179	1,069,491,026,558	672,800,641,350	1,742,291,667,908



MINUTES OF 29th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 5th JUNE 2018, IN THE MINI-CHAMBERS, COUNTY HALL, PARLIAMENT BUILDINGS AT 9.30 A.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA. John Mbadi, CBS, M.P
4. Hon. Millie Odhiambo, M.P.
5. Hon. (Dr.) Makali Mulu, M.P.
6. Hon. (Dr.) Korei Ole Lemein, M.P.
7. Hon. James Mwangi Gakuya, M.P.
8. Hon. (Dr.) Gideon Ochanda, M.P.
9. Hon. Richard Onyonka, M.P.
10. Hon. Naisula Lesuuda, OGW M.P.
11. Hon. Fatuma Gedi Ali, M.P.
12. Hon. James Gichuki Mugambi, M.P.
13. Hon. Danson Mwashako, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. Christopher Wangaya Aseka, M.P
16. Hon. Florence Chepngetich Koskey, M.P.
17. Hon. John Muchiri Nyaga, M.P.
18. Hon. (Eng.) Mark Nyamita, M.P.
19. Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGIES

1. Hon. Moses Kiarie Kuria, M.P.
2. Hon. Samwel Moroto, M.P.
3. Hon. Twalib Bady, M.P.
4. Hon. Jude Njomo, M.P
5. Hon. Sarah Paulata Korere, M.P.

6. Hon. Benard Masaka Shinali, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P.
8. Hon. Wangari Mwaniki, M.P.

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|---------------------------|
| 1. Ms. Phyllis Makau | Director, PBO |
| 2. Ms. Lucy Makara | Chief Fiscal Analyst, PBO |
| 3. Ms. Millicent Makina | Fiscal Analyst |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 2. Mr. Danson Kachumbo | Fiscal Analyst III |
| 3. Mr. James Chacha | Fiscal Analyst III |
| 4. Mr. Collins Ajera | Hansard |
| 5. Mr. Bernard Omondi | Sergeant- at- Arms |
| 6. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Confirmation of the previous minutes
4. Matters Arising
5. Agenda:
 - i. *Adoption of draft BAC report on the proposed Budget Estimates for Financial Year 2018/19.*
6. Any Other Business

MIN BAC /29 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 10.00 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. Christopher Wangaya Aseka, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda

of the meeting. He then welcomed Parliamentary Budget Office (PBO) to brief members on the Committee draft report on Budget Estimates for Financial Year 2018/19.

MIN BAC/29/2018/02: CONFIRMATION OF PREVIOUS MINUTES/ MATTERS ARISING

The minutes of:

- i. 21st Sitting on 16th May, 2018 was proposed by Hon. Christopher Wangaya Aseka, M.P and seconded as true reflection by Hon. Moses Lessonet, M.P.
- ii. 22nd Sitting on 28th May, 2018 was proposed by Hon. (Dr.) Korei Ole Lemein, M.P. and seconded as true reflection by Hon. Paul Abuor, M.P.
- iii. 23rd Sitting on 28th May, 2018, Afternoon was proposed by Hon. (Dr.) Korei Ole Lemein, M.P., and seconded as true reflection by Hon. James Gichuki Mugambi, M.P.
- iv. 24th Sitting on 29th May 2018 was proposed by Hon. Danson Mwashako, M.P. and seconded as true reflection by Hon. Christopher Wangaya Aseka, M.P.
- v. 25th Sitting on 29th May 2018, Afternoon was proposed by and seconded by Hon. (Eng.) Mark Nyamita, M.P. and seconded as true reflection by Hon. (Dr.) Korei Ole Lemein, M.P.
- vi. 26th Sitting on 30th May 2018 was proposed by Hon. CPA. John Mbadi, CBS, M.P and seconded as true reflection by Hon. Richard Onyonka, M.P.
- vii. 27th Sitting on 30th May 2018, Afternoon was proposed by Hon. Naisula Lesuuda, OGW M.P. and seconded as true reflection by Hon. Danson Mwashako, M.P.
- viii. 28th Sitting on 31st May 2018 was proposed by Hon. Paul Abuor, M.P. and seconded as true reflection by Hon. Fatuma Gedi Ali, M.P.

MIN BAC /29/2018/03: ADOPTION OF DRAFT BAC REPORT ON THE PROPOSED BUDGET ESTIMATES FOR FINANCIAL YEAR 2018/19

Members were taken through the draft report by Parliamentary Budget Office. After deliberations, the committee adopted the report with the following recommendations:

a) Policy Recommendations

- i. That, the public hearings on the National budget should be done after the Budget Review and Outlook Paper (BROP) has been submitted to Parliament so that the projects arising from public consultations are included in the Budget before the Budget Policy Statement is finalized. This House should therefore amend the PFM law to ensure that Public participation on the budget is conducted in the months of October and November.
- ii. That, given the large projects being initiated by the National Government with contractual agreements which Parliament only gets to know about later, any contractual agreement worth more than **Ksh. 1 billion** should be pre-approved by Parliament beginning 1st July 2018.
- iii. That, given the importance of finalizing ongoing projects particularly in Infrastructure, Manufacturing and Agriculture sector, resources allocated for these projects should be ring-fenced and a proper monitoring and evaluation framework be put in place to ensure that these projects are completed within the stipulated time frame. Any budgetary changes within the year should not affect projects related to manufacturing unless substantial reason is provided along with a plan on how this will be mitigated.
- iv. That, a list of all pending bills should be provided by the National Treasury and these should be given priority in the 2018/19 budget to limit accrual of penalties.
- v. That, the government considers expanding the current leasing framework of motor vehicles for the entire public service as opposed to purchasing of vehicles as this is quite expensive.
- vi. That, an audit of Mitihani House, Umaa dam, KIRDI laboratories in South B, the civil servant housing scheme in Makueni and other major stalled government projects be carried out by the Departmental Committees in liaison with the MDAs to determine why these projects have taken so long to complete and a report be presented to this House. These projects should be prioritized for completion over

the medium term as they have consumed a significant amount of taxpayers' money and still continue to incur costs without yielding any returns.

- vii. That, going forward, the government should pursue a public private partnership (PPP) framework modeled along the (PPP) framework which has been adopted by the Office of the Auditor General for designing and construction of OAG headquarters at upper hill Nairobi. Once finalized, this building can also host offices of other Ministries, Departments and Agencies thereby achieving value for money. It is the considered view of the committee that going forward, this will be the best model for implementation capital projects/construction of buildings by government agencies.
- viii. That, the last mile connectivity programme should be intensified to ensure all public institutions are connected to power as well as individual households.
- ix. That, a performance audit of the MES equipment be carried out to ensure value for money.
- x. That a performance audit of the CT-scan project be carried out to ensure value for money.
- xi. That, the National government should improve on policy with regard to agricultural extension services and ensure that all counties are offering these services.
- xii. **That**, within the allocation for fertilizer subsidy, **Ksh. 1 billion** be ringfenced for coffee farmers
- xiii. **That**, the budgetary allocations for Parliament and that of Judiciary should be based on a 7.5% annual increase on their recurrent budget. Thus, discussions should be held on allocative efficiency and not ceilings and that development budget allocation be contested on a need basis.
- xiv. **That**, the development budget should not be subject to deductions during the supplementary budget and that this House will not approve any such reductions should these occur.

b) Financial Recommendations

❖ Committee Recommendations arising from the Public Hearings

1) **Mr. Speaker**, the committee came up with three priority areas that need to be urgently addressed; namely, **Water, Roads and Basic Social Services (Health and Education)**. The Committee recommends the following:

i. That, to address the water needs, the following allocations be made:

❖ Kajiado County:

Kajiado East- **Ksh. 15 million** and Kajiado South- **Ksh. 20 million**, for water pans for holding flood waters to be used for irrigation of pasture and drinking water for animals.

❖ Marsabit County:

Drilling of boreholes and earth dams for water to be used for irrigation, drinking water for animals and other domestic use - Ksh. 20 million per constituency. Total amount **Ksh. 80 million**.

❖ West Pokot County:

Feasibility, design and compensation of land to facilitate construction of the Kaprom Dam – **Ksh. 100 million**

ii. That, improvement of roads and other infrastructure is an urgent and critical need. Cognizant of the fact that long term tarmacking of roads will take time, the committee has set aside funds for the following counties for the development of all-weather roads and other infrastructure to be distributed in the following manner:

❖ Nairobi County:

Riruta- Dagoretti- Kawangware Road C63- **Ksh. 60 million**

❖ Nakuru County:

Construction of Kuresoi North sub-county Deputy County Commissioner 's (DCC's) headquarter offices and the access road- **Ksh. 30 million**
Rehabilitation of roads in Nakuru East- (**Ksh. 10 million**),
Rehabilitation of roads in Bahati Constituency (**Ksh. 10 million**),
Rehabilitation of roads Naivasha Constituency (**Ksh. 10 million**) and
Rehabilitation of roads in Gilgil constituency (**Ksh. 10 million**).

❖ **Bungoma County:**

The county be given Ksh. 100 million for repairs of the following roads:

Turbo – Naitiri- Sikhendu road C44-the roads covers three constituencies that is Turbo, Tongaren and Kiminini

Construction of Emia road in Kopsiro area to help in movement of agricultural goods

❖ **Nyamira County:**

Rehabilitation of various roads (upgrading 100 km) in:

Borabu constituency – **Ksh. 10 Million**

Kitutu Masaba constituency – **Ksh. 10 Million**

North Mugirango Constituency – **Ksh. 10 million**

West Mugirango constituency – **Ksh. 10 Million**

❖ **Migori County:**

Rehabilitation of various roads and construction of box culverts in:

Suna East Constituency – **Ksh. 20 million**

Suna West Constituency – **Ksh. 15 million**

Uriri Constituency- **Ksh. 10 million**

Nyatike Constituency- **Ksh. 15 million**

Kuria West Constituency- **Ksh. 10 million**

Kuria East Constituency- **Ksh. 15 million**

Awendo Constituency- **Ksh. 15 million**

Rongo Constituency – **Ksh. 10 million**

❖ **Mombasa County:**

Aldina – Mikanjuni road: connects two wards in Jomvu that is Mikindani ward and Jomvu Kuu ward (3km road stretch). **Total amount Ksh. 15 million**

❖ **Tharaka Nithi County:**

Rehabilitation of various roads in:

Maara constituency- **Ksh. 10 million**

Tharaka constituency – **Ksh. 10 million**

❖ **Kirinyaga County:**

Rehabilitation of various roads in:

Mwea Constituency – **Ksh. 15 million**

Kirinyaga Central Constituency – **Ksh. 5 million**

Ndia Constituency– **Ksh. 5 million**

Gichugu Constituency – **Ksh. 15 million**

- iii. That, to improve street lighting in the counties that expressed critical need, the following allocations be made:

❖ **Nairobi County:**

Street lights – Ebalezi- Karinde (Karen) – Gitiba- Mutuini **Ksh. 5 million**

Street lights in Embakasi Central, Embakasi North, Embakasi West and Mathare constituencies – **Ksh. 15 million**

❖ **Mombasa County:**

Installation of street lights on roads in Changamwe – **Ksh. 5 million**

- iv. That, funds be allocated for bridges and be distributed in the following manner:

❖ **Makueni County:**

Thwake Bridge – **Ksh. 150 million** for completion

❖ **Kajiado County:**

Oleusuyea – Kona Baridi Bridge- **Ksh. 100 million**

- v. That, to improve basic infrastructure in public schools, the following allocations be made:

❖ **Nakuru County:**

Reconstruction of Solai School – **Ksh. 20 million**

❖ **Tharaka Nithi County:**

Construction of classrooms in Kamutuandu primary school- **Ksh. 10 million**

❖ **Kirinyaga County:**

Upgrading of St. Augustine Mwea Boys High school – **Ksh. 10 million**

- vi. That, **Ksh. 20 million** be allocated to the Coast General Hospital, Mombasa County for reconstruction of the drugs rehabilitation centre.
- vii. That, **Ksh. 70 million** be set aside for the construction of a social innovation centre, Tharaka Nithi County.
- viii. That, **Ksh. 40 million** be set aside for fencing of the Kapenguria Museum to protect our national heritage for future generations.

2) **Mr. Speaker**, given resource constraints, the committee could not provide for every expenditure request from the public. However, all requests received from the public have been compiled and can be found in Annex II of this report. Some of the critical needs highlighted by counties not hosting public hearings as well as through written memoranda include the following:

❖ **Kwale county:**

Rehabilitation of Madibwani Primary, Kinango constituency

Rehabilitation of Dzuho Ra Mawe primary school, Kinango constituency

❖ **Meru county:**

Rehabilitation of various roads notably in Imenti south constituency

❖ **Busia county:**

Construction of Nambale- Busibwabo-Mundika-Mayenje-Busia Road. The road covers Nambale and Matayos constituencies

3) **Mr. Speaker**, even within centres where public hearings were held. Not all expenditure needs could be met. Some of the critical needs not allocated resources include:

❖ **Marsabit County**

- Construction of two bridges in Sololo region in order to connect Sololo town to other neighboring towns and more importantly control and reduce the effects of floods in the area, the two proposed bridges are Malka Dulacha Qallu and Karibururi.
- The Construction of Kenya Medical Training College (KMTC) in Marsabit County to increase health personnel's by enhancing local training.
- Construction of Marsabit-Wajir Road to open up the region to the neighboring counties to ease free movement of people and goods.
- The tarmacking of Moyale –Dabeel road to bitumen standards so as to open the region into other counties for easy movements of people, goods and services.

❖ **Nakuru County**

- Construction of a 200 capacity hostel at Naivasha Technical Training Institute (TTI).
- Construction of Youth Polytechnic / Tertiary College in Njoro.

❖ **Kirinyaga County**

- The construction of Kirinyaga Industrial Park.
- Tomato and French beans processing plant in Mwea.

❖ **Tharaka Nithi County**

- Construction of Mbututia, Nguthirulaing'o, Kithina Dams.
- The completion of Ruguti Bridge.

❖ **Nyamira County**

- Establishment of fresh produce processing plants for agricultural value addition.

- Drilling of mega boreholes to serve residents, learning institutions and health facilities.

❖ **Migori County**

- Establishment of Fish processing plant.
- Conversion of Migori TTC into a university.

❖ **West Pokot County**

- Honey Processing Plant
- Construction of West Pokot Airstrip
- Repair and rehabilitations of the bridge on Makutano-Kacheliba Road.

❖ **Bungoma County**

- Dualing of Bungoma – Mumias Road
- Rehabilitation of Matulo Airstrip.
- Expansion of Bungoma Medical Training College.

❖ **Kajiado County**

- The completion of Oleusuyea-Kona Baridi Road.
- Completion of Mailua Water Project.

❖ **Makueni County**

- Renovation of the office of the County Commissioner.
- Repair of Emali-Ukia Road –C46

❖ **Mombasa County**

- construction of KTDA Vikobani Road
- Ahmed Shahame Technical Training College

❖ **Nairobi City County**

- Mitigation for flood damaged roads in Dagoretti South constituency especially the Riruta - Dagoretti Road through to Kawangware road including the access roads to the Dagoretti slaughter house/ abattoir
- Complete construction of Nyayo wards hospital in Kariobangi North as well as the road linked to the hospital.

- Expand 41 health center in Dandora III Embakasi North constituency and install maternity equipment.
 - Equip Mama Lucy Kibaki hospital, Mathari Mental hospital and Mutuini sub-district hospital to enhance health service delivery.
- 4) These projects require significant capital outlays and could therefore not be implemented in this budget cycle. The committee recommends therefore that these projects be prioritized in the 2018/2019 budget.
- 5) In addition, **Mr. Speaker**, this committee observed that there are some projects which were previously funded through public hearings such as the Laikipia University, Maralal Campus which requires Ksh. 83 million as well as the Ewaso Nyiro South Development Authority (ENSDA) Leather factory which requires Ksh. 300 million. Therefore, the committee recommends that resources be found to allocate to these critical projects.

❖ **Committee Recommendations on the National Budget 2018/2019**

Reallocations

- **That, Ksh. 15.215 million** be reallocated from the National Land Commission foreign travel budget in the Land Administration and Management Programme to the Ministry of Lands and Physical Planning County Land Office to cater for allowances for the Land Control Board
- **That, Ksh. 100 million** be reallocated from the School Greening Program to Urban Rivers Rehabilitation Project under the Environment Management and Protection Programme in the Ministry of Environment and Forestry. This is aimed at rehabilitating urban rivers to restore their former pristine nature.
- **That, Ksh. 100 million** be reallocated from the Community Livelihood Improvement Programme (CLIP) under the Forests and Water Towers Conservation Programme to Imarisha Lake Naivasha Project under the Environment Management and Protection Programme to conserve and rehabilitate Lake Naivasha in further support to the industrial park to be built in FY 2018/2019.
- **That, Ksh. 50 million** be re-allocated from the Mitigation and Management of Soil Loss under the Forests and Water Towers Conservation Programme to

Nairobi River Rehabilitation Project under the Environment Management and Protection Programme towards the objective of rehabilitating and protecting 100 KM stretch of the river.

- **That, Ksh. 50 million** be re-allocated from Egerton University to Rongo University for construction of a library
- **That, Ksh. 200 million** be reallocated from ICT shared services in the Ministry of Information, Communication and Technology to the Konza Technopolis Development Authority (Ksh. 100 million) and the Media Council of Kenya (Ksh. 100 million)
- **That, Ksh. 200 million** be reallocated from consultancies (MDP2) in the Ministry of Information, Communication and Technology to the Konza Complex Headquarters to cater for the accumulated pending bills
- **That, Ksh. 320 million** be reallocated from the slum upgrading project under the Ministry of Health to the rehabilitation and improvement of infrastructure in the Kenya Medical Training Colleges (KMTCs) across the country
- **That, Ksh. 2 billion** be reallocated from the funds for acquisition of land for the Naivasha Industrial Park to the military modernization programme in the Ministry of Defence
- **That, Ksh. 700 million** be reallocated from the provision of credit to SMEs in the Manufacturing sector (K.I.E) in the state department for industry to the military modernization programme in the Ministry of Defence
- **That, Ksh. 600 million** be reallocated from the research technology, innovation and laboratory for KIRDI to the military modernization programme in the Ministry of Defence
- **That, Ksh. 700 million** be reallocated from the funds for construction and equipping of constituency industrial development centres (CIDC) to the military modernization programme in the Ministry of Defence
- **That, Ksh. 30 million** be reallocated from the funds for the acquisition of equipment by new KCC to SASRA for recurrent expenditure
- **That, Ksh. 26 million** be reallocated from the Tourism Recovery programme in the Ministry of Tourism and Wildlife to the Ushanga Kenya Initiative
- **That, Ksh. 200 million** be reallocated from the Mama Ngina waterfront development programme to the Ushanga Kenya Initiative in the Ministry of tourism and wildlife

- **That, Ksh. 100 million** be reallocated from the project ‘improve Tourism Institutional Framework’ in the Ministry of Tourism and Wildlife to the Ushanga Kenya Initiative
- **That, Ksh. 100 million** be reallocated from the Nairobi railway museum in the Ministry of Tourism and Wildlife to the Ushanga Kenya Initiative

Deductions

- **That, Ksh. 8.25 billion** be deducted from the National Youth Service
- **That, Ksh. 150 million** be deducted from the water resource management programme - drilling of exploratory boreholes in Turkana- under the State department for water and sanitation.
- **That, Ksh. 50 million** be deducted from the Athi River Restoration Programme under the Water resource management programme in the state department for water and sanitation.
- **That, a 25% reduction** in recurrent spending be effected in the recurrent budget (domestic travel, foreign travel and hospitality services) of the following votes: basic education, technical and vocational education, university education, post training and skills and Teachers Service Commission) resulting in savings of **Ksh. 215.43 million**.
- **That, Ksh. 300 Million** be deducted from the school feeding programme in the state department for early learning and basic education.
- **That, Ksh. 560 Million** be deducted from secondary school infrastructure in the state department for early learning and basic education.
- **That, Ksh. 100 million** be deducted from the National Council for Science, Technology and Innovation.
- **That, Ksh. 30 million** be deducted from the Commission for University Education.
- **That, Ksh. 5 billion** be deducted from the Pensions department in the National Treasury
- **That, Ksh. 828 million** be deducted from the Kenya Revenue Authority
- **That, Ksh. 12 million** be deducted from domestic travel and subsistence and other transportation costs in the National Treasury
- **That, Ksh. 100 million** be deducted from the Judicial Service Commission
- **That, Ksh. 2.5 billion** be deducted from the development budget of the Judiciary of which Ksh. 1 billion is GoK funded and Ksh. 1.5 billion is donor

funded on account that they will not be able to absorb these funds by December.

- **That Ksh. 500 million** be deducted from the National Justice for Restorative Fund
- **That, Ksh. 100 million** be deducted from the establishment of disease free zones in Bachuma
- **That, Ksh. 400 million** be deducted from the funds for development of leather industrial park at Kenanie, Athi River in the state department for industry
- **That, Ksh. 200 million** be deducted from the development of Kajiado Leather Factory in the state department for industry
- **That, Ksh. 600 million** be deducted from the planning, policy, coordination and support services in the state department for interior
- **That, Ksh. 600 million** be deducted from the National secure communication and surveillance system development project in the state department for interior
- **That, Ksh. 20 million** be deducted from the office of the presidency headquarters, planning, policy coordination and support services programme
- **That, Ksh. 500 million** be deducted from the Lake Basin Development Authority in the State Department for Devolution

Additions

- **That, Ksh. 200 Million** be allocated to the Northern Water Service Board to initiate government funded water harvesting projects to improve access to safe water in the northern dry areas.
- **That, Ksh. 800 million** be allocated to the water and sewerage infrastructure development programme for the regeneration of Nairobi River.
- **That, Ksh. 50 million** be allocated to Tanathi Water Service Board as an additional funding towards the rehabilitation of the Nolturesh Water supply under the water and sewerage infrastructure development programme.
- **That, Ksh. 40 million** be allocated to Lake Victoria South Water Service Board as an additional funding for the Water Harvesting Programme under the Water and Sewerage Infrastructure Development programme.
- **That, Ksh. 10.1 million** be allocated to the General Administration Planning and support services Programme in the state department for labour towards the payment of pending bills.

- **That, Ksh. 100 million** be allocated to the National Safety Net Programme to facilitate operationalization of the 290 constituency social assistance committees.
- **That, Ksh. 200 million** be allocated to the Social Development and Children Services Programme to enhance the budgetary allocation to the child welfare society of Kenya to support orphanages and vulnerable children.
- **That, Ksh. 145 million** be allocated to the National Government Affirmative Action Fund in the State Department for Gender.
- **That, Ksh. 100 million** be allocated to the Technical and Vocational Education Training Authority (TVETA)
- **That, Ksh. 100 million** be allocated to the National Council for Nomadic Education (NACONEK)
- **That, Ksh. 500 million** be allocated to the recurrent budget of the University of Nairobi
- **That, Ksh. 100 million** be allocated to the recurrent budget of Kenyatta University
- **That, Ksh. 100 million** be allocated to the recurrent budget of Moi University
- **That, Ksh. 100 million** be allocated to the recurrent budget of Jomo Kenyatta University of Agriculture and Technology
- **That, Ksh. 5.4 million** be allocated to the development budget of Muranga University College
- **That, Ksh. 200 million** be allocated to the Teachers Service Commission for the leasing of vehicles.
- **That, Ksh. 1.5 billion** be allocated to the State Department for Petroleum for the Mwananchi LPG gas cylinders project
- **That, Ksh. 1 billion** be allocated for the last mile connectivity
- **That, Ksh. 1 billion** be allocated for electrification of public facilities and installation of transformers in constituencies
- **That, Ksh. 4 billion** be allocated to KETRACO under the Ministry of Energy for land compensation
- **That, Ksh. 3.8 billion** be allocated to the National Government Constituency Development Fund
- **That, Ksh. 1.8 billion** be allocated to the State Department for planning to cater for the finalization of the mapping and other preparatory activities for the 2019 census

- **That, Ksh. 12 million** be allocated to the Commission on Revenue Allocation for Public Financial Management
- **That, Ksh. 1.25 billion** be allocated towards the strategic initiatives for the Big Four Agenda under the sub programme budget formulation, coordination and management in the Public Financial Management Programme
- **That,** the salaries and remuneration commission be allocated Ksh. 15.6 million for compensation to employees; Ksh. 3.04 million for domestic travel and Ksh. 3.5 million for insurance costs
- **That, Ksh.400 million** be allocated to the Konza complex to complete the project
- **That, Ksh. 12 million** be allocated for capacity building on legislative drafting and review for the counties
- **That, Ksh. 75 million** be allocated to the Ethics and anticorruption Commission of which Ksh. 25 million is for the acquisition of headquarters and Ksh. 50 million is for operating expenses.
- **That, Ksh. 45.4 million** be allocated to the witness Protection Agency for the recruitment of additional staff
- **That, Ksh. 15 million** be allocated to the Commission on Administration of Justice for the recruitment of ten (10) additional staff
- **That, Ksh. 3.6 million** be allocated to the Kenya National Commission on Human Rights (KNCHR) for the settlement of pending bills
- **That, Ksh. 85 million** be allocated to the Kenya Meat Commission for the settlement of pending bills owed to farmers
- **That, Ksh. 15 million** be allocated to the directorate of policy regulation and research in the programme of general administration, planning and support services under the State Department of Livestock
- **That, Ksh. 40 million** be allocated to the state department of investment and industry for the completion of infrastructure project at the Kenya Industrial Training Institute (KITI)
- **That, Ksh. 420 million** be allocated to the state department of investment and industry for the development of the Athi River Textile Hub
- **That, Ksh. 570 million** be allocated towards construction of sub-county headquarters in the state department for interior
- **That, Ksh. 30 million** be allocated towards construction of police housing in the state department for interior

- **That, Ksh. 200 million** be allocated to the office of the Deputy Inspector General, Kenya Police for security operations under sub-programme, Kenya Police services, Policing Services Programme
- **That, Ksh. 100 million** be allocated to the sub-programme criminal investigation services, policing services programme
- **That, Ksh. 20 million** be allocated towards compensation of owners of plots taken over by government to build government offices at the Embu North district Headquarters.
- **That, Ksh. 200 million** be allocated to NACADA to cater for shortfall in their operations and maintenance under planning, policy coordination and support services
- **That, Ksh. 100 million** be allocated to the sub-programme Human Resource Management under the Programme National Police Service Human Resource Management to set up 8 counseling units for the police in the National Police Service Commission
- **That, Ksh. 150 million** be allocated to the Nyayo stadium to purchase seats and for completion of the stadium.
- **That, Ksh. 40 million** be allocated for the rehabilitation and upgrade of the Tom Mboya memorial
- **That, Ksh. 8.7 billion** be allocated to the state department for infrastructure for the infrastructure rehabilitation following the damage caused by floods
- **That, Ksh. 500 million** be allocated to the Office of the director of public prosecution for operations.
- **That, Ksh. 500 million** be allocated to the National Intelligence Service for joint resource mapping.
- **That, Ksh. 300 million** be allocated to the National Treasury for financial reporting
- **That, Ksh. 1 billion** be allocated to the Office of the Auditor General to cater for personnel emoluments (Ksh. 250 million), outsourcing of audits and other consultancies (Ksh. 300 million) and development (Ksh. 450 million). The additional development allocation will be as follows: for consultancies for Public Private Partnership (PPP) for designing and preliminaries for the construction of OAG headquarters at upper hill Nairobi (Ksh. 280 million), construction of Kakamega hub office (Ksh. 40 million), construction of

Eldoret Hub Office (Ksh. 56 million) and construction of Embu Hub Office (Ksh. 74 million).

Allocation for Parliament

- **That, the budget allocation for the parliament for 2018/19 be Ksh. 37.579 billion.**
- **That, Ksh. 500 million for Monitoring and Evaluation be reflected under the State Department for Planning.**

Allocation for the Judiciary

- **That, the budget allocation for the Judiciary for 2018/19 be Ksh. 15.168 billion.**

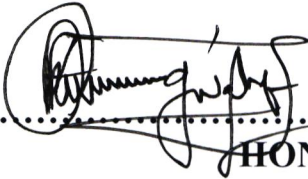
6) Further, the committee recommends that this House resolves:

- a) Approve the Report and the recommendations of the Budget and Appropriations Committee on the Budget Estimates for the National Government, the Judiciary and Parliament for Financial Year 2018/2019.
- b) Approve that Schedule I attached to this report forms the basis of the Appropriation Act 2018/2019.
- c) Approve that the National Treasury finalizes the required budget documents as per the Public Finance Management Act on detailed estimates and in addition, ensure that the approved appropriation bill will be line with the reorganized structure of government as per the Executive Order.

MIN BAC /29 /2018/04: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 11.00 a.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

05/6/18

.....
DATE

MINUTES OF THE 28 MEETING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON 31TH MAY 2018, AT THE BOMA HOTEL, NDOVU HALL NAIROBI, AT 9.30 AM

PRESENT

- 1) **Hon. Kimani Ichung'wah, M.P. - Chairman**
- 2) **Hon. Moses Lessonet, M.P**
- 3) Hon. Millie Odhiambo, M.P
- 4) Hon. (CPA) John Mbadi, M.P.
- 5) Hon. James Gakuya, M.P.
- 6) Hon. (Dr.) Makali Mulu, M.P.
- 7) Hon. (Dr.) Korei Ole Lemein, M.P.
- 8) Hon. Fatuma Gedi Ali, M.P.
- 9) Hon. Florence Chepngetich Koskey, M.P.
- 10) Hon. Paul Abuor, M.P.
- 11) Hon. Richard Onyonka, M.P.
- 12) Hon. Danson Mwashako, M.P
- 13) Hon. Benard Masaka Shinali, M.P
- 14) Hon. Mark Nyamita, M.P.
- 15) Hon. Ruth Wangari Mwaniki, M.P.
- 16) Hon. Samwel Moroto, M.P.
- 17) Hon. (Dr.). Gedion Ochanda, M.P.
- 18) Hon. James Gichuki Mugambi, M.P.
- 19) Hon. Naisula Lesuuda, M.P
- 20) Hon. Christopher Wangaya Aseka , M.P

ABSENT WITH APOLOGY

- 1) Hon. Moses Kiarie Kuria, M.P
- 2) Hon. Badi Twalib Badi, M.P.
- 3) Hon. Jude Njomo, M.P.
- 4) Hon. John Muchiri Nyaga, M.P
- 5) Hon. Sarah Paulata Korere, M.P.
- 6) Hon. (Dr.) John K. Mutunga, M.P.
- 7) Hon. Qalicha Gufu Wario, M.P.

COMMITTEE CHAIRS PRESENT

- 1) Hon. David Pkosing, MP – Chairperson Departmental Committee on Transport, Public Works and Housing

PARLIAMENTARY BUDGET OFFICE / COMMITTEE SECRETARIAT

- 1) Ms. Phyllis Makau (OGW) - Director
- 2) Mr. Robert Nyaga – Deputy Director
- 3) Mr. Joseph Ndirangu - Clerk/Fiscal Analyst
- 4) Ms. Lucy Makara - Chief Fiscal Analyst
- 5) Ms. Millicent Makina - Fiscal Analyst
- 6) Mr. Danson Kachumbo – Fiscal Analyst
- 7) Mr. James Chacha - Fiscal Analyst
- 8) Mr. Joram Barasa - Support Staff
- 9) Mr. Benard Omondi - Serjent-At-Arms
- 10) Mr. Elijah Ichwara - Audio Officer

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation of the previous minutes
- 3) Consideration of Reports from Departmental Committees
- 4) A.O.B & Adjournment

MIN BAC/28/2018/01: PRELIMINARY & ADOPTION OF THE AGENDA

The Chair welcomed the members into the meeting and called the meeting to order at 3:00 P.M. and led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting and called upon Chairperson for Transport, Public Works and Housing to resubmit the Committee report on the FY 2018/19 Budget Estimates, there after the Budget and Appropriations Committee would make its pronouncements on all the Departmental Recommendations for inclusion in the report.

MIN BAC /28/2018/02: CONFIRMATION OF THE PREVIOUS MINUTES

No minutes were confirmed

MIN BAC/28/2018/03: CONSIDERATION OF THE REPORT BY THE DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING

The Chairperson of Chairperson of the Departmental Committee on Transport, Public Works and Housing informed Committee, that;

- i. The proposed allocations for roads in the 2018/19 development budget estimates will only service one milestone under the low volume seal roads program instead of the two milestones per year per project for the milestone based projects (Low Volume Seal Roads). The total

awarded milestone projects amounts to 6100 Km. In this regard, the total expected milestones to be delivered in 2018/19 is 1200 Km which will require Ksh. 48 billion against an allocation of Kshs.25 billion for Low Volume Seal Roads (LVSR) therefore translating to a shortfall of Kshs.23 billion. The Chair further informed that Committee that the LVSR roads advertised and not awarded due to lack of budget has an estimated cost of Kshs.120 billion. These projects will require a 10% advance payment amounting to Kshs.12 billion in the 2018/19 Financial Year.

ii. Further, the Chair outlined the set of pending bills, critical roads damaged by recent floods and an estimate of budgetary deficit for planned infrastructure by the Ministry. The Chair informed the Committee that pending bills occur as a result of inadequate budgetary provision against a portfolio of projects under implementation. The pending bills account for certified works done. The Committee was informed that the total pending bills as at 30th April 2018 amounted to Kshs. 23.741 billion which is broken down as follows:

a. KeNHA.....	Kshs.13.762 Billion
b. KeRRA.....	Kshs.6.044 Billion
c. KURRA.....	Kshs. 3.935 billion
<i>Total</i>	<i>Kshs.23.741 billion</i>

iii. The Chairperson further noted that recent floods had damaged critical roads and bridges connecting towns, social amenities, and health facilities and trading centers across the country. Floods were reported in the entire country, thus affecting all constituencies. The State Département made an assessment and costed emergency repairs at Kshs.18.779 billion broken down as follows; KeRRA – Ksh. 11.040 billion, KeNHA – Ksh. 3.111 billion, KURA - Kshs. 4.628 billion. The chair however observed that these expected budgetary requirements were not factored in the budget despite the fact that this requires emergency intervention to bring the country back to infrastructural normalcy.

iv. Finally, the Chair outlined that the Ministry’s budget shortfall is worth Kshs. 115 billion broken down as follows; Awarded Low Volume Seal Roads KSh, 23 billion, Advertised but not awarded – Ksh.12 billion, Conventional projects (KeNHA, KURA) – Ksh.39 billion, Flood Damaged – Ksh.18 billion, and pending bills – Ksh. 23 billion.

Committee Recommendations

The Chairperson presented to the Committee the recommendations put forth by the Departmental Committee on the estimates. The recommendations are as follows:

- i. That the National Treasury should float an infrastructure bond of Ksh. 200 billion secured against the Fuel Levy funds or any other source that the National Treasury and Budget and Appropriations Committee may deem fit to fund the deficits if it's not proposed infrastructure bonds.
- ii. That Ksh. 18 billion should be transferred from the annuity fund to finance the flood damaged roads and the same be refunded back to the fund after floatation of Ksh. 200 billion bond. The balance of the bond to be used to finance the deficit of the Ksh. 115 billion and completion of the remaining 1,000 KM new roads to achieve the 10,000 KMs target.
- iii. That out of the Ksh. 18 billion for flood damaged roads Ksh. 8.7 billion will be distributed equally to the 290 constituencies, with each constituency receiving Ksh. 30 million to repair flood damaged roads.
- iv. That all State corporations, State Authorities and State regulatory bodies that generate revenue should declare that revenue as AIA. That way, that revenue is captured in the budget and approved by national assembly. This is as a result of KAA, KPA not declaring AIA revenue.
- v. That further, the Committee was informed of skewness in the distribution of roads. In particular, some regions have major roads ongoing or under repair while others had limited roads under construction. Thus, the Committee was informed of should be a review of the road development resource allocation criteria in order to guarantee fair distribution of roads. Further, it was noted that some roads had become "cash cows" whereby roads are always under construction or repair implying lack of consultation with relevant stakeholders. Finally, from the list of roads provided, there are roads that have been allocated funds for FY 2018/19 without initial costing of the projects.

MIN BAC/28/2018/04: BUDGET AND APPROPRIATIONS COMMITTEE FINAL DECREASES AND INCREASES

The Committee considered a list of all budgetary requests from all the Departmental Committees, Parliamentary Service Commission and Auditor General. The following table highlights the key

proposals from various Committees comprising of proposed budgetary reallocations, increases and decreases.

<u>COMMITTEE</u>	<u>DECREASE (KSh.)</u>	<u>FROM</u>	<u>INCREASE (KSh.)</u>	<u>TO</u>
Lands	15,214,997.00	Foreign travel in Land Administration and Management Program, vote 2021 National Land Commission (Recurrent)	15,214,997.00	Land Policy and Planning Program of the Ministry of Lands and Physical Planning County Land Office – to cater for allowances for the Land Control Board
Environment & Natural Resources	150,000,000.00	School Greening Program	110,000,000.00	Nairobi City regeneration under the water and sewerage infrastructure development Program.
	50,000,000.00	Athi River Restoration Program under the Water Resource Management Program	40,000,000.00	Lake Victoria South Water Service Board as an additional funding for the Water Harvesting Program under the Water and Sewerage Infrastructure Development
			50,000,000.00	Tana-Athi Water Service Board as an additional funding towards the rehabilitation of the Nolturesh Water Supply under the Water and Sewerage Infrastructure Development Program.
	100,000,000.00	School Greening Program		
	100,000,000.00	from the Community Livelihood Improvement Program (CLIP) under the Forests and Water Towers Conservation Program	100,000,000.00	to Urban Rivers Rehabilitation Project under the Environment Management and Protection Program
	50,000,000.00	Mitigation and Management of Soil Loss under the Forests and Water Towers	100,000,000.00	Nairobi River Rehabilitation Project under the Environment Management and

<u>COMMITTEE</u>	<u>DECREASE</u> <u>(KSh.)</u>	<u>FROM</u>	<u>INCREASE</u> <u>(KSh.)</u>	<u>TO</u>
		Conservation Program		Protection Program
			50,000,000.00	Nairobi River Rehabilitation Project under the Environment Management and Protection Program
Labor & Social Welfare			10,000,000.00	Pending Bills
			100,000,000.00	National Safety Net Program to facilitate the operationalization of the 290 Constituency Social Assistance Committees
			200,000,000.00	Social Development and Children Services Program to enhance the budgetary allocation to the Child Welfare Society of Kenya to support Orphanages and Vulnerable Children outside households.
			145,000,000.00	National Government Affirmative Action
Education & Research	215,425,797	non-core spending (domestic travel, foreign travel and hospitality services)	100,000,000.00	Technical and Vocational Education Training Authority (TVETA)
	300,000,000.00	school feeding program	100,000,000.00	to the National Council for Nomadic Education (NACONEK)
	560,000,000.00	Secondary School infrastructure	500,000,000.00	University of Nairobi
	50,000,000.00	Egerton	50,000,000.00	Rongo University
			100,000,000.00	Kenyatta University
			100,000,000.00	Moi University
			100,000,000.00	Jomo Kenyatta University of Agriculture & Technology
			5,400,000.00	Muranga University
				Teachers Service

<u>COMMITTEE</u>	<u>DECREASE</u> <u>(KSh.)</u>	<u>FROM</u>	<u>INCREASE</u> <u>(KSh.)</u>	<u>TO</u>
			200,000,000.00	Commission
Finance & National Planning	5,000,000,000.0	Pensions Department	3,800,000,000.00	NGCDF to cater for the shortfall
	828,000,000.00	from the sub-vote 1071007401 (Kenya Revenue Authority	1,200,000,000.00	Mapping and other preparatory activities for the 2019 Census
	12,000,000.00	sub-vote Headquarters (vote: 1071001901) on Domestic travel and subsistence and other transportation costs	600,000,000.00	finalization of the Mapping and other preparatory activities for the 2019 Census.
			15,607,720.00	SRC - Compensation for Employees
			3,035,833.00	SRC- Domestic Travel
			3,500,000.00	SRC - Insurance Cost
Defense & Foreign Relations			2,000,000,000.00	Military Modernization
Communication, Information & Innovation	100,000,000.00	ICT shared services	100,000,000.00	Konza Technopolis Development Authority, for the payment of salaries and the advertisement costs in marketing of Konza.
	100,000,000.00	ICT shared services	100,000,000.00	Media Council of Kenya for payment of salaries and wages of employees
	200,000,000.00	Consultancies (MDP2	200,000,000.00	Konza Complex-Headquarters for the accumulated pending bills in the project.
Justice & Legal Affairs	100,000,000.00	JSC - on account of lack of justification	25,000,000.00	Ethics and Anti-Corruption Commission - completions of the acquisition of headquarters
	500,000,000.00	Attorney General - National Justice for Restorative Fund	45,400,000.00	WPA recruitment of an additional staff
				Directorate of Public

<u>COMMITTEE</u>	<u>DECREASE</u> <u>(KSh.)</u>	<u>FROM</u>	<u>INCREASE</u> <u>(KSh.)</u>	<u>TO</u>
			191,000,000.00	Prosecution
			149,000,000.00	Directorate of Public Prosecution
			15,000,000.00	recruitment of additional ten (10) staff - Commission on Administration of Justice
			3,600,000.00	(KNCHR) - for settling of a pending bill of Kshs 3.6 million
Health	320,000,000.00	Slum upgrading project	320,000,000.00	rehabilitation and improvement of infrastructure in the Kenya Medical Training Colleges (KMTC's) across the country.
Agriculture & Livestock	100,000,000.00	Establishment of disease free zones in Bachuma	85,000,000.00	Kenya Meat Commission for the settling of pending bills
			15,000,000.00	Program of general administration, planning and support services specifically to the Directorate of Policy Regulation and Research.
Trade, Industry & Cooperatives	2,000,000,000.0	Acquisition of land for industrial park in Naivasha	40,000,000.00	completion of infrastructure project at Kenya Industrial Training Institute (KITI)
	400,000,000.00	Development of leather industrial park at Kenanie, Athi River	420,000,000.00	development of Athi-River Textile Hub
	700,000,000.00	Provision of credit to SMEs in Manufacturing sector (KIE)		
	600,000,000.00	Research Technology Innovation and Laboratory for KIRDI		
	30,000,000.00	KCC	30,000,000.00	SASRA
Administration & National Security	300,000,000.00	program Planning, Policy Coordination and Support Services	570,000,000.00	towards construction of sub-county Headquarters

<u>COMMITTEE</u>	<u>DECREASE</u> <u>(KSh.)</u>	<u>FROM</u>	<u>INCREASE</u> <u>(KSh.)</u>	<u>TO</u>
	600,000,000.00	National Secure Communication and Surveillance System development project	30,000,000.00	construction of Police Housing
	300,000,000.00	program Planning, Policy Coordination and Support Services	200,000,000.00	Deputy Inspector General, Kenya Police for Security
	20,000,000.00	presidency Headquarters, Planning, Policy Coordination and Support Services	100,000,000.00	Criminal Investigation Services, Policing Services Program.
			20,000,000.00	owners of plots taken over by the Government to build Government Offices at the Embu North District Headquarters
			200,000,000.00	NACADA shortfall in their Operations and Maintenance under Planning, Policy Coordination and Support Services
			100,000,000.00	Human Resource Management under the Program National Police Service Human Resource Management to set up 8 Counseling units for the Police.
Sports, Culture & Tourism	26,000,000.00	Tourism recovery	26,000,000.00	Ronald Ngala Utalii college.
	200,000,000.00	Mama Ngina Waterfront Development	200,000,000.00	Ushanga Kenya Initiative
	100,000,000.00	'Improve Tourism Institutional framework'	100,000,000.00	Ushanga Kenya Initiative
	100,000,000.00	Nairobi Railway Museum	100,000,000.00	Ushanga Kenya Initiative
Approximate Movements	14,226,640,794		13,182,758,550	1,043,882,244
			Excess	(1,043,882,244.00)

MIN BAC/28/2018/6: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matter to consider, the meeting was adjourned till Tuesday, 5th June, 2018 at 9:30 AM.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

05/6/18

.....
DATE

**MINUTES OF THE 27 MEETING OF THE BUDGET AND APPROPRIATIONS
COMMITTEE HELD ON 30TH MAY 2018, AT THE BOMA HOTEL, NDOVU HALL
NAIROBI, AT 3.00 PM**

PRESENT

- 1) **Hon. Kimani Ichung'wah, M.P. - Chairman**
- 2) **Hon. Moses Lessonet, M.P**
- 3) Hon. Millie Odhiambo, M.P
- 4) Hon. (CPA) John Mbadi, M.P.
- 5) Hon. James Gakuya, M.P.
- 6) Hon. (Dr.) Makali Mulu, M.P.
- 7) Hon. Jude Njomo, M.P.
- 8) Hon. (Dr.) Korei Ole Lemein, M.P.
- 9) Hon. Fatuma Gedi Ali, M.P.
- 10) Hon. Florence Chepngetich Koskey, M.P.
- 11) Hon. Paul Abuor, M.P.
- 12) Hon. Qalicha Gufu Wario, M.P.
- 13) Hon. John Muchiri Nyaga, M.P
- 14) Hon. Richard Onyonka, M.P.
- 15) Hon. Danson Mwashako, M.P
- 16) Hon. Benard Masaka Shinali, M.P
- 17) Hon. Sarah Paulata Korere, M.P.
- 18) Hon. (Dr.) John K. Mutunga, M.P.
- 19) Hon. Mark Nyamita, M.P.
- 20) Hon. Ruth Wangari Mwaniki, M.P.
- 21) Hon. Samwel Moroto, M.P.
- 22) Hon. (Dr.). Gedion Ochanda, M.P.
- 23) Hon. James Gichuki Mugambi, M.P.
- 24) Hon. Naisula Lesuuda, M.P
- 25) Hon. Christopher Wangaya Aseka , M.P

ABSENT WITH APOLOGY

- 1) Hon. Moses Kiarie Kuria, M.P
- 2) Hon. Badi Twalib Badi, M.P.

COMMITTEE CHAIRS PRESENT

- 1) Hon. (Dr.) Victor Munyalla, MP – Chairperson Departmental committee on Sports, Culture & Tourism
- 2) Hon. Dan Wanyama, MP – Member of the Departmental committee on Sports, Culture & Tourism

INVITED MEMBERS AND STAFF OF THE PARLIAMENTARY SERVICE COMMISSION

- 1) **Hon. (Dr.) Naomi Shaban, MP – Vice Chair to the Parliamentary Service Commission**
- 2) Hon. Adan Keynan, MP– Commissioner to the Parliamentary Service Commission
- 3) Sen. Aaron Cheruiyot – Commissioner to the Parliamentary Service Commission
- 4) Mr. Jeremiah M. Nyengenyenge – Clerk of The Senate and Secretary to the Parliamentary Service Commission
- 5) Mr. Michael Sialai – Clerk of the National Assembly
- 6) Dr. George Wakah – Director of Finance
- 7) Mr. Anthony Njoroge – Director Litigation, Parliamentary Service Commission
- 8) Mr. Irungu Kigundu – Deputy Director of Finance
- 9) Ms. Sheda Faryd - Secretariat to Parliamentary Service Commission
- 10) Ms. Veronicah Kibati – Secretariat to Parliamentary Service Commission
- 11) Mr. Perter Mwangangi –Secretariat to the Parliamentary Service Commission

INVITED MEMBERS OF THE NATIONAL TREASURY

- 1) **Mr. Henry Rotich - Cabinet Secretary for the National Treasury**
- 2) Mr. Melson Gachuhie – Chief Administrative Secretary to the National Treasury
- 3) Mr. Kamau Thuge – Permanent Secretary for the National Treasury
- 4) Mr. Francis Anyona
- 5) Ms. Eunice Kigei
- 6) Ms. Judith Nyakawa
- 7) Mr. Geoffrey Mwau
- 8) Mr. Jackson Kinyanjui
- 9) Mr. Shem Nyakutu
- 10) Ms. Isabella Kogei
- 11) Mr. Bernard Kibet
- 12) Mr. Musa Kathanje
- 13) Mr. Kennedy Ondieki
- 14) Mr. Daniel Ndolo
- 15) Mr. Samuel Kiiru
- 16) Mr. John k Njera
- 17) Mr. Maurice Pedo
- 18) Mr. Francis Amuyunzu

PARLIAMENTARY BUDGET OFFICE / COMMITTEE SECRETARIAT

- 1) Ms. Phyllis Makau (OGW) - Director
- 2) Mr. Robert Nyaga – Deputy Director
- 3) Mr. Joseph Ndirangu - Clerk/Fiscal Analyst
- 4) Ms. Lucy Makara - Chief Fiscal Analyst

- 5) Ms. Millicent Makina - Fiscal Analyst
- 6) Mr. Danson Kachumbo – Fiscal Analyst
- 7) Mr. James Chacha - Fiscal Analyst
- 8) Mr. Joram Barasa - Support Staff
- 9) Mr. Benard Omondi - Serjent-At-Arms
- 10) Mr. Elijah Ichwara - Audio Officer

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation of the previous minutes
- 3) Consideration of Reports from Departmental Committees
- 4) A.O.B & Adjournment

MIN BAC/27/2018/01: PRELIMINARY /ADOPTION OF THE AGENDA

The Chair welcomed the members into the meeting and called the meeting to order at 3:00 P.M. Thereafter, Hon. John Badi, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting and called upon Chairperson for Sports, Culture & Tourism to resubmit the Committee report on the FY 2018/19 Budget Estimates, followed by submissions from the Cabinet Secretary for the National Treasury to present their submissions.

MIN BAC /27/2018/02: CONFIRMATION OF THE PREVIOUS MINUTES

No minutes were confirmed

MIN BAC/27/2018/03: CONSIDERATION OF THE REPORT BY THE DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND TOURISM

The Chairperson informed the Committee;

That, the Ministry of Tourism and wildlife;

- i. Has pending bills worth Ksh. 1.596 billion as at 31st March, 2018.
- ii. The Cabinet had unlocked the Tourism Fund established under the Kenya Airport Authority to allow the tourism sector benefit from the funding. The fund had accumulated up to Kshs. 6 billion by March, 2018 and would be utilized to financing gaps in the tourism sector.
- iii. The name of the Bomas International Convention and Exhibition Centre had been changed to Nairobi Conventional and Exhibition Centre.
- iv. A special report on the Implementation of the Tourism Fund's Ronald Ngala Utalii College Project in Kilifi County by the Public Investment Committee had recommended that all parties involved in the project, work together to ensure the successful implementation of the project.

Under the State Department for Heritage, the Chairperson stated as follows;

- i. The allocation to the State Department was below the resource requirements and could hamper the implementation of programs in the state department.
- ii. Inadequate financing and delayed budget release had caused under-achievement of planned targets by the state department.
- iii. Inadequate funding and untimely release of funds from the exchequer account had caused accumulation of pending bills.
- iv. The state department had over 80 % of staff who were due for retirement in the next four years.
- v. The State Department has a historical pending bill of Ksh. 452,650,160 as a result of unpaid pension arrears and a further Ksh. 61,330,606 as merchant and obligatory bills under the National Museums of Kenya.
- vi. The Construction of an ultra-modern National Library was to be completed in November 2018; however, this may not be achieved due to persistent budget cuts that have led to accumulation of pending bills.

Under the State Department for Sports, the Chairperson informed the Committee as follows;

- i. The State Department had suffered serious budget cuts in the financial year 2017/18 especially for the development expenditure.
- ii. That the State Department had accumulated up to Ksh. 1,119 million as pending bills in relation to pending certificates for completed works on both African National Championships (CHAN) and regional stadia projects. This was attributed to inadequate budgetary provisions and budget cuts during the year under review.
- iii. Most projects had not been completed due to financing delays as well as inadequate funding.
- iv. There were pending cash awards of Ksh. 147 million meant for athletes that had not been honored.
- v. The project 'stadia infrastructural upgrading and development' had not been funded in the financial year 2017/18, despite the fact that most works were ongoing at the various stadia.
- vi. The operationalization of the National Sports Lottery would in the long run help in curbing the financing gaps in the state department. The project requires a one-off allocation of about Kshs. 600 million so as to be operationalized.

- vii. There were several international competitions that were coming up in the financial year 2018/19 onwards and these required additional funding to enable Kenyan teams participate in the competitions.

The Chair presented to the Committee key policy and financial recommendations put forward by the Departmental Committee:

Recommendations on the Ministry of Tourism and Wildlife, were as follows;

- i. Tourism sector was key a foreign exchange earner, an enabler in the attainment of the government Big Four Priority Agenda, and therefore needed greater investment in order to realize the unexploited potential. The National Treasury needs to consult widely with the State Department of Tourism throughout the budget cycle and before effecting any budget cuts, as random budgetary cuts could seriously hamper the priority programs and operations of the department.
- ii. The State Department of Tourism needs to evaluate its costing estimates when mapping out its priority projects as when resources needs do not match projected revenues, budget cuts are inevitable.
- iii. There was need for the Ministry to fast track the establishment of a regulatory framework to operationalize the tourism transformation fund. This would address the financing gaps currently experienced.
- iv. There is need for the National Treasury to disburse funds to the Ministry in timely basis. This would enhance the performance of the sector and implementation of programs in time.
- v. The State Department of Tourism should endeavor to undertake proper feasibility studies before undertaking any new projects and before implementing these projects.
- vi. There is urgent need for completion of the Ronald Ngala Utalii College to adhere to the recommendations of the Public Investments Committee.
- vii. Ksh. 26 million be reallocated from Tourism recovery and allocated to Ronald Ngala Utalii College.
- viii. That Ksh. 200 million be reallocated from Mama Water Front Development to the Ushanga Kenya Initiative
- ix. Further, reallocate Ksh. 100 million from the project 'Improve Tourism Institutional framework' and allocate it to the Ushanga Kenya Initiative
- x. Reallocate Ksh. 100 million from the Nairobi Railway Museum and allocate this to the Ushanga Kenya Initiative.

- xii. That the the National Treasury allocates Ksh. 1.596 billion to cater for the accumulated pending bills that have accumulated in the Ministry

Under the State Department for Heritage, The Chairperson presented the following recommendations, that;

- i. There is need for the National Treasury to disburse funds to the State Department in time to reduce accumulation of pending bills.
- ii. The State Department should involve the Public Service Commission in order to recruit and employ new staff.
- iii. The state department had a shortage of 854 technical staff and this hampered the service delivery in the Department.
- iv. There is need to fully implement the recommendations of the report of the Public Accounts Committee for the Financial Year 2013/14, and that of the Public Investments Committee contained in the 20th and 21st Reports.
- v. There is need for the National Treasury to allocate Ksh. 452,650,160 to cater for the unpaid pension arrears and a further Ksh. 61,330,606 to cater for merchant and obligatory bills under the National Museums of Kenya
- vi. There is need for the National Treasury to allocate Ksh. 25 million to facilitate recruitment and employment of new staff in the current financial year.
- vii. There is need for the National Treasury to allocate to the State department and additional Ksh. 1,052 million to cater for recurrent expenditure.
- viii. There is need to increase the development allocation to the state department by Ksh. 560 million; out of which Ksh. 448 million towards accumulated pending bills at the construction of an ultra-modern national library; to rehabilitate and upgrade the Tom Mboya Memorial, Kapenguria six Facility/Museum, Lokitaung Memorial and the Maralal Kenyatta House, at a cost of Ksh. 40 million, Ksh. 40 million, Ksh. 16 million and Ksh. 16 million, respectively.

Under the State Department for Sports, the Chairperson presented the following recommendations to the Committee, that;

- i. There is need for the National Treasury to consult widely with the state department before effecting any budgetary cuts.
- ii. There is need to revamp the sports sector by increasing budgetary allocation to the Department.

- iii. *On CHAN projects:* There is need for the National Treasury to allocate Kshs 2.354 billion to cater for the accumulated pending Bills of Ksh. 1.119 billion arising from the pending certificates and Ksh. 1.235 billion to cater for works in progress, respectively.
- iv. *National Sports Lottery:* There is need for the National Treasury to increase the allocation by Ksh. 530.4 million. This would fully operationalize the lottery.
- v. *Regional Stadia:* There is need for the National Treasury to allocate Ksh. 33.4 million to cater for pending bills that have accumulated from works completed at the Kamariny Stadium (Elgeyo- Marakwet County) of Ksh. 22.6 million and the Kipchoge Stadium of Ksh. 10.7 million.
- vi. There is need for the National Treasury to increase the allocation to the refurbishment of the regional stadia by Ksh. 844 million.
- vii. Cash Awards: there is need for the National Treasury to allocate Ksh. 147 million to be used to pay off the pending honors to athletes which dates back to the year 2010.

MIN BAC/27/2018/04: SUBMISSIONS FROM THE NATIONAL TREASURY AND PLANNING

- i. The Cabinet Secretary informed the Committee that the National Treasury was grateful for being invited to discuss the details of the proposed budget programs for the FY 2018/19 and the medium term.
- ii. The Cabinet Secretary proceeded to inform the Committee of the key principles and macroeconomic framework underlying the estimates of revenue and expenditure for 2018/19 financial year. On the macroeconomic front, the Cabinet Secretary noted that the output of global economy is estimated to grow by 3.8% in 2017 from 3.2% in 2016 and is expected to reach 3.9% in 2018/19 on the backdrop favorable market sentiment, accommodative financial conditions and effects for expansionary fiscal policy in the USA.
- iii. The Committee was further informed that the Kenyan economy had grown at an average of 5.3% between 2013 and 2017 outstripping the average growth rate of 4.7% between 2008 and 2012. This however slowed down to 4.9% in 2017, from 5.9% in 2016, mainly on account of drought, weak credit growth, security concerns, pick-up in oil prices and uncertainty relating to prolonged electoral period.
- iv. For the FY 2018/19 the economy is projected to recover and grow at 5.9% and reach 7% over the medium term premised on the basis of relatively high rainfall that will drive agricultural growth, and investment in strategic areas of the big four agenda.

- v. Further, the Committee was informed that National Treasury continues to pursue fiscal consolidation policy aimed at reducing the overall fiscal deficit and debt accumulation. In this regard therefore, the government forecasts a growth rate of 5.9% for FY 2018/19 and 7% in the medium-term. This will be based on stable inflation rate of 5% (± 2.5), low and stable interest rates, and exchange rate stability for export competitiveness.
- vi. Revenue growth is expected to reach 19.8% of Gross Domestic Product (GDP) in FY 2018/19, 19.2% in FY 2020/21, up from 18.3% in FY 2016/17. Overall expenditures will from 27.6% of GDP in FY 2016/17, to 26% in 2018/19 and stabilize at 23% in FY 2020. The overall deficit, consequently, is expected to decline from 9.1% of GDP I FY 2016/17 to 5.8% in FY 2018/19 and stabilize around 3% in FY 2021/22.

On revenue and expenditure projections for FY 2018/19, the committee was informed that;

- i. Total revenue for FY 2018/19 are projected at 1.923 trillion (19.2% of GDP) of which ordinary revenues estimated at 1.743 trillion (17.8% of GDP) greatly under pinned by on-going reforms in tax and customs administration.
- ii. The government is committed to a sustainable fiscal policy path that would grow revenues progressively while gradually reducing non-priority expenditures in order to narrow the fiscal deficit to 3% over the medium term.
- iii. the overall expenditures are projected at 3 trillion or 25.9% of GDP, broken down as follows,
 - a) recurrent expenditure – 1.066 trillion or 15.8% of GDP,
 - b) development expenditure – 659.9 billion or 6.2% of GDP,
 - c) consolidated fund services Ksh. 962.6 billion,
 - d) County allocation (Sharable allocation) – Ksh.314 billion.
- vii. the county allocation will also include KSh. 60.6 billion as conditional allocations to county governments, bringing the total provision for counties to Ksh. 374.6 billion

On the national fiscal deficit, the committee was informed that;

- i. the fiscal deficit in the FY 2018/19 excluding grants amount to KSh. 609.8 billion or 6.2% of GDP, and including grants at Ksh. 562.7 billion or 5.7% compared with the overall fiscal balance of 626.7 billion or 7.2% of GDP for the FY 2017/18.
- ii. The FY 2018/19 fiscal deficit will be financed by net external financing of 282.5 billion or 2.9% of GDP, net domestic borrowing of 276.1 billion or 2.8% of GDP and other net receipts of KSh. 4.2 billion.

- iii. In order to address bottlenecks that hold the economy from achieving full potential the government will focus on the Big Four plan targets which entail, value addition and raising the manufacturing sectors share of GDP to 15% by 2022. As such an example of government's effort towards industrialization, Ksh. 3.1 billion has been provided for FY 2018/19 for an industrial park with the government providing free land for the project. The government will also expand food production and supply, reduction of food prices to ensure affordability and support value addition in the food processing value chain. This has seen Ksh. 43.1 billion allocated for the FY 2018/19. The government will also provide universal healthcare coverage thereby guaranteeing quality and affordable healthcare to all Kenyans. As a result, Ksh. 44.6 billion has been allocated to support this effort. Housing is one of the primary Big Four Agendas. In this regard, the government plans to provide at least five hundred thousand affordable new houses by 2022. As such Ksh. 6.5 billion has been allocated.

On subscription to of membership to international organization and procurement of ICT equipment, the committee was informed that

- i. Budgets for all subscriptions to international organizations have been consolidated under the national treasury for ease of payment and that MDAs going forward will be required to forward the demand notes and justification for continued membership or subscription to international organizations
- ii. ICT management, provisions for IC equipment and services have been consolidated under the ministry of information, communication and technology. These will include purchase of all ICT equipment, purchase of ICT networking and communication equipment, software purchase, contracted ICT professional services
- iii. The accounting units have been reorganized to reflect the new structure of government as such new votes have been created, some programs and subprograms have been moved. As a result, Ksh. 2 billion for the national integrated identification system will be moved to the state department for interior, 4.3 billion will be redirected to the ministry of defense for ongoing military modernization program from;
 - a) 2 billion meant for acquisition of land for Naivasha Special Economic Zones Textile Park under state department for industrialization
 - b) 200 million for transfer of modern agro processing technologies under Kirdi South B
 - c) 1 billion for incubation and manufacturing centers
 - d) 700 million for constituency industrial development centers (CIDCs)

Comments on FY 2018/19 budgets for the Parliamentary Service Commission and Judiciary, the committee was informed that;

- i. To entrench prudence in the management of public resources and to enforce fiscal consolidation then the ceilings issued to the judiciary and parliament should be upheld
- ii. To promote transparency and accountability in management of public resources, budgets for parliament and judiciary should be prepared and implemented through IFMIS
- iii. To ensure that the budget estimates for outer years are rational and consistent with PFM regulations, the national treasury shall proper costing is done to maintain give ceiling

On compliance with recommendations by parliament, the committee was informed that;

- i. The recommendation to rationalize gross recurrent budget by 3% and enhance revenue measures to finance additional expenditure was challenging when non-discretionary expenditures such as salaries, rent utilities etc. are taken into account.
- ii. As a result of limited rationalization process could only net out 15.3 billion which was applied to priority areas such as Health, education, security.
- iii. The enhanced allocations to parliament and judiciary of 34.5 billion and 17.8 billion could not be financed due to tight fiscal space for the FY 2018/19 and recommended that the budgets remain a set Budget Policy Statement Ceilings

Upon further deliberation the National Treasury indicated that;

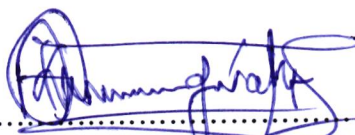
- i. The stock taking was being carried out in order to determine the necessary funding required for stalled projects and amount to be provided during the supplementary budget. These included the following projects; Establishment for subsidy for coffee farmer and ring-fencing the allocated resources, resources for revitalization of the sugar industry in order to have sustainable effect, stalled construction of several stadia, completion of training and technical institutes to capitalize on their role in manufacturing
- ii. In order to meet the revitalization costs of the sugar industry the committee was informed that the national treasury is looking into introducing supportive Sugar Industry Fund to support sugar cane farmers and contribute to by consumer levies

- iii. on piling court case awards that were a contingent liability and risk to the fiscal framework, the committee was informed that a subcommittee was created by the cabinet to review piling court case awards before payment
- iv. That the pension's payments have increased considerable leading to constraints in resource envelope as these are first charge to the consolidated fund services. In efforts to manage the wage bill all hiring has been halted, apart from critical areas such as; disciplined forces, teachers, healthcare, or with adequate justification
- v. that an assessment on the damaged caused by heavy rains on the road network in the country was being under taken and several sources of financing necessary repairs were being looked at including donor fund commitment or allocation of exchequer per constituency
- vi. only 1 billion can be disbursed from the equalization fund by the end of the financial year while the rest await the new policy from Commission for Revenue Allocation that will inform the Appropriation Bill
- vii. the coffee task force will be placed in the appropriate ministry in an executive circular to be issued in order to receive utilize any financial resources available

MIN BAC/27/2018/5: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matter to consider, the meeting was adjourned till Thursday, 31st May, 2018 at 9:30 AM.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

.....
05/6/18

DATE



**MINUTES OF 26th SITTING OF THE BUDGET AND APPROPRIATIONS
COMMITTEE HELD ON WEDNESDAY, 30th MAY 2018, IN NDOVU
CONFERENCE, BOMA HOTEL, SOUTH C AT 9.00 A.M.**

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA. John Mbadi, CBS, M.P
4. Hon. Samwel Moroto, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. James Mwangi Gakuya, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
8. Hon. Twalib Bady, M.P.
9. Hon. (Dr.) Korei Ole Lemein, M.P.
10. Hon. Jude Njomo, M.P
11. Hon. Sarah Paulata Korere, M.P.
12. Hon. Benard Masaka Shinali, M.P.
13. Hon. (Dr.) Gideon Ochanda, M.P.
14. Hon. Richard Onyonka, M.P.
15. Hon. Naisula Lesuuda, OGW M.P.
16. Hon. Fatuma Gedi Ali, M.P.
17. Hon. James Gichuki Mugambi, M.P.
18. Hon. Danson Mwashako, M.P.
19. Hon. Paul Abuor, M.P.
20. Hon. (Dr.) John K. Mutunga, M.P.
21. Hon. Christopher Wangaya Aseka, M.P
22. Hon. Florence Chepngetich Koskey, M.P.
23. Hon. John Muchiri Nyaga, M.P.
24. Hon. (Eng.) Mark Nyamita, M.P.
25. Hon. Qalicha Gufu Wario, M.P.
26. Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. Moses Kiarie Kuria, M.P.

DEPARTMENTAL COMMITTEE CHAIRPERSON

1. Hon. Sabina Chege, M.P. Chairperson, Health
2. Hon. Kanini Kega, M.P. Chairperson, Trade

PARLIAMENTARY SERVICE COMMISSION (PSC)

1. **Hon. (Dr.) Naomi Shaban, M.P.** Vice-Chairperson, PSC
2. Hon. Adan Keynan, M.P. Commissioner, PSC
3. Hon. Aaron Cheruiyot, M.P. Commissioner, PSC
4. Mr. Jeremiah Nyengenyne Clerk, Senate/Secretary, PSC
5. Mr. Michael Sialai Clerk, National Assembly
6. Dr. Wakah George Ag. DF&A
7. Mr. Antony Njoroge Director, Litigation
8. Mr. Irungu Kigundu Deputy Director, DF&A
9. Ms. S. M. Faryd Deputy Director, PSC Secretariat
10. Ms. Veronica Kibati Principal Clerk Assistant
11. Mr. Peter Mwangangi Clerk Assistant

PARLIAMENTARY BUDGET OFFICE

1. Ms. Phyllis Makau Director, PBO
2. Mr. Robert Nyaga Deputy Director, PBO
3. Ms. Lucy Makara Chief Fiscal Analyst, PBO
4. Ms. Millicent Makina Fiscal Analyst

SECRETARIAT

1. Mr. Joseph Ndirangu Clerk/ Fiscal Analyst III
2. Mr. Danson Kachumbo Fiscal Analyst III

- | | |
|-----------------------|--------------------|
| 3. Mr. James Chacha | Fiscal Analyst III |
| 4. Mr. Elijah Ichwara | Hansard |
| 5. Mr. Bernard Omondi | Sergeant- at- Arms |
| 6. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Confirmation of the previous minutes
4. Matters Arising
5. Agenda:
 - i. *Receipt of submissions from Departmental Committees on the review of the 2018/19 Estimates*
 - ii. *Meeting with the Parliamentary Service Commission on their 2018/19 Estimates*
6. Any Other Business

MIN BAC /26 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 9.30 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. (Dr.) Korei Ole Lemein, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Chairperson of Health to re-submit the Committee report on the 2018/19 budget estimates.

MIN BAC/26/2018/02: CONFIRMATION OF PREVIOUS MINUTES/ MATTERS ARISING

No minutes were confirmed.

MIN BAC /26/2018/03: MEETING WITH DEPARTMENTAL COMMITTEE ON HEALTH

The Chairperson for Departmental Committee on Health made submission to the Committee largely on the Managed Equipment (MES) system and the planned CT Scan project. The submission covered the status of the MES system since its inception, delivery of equipment, spending and monitoring and evaluation. In addition, the Chairperson presented information on the Linda Mama Initiative and the ongoing procurement of

doctors from Cuba. The submission to the Committee by the Chairperson on MES, Linda Mama Initiative, Doctors from Cuba and CT Scan projects are highlighted below.

1.0 MANAGED EQUIPMENT SERVICE (MES) CONTRACTS; KSHS. 9.4 B

1.1 Timelines

The Committee was informed that the Managed Equipment Service programme was initiated in FY 2014/15 and that five Contracts were signed on 5th February, 2015 at State House at a contract sum of USD. 480,049,890.84 (Kshs 48 Billion). Further, variations on contracts involving extra 21 hospitals were signed on 6th May, 2015 at a total contract sum of \$ 37,079,898.38 (Kshs 37.1 Billion). Therefore, the annual allocation of Kshs. 9.4B is as follows;

i.	Annual charge for the original contract	6.4B
ii.	Variation 21 hospitals annual payments	1.3B
iii.	Consumables	0.4B
iv.	Administration/ Capacity building	0.2B.
v.	PKF	0.1B
vi.	HCIT	1B

The Committee was informed that the Ministry lacked capacity to monitor all this equipment and therefore sought services of PKF Consultants for Monitoring & Evaluation. This contract was signed on 1st February 2017 at a contract sum of Kshs. 98,548,723.36. The Ministry will however be involved in capacity building alongside PKF during their contract period so as to take over thereafter.

The contract for radiology/ imaging issued to General Electric Company. Ltd had an option of implementing an HCIT component. General Electric quoted a high figure, prompting Ministry of Health to contract Seven Seas Technologies to provide HCIT. This contract was signed on 2nd October, 2017 for Kshs. 1 Billion. HCIT stems from the e-Health policy 2016-2030, Vision 2030 and will enable a central repository of patient information, especially facilitating remote areas to be able to send radiology/ radiography imaging to the central location for interpretation and diagnosis, without the patient or the

files physically moving. HCIT will link all the hospitals under MES, and will be subsequently scaled down to lower tier hospitals.

1.2 Type of Equipment & supplier

The following tables shows the type of equipment, lot and supplier as submitted to the Committee. It is notable that Lot 4 for laboratory equipment was advertised and was initially unresponsive. Budgetary allocation has subsequently not been made by Treasury for re-advertisement.

LOT	EQUIPMENT	SUPPLIER
Lot 1	Theatre Equipment	Mindray of China
Lot 2	CSSD/Surgical Instruments	Esteem of India
Lot 5	Renal	Bellco of Italy
Lot 6	ICU	Philips of Netherland
Lot 7	Radiology/Imaging	General Electric of USA

1.3 Collaboration with County Governments

1. The Ministry stated that they rolled out the programme in collaboration with the County Governments through their Health CECs. MOH tabled a signed document to this effect dated 22nd October, 2013.
2. Moreover, the list of hospitals where the hospitals have been installed were provided by County Governments.
3. The amounts are issued through MOH because Treasury felt it's a health service and this should have been the case from day 1.

1.4 History of budgetary Allocations

The Committee was taken through the budgetary allocation trends for the MES project (shown in the table below). It was noted that expenditure allocations accelerated after 2015/16 onwards representing the increased delivery of equipments to hospital. The low allocation in 2014/15 financial year is associated with limited initial Early Works for the

program. Further, the increase in allocation in 2015/16 was necessitated by the fact that the five contractors had delivered and installed some of the equipment

By 2016/17 financial year all the equipment had been installed. The growth of Kshs.4, 100,000,000 in 2016/17 financial year is due to the fact that the annual contractual payments for the five (5) contracted firms is USD 61,783,163.88 which is equivalent to Kshs.6, 178, 316,388 and thus the Ministry had pending bills from the 2014/15 and 2015/2016 financial year which had to be paid and also pay the annual service payment. Specifically the Kshs 9.6 Billion in 2016/17 was utilized as follows: annual contract sum (Kshs 6.2 Billion) and pending Bills (Kshs 3.4 Billion). Payments are made quarterly

2014/2015		2015/2016		2016/2017		2017/2018	
Printed Estimates	Revised Estimates	Printed Estimates	Revised Estimates	Printed Estimates	Revised Estimates	Printed Estimates	Revised Estimates
2,300 M	2,300 M	4,700 M	4,700 M	4,500 M	9,600 M	5,000 M	6,100 M

1.5 Justification of increment in budgetary allocation in 2018/19

1. The increased allocation for the MES program is to cater for the actual annual charge for the five MES contracts which is USD 61,783,165= Kshs. 6,178,316,388 for the original 98 hospitals, including previous budgetary shortfalls;
2. Further, during the 2017/18 financial year the number of hospitals covered under the program increased to 119 from 98 thus necessitating additional budgetary requirements. The allocation of Kshs.2.3 B is to cater for the annual charge for the extra 21 hospitals;
3. The allocation also has Kshs. 100M for PKF contract for M&E and Kshs. 1B to Seven Seas for HCIT which entails a comprehensive digitization of health services in the hospitals with MES equipment. It also has Kshs. 400M for consumables and Kshs. 200M for administrative costs.

1.6 What happens after Seven years

1. One (1) year to the end of seven (7) contract period, i.e. 2021, the Ministry will engage in discussions with the contractors, and other stakeholders, on the options going forward. The three options available are;
 - i. Activate the clause on extension by another three (3) years;
 - ii. The government acquires the equipment, if they are still in good condition;
 - iii. Contractors to take away their equipment.
2. The decision will be made based after an evaluation of the programme.

1.7 Justification for the variations/new hospitals

1. High workload and busy hospitals that required assistance through MES machines e.g. Port Reitz, Gatundu, Moloetc
2. To decongest the already installed MES hospitals e.g. Nyamache for Kisii, Mwala, Machakos, Kanyakine, Meru etc
3. To increase access of Renal Services to areas with renal cases eg Othaya, Gatundu
4. To reduce distance travelled by patients from one hospital to the next e.g. Moyale, Takaba, Eldas, Bura. This is to take services closer to Wananchi
5. To reduce Referrals for Theatre and CSSD Services.

1.8 Payment during downtime

1. PKF consultants were procured to ensure that the contractors deliver as per contracts. They have provided a value for money justification for the leasing programme.
2. In the last FY they surcharged the suppliers Kshs. 40,853,754. A comprehensive report is due in June this year.
3. Much of the downtime has however been as a result of inefficiencies from the Kenyan government/ county governments, including staff shortages, unreliable water and electricity. To arrest these challenges, the Ministry is doing the following;

- i. Establishment of training centres for MES staff at KNH, MTRH, Coast General Hospital, Nakuru General Hospital and Jaramogi Oginga Odinga Hospital;
- ii. Contractors are also training key staff both locally and abroad;
- iii. On electricity, the Ministry has engaged governors. Some have been helpful, and as such decreased the non-functional numbers from 46 to 21. Moreover, H.E. The President ordered Ministry of Energy to connect and upgrade to 3 Phase, the supply to all the hospitals. The Ministry has since provided a list and discussions are ongoing.

1.9 Health Committee's recommendations

Alive to the fact that the contract is historical, and the fact that the previous Health Committee was enjoined in fact-finding tours around the world during the procurement, the Committee resolved the following;

- i) MOH and PKF to provide the comprehensive report when it is due in June;
- ii) The Committee has in its schedule of work plan, a tour of the country to assess workings of these equipment; and will assess the PKF report on the ground. The Committee will subsequently table a report on its findings;
- iii) Being part of conditional grants, the Committee will recommend withdrawing of the service/funds from counties that have not met the conditions/facilitated their end of the bargain, i.e staffing, water & electricity;
- iv) The BPS for FY 2019/20 be informed by findings of the Committee;
- v) The Committee will therefore take a proactive role in engaging BAC during the Division of Revenue bill.

2.0 LINDA MAMA/ FREE MATERNITY-STRATEGIC INTERVENTION

The Chairperson presented to the Committee the status of the Linda Mama or Free Maternity strategic intervention. The Committee was informed that the initiative had been allocated_Kshs.4, 298,000,000 through NHIF for both private and public hospitals. The private ones are especially faith-based hospitals. Initially, this allocation was a conditional grant to Counties but the 11th Parliament Departmental Committee on Health resolved/recommended that this allocation be channeled through NHIF. The Committee

was further informed that the budget is treated as development and not recurrent because it is a strategic intervention programme and has been treated as such since inception.

3.0 DOCTORS FROM CUBA

The Committee was informed that the the project is a bilateral agreement between Kenya and Cuba and has an allocation of Kshs. 1,001,922,000, broken down as shown below;

- (i) Remuneration of the 110 Doctors- Kshs 563,000,000
- (ii) Training of 50 doctors for a two-year postgraduate course in Family Medicine in Cuba- Kshs 238,000,000
- (iii) One-year Diploma Course in Family Medicine at KMTC- Kshs 100,922,000
- (iv) Malaria Vector Control Program- Kshs 100,000,000.

4.0 PURCHASE OF CT SCANS

4.1 Justification for the project

1. The project will enable the public access to specialized services based on advanced technology at affordable cost, due to the ability of the technology to make fast and accurate diagnosis in emergency situations.
2. There is serious shortage of CT Scanners in public hospitals with the country currently having about 2.2 scanners per one million population. There are 90 CT Scanners in the country, out of which only 18 low capacity machines are in public hospitals, thinly spread out in only 16 of 47 counties. Of the 18 one third are not functional hence necessitating the need for the procurement of the 37 CT-Scanners.
3. The project was initially supposed to be rolled out alongside the MES project in 2014 but was delayed due to constraints in funding.

4.2 Roll out

1. The CS Health launched the initial batch of 10 CT Scans in Thika on 11th June, 2018. Installation takes about 6 weeks. In the meantime, 11 radiologists/radiographers and 10 biomedical engineers left for training to China on 25th May, 2018 to return on 10th June, 2018.
2. The 10 hospitals to receive the first batch will be KNH, MTRH, Thika, Iten, Kakamega, Kerugoya, Olkalao, Narok, Kericho and Voi.

4.3 Financing

1. The scans will be deployed to 37 hospitals at an allocation of Kshs.7,035, 000,000. This is 80 percent of the total cost, covered by a loan from China. GOK component was Kshs. 1.7 Billion, provided for in Supplementary Estimates II.
2. The contract was signed on 21st August, 2017 and had conditions precedent of signing of loan agreement between Treasury and China Development Bank.
3. The supplier will supply, install and maintain the scanners in hospitals identified by MOH, for 5 years.
4. The entire amount includes cost of scanners, accessories, training of staff and related infrastructure and training as broken down in the contract, and comprises the following;
 1. Construction of new building,
 2. Air conditioning all 5 rooms 24,000btu,
 3. Generator 120KV for 64 slice and 150KV for 128 slice,
 4. Uninterrupted power supply (UPS) unit 120KVA,
 5. Furniture for all the rooms,
 6. Special Thermal film printer,
 7. Injector,
 8. Standard Report printer,
 9. Warranty and spare parts for 5 years,
 10. Service for 5 years,
 11. Factory training for 37 Radiologists/ Radiographers,
 12. More than 800 No users Refresher training for 5 years,
 13. Government Taxes

5. The Committee will be visiting hospitals where the machines are installed alongside the visit to MES hospitals.

After presentation, **Members of the Budget and Appropriations Committee raised various concerns and comments.** In particular, Members raised the following issues:

1. Members sought to know the exact date of the payments made to the suppliers associated with the MES project.
2. Members equally inquired to know about the criteria used to identify the additional 21 hospitals under the MES programme. In addition, they wanted a list be provided on suppliers who were surcharged a total amount of Kshs. 40 million due to underperformance or other factors related to the contract.
3. Members queried whether the budget was recovered for the training component for people who were unable to be trained.
4. It was observed that several contracts, including those for the CT scans were signed at the run up of general elections. In this regard, Members wondered if feasibility studies were done on the hospitals receiving the CT scans.
5. On expiry of the MES contract in 7 years, Members sought to know what will happen to the equipment delivered but not in use after 7 years. Indeed, some members felt that the cost of the MES system was too high relative to the actual cost of equipment.
6. Further, Members of Budget and Appropriations Committee were concerned about how the hospitals under the HCIT programme were identified.

After deliberations, it was agreed that there was need to have a more detailed discussion about the budgetary allocations for the CT scans, in particular with the technical officers. The Chairman thanked the Chairperson of Health and requested the Committee to submit the required information that they had not submitted to the secretariat. Thereafter, the Chairman called upon Parliamentary Service Commission to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /26/2018/06: MEETING WITH PARLIAMENTARY SERVICE COMMISSION

The submission from Parliamentary Service Commission indicated that that it held a discussion with the Committee on 16th May 2018. At that meeting, the Commission submitted three out of six reports that had been requested except the following three reports:

- i. A status report on the up to date stock of pending bills including commitments as 31st March 2018;
- ii. A Status report on the approved financial and non-financial performance outputs including the Kenya Performance Indicators (KPIs) ;
- iii. A Status report on implementation of Kenya Vision 2030 projects as contained in the MTP II 2013-2017 and planned projects including the President's Big 4 Agenda projects as enablers as contained in MTP III;

The Commission requested for more time to compile the three remaining reports and submit by Friday 19th May 2018. However, at conclusion of the discussion, it was resolved that a second meeting to be held on 30th May 2018. The three pending reports are submitted to the committee as attached to the report.

Members were informed pending bills for recurrent expenditure were Kshs. 313,024,291 for Parliamentary Service Commission at the start of financial year. The amount was paid and reduced to Kshs. 51,195,415.84 as 31st March 2018. The amount to date stands at Kshs. 42, 148,594. This implies that the Commission has settled 87 percent of all pending bills under recurrent expenditure. Pending Bills for development expenditure were Kshs. 232,823,713. This amount had been fully settled by 31st March 2018.

Under National Assembly vote, pending bills were Kshs. 260,240,306 at the start of the financial year. This amount is continuing to be settled and the balance was Kshs. 131,473,247 as at 31st March 2018. To date, the pending bills under the vote remain Kshs. 60,612,943.75 indicating that 77 percent of the pending bills have been settled.

The Committee was informed that the Commission requires Kshs. 10.8 billion additional allocations over and above the approved BPS ceiling and therefore requested the National Assembly to:

Programme: National Legislation: Vote 2042	Kshs. Million
Constituency Offices Operations	1,360
Constituency Salaries	720
Personal Emoluments for MPs	1,100
Personal Emoluments for Staff	371
Mileage/ Transport Facilitation	1,140
Sub- Total	4,691
Programme: Senate Affairs	
Senate M& E	2,000
Constituency Offices Operations	356
Constituency Salaries	102
Personal Emoluments for MPs	326
Personal Emoluments for Staff	330
Mileage/ Transport Facilitation	120
Sub-total	3,234
Programme: General Administration Planning and Support Services	
Personal Emoluments for Staff	773
Shortfall in BPS ceiling	602
New recruitment (Additional Staff)	403
Sub-Total	1.9 Billion
DEVELOPMENT	
Capital Expenditures (Development)	1,100
Total Additional Requirement	10,800

In summary, the commission had the following request:

1. Adjust upwards the ceiling of National Assembly Vote 2042 by an additional Kshs. 4.6 billion (recurrent expenditure);
2. Adjust upwards the ceiling of Senate Affairs programme by Kshs. 3.2 billion (recurrent expenditure) under Vote 2041;
3. Adjust upwards the ceiling of General administration, planning and support services operated by Parliamentary Joint Service under vote 2041 by an additional Kshs. 2 billion;

4. Reinstate in the General administration, planning and support services programme operated under Parliamentary Joint Service under vote 20141 the Kshs. 1.1 billion amount that had already been provided for in the BPS ceiling to fund development expenditure.

After presentation, **Members of the Budget and Appropriations Committee raised various concerns and comments. In particular, Members raised the following issues:**

- i. Member queried the formation M& E fund and yet the regulations had not been approved by Parliament;
- ii. Members queried per capita breakdown of Senate;
- iii. Members queried the status of the ongoing audit of staff of Parliament;
- iv. Members noted with concern that some Parliamentary Committees are underfunded;
- v. Member also queried the proposed house allowance for staff;
- vi. Members queried the status of the Parliamentary Service Commission Bill, 2017;
- vii. Members queried about the proposed mileage for 0 to 350 Km amounting Kshs. 500,000.

After deliberations, the Chairman thanked the Parliamentary Service Commission. Thereafter, the Chairman called upon the Chairperson of departmental committee on Trade, Industry and Cooperatives to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /26/2018/04: MEETING WITH DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

The Chairperson for Departmental Committee on Trade, Industry and Cooperatives made submission to the Committee largely on:

A. COMMITTEE OBSERVATIONS

Upon receiving and analyzing the submissions from the various stakeholders and having visited various projects in considering the Estimates, the committee observed the following

while taking into account the letter received from Treasury deducting 4.3 Billion from the Ministry's estimates;

That;

a. The state Department for Industry: -

1. Developing industrial infrastructure such as Export Processing Zones (EPZs), Special Economic Zones (SEZs) and industrial Parks across the Country like the proposed Modern Industrial Park in Naivasha, apparel Industrial sheds in Athi River, establish the Dongo Kundu SEZs, Constituency Industrial Development centres, will create jobs for Kenyans
2. To improve Kenya's Global Ranking on Doing Business Indicators from our current position of 92 to within the top 50 and further lower cost of Doing Business for both Domestic and Foreign investors requires Reengineering and re-modeling of Business Environment Indicators.
3. RIVATEX and K.I.E are fundamental agencies in promoting SMEs growth in the country in order to create employment however the ministry is proposing a reduction in the budget of the two entities in favour of other unfunded projects that are in line with the big four Agenda.
4. As RIVATEX embarks in modernizing its machinery, production of cotton which is raw material should be promoted for proper utilization of the modern machines.
5. It is not economical for the State department to introduce a new leather project in Kajiado with an allocation of Kshs. 200 million while the Kenanie leather project has taken a long period of time to complete.
6. KIRDI has capacity to generate its income.
7. The following projects were not funded at all and yet they are key in driving the Big Four Agenda;
 - i. Developing of Dongo Kundu Special Economic Zone
 - ii. Establishment of one stop center for investors(KENIVEST)
 - iii. Accreditation of motor vehicle inspection Body Centers(KENAS)
 - iv. Agro-processing development
 - v. Development of Leather Sector and MSME policies and Review of National Industrialization policy
 - vi. Naivasha Industrial Park

8. There appears to be a lack of a linkage in terms of the budget proposals between the National Treasury and the State Department for Industry.
9. Despite, the role played by the state department and its agencies in the achievement of the BIG FOUR agenda; the Cabinet Secretary is not in support of the Treasury's proposed allocations and is of the opinion that the allocations be reallocated as annexed in this report.
10. The National Treasury is further proposing major reductions in the allocations to the sector amounting to Ksh.4.3 billion which is against the overall goal of the BIG FOUR agenda heavily pronounced by the Head of State.
11. Numerical Machine Complex (NMC) is crucial in manufacturing metallic components and other industrial products to promote industrial development. It was formed for the purposes of manufacturing motor vehicle spare parts and metal-based engineering products. It offers mechanical and engineering services to the agricultural industrial and automotive sectors.
12. The NMC has the potential but is underfunded.
13. Kenya National Accreditation Services (KENAS) requires funding to execute its mandate.
14. The request by treasury to reallocate Kshs. 610 million allocated to KIRDI is declined on grounds that it has a pending bill that is bound to increase with time and KIRDI conducts research and development in all industrial and allied technologies including mechanical, civil, electronics, chemical engineering, energy, environment, and commodity technologies. The execution of this mandate is critical in technological advancement through research and development and this contributes towards the country industrialization process.

b. The state Department for Cooperatives: -

The Committee observed that;

1. SASRA has a deficit in Recurrent
2. SASRA is an important institution in regulating SACCOs in the country and therefore needs to be funded.
3. New KCC limited being a commercial entity needs to strive to be self-reliant in the future as opposed to requesting for more funding from the exchequer.

c. The state Department for Small and Medium Enterprises: -

The Committee observed that;

1. The ministry has concentrated a lot on export promotion and partially disregarding the protection of the domestic producers by not doing much to control dumping in the country.
2. The construction of the KIBT building at parklands has taken so many years and is concerned that the costs could escalate over the years due to time related costs.
3. Completion of KIBT will save the State Department over Ksh 102m that Telecom is paid for rent.
4. Micro, small and medium enterprises are the drivers of the growth in the informal sector; however, there is still inadequate funding towards the same.
5. The allocation of KShs.700 million for Constituency Development Centers is important in spurring growth in urban and semi-urban areas despite the challenges associated with the project.
6. The State Department needs, to develop a policy to support county governments in developing strategic physical markets in order to avoid the post-harvest losses that are continuously being experienced in the country
7. The request to reallocate Kshs. 700 million meant for construction and equipping of constituency Industrial Development Centers is declined on grounds that completion and equipping of the centers is long overdue and it is not economically viable to advocate for incomplete projects.

B. COMMITTEE RECOMMENDATIONS

In view of the above observations, the committee recommends the following;

1. Policy recommendations

1. The committee is provided with a comprehensive report on all the waivers undertaken by SASRA.
2. KIRDI and NMC should be made to go fully commercial

2. Financial Recommendations

A. State Department of Investment and Industry

Reallocations

I. Reductions

1. The allocation of Kshs. 2 Billion towards acquisition of land for industrial parks in Naivasha be reduced by Ksh. 2billion.
2. The allocation of Kshs. 800 million towards Development of Leather Industrial Park at Kenaine, Athi River, is reduced by **Ksh.400M.**
3. The allocation of KShs.1 billion towards the provision of credit to SMEs in the manufacturing sector (KIE) s be reduced by **Ksh 500M.**
4. The allocation of Kshs.610 million towards Research Technology innovation and Laboratory innovation and KIRDI Nairobi South B, be reduced by **Ksh310M.**
5. The allocation of KShs.200 million towards development of Kajiado Leather Factory be reduced by **Kshs. 200M.**

II. Increments

6. The allocation of Kshs. 100 million towards **Contracted Technical Services** on Cotton production and Value addition be increased by **Ksh 200M.**
7. The allocation of Kshs. 50 million towards Business process Re-engineering and Re-Modelling of Business environment Indicators (**Ease of doing Business**) by increased by **Kshs. 400M.**
8. The allocation of Kshs. 260 million towards Completion of infrastructure project at Kenya Industrial Training Institute (**KITI**) be increased by **Kshs. 40M.**
9. The allocation of Kshs. 50 million towards **Modernization of numerical machining Complex** (NMC) be increased by **Ksh 150M.**
10. The allocation of Kshs.400 million towards Development of Athi River Textile Hub be increased by Ksh **420M.**

III. New allocations

1. **Ksh 200M** be allocated towards Establishment of a One stop center for investors (KENINVEST)

B. State Department of Trade

1. **The allocation of Ksh 102 towards completion of KIBT, be increased by Kshs.200 million.**
2. The allocation of Kshs.700 million towards construction and equipping of constituency Industrial Development Centers (CIDC) be reduced by Ksh 200M.

C. State Department of Cooperatives

1. The allocation of Kshs 211 million towards recurrent expenditure by SASRA be increased by **Kshs.30 million**
2. The allocation of Kshs.230 million towards acquisition of equipment by New KCC, be reduced by **Kshs.30 million**

After presentation, **Members of the Budget and Appropriations Committee raised various concerns and comments.** In particular, Members raised the following issues:

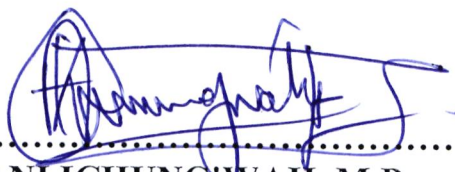
1. It was noted with concern that the Cabinet Secretary and Principal Secretary are not reading from the same script
2. Members queried why KCC is allocated a budget and yet it's a commercial entity
3. It was observed that there was need to revive and rehabilitate cotton ginneries in the country
4. Members queried the additional allocation for the completion of KIBT building at Parklands
5. Members also queried what strategy that was in place to deal with the pending bills
6. Members queried budgetary allocations to support the Jua Kali Sector
7. Members queried how much was required for the completion of KIRDI complex
8. Members queried a list of waivers undertaken by SASRA and yet it's a regulatory authority.
9. Members queried why there was no mention of strategies to support coffee industry in Kenya

After deliberations the Chair thanked the Chairperson of Trade, Industry and Cooperatives. Thereafter, the committee adjourned for lunch.

MIN BAC /26 /2018/06: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 2.45 p.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

05/6/18

.....
DATE

MINUTES OF 25th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 29th MAY 2018, IN NDOVU CONFERENCE, BOMA HOTEL, SOUTH C AT 3.00 PM.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA. John Mbadi, CBS, M.P
4. Hon. Richard Onyonka, M.P.
5. Hon. Samwel Moroto, M.P.
6. Hon. Millie Odhiambo, M.P.
7. Hon. Benard Masaka Shinali, M.P.
8. Hon. Twalib Bady, M.P.
9. Hon. James Mwangi Gakuya, M.P.
10. Hon. (Dr.) Makali Mulu, M.P.
11. Hon. (Dr.) Korei Ole Lemein, M.P.
12. Hon. Sarah Paulata Korere, M.P.
13. Hon. (Dr.) Gideon Ochanda, M.P.
14. Hon. Jude Njomo, M.P
15. Hon. Fatuma Gedi Ali, M.P.
16. Hon. Paul Abuor, M.P.
17. Hon. James Gichuki Mugambi, M.P.
18. Hon. (Dr.) John K. Mutunga, M.P.
19. Hon. Florence Chepngetich Koskey, M.P.
20. Hon. John Muchiri Nyaga, M.P.
21. Hon. Danson Mwashako, M.P.
22. Hon. (Eng.) Mark Nyamita, M.P.
23. Hon. Qalicha Gufu Wario, M.P.
24. Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. Moses Kiarie Kuria, M.P.
2. Hon. Naisula Lesuuda, OGW M.P.
3. Hon. Christopher Wangaya Aseka, M.P

DEPARTMENTAL COMMITTEE CHAIRPERSON

- | | |
|-------------------------------------|--------------------------|
| 1. Hon. David Pkosing, M.P | Chairperson, Transport |
| 2. Hon. William Cheptumo, M.P. | Chairperson, JLC |
| 3. Hon. Katoo Ole Mitito, EGH, MP | Chairperson, Defence |
| 4. Hon. Japhet M. Kareke Mbiuki, MP | Chairperson, Environment |
| 5. Hon. David Gikaria, MP | Chairperson, Energy |

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|---------------------------|
| 1. Ms. Phyllis Makau | Director, PBO |
| 2. Mr. Robert Nyaga | Deputy Director, PBO |
| 3. Ms. Lucy Makara | Chief Fiscal Analyst, PBO |
| 4. Ms. Millicent Makina | Fiscal Analyst |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 2. Mr. Danson Kachumbo | Fiscal Analyst III |
| 3. Mr. James Chacha | Fiscal Analyst III |
| 4. Mr. Elijah Ichwara | Audio Officer |
| 5. Mr. Bernard Omondi | Sergeant-At- Arms |
| 6. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Matters Arising
4. Agenda:
 - i. *Receipt of submissions from Departmental Committees on the review of the 2018/19 Estimates*
5. Any Other Business

MIN BAC /25 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 3.30 p.m. and welcomed members of the committee to the meeting. Thereafter, Hon. (Eng.) Mark Nyamita, M.P, led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Chairperson of Transport, Public Works and Housing to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /25/2018/02: MEETING WITH DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING

The Chairperson of the Departmental Committee on Transport, Public Works and Housing made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairman highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

a) General Observations

There was a significant variation from the ceilings of the BPS as was submitted by the National Treasury and as was amended and subsequently approved by the National Assembly. While Treasury is required to submit a memorandum explaining why they have not adhered to the House resolutions on the BPS ceiling, their submission was not convincing since their explanation for 428 percent above the ceiling for Shipping and Maritime affairs was an ‘increase in AIA’ - raising the question on why money collected by an existing State Corporation like Maritime Authority was not anticipated during BPS preparations.

The Committee also observed that the information on the projects submitted with 2018/19 budget estimates was scanty for informed analysis and effective oversight since it lacked actual expenditure including commitments as at the time of preparing the annual estimates. It was also noted from the scanty information provided that the start dates and expected end dates do not inform budgeting since projects listed to end in 2018 or 2019 are allocated projections for the outer years of 2020 and 2021.

The Committee also observed that there was inadequate synergy between the State Departments and their parastatals in matters budgeting. Only the State Department for Infrastructure demonstrated that it had full information on the budgets of the State Corporations under it. The parastatals under the other State Departments especially for Transport submitted their requirements instead of real budget while some State Departments had no idea what is collected by the parastatals (AIA) under them.

b) Specific Observations and Committee Recommendations

(i) State Department for Transport

The Committee observed that there was inadequate synergy between the State Department for Transport and the State Corporations under it since the corporations submitted their budget requirements to the Ministry at initial stages of budget-making instead of actual proposed estimates for financial year 2018/19.

The Committee observed that the Bandari College principal reports to a manager in the Human Resource Department instead of the CEO, hindering the planned upgrading of the college to state of the art centre of excellence in the region. It was the view of the Committee that the Kenya Ports Authority with the help of the State Department for Transport to relook in to the management structure of the Bandari College so as to ensure that proper reporting structures are put in place and the Principal reports to the CEO directly.

(ii) Committee Recommendations for State Department for Transport

The National Treasury should up its efforts on making sure that all Monies collected by agencies/ State Corporations are fully reported and seek help from respective Departmental Committees of the National Assembly where amendments to the Legal Frame work may be required.

The Kenya Ports Authority with the help of the State Department for Transport should relook into their structure to make sure that the College principle for Bandari College reports to the CEO to achieve the intended centre of excellence status.

In future, consideration of construction of airstrips must be balanced across the country with a view of developing one airstrip per county to spur quick and balanced economic growth, promote the big four agenda and also open up areas. North Rift area and North Eastern in particular should be considered going forward as it was not fairly considered this year.

(iii) State Department for Shipping and Maritime Affairs

The Committee observed that Shipping and Maritime is a highly specialized field and the State Department sends officers for on-job training outside the country for eight (8) years. While the trainings are offered through scholarships, the committee observed that it was irrational having officers outside the country for 8 years and remains on payroll. The Committee observed that the State Department of Shipping and Maritime Affairs lacks legal and structural operational framework.

The Committee notes with concern that the tax payer risks losing Kshs. 400 million following the Ministry's communication to the State Department for Shipping and Maritime Affairs to downscale the construction of Headquarters for Maritime Authority in Mombasa from the initial plans of 18 floors to 8 floors due to contract variations. The Committee noted that there was a funding deficit of Kshs. 237 million for revival of the Kenya National Shipping Line (KNSL). This is vital, not just to the existence of KNSL, but to the overall economy of the country.

The Committee is convinced that the KNSL has a great potential, but the realization of this potential can only be achieved if the necessary funding is availed to them. The Kenya National Shipping Line has a great potential in terms of jobs-creation especially for the Kenyan youth. The KNSL will also help reduce foreign exchange payment in freight paid to foreign-owned shipping lines. Further, the Committee observed that the Integrated Maritime Policy will bring coherence in the maritime sector; *Vijana Baharia* targets capacity building for the youth so that they can get jobs in foreign-owned ships.

The Committee observed that the Maritime Spatial Plan had a budget requirement of Kshs. 50 million but reduced to Kshs. 44.6 million. The State Department requested that the amount be enhanced to the initial Kshs 50 million because they had already mapped activities within that amount of Kshs 50 million.

The Committee observed that the office refurbishment was allocated only Kshs. 22 million against a requirement of Kshs. 44.2 million. With a provision in the next budget for Kshs. 10 million. There was a shortfall of Kshs. 12 million which the State Department was requesting.

(iv) Committee Recommendations on State Department for Shipping and Maritime Affairs

The Committee recommends that a training policy/ programme for shipping and Maritime fields be developed targeting High school graduates who will be bonded for a period commensurate to the number of years and amount of public funds spent on their training and studies as an exit strategy from current practice of sending officers for on-job training of 8 Years outside while still on payroll.

The Committee recommends that the State Department of Shipping and Maritime Affairs puts in place proper legal and structural operational framework.

The Committee recommends that the construction of the headquarters' building for the Kenya Maritime Authority which was argued to have been proposed for scaling down to 8 floors by the ministry is completed to the initially planned 18 floors with a view to renting any unoccupied spaces for income generation and even for prosperity given the strategic location of the building in Mombasa, and to avoid unnecessary loss of expected Kshs.400 million through contract variation.

The Committee finds that the 18 floors at a cost of Kshs. 1.8 billion in Mombasa was very reasonable and that the maritime department can use all floors meaningfully on other productive activities or share with other government agencies. The Committee recommends against the scaling down of the floors for whatever reason, unless such a proposal was due to safety concerns.

(v) State Department for Infrastructure

The Committee observed that the projects that were to be funded through the Annuity Fund have not taken off effectively while the fund has accumulated Kshs.

29 billion and now the proposed allocation is Kshs. 11.18 billion bringing the total to Kshs. 40 billion. The PFM regulations for the Fund as currently enacted do not allow for a charge on this fund for other projects outside the Annuity Programme (Projects awarded under PPP arrangements).

The Committee observed that the State Department for Infrastructure has a pending bill totaling Kshs. **23.734** billion broken down into Kshs. 13.756 billion under KeNHA, Kshs. 6.044 billion under KeRRA and Kshs. 3.934 billion under KURA. Following the ongoing devastating floods, the State Department plans to make emergency interventions in the 'Red Flag Areas' to at least restore normalcy in terms of movements. While the interventions per county are provided the Committee observed that some specific roads in various parts of the country were not included. The Committee therefore notes that the roads damaged by rains require urgent funding for repairs and rebuilding.

Roads highlighted as the worst hit by the floods across the Country include:

A. Under KeRRA:

	ROAD NAME	COST ESTIMATES
1.	Biretwo-Arror	40M
2.	Nyaru-Kapkayo	20M
3.	D48 Murang'a-Kiriani	20M
4.	Dunto-Gunana	20M
5.	Buna-Ajawa-Kurer	10M
6.	Habasweni-Abakore	10M
7.	Tarbaj-Batalu	20M
8.	Danaba-Banissa	25M
9.	North Horr-Illevet	20M
10.	Kargi-Falamu	30M
11.	Kanyarkwat-Kongelai	20M
12.	Mau Mau-Ruambwa	15M
13.	Kinna-Kulanawe (E811)	20M
14.	Kipsing-Longopito (Box Culvert Needed) Span 20m	10M
15.	Lmd Mlango (Twin Box Culvert Needed) Span35	8M
16.	Sericho-Modogashe (E855) Drift Needed	20M
	Total	328M

B. Under KeNHA:

TABLE 1: FLOOD DAMAGE INTERVENTIONS WHICH ARE PART OF ONGOING CONTRACTS

Ref	LOCATION	COMMENT
1	Kainuk Bridge	Will be resolved after completion of new Kainuk Bridge
2	Kawalathe Bridge	New bridge will be completed as part of rehabilitation of the Lodwar – Lokitaung Junction Road
3	Stoney Athi-River Bridge	Second bridge will be completed as part of the dualling of the Athi River – Machakos Turnoff. River training and protection works on the existing road to be addressed as part of the ongoing contract.
4	Modogashe Bridge	New bridge to be constructed under ongoing Nuno –Modogashe road project

TABLE 2: FLOOD DAMAGED ROAD SECTIONS WITHOUT BUDGETARY PROVISION

Ref	ROAD NO.	NATURE OF EMERGENCY	SCOPE OF WORKS	ESTIMATED COST
1	B89 Madogo – Garsen - Malindi	Washouts on Madogo-Bura Section	Reconstruction of the carriageway, embankment, drainage structures and protection works.	200,000,000
2	A8 Mombasa - Nairobi	Flooding at Sultan Hamud Town	Gabion protection works at the bridge and river training	250,000,000
3	B7 –Maai Mahiu - Narok	Faultline filling, Washouts and siltation on the drainage structures and road carriageway	Desilting of catch water drains, Construction of Catch water embankments, Reinforced concrete protection works, desilting of soil deposits on the road carriageway, lining side ditches with mass concrete	183,000,000
4	A8 South – Maai Mahiu -Naivasha	Washouts and siltation on drainage structures	Reinforced Concrete Protection Works	24,000,000
5.	Buna- Dabel-Moyale Road	Flood Damage and wash out	Box Culvert and gravelling	60,220,000
6.	B19, Ol – Tepesi – Magadi	Carriageway Washout	River Training Installation of 1200mm Culverts	81,700,633.00

Ref	ROAD NO.	NATURE OF EMERGENCY	SCOPE OF WORKS	ESTIMATED COST
	Section of Magadi Road		Base Repair Raising the Road Level Road Re-alignment	
7.	A13 Modogashe – Wajir – Mandera	Flood damage and washout on Rhamu – Mandera section	Restoration of washout sections	30,000,000
			TOTAL	828,920,633

TABLE 3: ROAD SAFETY INTERVENTIONS

Ref	LOCATION	COMMENT
1	Improvement of Salgaa/Sachangwan section	<ul style="list-style-type: none"> • Awarded contract of Kshs 800 with a completion of 12 months, order to commence already issued • Scope is adding 14km to dual on critical stretch between Kibunja and Kabarak Turnoff • Funding is from RMLF road safety item • Current budget has Kshs 70m to start with. Next year budget is 536m.
2	A1 Kitale – Lodwar, Kamatira section (where accidents occur due to steep descent)	<ul style="list-style-type: none"> • Funding has been secured from the KfW and European Union for the Kitale – Morpus road, including reconstruction and reconfiguration of the Kamatira descent section.

- a) The Committee further made observations that the Roads across the country were badly damaged and estimated to cost over Kshs. 18B for reconstruction. Details on the roads are attached under Annex 4 of the Committee report.
- b) The Committee noted that the delivery of the Roads 10,000 kms LVS (Low Volume Seal Roads) depended on sufficient funding, however the Programme was under-funded thus occasioning slow delivery of the projects as envisaged.
- c) The Committee observed that opening up of the North Eastern part of Kenya requires increased investments in order to achieve equitable development and to improve security.

(vi) Committee Recommendations for State Department for Infrastructure

- a) The Committee recommends that the Annuity Fund regulations should be amended to allow the State Department fund other projects outside the annuity programme. Further the state Department should come up with alternative ways of financing infrastructure projects including securitizing the funds like the fuel levy and annuity by investing them in Financial Assets like bonds.
- b) Following the huge pending bills reported by the State Department of Infrastructure, the Committee recommends that priority be given to settling these bills and ongoing projects so as to not delay the intended benefits from these projects.
- c) An Emergency Fund of Kshs. 18 billion is required to repair total damaged roads and bridges across the country destroyed by ongoing rains, to bring them back to normalcy.

(vii) State Department for Housing, Urban Development and Public Works

The committee raised concern on the Kshs. 11.464 billion for the Kenya Urban Programme from World Bank which is a transfer to counties as conditional grants for waste management, storm water drainage, connectivity (urban roads infrastructure, lighting etc.), urban social and Economic Infrastructure and Fire and Disaster Management. A total of 59 cities were selected on the basis of either being a county headquarter excluding Nairobi and Mombasa or having a population of 70,000 people based on 2009 census. The committee raised the following;

- a. That the distribution within the counties was not fairly done since a town like Kitengela with a huge population was not considered in Kajiado.
 - i. That the money might be misused at the county level since some Counties already have targeted infrastructures e.g. firefighting equipment. The Committee was therefore concerned that this might therefore be an avenue for misuse of public resources.

- ii. The Committee further observed that there are sub-counties without district headquarters and are not among the planned ones for construction in 2018/19 budget while at the same time ongoing Economic Stimulus Program (ESP) markets were left out in the 2018/19 budget estimates. However, the State Department assured the committee that it will reorganize its budget to cater for all the projects equitably.
- b. The Committee noted that the National Housing Corporation (NHC) doesn't feature anywhere in the implementation of the affordable housing programme. This is despite the corporation having the necessary infrastructure including a factory producing affordable building materials.
- c. The Committee noted that the State Department for Housing required Kshs. 5 billion in this financial year in order to roll out the construction of the affordable housing but they were instead allocated only Kshs. 1 billion which was too low for the vision under Big Four Agenda to be actualized.
- d. The Committee further noted that on social housing, the State Department of Housing had requested Kshs. 16.4 billion but only allocated Kshs. 2 billion. On Rural Housing, which entails provision of appropriate Building Technology (ABT), centres in every Constituency and Training of Youth and Women on how to improve their rural homes; the State Department was allocated Kshs. 100 million against a requirement of Kshs. 300 million.

(viii) Committee Recommendations on State Department for Housing, Urban Development and Public Works

The Committee makes the following recommendations on the Kenya Urban Programme;

- a. The proposed Kshs. 11.6 billion transfers to Counties were opposed by Members. It was resolved that the money be spent at the Ministry level to avoid possible pilferage and for ease of accountability. This was also meant to avoid possible double allocation as Counties might have budgeted for same projects or same programmes targeted. Members found this was a very potential area of misuse of public funds.

- b. Members noted that Kitengela town was left out while covering other smaller towns in Kajiado yet it has higher population than those considered under this programme. It was recommended that Kajiado county programmes be reviewed to include Kitengela.
- c. The State Department for Housing, Urban Development and Public Works should come out clearly on the role it wants the NHC to play in the provision of a half a million affordable housing.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments.** Notably,

- i. a list of all roads damaged by floods per constituency
- ii. a list of all new projects and their allocation
- iii. a list of all roads that have been tendered and not been awarded
- iv. a list of all roads that have pending bills amounting to Kshs. 23 Billion
- v. Members queried the total amount in the Annuity Fund
- vi. It was noted with concern that the role of National Housing Cooperation for Big 4 agenda is not clear, therefore no more funding should be allocated

After deliberations, it was agreed that the Departmental Committee on Transport, Public Works and Housing shall resubmit their report by Thursday, 31st May 2018 that has adopted the agreed format and provide the information requested by the Committee. Thereafter, the Chairman called upon Chairperson of Justice and Legal Affairs Committee to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /25/2018/03: MEETING WITH DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS COMMITTEE

The Chairperson of the Departmental Committee on Justice and Legal Affairs made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairman highlighted the Committees key observations regarding the estimates and interactions with the spending

agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

A. OBSERVATIONS

1. OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE

- a) The Committee further observed that the limited budgetary allocation to the sector has affected the critical operations of the office. In particular, the upgrading of the Public Trustee Business Process Management System – Kshs. 100 million, purchase of 200 computers to replace 50 percent of the current stock which has become obsolete – Kshs. 20 million, settling of legal dues, fees, arbitration and compensation payments – Kshs. 550 million and provision of legal service and advice on government transactions, contracts, Treaties and Agreements – Kshs. 250 million.
- b) The Committee has also observed there is allocation of Kshs. 1 billion to the Attorney General’s office for the National Justice for Restorative Fund to implement the recommendations of the TJRC Report. However, the Attorney General’s office has informed the Members that there is need for a coordinated approach in the implementation of the fund and more importantly, there is need for a structure to be put in place for the smooth implementation of the objectives of the fund.
- c) The Committee further observed that there are suits against the government with financial risks to the tune of Kshs. 769.9 billion. In addition, the awards against the government pending payment stand at Kshs. 115.7 billion and they are ranging from awards to victims of torture as well as business litigants against the state.

2. JUDICIARY AND JUDICIAL SERVICE COMMISSION

- a) Case clearance: The Committee was concerned about the high case backlog but noted the initiatives the Judiciary had introduced to ensure timely completion of court cases through enhanced monitoring and evaluations such as daily court returns and the introduction of performance management

system for the judicial officers and also enhancing the jurisdiction of the magistrate courts on environment and land cases.

- b) The Committee also observed the need for the Judiciary to regulate and ensure there is a mechanism in place for regulation of small claims in courts.
- c) The Committee observed the need for the Judiciary to ensure there is regional balance in its recruitment of staff without necessarily compromising on the quality.
- d) The Committee further observed that the Judiciary was in the processes of constructing various courts so as extend functional High Courts to all the 47 counties. However, the Committee was concerned about the delayed completion of the ongoing projects and has advised the Judiciary to avoid taking up of new projects while ongoing projects are yet to be completed.
- e) The Committee further observed that the commission's budgetary shortfall will affect the following areas; automation of commission's key operations (recruitment, complaints, and discipline management system) – Kshs. 100 million, Judges and Judicial officers colloquia - Kshs. 90 million, development of policy, research and impact assessment of judicial education programs – Kshs. 20 million.

3. REGISTRAR OF POLITICAL PARTIES

- a) Further the Committee has observed that the allocation to the Political Parties Fund of Kshs. 371.2 million is not in compliance with section 24 of the Registrar of Political Parties Act as well as the ruling of Justice Aburili on the implementation of the section 24 of the Act. The gov't has appealed against the ruling and the case is currently at the Court of Appeal.
- b) The Committee has also observed the office has 60 staff in-post against an authorized establishment of 209. However, the office has been allocated an additional Kshs. 13.7 million in FY 2018/19 to cater for operations in the county offices and increase in members of staff.

4. INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

- a) The Commission resource requirement for FY 2018/19 is estimated to be Kshs. 8.11 billion against an allocation of Kshs. 4.233 billion ceiling resulting in a deficit of Kshs.. 3.9 billion for the next FY. The deficit will affect the

following; Pending legal fees - Kshs.. 1 billion, the Proposed Uchaguzi Centre - Kshs.. 1 billion, and ICT licenses and Equipment for existing electoral technologies - Kshs. 324 million.

- b) The Committee further observed that there is an allocation of Kshs. 324 million for the boundary delimitation process and urged the Commission to carry out comprehensive stakeholder engagement during the delimitation process.
- c) The Committee stressed the need for the consolidation of service agreements for the Commission's ICT infrastructure. The Committee urged the Commission to provide the timelines within which the ICT licenses are due.
- d) The Committee also observed the need for standardization in the legal fees charged by the law firms and confining their charges within a certain range when engaged by the Commission. In addition, the Committee urged the Commission to engage the Judiciary when dealing with difficult lawyers.
- e) The Committee observed the need for the Commission to engage experienced lawyers particularly for election related petitions since the cost of undertaking a by-election is much higher.
- f) The Committee further observed the need for the Commission to recover costs from parties that have lost their cases against the Commission to offset costs incurred by the Commission during litigation.

5. OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTION

- a) The Committee further observed that the budgetary shortfall will affect projects such as; Purchase of Stand-alone Building (2 billion), establishment of a Prosecutor Training Institute (Kshs. 15 million), implementation of ODPP new salary structure (Kshs. 191 million), Retirement Benefits Scheme for staff (Kshs. 84 million) and Special Fund for the war against Corruption, Organized crime and Terrorism - (Kshs. 200M).
- b) However, the Committee was concerned about the acquisition of training institutes by all agencies might not be practical and therefore the option of setting up one training center should be explored for all the agencies under the justice sector.

6. ETHICS AND ANTI-CORRUPTION COMMISSION

- a) The Committee observed that there was need for the Commission to create public awareness and scale up its activities particularly on asset recovery in order for it to serve as a deterrent measure against anyone who intends to loot the public coffers.
- b) The Committee observed the need for the Commission to have a close linkage and synergy as well as structured engagement with African Parliamentarians Network against Corruption (APNAC) to advance its agenda and policy reforms it intends to undertake.
- c) The Committee observed the need for agencies such as the Asset Recovery Agency and the Anti-Corruption Steering Committee that are currently under the Attorney General Office to be housed under the EACC so that the fight against corruption can be coordinated from a central point.
- d) The Committee observed that the Commission has a budgetary shortfall of Kshs. 25 million in the purchase of EACC headquarters and the transaction is set to be concluded in July, 2018.
- e) The Commission has been allocated Kshs. 100 million for the refurbishment and extension of the Integrity Centre against a resource requirement of Kshs. 1.2 billion resulting in a development funding shortfall of Kshs. 1.1 billion.
- f) The Committee also observed that the Commission needs an additional funding of Kshs. 674 million for automation of processes and Kshs. 300.8 million for the recruitment of an additional investigators and legal officers (104) to expand its operation to other regions.

7. COMMISSION FOR ADMINISTRATIVE JUSTICE

- a) The Committee observed that the Commission has an approved staff establishment of 336 against a current in-post of 72 members of staff. The acute shortage of staff is hampering the ability of the commission to effectively deliver on its mandate.
- b) The Committee observed that the Commission's budgetary fall will affect the following critical areas; Recruitment of additional ten (10) staff - Kshs. 30 million, outreach services – Kshs. 5 million and purchase of ICT equipment, software and accessories – Kshs. 6 million.

- c) The Committee stressed the need for the Commission to focus on its mandate particularly in ensuring the citizen right to quality service both at the National and County level of government is not compromised.

8. KENYA NATIONAL COMMISSION ON HUMAN RIGHTS

- a) The Committee further observed that the Commission has a budgetary shortfall of Kshs. 208 million for critical areas such as purchase of three (3) field vehicles – Kshs. 27 million, Expansion (New Regional Offices – Kshs. 60 million), Recruitment of Staff – Kshs. 30 million, and carrying out Public Inquiries into Systemic Human Rights Violations, Reforms and Accountability – Kshs. 76.5 million.
- b) The Committee has further observed that the Commission has a pending bill of Kshs. 3.6 million occasioned by the budgetary cuts undertaken during the supplementary estimate I.
- c) The Committee observed that the Commission's budget on domestic travel has been reduced by 20 percent and its foreign travel budget has been reduced by 75 percent. This has led to a shortfall of Kshs. 14 million in its budget for domestic and foreign travel thereby limiting the Commission's ability to undertake its international obligations.

9. WITNESS PROTECTION AGENCY

- a) The Committee observed that the Agency requires additional funding in order to decentralize its activities to Rift valley, and Central/Eastern region at a cost of Kshs. 100 million.
- b) The Committee further observed that the Agency has an approved staff establishment of 296 against an in-post of 65 staffs currently; therefore the Agency needs an extra 39 staff in order to support the current, envisaged decentralization and enhance existing human resource gaps both in operations and corporate affairs. The Agency will require an additional Kshs. 100 million to recruit the additional staff.

- c) The Committee also observed that the Agency was allocated Kshs. 9 million staff mortgage and car loan schemes. However, it requires Kshs. 50 million to fully operationalize the scheme.

B. RECOMMENDATIONS

I. Policy recommendations

- a) As a matter of priority the government should consider setting up a fund for settling court awards against the government. In this regard, the Committee recommends the setting up of a seed fund for the Attorney General Office.
- b) In addition, the Committee further recommends that in setting up the fund, the Budget Appropriation Committee should consider effecting budgetary cuts against state agencies that lost cases and have claims to settle in order to raise funds for the Kitty subject to their contribution to the awards against the government.
- c) The Committee further recommends the freezing of new projects by the judiciary particularly the construction of new courts before the completion of the old projects that are ongoing.
- d) The Committee objects to the idea of setting up a prosecution institute for the office and urges the office to develop a curriculum and partner with the Kenya School of Government for the training of its staff.

II. Financial recommendations

a) Reallocations

The Attorney General's Office allocation of **Kshs. 1 billion** for the National Justice for Restorative Fund is reduced by **Kshs. 500 million**. The Committee's decision is informed by the lack of necessary structure and enabling legislations for the smooth implementation of the fund. The remaining **Kshs. 500 million** in the fund can be utilized to set up the necessary structures and legislations in place. The funds realized will be reallocated to the following Agencies under the sector;

- a) The Attorney General's office should be allocated **Kshs. 20 million** for the purchase of 200 computers to replace 50 percent of the current stock which has become obsolete.
- b) The Kenya Law Reform Commission should be allocated **Kshs. 34 million** for capacity building on legislative drafting and review for the Counties–

Kshs. 12 million, purchase of motor vehicles – Kshs. 12 million, and capacity building of its legal team – Kshs. 10 million.

- c) The Committee recommends an allocation of **Kshs. 75 million** for the Independent Electoral and Boundaries Commission for the renewal of ICT licenses and fulfilling maintenance agreement of its existing electoral technologies equipment.
- d) The Committee recommends an allocation of **Kshs. 191 million** to Office of Director of Public Prosecution to implement a new salary structure in two phases as approved by Salaries Remuneration Commission on 1st of July 2017.
- e) The committee further recommends an additional allocation of **Kshs. 49 million** to the office of Director of Public Prosecution for setting up a Special Fund for the war against Corruption, Organized crime and Terrorism.
- f) The Committee recommends the approval of an additional allocation of **Kshs. 25 million** to the Ethics and Anti-Corruption Commission's budget for FY 2018/19 to enable the Commission conclude the acquisition of EACC headquarters which is set to be concluded in July, 2018.
- g) The Committee recommends an additional allocation of **Kshs. 30 million** to the Commission for Administrative Justice budget for the recruitment of additional ten (10) staff in the FY 2018/19.
- h) The Committee recommends an additional allocation of **Kshs. 45.4 million** to the Witness Protection Agency's budget for FY 2018/19. The funds will be utilized for the recruitment of an additional staff to support the Agency's current and envisaged decentralization and enhance its existing human resource gaps both in operations and corporate affairs.
- i) The Committee recommends the approval of an additional allocation of **Kshs. 30.6 million** to the Kenya National Human Right Commission's budget in FY 2018/19 for the acquisition of three (3) field vehicles (Kshs. 27 million) and for settling of a pending bill of Kshs. 3.6 million occasioned by the budgetary cuts undertaken during the Supplementary Estimate II.

b) Proposed increase

- a) The Committee recommends an additional allocation of **Kshs. 2.4 billion** for the political parties fund in compliance with the provisions of section 24 of

the Registrar of Political Parties Act and in compliance with the ruling of Justice Aburili issued on 2nd January 2018.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments.** Notably,

1. Members queried the proposal of hiring of new staff and yet there was a freeze in hiring apart from critical areas such as health workers, education and military;
2. It was observed that there was need for the consolidation of service agreements for ICT infrastructure to the ministry of ICT
3. It was noted with concern that the set-up of a fund to settle court cases may lead to the country paying higher settlements due to collusion.

After deliberations the Chairman thanked the Chairperson of Justice and Legal Affairs Committee and requested the Committee to submit the required information that they had not submitted to the secretariat. Thereafter, the Chairman called upon Chairperson of Defense and Foreign Affairs Committee to submit the Committee report on the 2018/19 budget estimates.

MIN BAC/25/2018/04: MEETING WITH DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN AFFAIRS

The Chairperson of the Departmental Committee on Defence and Foreign Relations made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairman highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

1. OBSERVATIONS

1. Ministry of Defence

It was Observed that:-

The budgetary allocation for the Ministry of Defence has been on upward trend over the last ten years due to Operation Linda Nchi and high cost of security equipment as well as change of technology.

The Development Expenditure allocation of Kshs. 10.429 billion was made up of a loan AIA of 10.429 billion from two development partners for implementation of military modernization programme through Export Credit Arrangement. The Government of Italy would finance Kshs. 7.3 billion while the Government of Netherlands would fund Kshs. 3.13 billion. The funds will be utilized for part of payment of the ECA facility. The balance of Kshs. 45 million is the Grant AIA from UN-WOMEN to support a capacity building programme at the International Peace Support Training Centre. While it is acknowledged that military Modernisation is critical, the upsurge in the loan facility from Kshs. 7.3 billion in 2017/18 may imply more debt burden to the public.

There was a need to settle the pending bill of Kshs. 850 million since it was already determined by a court of law to be a genuine pending bill. The Ministry has other development expenditure which is deemed recurrent. The Military Modernisation programme has been given as development Expenditure since it is a loan.

2. Ministry of Foreign Affairs

It was observed that:-

The Ministry has inadequate human capital limiting them to effectively deliver on its mandate. The Current authorized establishment is 1,198 against current in post of 902 (HQs 563 - and Missions 339) and 656 local staff based in the missions - Optimal staffing is 3,000

The allocation for Subscriptions to International Organizations amounting to **Ksh 1.841** billion which has to date been part of the ministry's recurrent budget has been moved to the National Treasury's 2018/2019 under medium term budget. While this move is expected to reduce delays in disbursement that is usually occasioned by irregular exchequer releases, the complications that are likely to arise from administrative challenges might offset the expected advantages.

Under Ministry's O&M, activities funded include - Missions O&M, state protocol, subscriptions, utilities, - which leaves 200 million for all other O&M activities, which are mandatory international activities which have to be implemented. These include UNGA (200 mn), IGAD (100mn), AU (100mn), EAC & ICGLR (100mn), administration activities - cleaning, transport, fuel, maintenance (400mn). This occasions pending bills annually since the Ministry has to represent the country in these mandatory international activities.

Kenya Missions budget are prepared in Kenya shillings and transferred to the recipient Missions on quarterly basis. To facilitate the transfer, multiple translations are done initially from Kenya Shillings to the currency of remission and then to the currency of the recipient country. This occasions huge net foreign exchange losses which erode their allocated budgets.

It had been agreed by the government that the Ministry opens 5 fully fledged Diplomatic Missions –*Accra, Dakar, Mozambique and Djibouti* and Consulates/Liaison offices in *Guangzhou, Mumbai, Lagos, Hargeisa and Kismayu among others*. Some of these are already in the Ministry's budget, without the requisite allocation from the National Treasury for operationalization. The amount allocated so far is not adequate to take care of these operations.

The government approved the transformation of Foreign Service Institute into Foreign Service Academy which has not been operationalized due to lack of funding. Ksh. 2 billion is for acquisition of infrastructure, establishment of research center and Ksh. 500 million is working capital under recurrent to cater for training equipment and capacity building of trainers and researchers

At the invitation of H.E. the President, Kenya will be hosting the Sustainable Blue Economy Conference, from 26th – 28th November, 2018. There is no allocation of funds in the 2018/19FY. The total cost of hosting the conference will be KShs. 800 million.

The ministry strategy of acquiring properties abroad had not made any headway due to limited resources for capital spending. It was cost effective in the long run to own properties than rent a house for the ministry's operations.

3. Ministry of East African Community and Northern Corridor Development

It was observed that the Ministry required enhanced budgetary allocation to operationalise its activities which came with its creation as a new Ministry. Some critical budget lines which were not factored in the 2018/2019 estimates amounted to KShs. 406 million as outlined below.

Description	Additional Funding in KShs. Millions	Justification
Partitioning and equipping of Kenya Railways	50	The Ministry secured new office space at Kenya Railways Headquarters to accommodate existing staff, new officers, EALA members of Parliament and their support units.
Motor vehicles(Prado and Double Cabin-Four Wheel Drive)	18	This will cater for the PS for official duties and one vehicle for South Sudan Liaison Office
Routine Maintenance of Motor Vehicles	5	
Domestic Travel	40	The Ministry will undertake stakeholders' engagements in all parts of the Country. The stakeholders will include Government Agencies, Civil Society, Youth, Women, members of County Assembly, Media Practitioners among others
Foreign Travel	100	For Coordination and Participation in EAC regional meetings
Hospitality	18	To support hosting of meetings at the county level on sensitization and consultations on areas of strategic national interest
Facilitation of EALA(K) Chapter	25	To cater for EALA (K) Chapter Secretariat operations and maintenance of their offices.

Description	Additional Funding in KShs. Millions	Justification
Other Operations and Maintenance	50	For Operations and Maintenance which include Communication supplies and services, Publishing and Printing Services. The Ministry heavily relies on this for sensitization forums to educate Kenyans on the integration agenda
LAPSSET Corridor	100	For Coordination of LAPSSET activities. Some of the activities being coordinated include building of crude oil pipeline, Construction of roads from Lamu to Garissa and Isiolo to Lokichar

4. The National Intelligence Service

It was observed that:-

The audit queries in the service took too long to be resolved due to the nature of making financial reports in foreign missions. The Service has since then taken measures to register unqualified opinion in their books.

The cost of running the Service was escalating year by year and therefore there was no efficiency in management of resources at the Service as Personnel Emoluments was noted to be high due to the competitive package it offers to its staff to shrug off competition from Blue chip companies on skilled human personnel in cyber-crime amongst other IT disciplines. They are also involved in research and development. There expenditure is therefore not likely to come down.

The outputs and targets for the Service are not measurable. Due to the nature of their work, their outputs and targets are qualitative rather than quantitative. Quantitative targets may not give the desired results for the Service.

NIS is involved in the multi-agency operations which they fund substantially to deliver credible intelligence and counter intelligence reports.

2. COMMITTEE RECOMMENDATIONS

1. The Committee recommends that the House approves the proposal to withdraw from the consolidated fund a sum of:
 - a) **Kshs.107, 053,747,380** for the Ministry of Defence, Vote 1041.
 - b) **KShs.17, 107,914,901** for the Ministry of Foreign Affairs and International Trade, Vote 1052.
 - c) **KShs. 1,091,757,114** for the Ministry of East African Community and Northern Corridor Development, Vote 1221.
 - d) **KShs. 30,711,000,000** for the National Intelligence Service, Vote 1281
2. The Budget and Appropriations Committee to consider sourcing for resources elsewhere to accommodate a high court award to a contractor with pending bills amounting to KShs. 850 million for the Ministry of Defence. The amount being a negotiated settlement without interest after the court awarded the contractor KShs. 1.4 billion. Failure to provide the KShs. 850 million may lead to tax payers incurring the extra amount inclusive of the interest accumulated.
3. The Committee further recommends that KShs.406 million be sourced from elsewhere for the Ministry of East African Affairs and Northern Corridor Development for the critical activities not factored in the estimates as detailed in the report. It is worth to note the Ministry did not exhaust it ceilings in the BPS 2018 as approved by the House.
4. The Ministry of Foreign Affairs has critical shortfalls which includes allocation towards the construction of a new Headquarters whose total estimated cost of construction is KShs. 4 billion. The Committee recommends that KShs 1 billion be sourced from elsewhere to enable the Ministry start the project.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments:**

- i. Members queried why there was no reallocation and yet there was need for additional resources;

- ii. It was noted that the country needs to grow an economy that promotes the productivity of the country such as agriculture;
- iii. It was observed that there was need for the country to train serious negotiators to participate in foreign trade negotiations;
- iv. There was a concern of rationalizing of buying of foreign missions
- v. There was a concern on building of headquarters of the Ministry of Foreign Affairs

After deliberations the Chairman thanked the Chairperson of Defence and Foreign Relations and requested the Committee to submit the required information that they had not submitted as per the agreed format to the secretariat. Thereafter, the Chairman called upon Chairperson of Environment and Natural Resources to submit the Committee report on the 2018/19 budget estimates.

MIN BAC/25/2018/06: MEETING WITH DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL RESOURCES

The Chairperson of the Departmental Committee on Environment and Natural Resources presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairman highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

A. COMMITTEE OBSERVATIONS

i. Ministry of Water and Sanitation

1. The water sector is funded heavily by donors; however donors look at conditions such as pay-back period, net positive value e.t.c before financing the projects, hence the concentration of water projects in towns and urban areas. The government therefore needs to enhance funding towards rural water projects which do not attract donor financing.
2. The National Water Harvesting Authority is undertaking only two projects for the FY 2018/2019. However, its mandate includes spearheading dam construction for water supplies and developing new, retaining existing and

expanding bulk water supply service. It is observed that with the prevailing rainy season, the Authority has not demonstrated much activity in harvesting rain water. The Authority has also been experiencing governance issues as there is no Board in place and the CEO has been in acting capacity.

3. The Drilling of Exploratory Boreholes under the Water Resources Management Authority targets to drill boreholes in Turkana and Marsabit. This has been a continuous/ moving target under the State Department since the FY 2014/2015 with no tangible outputs. It further duplicates the ground water mapping project being implemented in the same area of Turkana.
4. The Athi River Restoration Programme started in 2015 to be completed in 2020, the programme has a total cost estimate of **Kshs. 2.5 billion** of which expenditure as at March 2018 is **Kshs. 27 million**. However, the Committee noted that the allocation for the project is not in tandem with the project targets, and the minimal allocation towards it is likely to lead to low output and missed targets.
5. Maua Water & Drainage Project started in 2015, and has been completed. However, there is a pending bill of **Kshs. 500 million** which needs to be completed to ensure that the benefits of the project reach the targeted objective.
6. Flood Control and Mitigation project has an actual expenditure of **Kshs. 357 million** against a total cost estimate of **Kshs. 1.65 billion**. Due to erratic climatic conditions, there needs to be sufficient allocation towards construction of dykes in various parts of the country to mitigate against floods.
7. Northern Water Board is covering a large area of the North Eastern, parts of Rift Valley and upper Eastern. Since it does not attract donor funding for its projects, there is need to support the last mile connectivity (water) and model it up to cater for the rural parts of the country.
8. Water being one of the main enabler for the attainment of “Big Four Agenda” and in line with Article 43 (1)(d) of the Constitution, there is need for the National Treasury to allocate adequate funds towards the last mile water connectivity across the country.
9. Athi and Tana Water Service Boards both cover Muranga County. It has been noted that the two boards are not aligning their projects to avoid duplication of services

ii. Ministry of Environment and Forestry

1. The recommendations by the taskforce set up to look into forest management resources and logging in the country require to be addressed immediately; however, there is no provision of funds under the FY 2018/2019 to undertake these recommendations.
2. Currently the country has a forest cover of about 7 percent which is under threat of degradation. As such, Kenya Forest Service protection unit is grossly under staffed with a ratio of 1 forest ranger covering 1000 hectares of forest against the best practice of 1 forest ranger to 400 hectares. To protect the current forest cover effectively, the Service would require hiring an additional 1,500 forest rangers at a cost of **Kshs. 842 million** per annum.
3. The mandate of the Kenya Forestry Research Institute (KEFRI) is crucial in mitigating the problems of climate change. Further, the President while launching the National Tree Planting Day 2018 emphasised that the country must meet the 10 percent tree cover by 2022. However the current seed production is below the expected 360 million per year required to raise tree cover to 10 percent by 2022. In FY 2018/19 this activity has an allocation of **Kshs. 25 million**. In order to achieve the President's target, additional **Kshs. 670 million** is required.
4. The Kenya Forest Service and the Kenya Water Tower Agency have mandates that are overlapping. The Committee observed that there is need to encourage and enhance coordination within the Ministry by establishing a framework for the agencies working in the environmental and forestry sector to ensure that they effectively deliver their mandate without duplication.
5. From previous experience with the Green School programme the Committee has noted that the programme was not being implemented as planned, and therefore recommends that the funds towards this project be reallocated to another project;
6. Adaptation fund was established under the Kyoto Protocol of the UN Framework Convention on Climate Change. NEMA has been accredited and financed to a tune of **Kshs. 1 billion**. The Programme is being implemented in 14 counties to respond to effects of Climate Change and will cover sectors like water management, food security, agroforestry, coastal and mangrove

ecosystems and disaster risk reduction. It is however noted that there is no budget provision within the NEMA budget for the FY 2018/2019.

7. With the effect/impact of climate change, there is need to invest in better and modern weather forecasting and early warning systems to provide the Kenya Meteorological Department the capability to give accurate information on future erratic weather patterns to ensure effective adaptation and mitigation measures especially to avoid the damages caused by the flooding experienced in the country. The Department has made commendable efforts in procuring weather forecasting equipment; however, it requires extra **Kshs. 56 million** for routine operation and maintenance of its equipment and systems across the country and a further **Kshs. 48 million** for securing and insuring this equipment.
8. The Kenya Meteorological Department's implementation of several projects under modernization of meteorological services is hampered by budget cuts across financial years which have contributed to pending bills of **Kshs.427.8 million**. The instruments and equipment are specialized and are custom- made at factory on request.
9. The Government of Japan extended to the Government of the Republic of Kenya Development Assistance (ODA) Grants, of Kshs. 1.25 billion towards the Project of Medical Waste and Hazardous Waste Appropriate Processing Plant in Nairobi. However, the Government of Kenya is to provide for the land in which the facility is to be put up but there has been no allocation to the purchase of the land since the FY 2015/2016.
10. Waste disposal is not recognized as a land use hence limited or no land is set aside for waste management. The Ministry of Environment and Forestry should work on a stand-alone legislation on waste management which will force the counties to comply to the standards;
11. There is need to balance budgetary allocations to different sectors and invest in environment and forestry as it is a major pillar in achieving the country's vision 2030.

iii. State Department for Mining

- 1 The Committee note that with a budgetary allocation of Kshs. 1.6 billion out of which development budget is **Kshs. 509 million**, the State Department for Mining is grossly under-funded. The Department is currently contributing 0.9 percent to the G.D.P which is expected to increase to 10 percent by 2030. The mining sector is also the highest potential revenue earner for the country and it targets revenue collection of **Kshs. 2.5 billion** for the FY 2018/2019 from royalties. The committee further notes that with enhanced funding, the state department has the potential to achieve the 10 percent to GDP target before the year 2030
- 2 The Department's budget of **Kshs. 2,023,508,130** which is a loan from the China Exim Bank to undertake the National Airborne Geo-physical Survey was withdrawn from the state department's budget. However, the Committee expressed its concern in the lack of funding and the delay in implementation of this project despite its importance

iv. Ministry of Tourism and Wildlife

1. The Committee noted that the last ranger recruitment by Kenya Wildlife Service was conducted in 2015 in which 1,200 rangers were recruited, however KWS requires 1,000 additional rangers.
2. There is a shortfall of **Kshs. 884 million** to implement the salaries and remuneration commission categorization, staff annual increment and medical scheme.
3. The human wildlife conflict has been a major concern for the State Department with a current pending bill of **Kshs. 6 billion** in claims. However, the State Department has an allocation of **Kshs. 525 million** against a requirement of **Kshs. 15 billion** for the FY 2018/2019. In the FY 2017/2018, the State Department had an allocation of **Kshs. 612 million**.

5.0 COMMITTEE RECOMMENDATIONS

i. State Department for Water and Sanitation

1. National Water Harvesting Authority has a national mandate of bridging the gap between the demand and supply of water which is in line with our

Constitution and Vision 2030. There is therefore need to operationalize the mandate of the Authority as envisaged in the Water Act, 2016

2. In addition, the committee recommends fixing the governance issue under the Authority immediately to provide strategic direction to the Authority. Subsequently, there is need to revamp its capacity through enhanced budgetary allocation to invest in water harvesting activities.
3. An allocation of **Kshs. 500 million** towards the Maua water & drainage project to settle the pending bills.
4. An allocation of **Kshs. 500 million** to Northern Water Service Board to initiate government funded water harvesting projects to improve access to safe water in the Northern dry areas.
5. An allocation of **Kshs. 1 billion** towards the last mile water connectivity across the country to provide clean, safe and adequate water for kenyans.
6. There is need to have Muranga County under the jurisdiction of one Water Service Board to avoid duplication of services and overlaps of activities.

ii. Ministry of Environment and Forestry

1. In order to disseminate weather and climate information for decision making at grass-root level, the meteorological department decentralized its service to the county and deployed County Meteorological Personnel to its field observation stations. The committee therefore recommends allocation of **Kshs. 70.5 million** for the operations of disseminating the weather products at the counties.
2. Allocate the Kenya Meteorological Department additional **Kshs. 427.8 million** to clear pending bills most of which were as a result of budget cuts. The Department further requires **Kshs. 56 million** for Maintenance of Equipment and further allocation of **Kshs. 48 million** for securing and insuring the high cost equipment the department has invested in
3. The allocation of **Kshs. 842.86 million** for the recruitment of 1,500 forest rangers as part of the implementation of the recommendations by the taskforce
4. **Kshs. 200 million** to be allocated for purchase of land for the Medical Waste and Hazardous Waste Recycling Facility. The Government of Japan

may withdraw the support to the project that is to be constructed by a grant that is extended to Government of Kenya;

5. The Committee recommends additional **Kshs. 240 million** to improve tree seed production capacity at KEFRI for the FY 2018/2019 to contribute towards meeting the 10 percent tree cover by 2022. The Committee further recommends enhanced budgetary support to KEFRI to meet the increasing demand and considering the central role of research in development of forestry and allied natural resources.
6. The Adaptation Fund allocation for FY 2018/2019 be released to NEMA so as to facilitate projects implementation in 14 counties to respond to effects of Climate Change in sectors like water management, food security, agroforestry, coastal and mangrove ecosystems and disaster risk reduction.

iii. State Department for Mining

1. The Committee recommends allocating adequate funds to the State Department for Mining which is expected to contribute 10 percent to the G.D.P before the year 2030.
2. The committee recommends unlocking the **Kshs. 2,023,508,130** donor funds to facilitate the National Airborne Geophysical Survey for mapping of the mineral resources in the country which will further enhance the state departments potential to reach the 10 percent contribution to the GDP before the Vision 2030 target.

iv. State Department for Wildlife

The Committee recommends that the National Treasury should fund the recruitment of 1,000 rangers by KWS. The Committee recommends that the Department gets adequate funding to clear the outstanding money in form of compensation for human wildlife conflict. Further, the Committee recommends that a long-lasting solution and more sustainable mitigation measures such as fencing of the parks be addressed as a matter of urgency.

Further, the Department should be funded to provide strategic water points in the rangelands to mitigate the Human Wildlife Conflict. The National Treasury should

provide **Kshs. 884 million** for the implementation of SRC categorization, staff annual increment and medical scheme for the Department.

Re-Allocations Schedule

Ministry of Water and Sanitation

1. Re-allocate **Kshs. 150 million** from Drilling of exploratory boreholes for Turkana and Marsabit under the Water Resource Management Programme as follows:
 - i **Kshs. 110 million** to Athi Water Services Board as an additional funding towards the Nairobi City regeneration under the water and sewerage infrastructure development Programme.
 - ii **Kshs. 40 million** to Lake Victoria South Water Service Board as an additional funding for the Water Harvesting Program under the Water and Sewerage Infrastructure Development

2. **Kshs. 50 million**, re-allocation from Athi River Restoration Programme under the Water Resource Management Programme to Tanathi Water Service Board as an additional funding towards the rehabilitation of the Nolturesh Water Supply under the Water and Sewerage Infrastructure Development Programme. This is a project that covers Kajiado and Machakos Counties and has a 200 KM pipeline length from Mt. Kilimanjaro.

Ministry of Environment and Forestry

1. Re-allocate **Kshs. 450 million** from the School Greening Program as follows:
 - i. **Kshs. 100 million** to Urban Rivers Rehabilitation Project under the Environment Management and Protection Programme in the Ministry of Environment and Forestry. This is aimed at rehabilitating urban rivers to restore their former pristine nature.
 - ii. **Kshs. 150 million** to Northern Water Service Board under the Ministry of Water and Sanitation to initiate government funded water harvesting projects to improve access to safe water in the Northern dry areas.
 - iii. **Kshs. 160 million** to Tana Water Service Board under the Ministry of Water and Sanitation for rehabilitation of water supplies and last mile water connectivity.

- i. **Kshs. 40 million** to Rift Valley Water Service Board under the Ministry of Water and Sanitation for rehabilitation of water supplies and last mile water connectivity.
2. Re-allocate **Kshs. 100 million** from the Community Livelihood Improvement Programme (CLIP) under the Forests and Water Towers Conservation Programme to Imarisha Lake Naivasha Project under the Environment Management and Protection Programme to conserve and rehabilitate Lake Naivasha in further support to the industrial park initiated to be built in the FY 2018/2019 budget.
3. Re-allocate **Kshs. 50 million** from the Mitigation and Management of Soil Loss under the Forests and Water Towers Conservation Programme to Nairobi River Rehabilitation Project under the Environment Management and Protection Programme towards the objective of rehabilitating and protecting 100 KM stretch of the river to near pristine conditions.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments.** In Particular:

1. Members queried why there was no allocation for compensation of human wildlife conflict;
2. Members queried the strategy used in conservation and rehabilitation of Lake Naivasha;
3. It was noted with concern the duplication of financing of projects;
4. Members queried hiring of additional forest rangers and issues of training;
5. Members queried about the numerous stalled projects under the Ministry, in particular, Umma dam project after the government paid Kshs. 500 million. It was observed that there was need to fast track the completion of the project because it's a flagship project of Vision 2030;
6. There are numerous taskforce formed at the ministry and yet there is no funding to those taskforces;
7. The committee observed that there is need to support the last mile connectivity (water) and model it up to cater for the rural parts of the country

After deliberations the Chairman thanked the Chairperson of Environment and Natural Resources and requested the Committee to submit the required information that they had not submitted as per the agreed format to the secretariat. Thereafter, the Chairman called upon Chairperson of Energy to submit the Committee report on the 2018/19 budget estimates.

MINBAC /25/2018/07: MEETING WITH DEPARTMENTAL COMMITTEE ON ENERGY

The Chairperson of the Departmental Committee on Energy made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairman highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

A. OBSERVATIONS

1. State Department for Energy

The Committee made the following observations that the budget for the State Department has been reducing from Kshs. 111.426 billion in 2016/17 to Kshs. 77.103 billion in 2017/18 revised estimates and further to the proposed Kshs.62.075 billion for the Financial Year 2018/19. This is despite Energy being a critical enabler of the big four agenda. At least 57 percent of the total development budget in the State department is funded by our development partners, this may compromise on the funds absorption rates whenever it fails to provide or reduce the GoK counterpart funding.

The State Department of Energy is grappling with an accumulated pending bill totaling to Kshs. 22.459 billion shared among the following state agencies under it;

- | | |
|---|---------------------|
| ✓ Kenya Power and Lighting Company | Kshs.13.478 billion |
| ✓ Kenya National Electricity Transmission Company | Kshs. 3.930 billion |
| ✓ Geothermal Development Corporation | Kshs. 4.913 billion |
| ✓ Kenya Nuclear Electricity Board | Kshs. 148 million |

The critical projects like last mile connectivity, connectivity subsidy, Street lighting and connection of Public Facilities are grossly underfunded. The Committee was informed that the underfunding was due to rationalization of funds in order to provide for big four projects.

The Committee observed that the delay by the national government in putting funds in improving transmission grid lines has aided in the following negative effects:-

- ✓ High cost of power due to the use of the expensive Uganda Electricity Transmission Company Limited (UETCL) power and the use of Muhoroni diesel generator in Western Kenya.
- ✓ Unreliable power due to lack of sufficient transmission projects.
- ✓ High cost over runs due to delays in progressing with transmission projects. This results in costly projects.
- ✓ Donor unrest due to project delays (AfDB are reconsidering funding the Kenya – Tanzania line due to project delays)

The Committee observed that there are 13 ongoing projects which require 13.457 Billion for wayleave cost but however the allocation is 1.754Billion. The Committee noted that these 13 projects require an allocation of 5.545Billion as the minimum funding for the project to progress failure to which the projects will attract holding and arbitration charges.

2. State Department for Petroleum

The Committee made the following observation that despite the government push to reduce the dependence on Kerosene by public owing to its role in contributing to fuel adulteration and respiratory ailments the government has not provided resources in the 2018/19 estimates to fund the distribution of LPG gas cylinders (Mwananchi gas project) which would also help in addressing deforestation.

The Fuel Marking project which entails testing and marking of fuel in order to fight adulteration of fuel in the Market is grossly underfunded. This is expected to negatively impact the fuel export business and will encourage importers of fuel

products to use alternative ports e.g. Dare Salaam. Kenya is quickly losing its reputation as a preferred transport corridor for fuel on transit owing to the unnecessary delays on our roads as result of high number of police road block in the Kenyan as compared to our neighboring countries like Tanzanian and Uganda.

B. RECOMMENDATIONS

a) Specific Recommendations

1. State Department for Energy

Arising from its observation and findings, the Committee recommends that-

- (i) The reduction in the budgetary allocation for the State Department of Energy affects completion of critical projects aimed at achieving a 100 percent access to affordable energy by 2022 as envisioned in the Policy Documents like the Budget Policy Statement and the Medium Term Plan III of the vision 2030. The Committee recommends that going forward, the budgetary allocation for State department be reinstated to its earlier allocations of the financial year 2017/2018 of Kshs. 77. 103 billion or to the approved BPS ceiling of Kshs. 73.115 billion
- (ii) Priority funds be provided to clear the pending bills and completion of ongoing projects under respective State Corporations.
- (iii) To increase the absorption of donor funds which constitutes 57 percent of the development budget in the State department, the National Treasury should provide the requisite counterpart funding from Government of Kenya.
- (iv) The status of ongoing projects be updated by the spending agencies before the start of preparation of annual estimates including variations in total estimated costs before the expected date of completion.
- (v) The National Treasury to prioritize the critical projects subject to availability of funds by providing the following additional allocations in the 2018/19 Budget:
 - ✓ the last mile Connectivity 1.0Billion
 - ✓ Connectivity Subsidy 1.5Billion

- ✓ Electrification of Public facilities 1Billion
- ✓ Installation of transformers in constituencies 1Billion
- ✓ Street lighting 1.0.Billion

(vi) The Committee recommends that allocations for the State department of Energy be reviewed upwards to the level of the BPS 2018 Ceilings as was approved by the National Assembly for the purpose of way leave funding for the 13 ongoing transmission projects.

2. State Department for Petroleum

Arising from its observation and findings, the Committee recommends that-

- i. Subject to availability of resources, Kshs. 3 billion be provided for Mwananchi LPG gas Cylinders project to fund the distribution of LPG gas cylinders in order to reduce the country's dependence on kerosene
- ii. Kshs.183 million be provided for fuel marking projects to address adulteration and dumping of export fuel in to the local market subject to availability of funds.
- iii. The Ministries of Transport and the Ministry Interior and coordination of national government should come up a mechanism on how to standardize axle weights and reduce number of road blocks with a view to promote fuel product export business and make Kenyan petroleum products competitive in the regional Market.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments.** Notably,

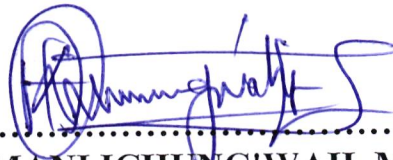
1. Members queried why KPLC had a huge pending bill of Kshs. 13 billion;
2. Why the 13 ongoing projects had not been provided allocation for FY 2018/19;
3. The last mile Connectivity allocation for FY 2018/19;
4. The supply of faulty transformers by KPLC;
5. Why national government is doing street lighting and yet it's a county function;
6. Resources to cater for Mwananchi LPG gas cylinders project

After deliberations the Chairman thanked the Chairperson of Energy and requested the Committee to submit the required information that they had not submitted as per the agreed format to the secretariat.

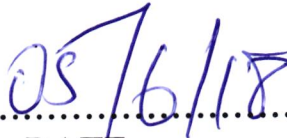
MIN BAC /25 /2018/08: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 8.15 p.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE



.....
DATE



**MINUTES OF THE 24TH MEETING OF THE BUDGET AND APPROPRIATIONS
COMMITTEE HELD ON 29TH MAY 2018, AT THE BOMA HOTEL, NDOVU HALL
NAIROBI, AT 10.50 AM**

PRESENT

- 1) **Hon. Kimani Ichung'wah, M.P. - Chairman**
- 2) **Hon. Moses Lessonet, M.P**
- 3) Hon. Millie Odhiambo, M.P
- 4) Hon. (CPA) John Mbadi, M.P.
- 5) Hon. James Gakuya, M.P.
- 6) Hon. (Dr.) Makali Mulu, M.P.
- 7) Hon. Jude Njomo, M.P.
- 8) Hon. (Dr.) Korei Ole Lemein, M.P.
- 9) Hon. Fatuma Gedi Ali, M.P.
- 10) Hon. Florence Chepngetich Koskey, M.P.
- 11) Hon. Paul Abuor, M.P.
- 12) Hon. Qalicha Gufu Wario, M.P.
- 13) Hon. John Muchiri Nyaga, M.P
- 14) Hon. Richard Onyonka, M.P.
- 15) Hon. Danson Mwashako, M.P
- 16) Hon. Benard Masaka Shinali, M.P
- 17) Hon. Sarah Paulata Korere, M.P.
- 18) Hon. (Dr.) John K. Mutunga, M.P.
- 19) Hon. Mark Nyamita, M.P.
- 20) Hon. Ruth Wangari Mwaniki, M.P.
- 21) Hon. Samwel Moroto, M.P.
- 22) Hon. (Dr.). Gedion Ochanda, M.P.
- 23) Hon. James Gichuki Mugambi, M.P.
- 24) Hon. Badi Twalib Badi, M.P.

ABSENT WITH APOLOGY

- 1) Hon. Moses Kiarie Kuria, M.P
- 2) Hon. Naisula Lesuuda , M.P
- 3) Hon. Christopher Wangaya Aseka , M.P

COMMITTEE CHAIRS PRESENT

- 1) Hon. Paul Koinange, MP – Chairperson Departmental committee on Administration & National Security
- 2) Hon. Adan Haji Ali, MP – Chairperson Departmental Committee on Agriculture & Livestock
- 3) Hon. (Dr.) Rachael Nyamai, MP – Chairperson Departmental Committee on Lands
- 4) Hon. Julius Melly, MP - Chairperson Departmental Committee on Education & Research

PARLIAMENTARY BUDGET OFFICE / COMMITTEE SECRETARIAT

- 1) Ms. Phyllis Makau (OGW) - Director
- 2) Mr. Robert Nyaga – Deputy Director
- 3) Mr. Joseph Ndirangu - Clerk/Fiscal Analyst
- 4) Ms. Lucy Makara - Chief Fiscal Analyst
- 5) Ms. Millicent Makina - Fiscal Analyst
- 6) Mr. Danson Kachumbo – Fiscal Analyst
- 7) Mr. James Chacha - Fiscal Analyst
- 8) Mr. Joram Barasa - Support Staff
- 9) Mr. Benard Omondi - Serjent-At-Arms
- 10) Mr. Elijah Ichwara - Audio Officer

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation of the previous minutes
- 3) Consideration of Reports from Departmental Committees
- 4) A.O.B & Adjournment

MIN BAC/24/2018/01: PRELIMINARY / ADOPTION OF THE AGENDA

The Chair welcomed the members into the meeting and called the meeting to order at 10.30 a.m. Thereafter, Hon. (Dr.) Makali Mulu, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting and called upon Chairperson of Education to submit the Committee report on the FY 2018/19 Budget Estimates, followed by the Chairpersons for the Committees of Agriculture, administration & National Security, and finally, Lands.

MIN BAC /24/2018/02: CONFIRMATION OF THE PREVIOUS MINUTES

No minutes were confirmed

MIN BAC/24/2018/03: CONSIDERATION OF THE REPORT BY THE DEPARTMENTAL COMMITTEE ON EDUCATION

The Chairperson presented to the Committee the Departmental Committee on Education consideration of the estimates of expenditure for the state departments under its purview. The state departments include: State Department for Early Learning & Basic Education, State Department for Technical & Vocational Education & Training, and State Department for university education & Research, State Department for Post Training & Skills Development, and Teachers

Service Commission. With respect to each of the state departments, the Committee was informed as follows:

State Department for Early Learning & Basic Education

- i. The Chairperson informed the Committee that the school feeding policy should be reviewed in order to map out the country and bring on board deserving areas in need of program coverage such as slum areas. This is because the primary school feeding program, which aims at retaining learners in primary schools in ASAL and pockets of poverty is not being administered in an effective manner to produce the intended outcomes. Further, data captured under the Education Management Information System (EMIS) should guide resource allocation through capitation to various schools to facilitate effective use of the resources provided for free primary and secondary education. The EMIS program is designed to capture learner's details at various levels of education.
- ii. The Chairperson further stated that there was need to have uniform or similar in infrastructural works undertaken for improvement of primary and secondary schools in line with standard norms of various amenities within schools which should guide resource allocation. In addition, the Committee was informed that the Ministry of Education needed to adopt or buy in commitment from the 47 county governments to ensure that the construction of ECDE centers across country are done in a standardized manner and guarantee smooth implementation.

State Department for Technical & Vocational Education & Training

- i. The Chairperson suggested that the Ministry of Education and the National Government Constituency Development Fund (NGCDF) management should coordinate to ensure that TTI projects are completed and fully operational. This is because 60 TTIs have been constructed but are not operational. Further, the Technical Vocational & Education Training Authority (TVEDA) should be fully operationalized in order to regulate the increasing number of TTIs, carry consistent quality controls and inspection to ensure the TTIs operate as efficient and provide quality training. In addition, the Chairperson suggested that the national government should put consistent oversight on allocations set to support village polytechnics

which is a conditional grant worth Ksh. 2 Billion otherwise its impact might not be achieved as intended.

State Department for University Education & Research

- i. The Committee was informed that most of the public Universities are not well funded and are struggling to stay operational calling for the review of the funding criteria to ensure that Universities remain operational. This is due to change in the criteria used to allocate resources and the abrupt reduction in resources following fall in enrolment of student numbers in the module II program. Thus, the country needs a wider consultation on ideal number of universities for the country given the constrained resources envelope. This would require the review of the Universities Act which envisages establishment of a university in every county.
- ii. Further, the Chairperson noted that there should be more transparency for the AIA generated by the Commission for University Education (CUE) and the National Council for Science, Technology and Innovation (NACOSTI) as they are not captured in the Budget Estimates.

State Department for Post Training & Skills Development

- i. With regard to the State Department for Post Training and Skills Development, the Committee was informed that the creation of the state department is a noble initiative in linking graduates to relevant practical skills through attachments, internships and apprenticeship. However, the new State Department needs to be clearly defined in terms of its core mandate to avoid any duplication of functions.

Teachers Service Commission

- i. On Teachers Service Commission, the Chairperson reiterated that the TSC has not been allocated resources to employ teachers in the next financial year despite there being a target for teacher recruitment under the Program Based Budget 2018/19.
- ii. The committee was informed that the resources allocated for FY 2018/19 are meant to cater for compensation of existing teachers in the service and the normal yearly salary increments and therefore fresh resources should be allocated to TSC to recruit teachers or the targets be revised to reflect the actual position in terms of Teacher Recruitment.

Further, the Chairperson of presented to the Committee the policy and financial recommendations put forth by the Departmental Committee on the estimates of expenditure for the relevant state departments and agencies. The recommendations are as follows:

- i. The reduction of allocations to the NACOSTI by Ksh. 100 million due to non-declaration of AIA, Commission for University Education by Ksh. 30 million as a result of non-declaration of AIA, the school feeding program by Ksh. 200 million due to involvement of county governments and inefficient selection of schools, and secondary school infrastructure by 560 million as the NGCDF is involved in improving school infrastructure.
- ii. Increment of Ksh. 100 million to Technical and Vocational Education Training Authority (TVETA) in order to facilitate full operation of the agency in view of increasing number of technical institutes,
- iii. Increment of 100 million to the National Council for Nomadic Education (NACONEK) in order to cover underfunding in various activities that aim at supporting education in ASAL areas,
- iv. Increment of 200 million to the teacher's service commission meant for Leasing of vehicles in order to support supervision and inspection of teaching in schools as part of improving quality of Education,
- v. the allocations to the universities of; Nairobi, Moi, Jomo Kenyatta, and Muranga by Ksh. 500 million, Ksh. 100 million, Ksh. 100 million and Ksh 5.4 million respectively, be increased in order project completion of activities affected by budget rationalization
- vi. Ksh. 50 Million be reallocated from the development budget of Egerton University for Construction of Library and reallocated to Ronggo University College for Construction of a ~~dining hall~~ ^{a library}.
- vii. Ksh. 220 million allocated for Construction of Science Complex at Murang'a University College be reduced by Ksh. 100 Million and reallocated to the same University for Construction of hostel block phase I which is an ongoing project in the University.
- viii. The Budget and Appropriations Committee considers allocating the Teachers Service Commission (TSC) resources to recruit approximately 21,626 teachers in 2018/19 financial year as captured in the Program Based Budget (PBB) for 2018/19.
- ix. The Chairperson further noted that there existed no mechanism for distribution of TVETs across the country but this depended on the capacity of the NGCDF providing the prerequisite conditions i.e. land, water, electricity and 10 million counterpart funding.

- x. Further, the Chairpersons informed that Committee that Mitihani house project is 55% complete after going on for 32 years. It was also noted that certain parts of the project is funded by both the State Department for Education and State Department for Public Works leading to possible cross funding.
- xi. The Committee was informed that the National Industrial Training Authority (NITA) has been moved to the new State Department for Post Training & Skills Development as this will facilitate the promotion of skilled manpower and facilitate employment. However, it was noted that the transmission was incomplete as there are functions of NITA under the State Department of Labor.
- xii. Finally, the Chairperson stated that the higher education loans board has been allocated KSh. 10.01 billion for loans to cover students in universities and TTIs' and a separate scheme worth Ksh.37.6 million has been created to offer scholarship grants to 34,479 students.

MIN BAC/24/2018/04 REPORT FROM THE CHAIR DEPARTMENTAL COMMITTEE ON AGRICULTURE

The Chair informed the Committee;

Under the Under the State Department of Irrigation, that;

- i. The Galana / Kulalu project started in 2013 and expected to be completed by 2018 at a Total cost Ksh. 250 billion. However, the project was allocated Ksh. 17.5 billion between the FY 2014/15 – 2018/19 for the development of the 10,000 acres' pilot farm to Ksh. 18.1 billion. Despite the huge investment the government made towards the project, its achievement has been minimal and therefore there is need for a comprehensive audit to ascertain whether the government got value for money in the project.
- ii. The Thwake multipurpose Water Dev't Program is projected to cost Ksh. 42.3 billion and has so far been allocated Ksh. 14.86 billion between the FY 2016/17 – FY 2018/19 including a proposed allocation of Ksh. 7.994 billion in the FY 2018/19. It is projected that only 20% of the project will be achieved in the FY 2018/19 and will largely relate to compensation of affected families which will require transparency and accountability.

Under the State Department of Crops Development & Management, that;

- i. the allocations to the state department of Crop Development for FY 2018/19 is significantly lower than its allocation in FY 2017/18 despite the fact that the government has identified the sector as one of its four key pillars in delivering rapid-social economic transformation as well as food and nutrition security for all in the next 5 years.
- ii. The spread of fall armyworm in maize growing areas particularly in rift valley and western part of the country which for the FY 2018/19 the department was allocated Ksh. 300 million to contain the spread and adverse effect of the worm has the potential to derail the government Big Four agenda particularly on food security and nutrition for all if not contained adequately.
- iii. Despite the country being faced with an acute shortage of fertilizer and inefficiencies in its distribution to farmers which has serious repercussions for the country's food security the programs allocation has been reduced by 23.2% to 4.3 billion in FY 2018/19.
- iv. The department has pending bills owed to farmers amounting to Ksh. 3.5 billion while under the Unga subsidy program millers had supplied subsidized flour. The department had been allocated Ksh. 1 billion leaving a balance of Ksh. 5.8 billion.

Under the State Department of Livestock, that;

- i. The modernization/Rehabilitation of Kenya Meat Commission Factory was to cost Ksh. 3.1 billion and it was expected to be completed in the FY 2017/18. However, there was no allocation in this financial year which could delay the completion of the project and hamper efficiency.
- ii. It has been noted that allocations are removed during supplementary budgets leading to accumulation of pending bills and subject it to possible litigations, and penalties or fines given that there is a contractor on sight who is undertaking the modernization works for the organization.
- iii. The National Treasury through its Directorate for Public Private Partnership (PPP) should explore ways of securing Kenya Meat Commission a strategic partner for its long-term sustainability.

Under the State Department of Fisheries, that;

- i. The state department plays a key role in the exploitation of marine resources and its contribution to the country's big four agenda of food security and nutrition for all

- ii. It was noted that there is consistent underfunding of projects in the department is likely to delay and jeopardize the timely completion of projects. For instance, Aquaculture Technology Dev't and Innovation Transfers project commenced in the FY 2015/16 and was projected to cost Ksh. 1,537 million but has only been allocated Ksh. 294 million in the last three years.

Under the State Department of Agricultural Research Services, that;

- i. The department has a number of projects that are under-funded as indicated such as allocation for establishment of dairy goat artificial insemination Centre –Ksh. 100 M, establishment of Liquid Nitrogen Plants & laboratory upgrading – Ksh. 100 M, Tea Research FAW under KARI, Sustaining of Tsetse Freed Areas in Meru Mwea, Lake Victoria, Coast and Lake Bogoria regions and Tsetse and Trypanosomiasis eradication in Coastal region – Ksh. 100 M

The Chair informed the meeting of the Departmental Committee recommendations, that;

- i. The share of the agricultural budget has been stagnant at 2% in the last 2 years and is projected to maintain the trend over the medium term. Therefore, the committee recommends, in the subsequent budgets, the sector budget should be increased to five percent (5%) of the overall budget given the critical role the sector plays and in line with the Maputo Declaration.

Under the State Department of Livestock, that;

- i. Ksh. 100 million be reallocated from funds meant for the establishment of disease free zones due to deficient justification as the key project, Bachuma Disease Free Zone, has yielded no meaningful outcome. These will be reallocated as follows; a) Ksh. 85 million to Kenya Meat Commission for the settling of pending bills owed to farmers, b) Ksh. 15 million to the Directorate of Policy Regulation and Research.

Under the State Department of Agriculture, that;

- i. Additional allocation of Ksh. 9.3 billion outside the ceiling be allocated to the state department for a) Ksh. 3.5 billion for settling pending bills owed to farmers and b) Ksh. 5.8 billion owed to millers under the Unga Subsidy Program.

Under the State Department of Livestock, that;

- i. An additional allocation of Ksh. 300 million be allocated to the department to the Kenya Meat Commission for settling of pending bills owed to farmers which were incurred during the drought mitigation period through the animal off-take program.
- ii. Even though KMC was allocated Ksh. 500 million in the FY 2016/17 for modernization of its infrastructure, the department only received Ksh. 125 million out of its allocation and the rest was removed through the supplementary budget. This affected the modernization works as the contractor had submitted a certificate worth Ksh. 375 million and therefore an additional allocation should be considered for settling this pending bill.

Under the State Department of Irrigation, that;

- i. Additional allocation of Ksh. 1.5 billion for the state department comprised of Ksh. 1 billion for National Expanded Irrigation Program and Ksh. 0.5 billion for National Water Harvesting and Ground Water Exploitation Program.
- ii. In the subsequent budgets, the department budget should be increased by five percent (5%) of the state departments current allocation given the critical role the sector plays in the economy particularly its contribution to the big four agenda.

Under the State Department of Fisheries, that;

- i. The Committee recommends the approval of the Department budget as contained in the Budget Estimate for FY 2018/19.
- ii. In the subsequent budgets, the department budget should be increased by five percent (5%) of the state departments current allocation given the critical role the sector plays in the economy particularly its contribution to the big four agenda.

Under the State Department of Agricultural Research, that;

- i. The Committee recommends the approval of the Department budget as contained in the Budget Estimate for FY 2018/19.
- ii. In the subsequent budgets, the department budget should be increased by five percent (5%) of the state departments current allocation given the critical role the sector plays in the economy particularly its contribution to the big four agenda.

MIN BAC/24/2018/05: CONSIDERATION OF THE REPORT FROM THE DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND NATIONAL SECURITY

The Chairperson informed the Committee, that;

- i. Pending bills across the various agencies under its purview is affecting budget implementation and the affected agencies include; a) the Presidency – KSh. 73.4 million, b) State department for Interior - Ksh. 3.68 billion, c) State Department for Correctional Services - Ksh. 6.7 billion and State Department of Immigration and Citizen Services – KSh. 1.4 million
- ii. A donor funded project that aims at supporting refugees host communities around Dadaab and Kakuma Refugee camps to reduce the impacts of long standing presence of refugees through community driven development should be transferred from the Presidency vote, to the State Department for Interior which has full-fledged directorate on Refugee Affairs.
- iii. There has been slow implementation of Vision 2030 flagship projects partly due to limited funds for capital expenditure. Therefore, the slow pace has hampered the envisaged economic growth and development and therefore the Presidency may give policy direction in the view of limited capital expenditure by prioritizing unfinished agenda of MTP II.

The Chair informed the meeting of the Departmental Committee recommendations, that;

- i. The allocation for State Department for Interior be reduced by Ksh. 300 million under the program Planning, Policy Coordination and Support Services and reallocated as follows; a) increase allocations to NACADA by Ksh. 200 million under the State Department for Correctional Services to take care of a shortfall in their Operations and Maintenance, and b) increase allocation to the National Police Service Commission by Ksh. 100 million to enable the Commission set up 8 Counseling units for the Police.
- ii. Ksh. 600 million be reduced from National Secure Communication and Surveillance System development project and re-allocate as follows; Ksh. 570 million towards construction of sub-county Headquarters and, Ksh. 30 million towards the construction of Police Housing.
- iii. Ksh. 300 million be reduced from Planning, Policy Coordination and Support Services by and re-allocate to a) Ksh. 200 million to the Office of the Deputy Inspector General, Kenya Police for Security Operations under sub-program Kenya Police Services, Policing Services Program and, b) Ksh. 100 million to the sub-program Criminal Investigation Services, Policing Services Program.

- iv. Provide Ksh. 20 million towards compensation of owners of plots taken over by the Government to build Government Offices at the Embu North District Headquarters by reducing recurrent for OOP Headquarters, Planning, Policy Coordination and Support Services Program

MIN BAC/24/2018/6 REPORT FROM THE CHAIR DEPARTMENTAL COMMITTEE ON LANDS

The Chair informed the Committee, that;

- i. The Committee observed that the proposed Expenditure Estimates for the Land Policy and Planning programme, for the FY 2018/2019 is Ksh. 6.020 billion comprising against the approved BPS 2018 expenditure ceiling of Ksh. 5.811 billion comprising. This gives a deviation of (increment) of Ksh. 359 million which the Ministry explained was to cater for deficit in salaries, arrears due to advancement to next grade, lifting of interdicts and promotions.
- ii. The Ministry of Lands and Physical Planning has pending bills amounting to Ksh. 2,035,874,402.47 arising from court and arbitration awards. This was majorly occasioned by commission or omission and falsification of documents by ministry personnel.
- iii. Construction and renovation of land registries was greatly hampered by cases of pending bills. To ensure, the 6 land registries planned for the FY 2018/2019 are realized, the Ministry should ensure that activities are undertaken within the approved budget, procurement and cash flow plans. All the designated Authority to Incur Expenditure (AIE) holders in the Ministry should only make commitment after confirming availability of cash to settle the bills.
- iv. The enactment of the Physical Planning Bill which has been pending before Parliament should be finalized to anchor and harmonize national and county physical planning.
- v. A land value index bill should be prioritized in order to harmonize valuation of land across the country which is presently based on speculation rather than market forces of demand and supply. This will also facilitate *determination of land rent, land rates, stamp duty on conveyance of land* and compensation of expropriated *land*.
- vi. Adequate financing should be provided for the completion of the development of the Geo-spatial data completion of the national atlas is instrumental in advancing sustainable development goals (SDGs).
- vii. The National Spatial Plan which was completed and launched in March 2017 should be implemented through putting in place a robust support system be placed to capacity build and

- provide technical assistance the Counties in developing the County Spatial Plans alongside finalisation of the Physical Planning Handbook and guidelines.
- viii. The provision of Ksh. 340 million in the FY 2018/2019 for purchase of lands for settlement of the landless including squatters and forest evictees seems inadequate and a robust resettlement programme with defined timeline and financing strategies. This is because this process requires Ksh.10.171 billion over three-year period to settle a) 4,500 squatters in Mikanjuni, b) 3,000 squatters in Minarani, and c) 16,000 squatters in Chakama, Kilifi County alone.
 - ix. The National Land Commission had not finalized the development of historical land injustices (HLI) rules and regulation including the development HLI claims register as part of implementation of various reports on HLI; and further the Commission had not finalized the development of Traditional/Alternative Dispute Resolutions (TDR/ADR) to address numerous land succession cases clogging the judicial system.

The Chair informed the meeting of the Departmental Committee recommendations, that;

- i. The Ministry of Lands and Physical Planning, and the National Land Commission should harmonize the development of their Integrated Land Management Information systems in to one that will be domiciled at the Ministry of Lands and Physical Planning.
- ii. The National Land Commission should finalize the development of historical land injustices (HLI) rules and regulation including the development HLI claims register as part of implementation of various reports on HLI; and further finalize the development of Traditional/Alternative Dispute Resolutions (TDR/ADR) to address numerous land succession cases clogging the judicial system
- iii. Ksh. 300,000,000 under the Ministry of Information Communication and Technology meant for the development of the Public Land Management System for the National Land Commission be reallocated to the Ministry of Lands and Physical Planning to cater for the following:
 - a) Ksh. 80, 000,000 is reallocated to County Land Offices to cater for allowances and travel expenses for the Land Control Boards.;
 - b) Ksh 110,000,000 is reallocated to Land settlement to cater for the resettlement of landless citizens; and
 - c) Ksh 110,000,000 is reallocated to Development and Land Reforms to cater for titling of land in the country.

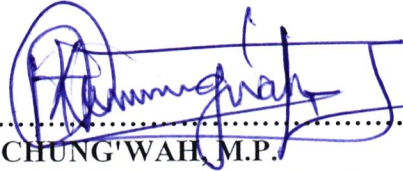
Dr

- iv. Ksh. 28,384,128 is reallocated from Land Administration and Management Programme under the National Land Commission (Recurrent) to the Land Policy and Planning programme to cater for allowances for the Land Control Boards under the Ministry of Lands and Physical Planning

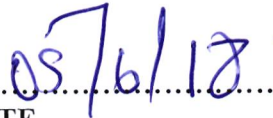
MIN BAC/24/2018/7: ANY OTHER BUSINESS & ADJOURNMENT

There being no other departmental Committee to present, the meeting was adjourned till 3:00 pm.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE



.....
DATE



MINUTES OF 23rd SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON MONDAY, 28th MAY 2018, IN SIMBA CONFERENCE, BOMA HOTEL, SOUTH C AT 3.15 PM.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA. John Mbadi, CBS, M.P
4. Hon. Samwel Moroto, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. Richard Onyonka, M.P.
7. Hon. James Mwangi Gakuya, M.P.
8. Hon. (Dr.) Makali Mulu, M.P.
9. Hon. Twalib Bady, M.P.
10. Hon. (Dr.) Korei Ole Lemein, M.P.
11. Hon. Sarah Paulata Korere, M.P.
12. Hon. Benard Masaka Shinali, M.P.
13. Hon. (Dr.) Gideon Ochanda, M.P.
14. Hon. Jude Njomo, M.P
15. Hon. Paul Abuor, M.P.
16. Hon. James Gichuki Mugambi, M.P.
17. Hon. (Dr.) John K. Mutunga, M.P.
18. Hon. Florence Chepngetich Koskey, M.P.
19. Hon. John Muchiri Nyaga, M.P.
20. Hon. Fatuma Gedi Ali, M.P.
21. Hon. Danson Mwashako, M.P.
22. Hon. (Eng.) Mark Nyamita, M.P.
23. Hon. Qalicha Gufu Wario, M.P.
24. Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. Moses Kiarie Kuria, M.P.
2. Hon. Naisula Lesuuda, OGW M.P.

3. Hon. Christopher Wangaya Aseka, M.P.

DEPARTMENTAL COMMITTEE CHAIRPERSON

- | | |
|--------------------------------------|------------------------------|
| 1. Hon. Sabina Chege, MP | Chairperson, Health |
| 2. Hon. Kisang William Kipkemoi, M.P | Chairperson, Communication |
| 3. Hon. Kanini Kega, M.P. | Chairperson, Trade, Industry |

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|---------------------------|
| 1. Ms. Phyllis Makau | Director, PBO |
| 2. Mr. Robert Nyaga | Deputy Director, PBO |
| 3. Ms. Lucy Makara | Chief Fiscal Analyst, PBO |
| 4. Ms. Millicent Makina | Fiscal Analyst |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 2. Mr. Danson Kachumbo | Fiscal Analyst III |
| 3. Mr. James Chacha | Fiscal Analyst III |
| 4. Mr. Benard Omondi | Sergeant-at- Arms |
| 5. Mr. Elijah Ichwara | Hansard |
| 6. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Agenda:
 - i. *Receipt of submissions from Departmental Committees on the review of the 2018/19 Estimates*
4. Any Other Business

MIN BAC /23 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 3.30 p.m. and welcomed members of the committee to the meeting. Thereafter, Hon. Millie Odhiambo, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. The Chairman invited the director, Parliamentary Budget Office to brief members on Managed Equipment Service (MES) programme. Thereafter, he called upon Chairperson of Health to submit the Committee report on the 2018/19 budget estimates.

MIN BAC/23/2018/02: MEETING WITH DEPARTMENTAL COMMITTEE ON HEALTH

The Chairperson of the Departmental Committee on Health made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairperson highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

A. Committee Observations

The Committee having considered the various submissions, made the following observations during the consideration of the Budget Estimates; That Kshs. 5.2 Billion has been allocated for Rural Health Centres and Dispensaries. The Committee was informed that this is a conditional allocation is for Level five hospitals of Kshs. 4.3 Billion which was previously disbursed by the National Treasury but now has been shifted to the Ministry of Health and Kshs. 900 million for User fee foregone which is also a conditional grant to the county governments provided under the Division of Revenue Act, 2018.

The Committee observed that the Ministry has a foreign borrowing of Kshs 7 billion for purchase of 37 CT scans. The Committee was informed that the total cost of the project is not only for purchase of the CT scans rather it has components as such as Construction of building where the machines will be placed, Air conditioning all of rooms ,Generator 120KV for 64 slice and 150KV for 128 slice, Uninterrupted power

supply(UPS) unit 120 KVA, Furniture for all the rooms, Special Thermal film printer, Injector, Standard Report printer, Warranty and spare parts for 5 years, Service for 5 years, Factory training for 37 Radiologists/ Radiographers, More than 800 users Refresher training for 5 years and Government Taxes. The Committee was also informed that the CT scans were not part of the Leasing of Medical equipment and that the approximate unit cost of one CT scan is Kshs 40 Million.

The Committee observed that ministry intends to increase the coverage of Leasing of the medical equipment from 98 Hospitals to 119 Hospitals with an allocation of Kshs 9.4 Billion. The Ministry submitted that out of the Kshs 9.4 Billion;

- Kshs. 6.1 Billion is meant for the quarterly payments of the initial five contracts for the 98 hospitals
- Kshs. 1 Billion is for Health Care Information Technology (HCIT) which is a two year contract
- Kshs 2.3 Billion is for the additional 21 hospitals which been incorporated into the program

The Committee observed that the slum upgrading project aimed at improving health facilities in slum areas has not taken off despite resources being spent on it and that the procured portable clinics are unutilized. The Committee was informed that the Ministry budget for this project has always be hampered by lack of exchequer release as well as lack of buy in some of the targeted counties. The Committee noted that the Ministry intends to utilize Kshs 200 million to pay the contractor the balance of the contracted sum amounting to Kshs.200 million. However, from the Ministry submissions, the EACC stopped further payment of the contract until investigations are concluded. The Committee also observed that the portable clinics which fall under level 2 health facility category are a devolved function.

The Committee observed that the Ministry of Health allocation has been enhanced to cater for piloting of the Universal Health to Counties. The Ministry submitted the identified counties are Nyeri (due to prevalence of non-communicable diseases), Kisumu (due to prevalence of communicable diseases), Machakos (due to the highway hence prone to accidents) and Isiolo (ASAL region). The intention of the piloting to ascertain the feasibility of the UHC before being rolled out in the entire country. The Ministry submitted that the obligation of the selected county

governments is to ensure that Human Resources are available and Health facilities are improved including having medical products. Appreciate the multi-faceted nature of UHC hence the need to review it. It allocates funds to NHIF without commensurate capacity built for health personnel, access, and medicine among other factors. Moreover, it has not been explained how NHIF intends to scale up 100percent coverage in these counties.

The Ministry submitted that the enhanced allocation for recruitment of doctors relates to the partnership between Kenya and Cuba where 110 specialist doctors from Cuba will work in Kenya. The programme also involves an exchange program where Kenyan doctors will be trained in Cuba as well as malaria control in malaria prone regions. The Committee also notes that part of the allocation is for training of Kenyan doctors. However, in spite of potential benefits of skills transfer, the Ministry should consider hiring unemployed local specialists.

B. Committee Recommendations

The Committee having considered and scrutinized the 2018/19 Budget Estimates for the Ministry of Health makes the following recommendations:

i.) Policy Recommendations

1. The Committee is concerned that some of the key budgetary allocations in the Ministry of Health are conditional grants to county governments. This include Leasing of medical equipment, allocation to level 5 hospitals whose allocation are ring fenced under the Division of Revenue Act. Considering that the allocations are significant, the Committee recommends that going forward, the Committee be incorporated in the scrutiny of Division of Revenue Bill if there are proposals in the bill to give conditional grants relating to Health to County governments.
2. The Committee is also concerned that most of the conditional grants relating to health function going to county governments take time to reach the intended health facilities since the funds must first pass through the County Revenue Fund and get entangled in the bureaucratic system within the county. The Committee recommends a review of relevant public finance laws to allow the possibility of

ensuring that these allocations are disbursed directly to health facilities for first service delivery while at the same time putting in place accountability systems to ensure that these allocations are spent well.

3. The Committee is concerned that the portable clinics are lying unutilized due to lack of support from some of the identified counties meant to benefit from this project. The Committee further noted that there are other counties which have expressed interest to uptake this project. The Committee recommends that the Ministry reviews the selection criteria for allocating these clinics such that it is demand driven where counties which have expressed interest are allocated the portable clinics at their cost. This will also lessen the burden of the Ministry in terms requesting resources for operational costs relating management of the clinics. The portable clinics can also be used by NYS in their Gender Based Violence (GBV) Centres.
4. The Committee noted that the performance in terms of collection of AIA among the various SAGAs in the sector has improved. However, the Committee is still concerned that some agencies are not declaring their local revenues, for instance, Mathari Referral Hospital. The Ministry needs to ensure that the collection and application of AIA by all Agencies is reported to the National Treasury and the Controller of Budget as required to ensure that this resources are utilized well.

ii.) Proposed reallocations

5. The Committee observed that the slum upgrading project is part of an active EACC investigation. The Committee notes that the Ministry intends to utilize Kshs 200 Million to pay the pending bill owed to the contractor involved in the purchase of the portable clinics despite the fact that Ministry in its submission indicated that the EACC stopped further payments to the contractor until investigations are completed. The Committee recommends that the Kshs 320 Million allocated to this project be reallocated to rehabilitation and improvement of infrastructure across all the Kenya Medical Training Colleges (KMTC's) across the country.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments**, in particular:

- i. It was noted with concern that the report submitted did not follow the agreed format such as providing annexes that provided status of pending bills;
- ii. Members requested the contract information of Managed Equipment Service (MES) programme;
- iii. Members queried the list of additional 21 hospitals that are benefiting under the MES programme;
- iv. Status of equipment supplied to various hospitals under MES programme
- v. Members queried whether the CT scans being bought were partly being funded by a donor or it was a loan from China. In addition, members queried the terms of loan and its interest payments;
- vi. Members queried what will happen to the leased equipment after 7 years;
- vii. Members requested additional information on the Cuban doctors.

After deliberations, it was agreed that the Departmental Committee on Health shall resubmit their report by Wednesday, 30th May 2018 that has adopted the agreed format and provide the information requested by the committee. Thereafter, the Chairman called upon Chairperson of Communication, Information and Innovation Committee to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /23/2018/03: MEETING WITH DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION AND INNOVATION

The Chairperson of the Departmental Committee on Communication, Information and Innovation made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairperson highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

A. OBSERVATIONS

In its consultations and deliberations, the Committee made the following observations, THAT; The allocation to the Ministry of ICT does not meet the resource requirements of the Ministry. This may affect the implementation of the programmes. The Ministry had accumulated pending bills arising from the budget cuts as well as delayed budget releases from the exchequer account during the financial year 2017/19. The Konza Techno city had been underfunded over the financial years and this has adversely affected its completion. The Ministry headquarters is understaffed and this affects the implementation of its mandate. The inadequate financing and delayed budget release had resulted into un-achievement of pre-planned targets by the state departments. The Ministry was intending to spearhead the implementation of seamless e-government services and this required adequate funding. There was a consultation to be done to deliberate on the performance of the Digital Literacy programme. The Ministry was intending to install a 1,000km fibre optic cable under the NOFBI project; this would provide a platform for the government shared services. The Ministry was as well intending to have inter-connectivity between various health facilities countrywide in order to promote the universal health care agenda. In the previous years, the state departments had recorded low absorption rates and this is attributed to the delay in the disbursement of funds from the exchequer account.

2. COMMITTEE RECOMMENDATIONS

After careful scrutiny, analysis and deliberations the Committee recommends, THAT;

A. Policy recommendations

1. The National Treasury should ensure timely disbursement of funds from the exchequer account to enhance effective and efficient implementation of projects.
2. The Ministry undertakes consultations with the county governments so as to agree on the interdependency of procuring ICT services.
3. The Ministry of ICT should present a report to the Committee on the performance and the actual implementation status of the Presidential Digital Talent Programme;
4. The Ministry should create awareness regarding the Ajira programme (Presidential Digital Talent Programme) to enable more youths to apply and be trained.

B. Financial recommendations.

Reallocations

- a) **Kshs 100 million is deducted from R 1121000113 ICT shared services and to be allocated to R 1121000700 Konza Techno polis Development Authority.** This amount is to be used for the payment of salaries and the advertisement costs in marketing of Konza.
- b) **Kshs 100 million is deducted from R 1121000113 ICT shared services and to be allocated to R 1121002701 Media Council of Kenya (Current transfers to government agencies).** This amount is to be used for payment of salaries and wages of employees, this item has been underfunded.
- c) **Kshs 200 million is deducted from D 112100901 Consultancies (MDP2) and allocated to 112100701 Konza Complex- Headquarters.** This amount will be used to cater for the accumulated pending bills in the Project.

WISH LIST

- ii. There is urgent need for the National Treasury, to allocate adequate funds that are required to establish the **Constituency Innovation Hubs** in the remaining constituencies. The National Treasury should consider allocating funds from the **National Youth Service**.
- iii. **Kshs. 50 million** to Kenya Year Book Editorial Board to enhance its operations.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments**, in particular:

1. Members queried why Konza Techno City is underfunded and yet it's a Vision 2030 flagship project;
2. Members queried the constituencies to benefit in the installation of a 1,000km fibre optic cable under the NOFBI project;
3. Members queried why the Ministry of ICT had accumulated huge pending bills and going forward the strategy to be used to clear them

After deliberations the Chairman thanked the Chairperson of Communication, Information and innovation and requested the Committee to submit the required

information that they had not submitted to the secretariat. Thereafter, the Chairman called upon Chairperson of Trade, Industry and Cooperatives Committee to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /23/2018/04: MEETING WITH DEPARTMENTAL COMMITTEE OF TRADE, INDUSTRY AND COOPERATIVES

The Chairperson of the Departmental Committee on Trade, Industry and Cooperatives made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairperson highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

OBSERVATIONS

A. The state Department for Industry: -

Funding allocated for cotton growing and development has been dismal, despite its importance in the development of the textile industry. Developing industrial infrastructure such as Export Processing Zones (EPZs), Special Economic Zones (SEZs) and industrial Parks across the Country like the proposed Modern Industrial Park in Naivasha, apparel Industrial sheds in Athi River, establish the Dongo Kundu SEZs, Constituency Industrial Development centres, will create jobs for Kenyans. To improve Kenya's Global Ranking on Doing Business Indicators from our current position of 92 to within the top 50 and further lower cost of Doing Business for both Domestic and Foreign investors requires Reengineering and remodelling of Business Environment Indicators. RIVATEX and K.I.E are fundamental agencies in promoting SMEs growth in the country in order to create employment however the ministry is proposing a reduction in the budget of the two entities in favour of other unfunded projects that are in line with the big four Agenda. As RIVATEX embarks in modernising its machinery, production of cotton which is a raw material should be promoted for proper utilization of the modern machines.

It is not economical for the State department to introduce a new leather project in Kajiado with an allocation of Kshs.200 million while the Kenanie leather project has taken a long period of time to complete. The Committee also observed that the following projects were not funded at all and yet they are key in driving the Big Four Agenda;

- i. Developing of Dongo Kundu Special Economic Zone
- ii. Establishment of one stop centre for investors(KENIVEST)
- iii. Accreditation of motor vehicle inspection Body Centres(KENAS)
- iv. Agro-processing development
- v. Development of Leather Sector and MSME policies and Review of National Industrialization policy
- vi. Naivasha Industrial Park

B. The state Department for Cooperatives: -

The Committee observed that;

1. SASRA has a deficit in Recurrent
2. SASRA is an important institution in regulating SACCOs in the country and therefore needs to be funded.
3. New KCC limited being a commercial entity needs to strive to be self-reliant in the future as opposed to requesting for more funding from the exchequer.

C. The state Department for Small and Medium Enterprises:-

The Committee observed that;

4. The ministry has concentrated a lot on export promotion and partially disregarding the protection of the domestic producers by not doing much to control dumping in the country.
5. The construction of the KIBT building at parklands has taken so many years and is concerned that the costs could escalate over the years due to time related costs.
6. Completion of KIBT will save the State Department over Kshs. 102m that Telecom is paid for rent.
7. Micro, small and medium enterprises are the drivers of the growth in the informal sector; however there is still inadequate funding towards the same.
8. The allocation of KShs.700 million for Constituency Development Centres is important in spurring growth in urban and semi-urban areas despite the challenges associated with the project.

9. The State Department needs, to develop a policy to support county governments in developing strategic physical markets in order to avoid the post-harvest losses that are continuously being experienced in the country

B. COMMITTEE RECOMMENDATIONS

In view of the above observations, the committee recommended the following;

1. State Department of Investment and Industry

1. Reallocations

A. Deductions

1. Kshs. 440M be allocated towards Development of Leather Industrial Park at Kenaine, Athi River saving Ksh.360M.
2. Kshs. 500M be allocated towards modernization of RIVATEX Machinery saving Kshs. 230M.
3. Kshs. 350M be allocated towards provision of credit to SMEs in the manufacturing sector (KIE) saving Kshs. 650M.
4. Kshs. 500M be allocated towards construction and equipping of constituency Industrial Development Centres (CIDC) saving Kshs. 200M.
5. Kshs. 210M be allocated towards Research Technology innovation and Laboratory innovation and KIRDI Nairobi South B saving Ksh400M.
6. No allocation to development of Kajiado Leather Factory in this financial Year saving Kshs 200M

(B)Increments

1. Kshs. 300M be allocated towards Contracted Technical Services on Cotton production and Value addition an increment of Kshs. 200M.
2. Kshs. 460M be allocated towards Re-engineering and Re-Modeling of Business environment Indicators (Ease of doing Business) an increment of Kshs. 410M.
3. Kshs. 300M be allocated towards Completion of infrastructure project at Kenya Industrial Training Institute (KITI) an increment of Kshs. 40M.
4. Kshs. 200M be allocated towards Modernization of numerical machining Complex (NMC) an increment of Kshs. 150M.
5. Kshs. 850M be allocated towards Development of Athi River Textile Hub an increment of Kshs. 450M

2. New allocations

1. Kshs. 120M be allocated towards Development of Dongo Kundu Special Economic Zone (DK SEZ)
2. Kshs. 200M be allocated towards Establishment of a One stop centre for investors (KENINVEST)
3. Kshs. 20M be allocated towards Accreditation of Motor Vehicle Inspection Body Centres Assemblers and Garages (KENAS)
4. Kshs. 200M be allocated towards Naivasha Industrial Park.
5. Kshs. 100M be allocated towards refurbishing offices at the Head quarters
6. Kshs. 100m be allocate towards SME development transformation policy
7. Kshs. 100M be allocated towards Development of Leather Sector and MSME policies and Review of National Industrialization policy.
8. Kshs. 50M be allocated towards Agro-Processing Development

2. State Department of Trade

1. Kshs. 302M be allocated towards completion of KIBT infrastructure
2. Kshs. 500M be allocated towards Constituency Industrial Development Centres (ESP)

3. State Department of Cooperatives

1. Kshs. 30M to be reallocated from SASRA development Vote to Recurrent.
2. Kshs. 30M to be reallocated from New KCC development to SASRA development

4. Policy recommendations

1. The committee is provided with a comprehensive report on all the waivers undertaken by SASRA.

After the presentation, the Committee was informed that it had received a letter from National Treasury informing them of a cabinet decision to reduce **Kshs. 4.3 billion** from the State Department of Industrialization and State Department for Small and Medium Term Enterprises. The reductions were as follows:

- i. Kshs. 2 billion for acquisition foe Naivasha Special Economic Zones;
- ii. Kshs. 600 million for capital grants to Semi- Autonomous government (KIRDI) to develop and transfer modern agro-processing technologies under KIRDI South B;

- iii. Kshs. 1 billion for capital grants to Semi- Autonomous government (KIE) for SMEs incubation and manufacturing
- iv. Kshs. 700 million for capital grants to Semi- Autonomous government for the construction of Constituency Industrial Development Centres (CIDCs)

The realized savings should be directed to Ministry of Defence for supporting the ongoing military modernization.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments**, in particular:

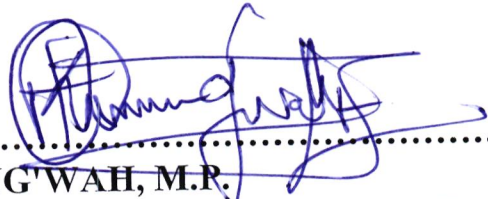
- i. It was noted with concern that the report submitted did not follow the agreed format such as providing annexes that provided status of pending bills
- ii. There was need for the committee to resubmit their report after considering the letter from National Treasury

After deliberations, it was agreed that the Departmental Committee on Trade, Industry and Cooperatives shall resubmit their report by Wednesday, 30th May 2018 that has adopted the agreed format and provide the information requested by the committee.

MIN BAC /23 /2018/05: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 6.15 p.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

05/6/18

.....
DATE



MINUTES OF 22nd SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON MONDAY, 28th MAY 2018, IN SIMBA CONFERENCE, BOMA HOTEL, SOUTH C AT 9.00 A.M.

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA. John Mbadi, CBS, M.P
4. Hon. Samwel Moroto, M.P.
5. Hon. Millie Odhiambo, M.P.
6. Hon. James Mwangi Gakuya, M.P.
7. Hon. (Dr.) Makali Mulu, M.P.
8. Hon. Twalib Bady, M.P.
9. Hon. Jude Njomo, M.P
10. Hon. (Dr.) Korei Ole Lemein, M.P.
11. Hon. Sarah Paulata Korere, M.P.
12. Hon. Benard Masaka Shinali, M.P.
13. Hon. (Dr.) Gideon Ochanda, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. James Gichuki Mugambi, M.P.
16. Hon. (Dr.) John K. Mutunga, M.P.
17. Hon. Florence Chepngetich Koskey, M.P.
18. Hon. Christopher Wangaya Aseka, M.P.
19. Hon. John Muchiri Nyaga, M.P.
20. Hon. (Eng.) Mark Nyamita, M.P.
21. Hon. Qalicha Gufu Wario, M.P.
22. Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. Richard Onyonka, M.P.
2. Hon. Moses Kiarie Kuria, M.P.
3. Hon. Naisula Lesuuda, OGW M.P.
4. Hon. Fatuma Gedi Ali, M.P.

5. Hon. Danson Mwashako, M.P.

DEPARTMENTAL COMMITTEE CHAIRPERSON

- | | |
|---|---------------------------|
| 1. Hon. (Dr.) Victor Kioko Munyaka, M.P | Chairperson, Sports |
| 2. Hon. Joseph Limo, M.P. | Chairperson, Finance |
| 3. Hon. Joyce Korir, M.P. | Vice- Chairperson, Labour |
| 4. Hon. Omboko Milemba, M.P. | |

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|---------------------------|
| 1. Ms. Phyllis Makau | Director, PBO |
| 2. Ms. Lucy Makara | Chief Fiscal Analyst, PBO |
| 3. Ms. Millicent Makina | Fiscal Analyst |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
| 2. Mr. Danson Kachumbo | Fiscal Analyst III |
| 3. Mr. Elijah Ichwara | Hansard |
| 4. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Confirmation of the previous minutes
4. Matters Arising
5. Agenda:
 - i. *Receipt of submissions from Departmental Committees on the review of the 2018/19 Estimates*
6. Any Other Business

MIN BAC /22 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 9.30 a.m. and welcomed members of the committee to the meeting. Thereafter, Hon. (Eng.) Mark Nyamita, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Chairperson of Sports, Culture and Tourism to submit the Committee report on the 2018/19 budget estimates.

MIN BAC/22/2018/02: CONFIRMATION OF PREVIOUS MINUTES/MATTERS ARISING

No minutes were confirmed.

MIN BAC /22/2018/03: MEETING WITH DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND TOURISM

The Chairperson of the Departmental Committee on Sports, Culture and Tourism made presentations to the Committee on the consideration of budget estimates of the Ministry and agencies. The submission by the Chairman highlighted the Committees key observations regarding the estimates and interactions with the spending agencies, and policy and financial recommendations which the Committee has put forth for consideration by the Budget and Appropriations Committee.

A. COMMITTEE OBSERVATIONS

The Chairperson presented to the Committee the observations arising from the consideration of the estimates, consultations and deliberations. The Departmental Committee made the following observations, THAT: The National Treasury had not adhered to the ceilings of the 2018 Budget policy statement as is the requirement of the Public Finance Management Act, 2012. The name of the fund 'Tourism Fund' had been changed to be called Tourism Transformation Fund. The Cabinet had unlocked the Tourism Fund established in the Kenya Airport Authority to allow the tourism sector benefit from the funding.

The fund had accumulated up to Kshs. 6 billion by February, 2018 and this would help in financing the sector. The spending agencies had been underfunded especially on the development votes. The agencies had accumulated pending bills of up to Kshs. 1.522 billion (Sports), Kshs. 513.98 million (Heritage) and Kshs. 1.596 billion (Tourism). The funds to the agencies were not disbursed on a timely basis and this occasioned pending bills and delayed implementation of projects; and in the financial year 2017/18 the state departments had suffered massive budget cuts during the supplementary estimates I and II. This had hampered project implementation and attainment of the pre-planned targets of the State Departments

B. RECOMMENDATIONS

Arising from the observations, consultations and deliberations, the Departmental Committee made various policy and financial recommendations as outlined below for Ministry of Tourism and wildlife, State Department for Heritage, and State Department for Sports.

1. Ministry of Tourism and Wildlife

The Chairperson presented the following recommendations on the budget estimates for the Ministry of Tourism and Wildlife: That:-

1. The State Department of Tourism shall endeavor to undertake proper feasibility before undertaking any new projects and before projects implementation.
2. The State Department of Tourism needs to evaluate its costing estimates when mapping out its priority projects as when resources needs do not match projected revenues, budget cuts are inevitable.
3. The National Treasury needs to consult widely with the State Department of Tourism throughout the budget cycle and before effecting any budget cuts, as random budgetary cuts could seriously hamper the priority programs and operations of the department.
4. The National Treasury needs to reduce the non-discretionary expenses in the programme to keep within the ceilings.

5. Where the allocations are way below the requirements, the department has to prioritize their activities and projects. This will ensure satisfactory uptake of the funds in the final analysis.
6. The Ministry is to dispose the pending bills as a matter of law. In the next Financial Year, provisions for Kshs 1.596 billion as first expense should be done.
7. The National Treasury needs to keep up with timely disbursement of funds which lead to very high absorption rates as well as efficient procurement plans in the ministry.
8. The State department of Tourism has to plan, in partnership with the Oversight Committee, for utilization of the tourism transformation fund that was being held by the Kenya Airports Authority. Once the fund is fully operationalized, the financing gaps in the programme will be adequately addressed.
9. As a productive sector of the economy, major foreign exchange earner, an enabler in the attainment of the government Big Four Priority Agenda and a significant contributor to the economy, tourism funding should be enhanced to maximize realization of its enormous but largely unexploited potential.

2. State Department for Heritage

On the State Department for Heritage, the key recommendations presented to the Committee are as follows:-

1. The allocation to the State Department of Heritage needs to be increased to reflect an investment on the creative part of the economy that it presents. This is very critical in terms of achieving set targets.
2. Timely release of funds from the exchequer account will reduce the department's pending bills. The National Treasury should therefore ensure timely release of requisite funds.
3. The State Department has to involve stakeholders to address the issue of employing new staff. There is already an issue with pensioners from the National Museums of Kenya (NMK) under which it has been observed that within the next four years, over 80 percent are set to retire.

4. The State Department of Heritage should fully implement the reports of the Public Accounts Committee of the Financial Year 2013/14, and that of the Public Investments Committee contained in the 20th and 21st Reports, adopt them as standard operating procedures.
5. The State Department's pending bill of **Kshs. 452,650,160** in relation to unpaid pension arrears and further Kshs. 61,330,606 merchant and obligatory bills under the National Museums of Kenya should be prioritized as a matter of law.

3. State Department for Sports

On the State Department for Sports, the key recommendations presented to the Committee are as follows: There is need for the National Treasury to consult widely with the state department before affecting any budgetary cuts. Since budget allocation is determined within the budget cycle, the State Department of Sports will build their capacity in preparation for the call by the Ministry for sector hearings where priority budget items are identified and the budget ceilings set. The State Department needs to receive more allocations in the next budget cycle since it has faced serious budget cuts in the previous financial year. The State Department's pending bills in relation to completed works on both CHAN and regional stadia projects should be prioritized. Since most projects had not been completed due to financing delays and the budget may not cater for all of them, there has to be a prioritization process (involving all stakeholders) so as to identify what shall either be funded or placed on hold. The National Treasury should allocate resources towards pending cash awards for athletes amounting to **Kshs. 147 million**. Our Athletes deserve better and the awards needs to be honoured. The operationalization of the National sports Fund requires a one-off budgetary allocation of **Kshs. 600 Million**.

The treasury needs to explain how these funds shall be allocated. Once it is operationalized, it would help in curbing the financing gaps in the state department. Finally, the allocations for Sport have to be commensurate with the expectations we have on our teams and athletes. So far, the government is yet to fully support sports in Kenya.

After the submission, the **Members of the Budget and Appropriations Committee made various concerns and comments.** Notably, members noted that the report submitted did not follow the agreed format such as providing annexes that provided status of pending bills. Members also inquired into the Ministry plan of action for the aging staff of National Museums of Kenya (NMK) who 80 percent of the workforce are set to retire in the next five years. Further, the inquired into list of projects under the Ministry of Sports especially projects that were being funded under CHAN and how much is required for the completion of the various stadia. In particular, the issues raised included what was the the cost of building regional stadia and the priority list of those projects. Questions were also raised concerning the timelines for transfer of funds held by Kenya Airports Authority to Tourism Fund to make the fund fully operational.

After deliberations, it was agreed that the Departmental Committee on Sports, Culture and Tourism shall resubmit their report by Wednesday, 30th May 2018 that has adopted the agreed format and provide the information requested by the committee. Thereafter, the Chairman called upon Chairperson of Finance Committee to submit the Committee report on the 2018/19 budget estimates.

MIN BAC /22/2018/04: MEETING WITH DEPARTMENTAL COMMITTEE OF FINANCE AND NATIONAL PLANNING

The Chair of the Departmental Committee on Finance and National Planning submitted key observations and recommendations arising from the departmental Committees consideration and consultations on the estimates of expenditure for the various agencies under the Committees purview. The Chair presented the Committee observations as listed below:

OBSERVATIONS

1. THE NATIONAL TREASURY

Following the submissions by the National Treasury and the earlier briefing by the Parliamentary Budget Office on the proposed Estimates on 2018/19, various observations were made by the Committee. Key among the observations include the following:

- i. It was observed that the revenue collection strategies that are set to be rolled out most likely will not yield the revenue to GDP ratio of 19.2 percent in the Medium term. The Committee noted that most strategies are premised on acquisition of new ICT Systems without revealing the potential benefits in terms of quantifiable revenue increase attributable to each strategy.
- ii. It was pointed out that the target of reducing the Public Debt ratio from the current 53 percent to 45 percent by end of 2018/19 as is indicated in the Programme Based Budget (PBB) is unrealistic. The Fiscal Consolidation strategies espoused was felt lacks the conviction of reducing the public debt levels. The Committee was concerned that there are still persistent efforts to acquire more public debts (eg. Eurobond) that will stifle the achievement of this target.
- iii. The Committee was concerned that the National Treasury that should be at the forefront in prudent utilization of resources is not committed to austerity measures. This is attributed to the fact that there are significant increases (over 300 percent increases in some departments) in the proposed allocations in the non-core activities such as in Foreign travel and other travels costs and also in Printing, Advertising and information supplies and services.
- iv. The Cash flow management by the National Treasury was pointed out to be still not sufficiently effective and efficient. The Committee was concerned that the National Treasury gets blamed by other Ministries/Departments/Agencies and County governments for delays in exchequer releases, a fact that contributes to low absorption rates thereby impairing public service delivery.
- v. It was observed that unlike other Ministries and State departments, the National Treasury always appear before the Committee to submit on estimates without representations of the SAGAs (Semi-Autonomous Government Agencies) that fall under it such as KRA. This was felt do not give the Committee adequate room to interrogate other relevant policies of such Agencies.

2. STATE DEPARTMENT FOR DEVOLUTION

The following observations were made:

- i. That pending bills continue to be accumulated within this State Department. It was noted that the Department inherited huge pending Bills from the defunct Local Authorities (Kshs. 3.5 Billion) some of which accrue interest rate (at a rate of 15 percent per annum). The new programme of Integrated Regional Development (formerly under State Department for Planning) has also worsened the Pending Bills since it has several Development Authorities with various levels of Pending Bills.
- ii. Delays in completion of projects within the Department were raised by the Committee. An example of such a project was the Kimira Oluoch irrigation scheme. The Committee pointed out that this has the implication of escalating costs associated with such projects besides stifling public service delivery.
- iii. Significant reduction in the Special Initiative programme from the Ksh.3 Billion in the current FY 2017/18 to a meager Ksh.50 Million in the 2018/19. The Committee was concerned that this is coming at a time when incidences needing humanitarian interventions such as floods are in the rise. It was pointed out that this will nearly wipe out the noble programme that is necessary in assisting the victims of disasters.

3. STATE DEPARTMENT FOR PLANNING

Arising from the Submissions from the State Department the Committee on Finance and National Planning made the following observations:

- i. That the proposed allocations for the Census to be conducted are equally spread spanning to a period after 2019.
- ii. The Committee observed that the integrity of the last National Housing and Population Census was put to question and therefore the Committee was concerned whether the proposed allocation to the sub-program is adequate

for sufficient preparations for remedial action so to enhance the integrity of the statistics that will be reported after the Census is concluded.

- iii. The Committee observed that the proposed allocations for the NGCDF in the FY 2018/19 is short of the prescribed threshold (**2.5 percent of Kshs. 1.369 trillion**) which translates to **Kshs. 34.2 Billion**. However, the proposed allocation of **Kshs. 31.9 Billion** includes Ksh. 1.5 Billion that was an outstanding balance carried forward from previous years' allocations. The real allocation relating to this FY 2018/19 is therefore **Kshs. 30.4 Billion**. It therefore follows that there is a shortfall of Ksh. 3.8 Billion in the proposed allocations.
- iv. Delays in receipts of NG-CDF Funds: The Committee pointed out the persistent delays in receipts of the NG-CDF and the need for enhanced coordination between the Department and the National Treasury in processing the release of the funds was noted. Such delays result in late completion of the projects being funded by the Fund.

4. COMMISSION ON REVENUE ALLOCATION

Based on the submission by the Commission on the 2018/19 and medium-term budget, the Committee made the following observations:

- i. That the total proposed allocation reflects an overall increase of 8 percent from the baseline to a proposed total amount of Kshs. 422.56 million where the Commission is expected to continue implementing the Inter-Governmental Transfers and Financial Matters. However, the resource requirement for the fiscal year under consideration was Kshs. 753 million, shortfall of 44 percent
- ii. That the Commission is working on modalities including technical capacity and engagement with counties to improve local revenue performance, enhance automation and build fiscal prudence with a view to maximizing county fiscal potential and relevant legislation

- iii. That the Members observed there is need for the Commission to improve to further improve current strategies on dissemination of its output and engagement to inform all key stakeholders including the legislature at both levels.
- iv. That the criteria and intervention towards addressing marginalization focuses on counties unlike disadvantaged areas and as such is not comprehensive and inclusive addressing marginalization as envisaged in the Constitution.
- v. That the Committee was informed of current efforts towards identifying marginalized areas using recent data disaggregated data at the lowest administrative/establishment level possible with a view to generate areas that the Second marginalization Policy is to focus and that Commission is currently engaging all stakeholders.

5. OFFICE OF THE CONTROLLER OF BUDGET

The Committee observed as follows: -

- i. The total proposed allocation reflects an overall increase of 25 percent from the baseline to a proposed total amount of Kshs. 618 million where the Controller is expected to continue implementing the Control and Management of Public Finances.
- ii. The Controller of Budget Office absorption levels for the past three years of 2015/16, 2016/17 and 2017/18 stood at 98 percent, 97 percent and 73 percent. The actual expenditure for 2017/18 was as at May 2018.
- iii. The Office continues to monitor budget implementation at both levels of government and that there is improvement in absorption levels and use of revenue collection systems in most counties as well as remarkable reduction in foreign travel.
- iv. Improved reporting through the quarterly reports on budget implementation and oversight by the Office. However, the Committee further noted that

there were delays in submission and publication of quarterly reports on budget implementation slightly beyond the reporting timelines.

6. SALARIES AND REMUNERATION COMMISSION

The Committee observed that: -

- i. The total proposed allocation reflects an overall decrease of 11 percent from the baseline to a proposed total amount of Kshs. 542 million where the Commission is expected to continue implementing the Salaries and Remuneration Management Programme. The reduction is noted in most items under the recurrent budget as rationalization and mainly under contracted professional services.
- ii. There is need for additional expenditure to accommodate extra expenditure needs on account of incoming Commissioners on full time basis and that there were engagements initiated with National Treasury on the same. However, the Committee observed that the engagement by the Commission with National Treasury is on-going.
- iii. There is need for the Commission to adequately engage its stakeholders as per its mandate and in view of sustainable wage bill as well as ensuring fast-tracking of relevant laws and regulations.

A. RECOMMENDATIONS BY THE COMMITTEE

1. Policy Recommendations

The Committee recommends that: -

- i. The National Treasury should improve its cash flow management so as to reduce incidences of exchequer releases that stifle implementation of programmes.
- ii. The State Department for Planning should put in place proper systems to ensure that the integrity of the statistics in the 2019 Census is beyond reproach.

- iii. The State Department for Devolution should fast track settlement of the high Pending Bills.
- iv. Commission on Revenue Allocation (CRA) should speed up the processing of the new Generation policy on identification of Marginalized areas.
- v. The Office of the Controller of Budget should ensure timely preparation and submission of quarterly and annual reports to relevant stakeholders including the Legislature and in line with timelines of PFM Act, 2012 and its Regulations.
- vi. The Commission on Revenue Allocation should fast track the finalization of the Third Revenue sharing basis and the Second Marginalization Policy with a focus on marginalized areas and employ credible and relevant data as well as completing the Master plan on Marginalization for equitable society.
- vii. The Commission on Revenue Allocation and Office of Controller of Budget should pursue zero-based budgeting and prioritization of key expenditure in the medium term on account of ensuring budgeting on need basis and financial prudence.
- viii. The National Treasury should consider all aspects of expenditure needs towards compensation of employees and social benefit on a cost-benefit basis for the Office of the Controller of Budget with a view to ensure adequate provision under these critical Items.

2. Financial Recommendations

The Committee made the following financial recommendations: -

i. Re-Allocations

1. A reduction of **Kshs. 5 Billion** from the vote of the National Treasury from the Pensions Department (sub-vote no.1071001400) to be reallocated as follows: -

- a. **Kshs. 3.8 Billion** to the State Department for Planning for the sub vote of NGCDF to cater for the shortfall in view of the guiding thresh hold.
 - b. **Kshs. 1.2 Billion** to the State Department for Planning to cater for the finalization of the Mapping and other preparatory activities for the 2019 Census.
2. A reduction of **Kshs. 828 Million** from the vote of National Treasury sub-vote 1071007401 (Kenya Revenue Authority) to be reallocated as:
- a. **Kshs. 600 Million** to the State Department for planning to cater for the finalization of the Mapping and other preparatory activities for the 2019 Census.
 - b. **Kshs. 228 Million** to the Salaries and Remuneration Commission to cater for the following: -
 - i. Compensation to employees – **Kshs. 15,607,720 million**
 - ii. Domestic travel and subsistence and other transportation costs – **Kshs. 3,035,833 million**
 - iii. Foreign travel and subsistence and other transportation costs – **Kshs. 4,886,501 million**
 - iv. Rentals of produced assets – **Kshs. 43,000,000 million**
 - v. Training expenses – **Kshs. 16,500,000 million**
 - vi. Hospitality supplies and services – **Kshs. 15,780,684 million**
 - vii. Insurance costs – **Kshs. 3,500,000 million**
 - viii. Specialised materials and supplies – **Kshs. 212,500 thousand**
 - ix. Office and General supplies and services – **Kshs. 2,641,608 million**
 - x. Fuel oil and lubricants – **Kshs. 3,700,000 million**
 - xi. Other operating expenses – **Kshs. 28,127,000 million**
 - xii. Routine maintenance, vehicles – **Kshs. 4,008,154 million**
 - xiii. Routine maintenance, other assets – **Kshs. 2,000,000 million**
 - xiv. Refurbishment of buildings – **Kshs. 20,000,000 million**
 - xv. Purchase of vehicles and other transport equipment – **Kshs. 60,000,000 million**

xvi. Purchase of office furniture and general equipment – **Kshs. 5,000,000 million**

3. A reduction of **Kshs. 12 Million** on the vote of National Treasury under sub-vote Headquarters (vote: 1071001901) on Domestic travel and subsistence and other transportation costs to be reallocated to Commission on Revenue Allocation to Cater for Public Financial Management.
4. The Committee recommends the total proposed allocation under the Ministry of Devolution of **Kshs. 12,521,419,310 billion** and **Office of Controller of Budget of Kshs. 618,470,000** be approved.

ii. Proposed Increases

The Committee recommends increases in the following areas:-

1. **Kshs. 3.8 Billion** to the State Department for Planning to cater for shortfall in proposed allocation to the NGCDF
2. **Kshs. 1.8 Billion** to the State Department for Planning to cater for Finalization of mapping and other preparatory Services for Census.
3. **Kshs. 228 Million** to the Salaries and Remuneration Commission which will cater for various expenses occasioned by the fact that Commissioners will no longer be employed on part time basis but will now be permanent and pensionable.
4. **Kshs. 12 Million** to Commission Revenue Allocation to Cater for Public Financial Management.

iii. Proposed Reductions

The Committee recommends reductions in the following areas: -

Kshs. 5.84 Billion from the vote of National Treasury (**Kshs. 5 Billion** from the Pensions department, **Kshs. 828 Million** from the sub-vote 1071007401(Kenya Revenue Authority), **Kshs. 12 Million** on the vote of National Treasury under sub-vote Headquarters (vote: 1071001901) on Domestic travel and subsistence and other transportation costs.

After Submission, **the Members of the Budget and Appropriations Committee raised the following concerns and comments:**

- i. The members wished to know what the impact of would be reducing pensions allocations by Kshs. 5 billion as proposed.
- ii. Members queried the Kshs. 800 million allocated for Lake Basin Authority and yet there is a pending investigation by Public Accounts Committee. Members also queried the terms of loan repayments.
- iii. Members queried Salaries Remuneration Commission (SRC) allocation for purchase of vehicles and training expenses. There was proposal leasing of vehicles instead of purchase.
- iv. It was observed that in order to save cost on Census going forward there is need to strengthen the civil registry by developing a policy that ensures that all births and deaths are registered.

After deliberations, the Chairman thanked the Chairperson of Finance Committee and thereafter invited the Chairperson of Labour and Social Welfare to make their submission

MIN BAC /22/2018/05: MEETING WITH DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

The Vice-Chairperson of the Departmental Committee on Labour and Social Welfare submitted key observations and recommendations arising from the departmental Committees consideration and consultations on the estimates of expenditure for the various agencies under the Committees purview. The Vice Chairperson presented the Committee observations as listed below:

A. COMMITTEE OBSERVATIONS

Following consultations and deliberations, the Committee made the following observations, THAT:

I. State Department for Labour

1. Despite the state department for labour playing a critical role in the country's development, it has not been accorded due budgetary consideration to enhance its responsiveness, efficiency and effectiveness in addressing emerging issues and challenges facing the labour sector which also has an impact on all the other sectors of the economy
2. The committee noted that the Budgetary Allocation under National Industrial Training Authority for 2018/19 FY has been transferred to the newly formed state department for Post training and Skill Development. It is important to note that NITA is mandated by the Industrial Training Act Cap 237; to ensure adequate supply of properly trained manpower in the industry. Its parent Ministry is Labour and Social Protection which is responsible for National Human Resource Planning and Development as well as industrial training.
3. With the creation of the Chief Administrative Secretary's Office, a need has arisen for refurbishment and purchase of furniture for the office. The State Department therefore requires **Kshs 20 Million** for this purpose.
4. The State Department requires holding tripartite meetings which are statutory in nature with Social Partners to deliberate on complex labour issues. This will also assist in alleviating industrial unrest which has been witnessed in both the Public and Private Sectors of the Economy. To hold these meetings the State Department requires **Kshs. 10 Million** in the 2018/19 FY
5. The State Department is expected to cater for tripartite delegations to ILO – Geneva for Social Partners namely Government of Kenya, Central Organization of Trade Unions and Federation of Kenya Employers. Due to low representation in the past, the Country has lost opportunities for support in critical areas such as Export Processing Zone amongst others. Further, despite being a regional economic hub, Kenya is not represented in the Governing Body of the ILO. In the 2018/19 FY, the State Department requires an additional **Kshs. 25 Million** to cater for these delegations
6. As a move towards ensuring protection of the fundamental rights of Kenyan workers the Country requires to sign Bilateral Labour Agreements with key

labour destinations in the Middle East. The State Department has so far signed three such agreements with Governments of Qatar, Saudi Arabia and United Arab Emirates. In addition, arrangements are underway to conclude and sign similar agreements with Kuwait, Bahrain, Oman and Jordan. Kenya is expected to benefit from over 50,000 jobs for youth in the 2018/19 FY in these countries. To conclude the negotiations, sign and operationalize these agreements the State Department requires **Kshs. 30 Million** in the 2018/19 FY.

7. The State Department for Labour has pending bills of **Kshs. 10.1 million** relating to domestic and foreign travel during the Financial Year 2016/17 and 2017/18. Due to austerity measures and budget cuts, funds have not been available to discharge the obligations arising from the implemented activities.

II. State Department for Social Protection

1. The grass root structures to facilitate identification of beneficiaries and disbursement of the cash transfer funds are not in place. It was further noted that Constituency Social Assistance Committees have been reconstituted but they have not been facilitated to undertake their mandate.
2. The committee further expressed its concern on the monies spent on bank charges (commission) and was not convinced that the state department is getting value for money in its transaction with the banks.
3. Concern was raised on the continued non-operationalization of the Social Assistance Act, 2013.

III. State Department for Public Service & Youth Affairs

1. That, the National Youth Service has acquired commuter buses under initiative of 'Operation Okoa Abiria'. The Committee notes that under schedule four of the Constitution, the provision of road transport is a function of the County Government and the Committee was not informed of any written arrangement between the County Government of Nairobi and NYS despite requests made. The Committee was further concerned on whether procedure was followed in the acquisition of the buses and whether

NYS is suitable to engage in commercialization following recent claims of misappropriation.

2. During the processing of the Budget Policy Statement, the leadership of the NYS indicated that an audit had been done on the pending bills totaling **Kshs. 5.082 billion** presented to the Committee, however when asked on the same issue the State Department informed the Committee that no audit had been done but the pending bills were verified internally. Further, the pending bills as at 31st March 2018 reported under the youth empowerment Programme totaled **Kshs. 5.688 billion**.
3. The allowance to the National Youth Service men and women increased from **Kshs. 700** to **Kshs. 2,100** effective July 2017, following a directive by H.E the President; however, this has not been provided for under the FY 2018/2019 budget.
4. Youth Enterprise Development Fund has inadequate/limited funds and budget availability to effectively run the Fund's operations. The amount advanced on loan disbursement to the youth is majorly from the revolving fund. The committee further observed that the loans advanced by the Fund are mainly interest free and the cost of disbursement and recovery in cases of default is borne by the Fund, which is not allocated adequate resources for these activities.
5. The Committee was concerned with the lack of declaration of the generated income from the revolving fund under the Youth Enterprise Development Fund in the budget.
6. Under the 20th PIC report, the Committee recommended that the Youth Enterprise Development Fund pursues the recovery of Kshs. 204, 534,500 owed by the financial institutions. The State Department responded that the action taken included writing to the defaulting financial intermediaries demanding for repayments. However, the Committee was not satisfied with the action taken

IV. State Department for Gender

1. The Committee observed from the submissions that the allocation to the various affirmative action funds such as NGAAF, UWEZO and WEF are too low to make any meaningful impact.
2. The allocation of **Kshs. 470 million** towards the sanitary towels is insufficient to cover the target of 4,200,000 school girls
3. The pending bills for the State Department as at 31st March 2018 is **Kshs. 11.34 million** of which **Kshs. 10.78 million** is as a result of lack of exchequer during the FY 2016/2017.

V. National Gender and Equality Commission

1. The main mandate of the NGEC is to monitor, facilitate and advise on the integration of the principles of equality and freedom from discrimination in all national and county policies, laws, and administrative regulations in all public and private institutions. The commission has therefore not been able to audit government institutions on compliance with the Constitutional requirements on gender due to lack of funds.
2. To enhance its outreach, the Commission has opened regional offices in Malindi and Kitui. The new offices require furniture, refurbishment and staff at a cost of **Kshs. 20 million**.
3. The committee observed that Article 249(3) of the constitution requires Parliament to allocate adequate funds to enable each Commission to perform its functions. The committee further notes that the National Gender Equality Commission has a total funding gap of Kshs. 150 million to enable it effectively deliver on its mandate

VI. State Department for the Development of the ASAL

1. The Committee noted that development partners have committed to support the Ending Drought Emergencies (EDE) project with **Kshs. 847 million**. However, the allocated budget is **Kshs. 440 million**, the difference of **Kshs. 407 million** which is already committed as per the financing agreement has not been captured in the FY 2018/2019 budget.
2. The Committee notes that the capacity of NDMA to monitor and coordinate drought mitigation activities is limited due to inadequate funding. The Authority has a shortfall of **Kshs. 71 million** towards the execution of food security assessment.
3. The NDMA has not been able to fulfil statutory obligations to its employees in terms of payment of pensions. A total of **Kshs 48 million** is required to settle pension claims by retiring employees.
4. The Committee further notes that the State Department has initiated activities towards enhancing community resilience against drought among communities in the ASAL counties. The project aims to put in place effective measures at the community level to reduce vulnerability to the adverse effects of climate change and enhance capacity to adapt.
5. In addition, it was noted that the Kenya Drought early warning system has been allocated **Kshs 30 million** against the required **Kshs 40 million**

B. COMMITTEE RECOMMENDATIONS

I. State Department for Labour

1. That, as per International best practice and as per the ILO tenets of tripartism, skills' training is domiciled in the Ministry of Labour due to its close working relation with industry. The committee therefore recommends that the National Industrial Training Authority be retained under the State Department for Labour

2. The State Department needs to be accorded enhanced budgetary support required in order for it to carry out its mandate as a fully-fledged State Department.
3. The State Department has a severe shortage of staff in general with the Office of the Registrar of Trade Unions having only one technical officer.

II. State Department for Social Protection

1. The Committee recommends that the State Department reorganizes and reprioritizes recurrent spending with a view to reduce the growing trend under recurrent component and to ensure more Kenyans benefit from enhanced transfers with less optimal operating expenses.
2. Ministry should consider the use of mobile money transfer services in the disbursement of funds to beneficiaries under the cash transfer programme.
3. Child Welfare Society be adequately facilitated to enable it execute its mandate effectively.

III. State Department for Public Service and Youth

1. The Committee further expresses its reservation against acquiring of the commuter buses and NYS engagement in commercial activities and recommends that the purchase of the NYS buses be put on hold until the Department demonstrates that all laid down procedures were adhered to.
2. The payment of pending bills be put on hold until investigations and proper audit is done on the list of companies provided by the State Department and the report presented to the Committee.
3. The Committee recommends an additional allocation of Kshs 1.45 billion for the Fund to enable it avail its loan facility to applicants in a timely manner.

IV. State Department for Gender

1. The Committee recommends timely disbursement of the allocated funds by the National Treasury to ensure that the targets for the NGAAF, WEF and UWEZO fund are met and the impact of the funds felt at the grass root level.
2. The allocation of **Kshs. 10.78 million** to cater for the pending bills which resulted from lack of funds during the FY 2016/2017.

a. Re-Allocations

1. The National Youth Service budget has increased extensively over the years which the committee has noted has led to the constant pilferage/misappropriation of resources. The committee through further scrutiny of the Programmes under the National Youth Service recommends the reduction of **Kshs. 5,640 Million** from the Youth Empowerment Programme in informal settlements and re-allocate as follows:
 - a) **Kshs. 1,450 million** to the Youth Enterprise Development Fund under the youth employment scheme sub-Programme under Youth Empowerment Programme to cater for the decentralization of the youth entrepreneurial and financial services to the Constituency level. The additional allocation is to be distributed at a rate of **Kshs. 5 million** per Constituency to shift the services and address the gaps on loan disbursements at the Constituency level.
 - b) **Kshs. 1,000 million** to the Uwezo Fund under the Gender and the socio-economic empowerment Programme in the State Department for Gender. The distribution of the funds to beneficiaries should be constituency based.
 - c) **Kshs. 1,000 million** to the National Government Affirmative Action under the Community Development Programme in the State Department for Gender. The funds are to enhance the current Kshs. 7 million shillings per constituency for socio-economic empowerment for the less privileged members of the society.

- d) **Kshs. 500 million** towards the provision of sanitary towels under Gender Empowerment Programme under the State Department for Gender
- e) **Kshs. 500 million** for Women Enterprise Fund under the Gender and the socio-economic empowerment Programme in the State Department for Gender to enhance the fund's function of promoting economic empowerment of women by providing accessible and affordable credit and other support services to facilitate establishment and expansion of businesses for wealth and employment creation.
- f) **Kshs. 600 million** towards State Department for the Development of ASAL under the Accelerated ASAL Development Programme out of which **Kshs. 426.4 million** is to implement special Programmes for promotion of social economic development, **Kshs. 71 million** to carry out food assessment during the short and long rainy season by NDMA, **Kshs. 48 million** to settle pension claims by retiring employees in NDMA, **Kshs. 10 million** to the Kenya Drought early warning system and **Kshs. 44.6 million** for the production and marketing of drought- tolerant crops.
- g) **Kshs. 290 million** to the Safety Net Programme to facilitate the operationalization of the 290 Constituency Social Assistance Committees which have been constituted but have not been facilitated to undertake their mandate
- h) **Kshs.200 million** to enhance the budgetary allocation to the Child Welfare Society of Kenya to support Orphanages and Vulnerable Children outside households totaling to 846,000 under the vote no. 1185102500. These homes support close to 200,000 children.
- i) **Kshs. 100 million** to enhance the budgetary allocation for the National Gender Equality Commission and increase the outreach of the commission at the grass root level by opening regional offices in Malindi and Kitui.

1. **Kshs. 100 million** decreases from Construction of Buildings and other infrastructure at NYS under the Youth Empowerment Programme and re-allocate to the State Department for Labour as follows:

- a. Kshs. 20 million under the General Administration Planning and support services Programme to support the setting up of the newly created office for the Chief Administrative Secretary.
- b. Kshs. 10 million under the promotion of best labour practice Programme to hold statutory tripartite meetings with social partners to deliberate on labour issues which will help in alleviating industrial unrest witnessed in both the public and private sectors of the economy.
- c. Kshs. 25 million under the promotion of best labour practice Programme to enhance the budgetary allocation for tripartite delegations to the International Labour Organization.
- d. Kshs. 35 million under the Promotion of the Best Labour Practice Programme to conclude and sign bilateral Labour Agreement with Kuwait, Bahrain, Oman and Jordan in which Kenya is expected to benefit from over 50,000 jobs for the youth.
- e. Kshs. 10 million under the General Administration Planning and support services Programme towards the payment of pending bills to avoid any legal cost that may arise from the non-payment of the bills.

After Presentation, **Members concerns and comments:**

- i. Members queried the total allocation for National Youth Service before the reduction of Kshs. 5.64 billion?
- ii. Total amount of pending bills in particular the ones related to NYS that have active investigations.
- iii. Whether in the upcoming financial year there was a budget to pay youth and women cohorts for National Youth Service (NYS).

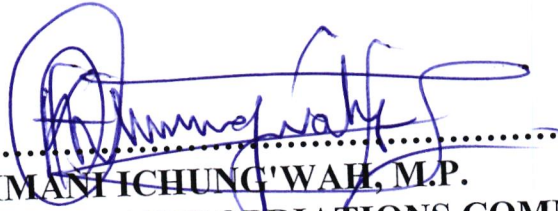
- iv. Members queried what was the total allocation for Construction of Buildings and other infrastructure at NYS under the National Youth Service before the reduction of Kshs. 100 million
- v. Proposed amalgamation of youth enterprise, Uwezo fund and other funds to Biashara development bank. What is the status? Is there an evaluation done before merging the funds
- vi. The procurement process of those commuter buses to prevent corruption
- vii. The increase of Affirmative Fund by Kshs.1 Billion, how much will the allocations go per constituency.
- viii. Why sanitary towels programme has moved from Ministry of Education to Gender. Members queried whether Gender ministry has the structures to distribute those sanitary towels.
- ix. There was a concern that the Children department is underfunded

After deliberations, the Chairman thanked the Chairperson of Labour and Social Welfare Committee and requested the Committee to submit the required information that they had not submitted as per the agreed format such as a list of pending bills and changes in programme reallocations to the secretariat.

MIN BAC /22 /2018/06: ANY OTHER BUSINESS

There being no other business the meeting was adjourned at 2.15 p.m.

SIGNED



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HON. KIMANTICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

05/6/18

.....
DATE



**MINUTES OF 21st SITTING OF THE BUDGET AND APPROPRIATIONS
COMMITTEE HELD ON WENESDAY, 16th MAY 2018, IN MINI CHAMBERS,
COUNTY HALL BUILDINGS AT 2.00 P.M.**

PRESENT

1. **Hon. Kimani Ichung'wah, M.P- Chairperson**
2. **Hon. Moses Lessonet, M.P- Vice Chairperson**
3. Hon. CPA. John Mbadi, CBS, M.P
4. Hon. Samwel Moroto, M.P.
5. Hon. James Mwangi Gakuya, M.P.
6. Hon. Fatuma Gedi Ali, M.P.
7. Hon. Florence Chepngetich Koskey, M.P.
8. Hon. Danson Mwashako, M.P.
9. Hon. Christopher Wangaya Aseka, M.P.
10. Hon. John Muchiri Nyaga, M.P.
11. Hon. Paul Abuor, M.P.
12. Hon. James Gichuki Mugambi, M.P.
13. Hon. (Eng.) Mark Nyamita, M.P.
14. Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGIES

1. Hon. (Dr.) Makali Mulu, M.P.
2. Hon. Twalib Bady, M.P.
3. Hon. Moses Kiarie Kuria, M.P.
4. Hon. Millie Odhiambo, M.P.
5. Hon. Sarah Paulata Korere, M.P.
6. Hon. Benard Masaka Shinali, M.P.
7. Hon. Richard Onyonka, M.P.
8. Hon. (Dr.) Gideon Ochanda, M.P.
9. Hon. (Dr.) Korei Ole Lemein, M.P.
10. Hon. Naisula Lesuuda, OGW M.P.
11. Hon. Jude Njomo, M.P
12. Hon. (Dr.) John K. Mutunga, M.P.

13. Hon. Wangari Mwaniki, M.P.

PARLIAMENTARY SERVICE COMMISSION (PSC)

- | | |
|---|----------------------------------|
| 1. Hon. (Dr.) Naomi Shaban, M.P. | Vice-Chairperson, PSC |
| 2. Hon. Adan Keynan, M.P. | Commissioner, PSC |
| 3. Hon. Aaron Cheruiyot, M.P. | Commissioner, PSC |
| 4. Mr. Jeremiah Nyengenyne | Clerk, Senate/Secretary, PSC |
| 5. Mr. Michael Sialai | Clerk, National Assembly |
| 6. Mr. Clement Nyandiere | Director |
| 7. Dr. Wakah George | Ag. DF&A |
| 8. Mr. Antony Njoroge | Director, Litigation |
| 9. Mr. Irungu Kigundu | Deputy Director, DF&A |
| 10. Ms. S. M. Faryd | Deputy Director, PSC Secretariat |
| 11. Ms. Veronica Kibati | Principal Clerk Assistant |
| 12. Mr. Peter Mwangangi | Clerk Assistant |

OFFICE OF AUDITOR GENERAL

- | | |
|--------------------------------|------------------------|
| 1. Mr. Edward Ouko | Auditor General |
| 2. Ms. Agnes Mita | |
| 3. Mr. Charles Muchiri Mwitari | |
| 4. Mr. Justin Rucha | |

PARLIAMENTARY BUDGET OFFICE

- | | |
|-------------------------|-----------------------------|
| 1. Ms. Phyllis Makau | Director, PBO |
| 2. Mr. Martin Masinde | Senior Deputy Director, PBO |
| 3. Ms. Millicent Makina | Fiscal Analyst |

SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1. Mr. Joseph Ndirangu | Clerk/ Fiscal Analyst III |
|------------------------|---------------------------|

2. Mr. Danson Kachumbo
3. Mr. Abdi Salat
4. Mr. John Nganga
5. Mr. Joram Baraza

Fiscal Analyst III
Sergeant at Arms
Hansard
Office Attendant

AGENDA

1. Preliminaries
2. Confirmation of Agenda
3. Confirmation of the previous minutes
4. Matters Arising
5. Agenda:
 - i. *Meeting with the Office of Auditor General and Parliamentary Service Commission on their 2018/19 Estimates.*
6. Any Other Business

MIN BAC /21 /2018/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The chairman called the meeting to order at 2.30 p.m. and welcomed members of the committee to the meeting. Thereafter, Hon. (Eng.) Mark Nyamita, M.P. led the committee with a word of prayer. In his introductory remarks, the Chairman read the agenda of the meeting. Thereafter, he called upon Parliamentary Service Commission to brief the committee on the proposed PSC budget estimates for the financial year 2018/19.

MIN BAC/21/2018/02: CONFIRMATION OF PREVIOUS MINUTES/MATTERS ARISING

No minutes were confirmed.

MIN BAC /21/2018/03: MEETING WITH PARLIAMENTARY SERVICE COMMISSION

Before making the presentation, the Chairman asked the Commission whether it had provided additional information requested such as:

1. A status report on implementation of Public Accounts Committee (PAC) Recommendations on the report on Audited Accounts for the FY 2013/2014 for the Commission and FY 2014/2015;
2. A status report on the up to date stock of pending bills including commitments as at 31st March 2018;
3. A status report on the approved FY 2017/18 financial and non- financial performance of the Commission. The report should contain targets and actual Key Performance Indicators (KPIs) including quarterly missed targets if any and measures put in place to achieve those targets;
4. A detailed list of projects indicating original cost of projects, actual expenditure including commitments as at 31st March 2018., revised allocation based on supplementary II for FY 2017/18. The list should be reconcilable with the development estimates for the FY 2018/19 including the source of financing;
5. List of Medium Term Expenditure (MTEF) Programmes, Projects and Activities earmarked for implementation by the Commission in the FY 2018/19;
6. A status report on the implementation of Kenya Vision 2030 projects as contained in MTP II 2013-2017 and planned projects including the President's Big 4 Agenda projects and enablers as contained in MTP III 2018-2022;

The Commission informed the Committee that information regarding pending bills as well as a status report on the approved FY 2017/18 financial and non- financial performance of the Commission is yet to provide. Thereafter, the Commission proceeded with their presentation. The presentation from PSC highlighted that the Budget Policy Statement had capped Parliamentary Service Commission's budget at Kshs. 31.8 billion however the commission requires Kshs. 42.5 billion for FY 2018/19. The additional resources are as follows:

Summary of additional funding requirements

Programme: National Legislation: Vote 2042	Kshs. Million
Constituency Offices Operations	1,360
Constituency Salaries	720
Personal Emoluments for MPs	1,100
Personal Emoluments for Staff	371
Mileage/ Transport Facilitation	1,140
Sub- Total	4,691

Programme: Senate Affairs	
Senate M& E	2,000
Constituency Offices Operations	356
Constituency Salaries	102
Personal Emoluments for MPs	326
Personal Emoluments for Staff	330
Mileage/ Transport Facilitation	120
Sub-total	3,234
Programme: General Administration Planning and Support Services	
Personal Emoluments for Staff	1,600
New recruitment (Additional Staff)	400
Sub-Total	2,000
DEVELOPMENT	
Capital Expenditures (Development)	1,100
Total Additional Requirement	10.8

After presentation, Members of the Budget and Appropriations Committee raised various concerns and comments. In particular, Members raised the following issues:

- i. Members queried whether the Commission did public participation on the proposed budget estimates for 2018/19
- ii. Members also queried whether the budget was aligned to IFMIS and programme based budget
- iii. Why Senate was allocated Kshs. 2 billion for Monitoring and Evaluation (M&E) and there are no regulations in place.
- iv. There is need for budget allocations for the two Houses of Parliament be prepared per capita

After lengthy deliberations, the Chairman informed the Committee that they will have to schedule another meeting with the Commission after they have provided the Committee with all required information. Thereafter, he called upon Auditor General to brief the committee on the proposed Office of Auditor General budget estimates for the financial year 2018/19.

MIN BAC/21/2018/04: MEETING WITH OFFICE OF AUDITOR GENERAL

Before making the presentation, the Chairman asked the Auditor General whether the office had provided additional information requested such as:

1. A status report on implementation of Public Accounts Committee (PAC) Recommendations on the report on Audited Accounts for the FY 2013/2014 for the Office and FY 2014/2015;
2. A status report on the up to date stock of pending bills including commitments as at 31st March 2018;
3. A status report on the approved FY 2017/18 financial and non- financial performance of the Office. The report should contain targets and actual Key Performance Indicators (KPIs) including quarterly missed targets if any and measures put in place to achieve those targets;
4. A detailed list of projects indicating original cost of projects, actual expenditure including commitments as at 31st March 2018, revised allocation based on supplementary II for FY 2017/18. The list should be reconcilable with the development estimates for the FY 2018/19 including the source of financing;
5. List of Medium Term Expenditure (MTEF) Programmes, Projects and Activities earmarked for implementation by the Office in the FY 2018/19;
6. A status report on the implementation of Kenya Vision 2030 projects as contained in MTP II 2013-2017 and planned projects including the President's Big 4 Agenda projects and enablers as contained in MTP III 2018-2022;

The presentation from Office of Auditor General Highlighted that:

In the 2018/19 Budget Proposal, the Office has been allocated Kshs. 4.947 billion, however the office requires additional resources in the following areas:

Recurrent Expenditure

- i. Personnel Emoluments- Kshs. 276.46 million
- ii. Domestic Travelling – Kshs. 142.52 million
- iii. Purchase of Motor Vehicles – Kshs. 59.27 million
- iv. Information and Communication Technology- Kshs. 433.43 million
- v. Outsourcing of Audits – Kshs. 701.5 million
- vi. Staff Mortgage Scheme – Kshs. 625 Million

Development Expenditure

Project Description	Proposed 2018/19	Allocated 2018/19
Designing & Construction of OAG Headquarter at Bishops Road	350	0
Construction of Kakamega Hub Office	105	65
Construction of Eldoret Hub Office	163	107
Construction of Embu Hub Office	232	60
Construction of Mombasa Hub Office	250	0
Construction of Nakuru Hub Office	200	0
Construction of Kisumu Hub Office	200	0
Total	1,500	232

After presentation, Members of the Budget and Appropriations Committee raised various concerns and comments. In particular, Members raised the following issues:

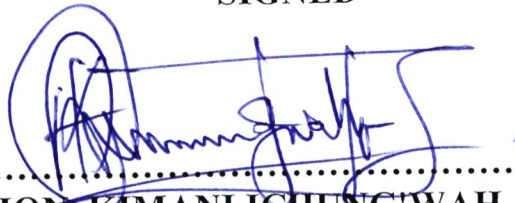
- i. Why the Auditor General has embarked on constructing several offices and members queried whether there is need for those offices;
- ii. Why he is preferring to outsource Audit Services instead of hiring more staff to the office;
- iii. There is need for government to have a central procurement place for purchasing of ICT equipment including Software instead of MDAs procuring themselves. This will save the government billions of shillings because of discounts accrued from economies of scale;
- iv. Members also queried the priority of projects listed in development expenditure above
- v. Possible solutions in finding the Auditor who will Audit his Office after unsuccessful tendering of the service by Parliament.

The Auditor General informed the Committee that the Office is building Offices around the Country so as to bring the services closer to citizens hence lowering the cost of auditing. Outsourcing of Audit Services is important because it creates credibility since it makes the respective firms to be accountable. In regards, to appointing the Auditor to audit the office, there was need for further consultation with ICPAK.

MIN BAC /21 /2018/05: ANY OTHER BUSINESS

The Clerk informed the Committee about the 2018/19 Budget Public Hearings that will be conducted from 20th -24th May 2018. The planned consultative meetings of the Public hearings will occur in twelve (12) counties namely; Nairobi, Kajiado, Makueni, Marsabit, Kirinyaga, Tharaka Nithi, Nakuru, Migori, Nyamira, Bungoma, West Pokot and Mombasa. There being no other business the meeting was adjourned at 6.00 p.m.

SIGNED



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HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

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DATE