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THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND NATIONAL  
SECURITY

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REPORT ON THE CONSIDERATION OF THE BUDGET POLICY  
STATEMENT 2021/22 AND THE MEDIUM TERM FOR

EXECUTIVE OFFICE OF THE PRESIDENT  
STATE DEPARTMENT FOR INTERIOR AND CITIZEN SERVICES  
STATE DEPARTMENT FOR CORRECTIONAL SERVICES  
STATE DEPARTMENT FOR PUBLIC SERVICE  
PUBLIC SERVICE COMMISSION  
NATIONAL POLICE SERVICE COMMISSION  
INDEPENDENT POLICING OVERSIGHT AUTHORITY

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'.

The Budget Policy Statement was tabled before the House on Thursday 11<sup>th</sup> February, 2021 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates. Following the tabling of the BPS, the Departmental Committee on Administration and National Security held a briefing session with the Parliamentary Budget Office and subsequently held consultative meetings with the ministries and agencies under its docket and on which it exercises oversight.

On behalf of the Departmental Committee on Administration and National Security and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Budget Policy Statement for the Ministries, Agencies and State Departments that falls under its purview.

#### 1.2 Mandate and Membership of the Committee

The Departmental Committee on Administration & National Security is established pursuant to the provisions of Standing Order No. 216. The mandate and functions of the Committee is to: -

- i. *Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*
- ii. *Study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;*
- iii. *Study and review all legislation referred to it;*
- iv. *Study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives;*
- v. *Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*
- vi. *Vet and report on all appointments where the constitution or any law requires the National Assembly to approve, except those under Standing Order 204; and*

- vii. *Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

The Departmental Committee is mandated to cover the functions of the Ministry in accordance with the Fourth Schedule of the Constitution. As such, the Committee exercises oversight role on the work and administration of the Ministry alongside the SAGAs that fall under its purview.

The second schedule of the Standing Orders for the National Assembly mandates the Committee on Administration and National Security to consider matters relating to National security, police services, home affairs, Public Administration, Public Service, Prisons, Immigration and the management of natural disasters and community service orders. It is from this perspective that the Committee scrutinized various policies and ceilings of seven votes namely: -

- i. Executive Office of the President, Vote 1011
- ii. State Department for Interior and Citizen Services, Vote 1021
- iii. State Department for Correctional Services, Vote 1023
- iv. State Department for Public Service, Vote 1213
- v. Public Service Commission, Vote 2071
- vi. National Police Service Commission, Vote 2101
- vii. Independent Police Oversight Authority, Vote 2151

### 1.3 Committee Membership

#### *Chairperson*

Hon. Paul Karuga Koinange, MP  
Kiambaa Constituency

#### **Jubilee Party**

#### *Vice-Chairperson*

Hon. Fatuma Gedi, MP  
Wajir County

#### **PDR Party**

Hon. Peter Kaluma, MP  
Homa Bay Town

#### **ODM Party**

Hon. Dr. Makali Mulu, MP  
Kitui Central Constituency

#### **Wiper Party**

Hon. Joshua Aduma Owuor, MP  
Kitui Central Constituency

#### **Wiper Party**

Hon. Rozaah Buyu, MP  
Kisumu County

#### **ODM Party**

Hon. Jeremiah Lomurukai, MP  
Loima Constituency

#### **ODM Party**

Hon. Mishra Swarup, MP  
Kesses Constituency

#### **Jubilee Party**

Hon. Col. (Rtd) Geoffrey King'ang'i, MP  
Mbeere South Constituency

#### **Jubilee Party**

Hon. Arbelle, Marselino Malimo, MP  
Laisamis Constituency

#### **Jubilee Party**

Hon. Peter Masara, MP  
Suna West Constituency

#### **Independent Party**

Hon. (Dr.) Tecla Tum, MP  
Nandi County

#### **Jubilee Party**

Hon. Josphat Kabinga, MP  
Mwea Constituency

#### **Jubilee Party**

Hon. Nimrod Mbai, MP  
Kitui East Constituency

#### **Jubilee Party**

Hon. Ngunjiri Wambugu, MP  
Nyeri Town Constituency

#### **Jubilee Party**

Hon. Abdi Shurie Omar, MP  
Balambala Constituency

#### **Jubilee Party**

Hon. Halima Mucheke, MP  
Nominated Member

#### **Jubilee Party**

Hon. Oku Kaunya, MP  
Teso North Constituency

#### **ANC Party**

Hon. William Chepkut, MP  
Ainabkoi Constituency

#### **Independent Party**

#### **1.4 Committee Secretariat**

Mr. George Gazemba, ACI Arb, CPM  
Principal Clerk Assistant

Mr. Joshua Ondari  
Clerk Assistant

Ms. Brigita Mati  
Legal Counsel

Mr. Edson Odhiambo  
Fiscal Analyst

Mr. Josphat Bundotich  
Serjeant-at-Arms

Ms Eva Kaare  
Serjeant-at-Arms

Mr. Yakub Ahmed  
Media Liaison Officer

### **1.5 Overview on the Examination of the Budget Policy Statement 2021**

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'.

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Following the tabling of the BPS, the Departmental Committee on Administration and National Security held a briefing session with the Parliamentary Budget Office and subsequently held six consultative meetings with the ministries and agencies under its docket and on which it exercises oversight.

On behalf of the Departmental Committee on Administration and National Security and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Budget Policy Statement for the Ministries, Agencies and State Departments that falls under its purview.

### **1.6 Acknowledgement**

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also thanks the Executive Office of the President, State Department for Interior and Citizen Services, State Department for Correctional Services, State Department for Public Service, Public Service Commission, National Police Service Commission, Independent Policing Oversight Authority for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Defence & Foreign Relations, to present this report on the Budget Policy Statement 2021 and the medium term.

**HON. PAUL: KOINANGE, MP**

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**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND  
NATIONAL SECURITY)**

## PART II

### 2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE BPS 2021

1. The theme for the BPS 2021 and the medium term is “*Building Back Better: Strategy for Resilient and Sustainable Economic Recovery*”. as noted above, the BPS is submitted against a backdrop of ravaged economy from the COVID-19 pandemic. The policy measures outlined in the 2021 Budget Policy Statement aims at stimulating economic recovery. It will build on the gains made under the Economic Stimulus Programme and further re-position the economy on a steady and sustainable growth trajectory.
2. The 2021 BPS, articulates measures that will stimulate growth, promote job creation, reduce poverty, protect the vulnerable groups and businesses. To achieve these, the Government will roll out the Post-Covid-19 Economic Recovery Strategy, harnessing the implementation of the “Big Four” Agenda for job creation, foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security and improving business regulations among others.
3. The policies in the BPS have also been anchored on the Medium-Term Plan III of the Vision 2030 as prioritized in the “Big Four” Agenda. The focus of the policies is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and industrial recovery. In this respect, the Government will strengthen implementation of programmes and measures that ensure a more inclusive growth, foster macroeconomic stability, and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).
4. The BPS 2021 underscores the role of national security in an economy. An environment free of conflicts is a boost to investor confidence and will ease the process of implementing the “Big Four” plan. National security is a pre requisite for any development to take place. The role of the various security agents therefore helps to bring about confidence on the minds of the people, because, if the people are assured of security, the economy market will equally have their thrust and support which in turn win bring about progress and development, (Garuba 1997)
5. As part of the Post-Covid-19 ERS measures, the Government will enhance budgetary allocations to facilitate delivery of services by security related agencies. Police and security officers play a crucial role in maintaining law and order and ensuring adherence to curfews and other rules and regulations put in place to contain the pandemic including contact tracing. In part these resources will enhance training of police officers in appropriate Covid-19 personal safety measures to protect themselves and those they serve from being infected by the virus; and provide police officers with adequate protective gear and equipment including face masks, sanitizers amongst other things.

Summary of policy priorities in the BPS 2021		
	Programme	Policy Priorities
1.	Policing Services	<ul style="list-style-type: none"> <li>i) Training of police officers in appropriate Covid-19 personal safety measures</li> <li>ii) Operationalization of newly Gazzeted police stations</li> <li>iii) Implementing border security management system to enhance cross border movement</li> <li>iv) Expanding the housing units for the police officers under the affordable housing programme</li> </ul>
2.	General Administration, Planning and Support Services	<ul style="list-style-type: none"> <li>i) Operationalization of New Administrative Units</li> <li>ii) Develop a harmonized Disaster Risk Management (DRM) legal framework and finalize the Disaster Management Fund Regulations</li> <li>iii) acquisition of additional security equipment, vehicles and motor cycles</li> <li>iv) expansion of the National Police Service Control and Command Centre for surveillance and communication</li> </ul>
3.	Population Management Services	<ul style="list-style-type: none"> <li>i) cascade of e-passports and visa automation</li> <li>ii) complete digitization and automation of Immigration, Comprehensive Ranking System (CRS) and National Registration Bureau (NRB) services</li> </ul>

6. An assessment of the Governance sector priorities and that of the public Administration sub-sector outlined in the BPS 2021 indicates that broadly, the policy priorities enumerated are in line with Vision 2030 and the its Medium-term Plan as well as the sector priorities. The priorities focus on police reforms with the aim of improving police welfare and boosting the security for enhanced economic development.

## 2.1 Key areas of Spending

### 2.1.1 Governance Sub-sector

7. In the next MTEF period, the government focus will be on enhancing allocation to the governance sub-sector. As part of the Post-Covid-19 ERS measures, the Government will enhance budgetary allocations to facilitate delivery of services by security agencies. The government will utilize the proposed resources towards: -
- i. Operationalization of the newly gazetted Police Stations and sub-county headquarters; **It is emerging that there are a number of police stations and sub-county headquarters that are yet to be operationalized due to inadequate resources. Utmost care should be taken to ensure the operationalization is done equitably in all the regions**
  - ii. Implementation of border security management system to enhance cross border movements of both passengers and goods;

- iii. Acquisition of additional assorted security equipment. **Utmost consideration should be given to provision of proper equipment to operations in risky settings where there is elevated vulnerability to attacks on personnel.**
- iv. Acquire additional vehicles for National Government Administration (NGA) officers and acquire over 5,000 motor cycles for Chiefs and Assistant Chiefs. **It is however emerging that service delivery is compromised by lack of enough vehicles. There is need for the State Department to develop a policy on how the acquired vehicles and motor cycles shall be utilized to ensure equity in distribution across the various counties and sub-counties.**
- v. Under the affordable housing programme, the government is working on expanding the housing units for the police officers. **It is not known how many housing units the government is targeting. It is however emerging from Committee visits that the policy on payment of allowances for officers to get accommodation outside the police line is not effective given the nature of security operations and the economic realities to enable officers acquire houses with the house allowance entitlement.**
- vi. Cascading e-passports and visa automation to four additional stations locally and abroad;
- vii. Completing digitization and automation of immigration; Comprehensive Registration System (CRS).

Summary of Proposed Expenditure Ceilings (KSh. Millions)						
S/No	MDA	Baseline 2020/21	BPS Ceiling 2021/22	% Change	Projections	
					2022/23	2023/24
1.	Interior	133,218.6	138,103.1	4%	139,900.9	144,364.7
2.	Correctional Services	27,579.9	29,728.7	8%	31,275.4	33,211.7
3.	NPSC	581.0	722.2	24%	685.3	706
4.	IPOA	817.0	914.2	12%	932	960.1
5.	<b>Total</b>	<b>162,196.5</b>	<b>169,468.2</b>	<b>4%</b>	<b>172,793.6</b>	<b>179,242.5</b>

Source: The National Treasury

- viii. The other key outputs planned in the FY2021/22 – 2023/24 MTEF period include: implementation of police reforms; equipping of the forensic laboratory; acquisition of additional assorted security equipment; installation of CCTV cameras in Nairobi, Mombasa, Kisumu, Nakuru and Eldoret, improved population management system; production of Huduma cards; enhancement of accountability and governance structures; maintenance of security, law and order; provision of safe custodial rehabilitation of offenders
- ix. Review and finalize Sessional Paper No. 8 on National Values and Principles of Governance; Review of Sessional Paper No. 9 on National Cohesion and Integration; and Review of the National Cohesion and Integration Act No. 12 of 2008.

8. The sub-sectors intend to deliver on these priorities by implementing 9 programmes under the Governance sub -sector. The programmes are spread through the State Department for Interior, Correctional Services, National Police Service Commission and Independent Policing Oversight Authority.

### 2.1.2 Public Administration Sub-sector

9. The Sub-Sector is a fundamental pillar of the Kenyan economy. It provides overall national leadership, oversight and policy direction and ensures effective and efficient Public Service. The key areas of spending in 2021/22 and over the medium term, based on the priorities outlined in the BPS 2021 are among others: -
- i. Providing oversight of the country's development agenda in line with enabling the Big Four development initiatives;
  - ii. Implementation of the transferred functions of the Nairobi City County Government to the Nairobi Metropolitan Services (NMS) in line with the signed deed of transfer,
  - iii. Improvement of State houses and Lodges and Deputy President's official residences,
  - iv. Administration of statutory benefits to the retired Presidents, Vice Presidents and other State officers, facilitating the programmes of the First Lady and the Spouse to the Deputy President
  - v. Sensitization on the application of Power of mercy Act and; development of the annual Presidential report on the national values and principles of governance.
  - vi. Development of Public Human Resource Management Bill for Public Service in line with Article 235 on uniform norms and standards
  - vii. Enhance access to Government services at Huduma Centres and huduma mashinani
10. The sub -sector, intends to achieve this by implementing 12 programmes domiciled majorly in the Executive Office of the President, The State Department for Public Service and Public Service Commission. In order to support these programmes, the 2021/22 proposed resource ceiling is KSh. 55.7 billion. This is a reduction from the baseline allocation which currently stands at KSh. 60.4 billion.

S/No.		Baseline 2020/21	Ceiling 2021/22	% Change	Projections	
					2022/23	2023/24
1.	E. Office of the President	42,626.1	34,806.4	-18%	35087.1	36335.6
2.	State Department for PS	15,624.8	18,578.2	19%	20212.1	20473.2
3.	PSC	2,172.0	2284	5%	2252.8	2295.6
4.	<b>Total</b>	<b>60,422.90</b>	<b>55,668.60</b>		<b>57,552.00</b>	<b>59,104.40</b>

Source: The National Treasury

### **3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES**

#### **3.1 Executive Office of the President**

11. The Committee held a consultative meeting with a delegation from the Executive Office of the President led by the State House Comptroller. The delegation submitted that the overall allocation for the Executive Office of the President for the FY 2021/22 against the total requirement, resulted to a total shortfall of Kshs. 35,459.81 Million. key priority programmes and activities during the FY 2021/22 may not be facilitated and they include: -

- i. Provision of Gratuity by KSh.119.4,
- ii. Hospitality and travelling activities by KSh. 200 million,
- iii. The Ocean and Blue Economy Office by KSh. 110.5 million,
- iv. Medical insurance for Retired presidents by KSh. 12 million,
- v. Refurbishment of newly Gazetted Kisii State Lodge by KSh. 50 million and
- vi. Construction of perimeter fence at State House, Nairobi among others

#### **3.2 State Department for Interior and Citizen Services**

12. The Committee held a briefing meeting with a delegation from the State Department for Interior and Citizen Services on 18<sup>th</sup> February 2021. The PS submitted that during the 2021/22 FY the State Department will be implementing 7 programmes namely Policing Services, General Administration and Support Services, Population management Services, Road Safety, Migration & Citizen services Management and Policy Coordination Services. The specific policy priorities as identified in the Strategic Plan included: -

- i. Expansion of the Integrated Command and Control Centre including installation of surveillance cameras in Nairobi & Mombasa metropolis, Nakuru, Eldoret and Kisumu at an estimated cost of KSh. 18.7 billion
- ii. Equipping and training for the National Forensic Laboratory at estimated cost of KSh. 7 billion
- iii. Police Modernization Phase II at an estimated cost of KSh. 144.2 billion.
- iv. National Integrated Identity Management System (NIIMS) at an estimated cost of KSh. 15.5 billion
- v. Huduma Namba Cards at a cost of KSh. 7.7 billion
- vi. Implementation of e-passports and e-FNS (Phase II) at accost of KSH. 2.2 billion.
- vii. Expansion of NPS air wing at a cost of KSh. 10 billion
- viii. Acquisition of assorted vehicles, motorcycles and boats at a cost of KSh. 42 billion
- ix. Repairs and Refurbishment of 450 police stations countrywide at a cost of KSh. 2.7 billion

13. During the 2021/22 FY the State Department total resource requirement was KSh. 222.2 billion broken into KSh. 166.7 billion for recurrent expenditure and KSh.55.5 billion for development expenditure. However, it was allocated KSh. 138.1 billion for recurrent expenditure and KSh. 7 billion for development expenditure. The key areas that were not funded included: -
- i. Recruitment of 5,000 newrecruits by KSH. 1.62 billion
  - ii. Purchase of Police uniforms by KSh. 3.2 billion
  - iii. NPS food rations by KSh. 200 million
  - iv. Operationalization of newly gazetted Police Stations by KSh. 1 billion
  - v. Operational;ization of newly Gazetted NGA offices by KSh. 500 million
  - vi. National Celebrations by KSh. 300 million
  - vii. Huduma Namba by KSh. 2.2 billion
  - viii. Supplies for ID materials by KSh. 100 million
  - ix. Civil Registration by KSh. 225 million
  - x. NACADA operations by KSh. 150 million
  - xi. Recruitment at PSRA by KSh. 23 million
  - xii. NCIC at KSh. 150 million among others

### **3.3 State Department for Correctional Services**

14. The Committee held a briefing meeting with a delegation from the State Department for Correctional Services on 18<sup>th</sup> February 2021. The PS submitted that during the 2021/22 FY, the State Department would be implementing 3 programmes namely Prison Services, Probation and After Care Services and General Administration Planning and Support Services
15. The resource requirement for the three programmes amounted to KSh. 48.2 billion comprising of KSh. 45 billion for recurrent expenditures and KSh. 3.2 billion for development expenditure. The allocation however as per the sector working group was 29.8 billion leaving a funding gap of KSh. 18.3 billion.
16. The major outputs for the medium term included policy reviews, legal and institutional reforms, offer formal and vocational education/training to 54,350 inmates, provide physiological/spiritual counseling to all inmates, contain and provide safe custody to a daily average of 56,000 inmates, coordinate security operations in 129 penal institutions, revitalize prisons farms and industries, enhance security in penal institutions by construction and completion of security perimeter walls in 33 stations, prisoners ward in 55 stations, gate lodges and armories in 5 stations, enhance catering services in penal institution through acquisition of energy saving jikos, boilers and feeding pans, contribute to effective administration of justice through timely production of inmates to courts, generation and provision of 75,445 social inquiry reports to courts. In enforcement of court orders,

17. The Department will supervise and rehabilitate 75,330 non-custodial offenders. For effective reintegration and resettlement, the Department will provide 450 needy school going probationers with formal education, 300 probationers will be trained on vocational skills and 650 Probationers will be provided with workshop tools. The major funding gaps included: -

- i. Compensation to Employees for restructuring that had been approved by the Public Service Commission. KPS has been having an overlapping grading structure hampering the chain of command and other security agencies. The funding gap is KSh. 1.1 billion.
- ii. Food and Rations- KSh. for 55,000 inmates at KSh. 205 per day and 800 children at KSh. 410 per day – KSh. 1.2 billion
- iii. Wood fuel for 55,000 inmates at 25 KSh. per day – KSh. 201 million
- iv. Purchase of Uniform and clothing for 28,622 discipline officers at KSh. 8,060 per pair- KSh. 376.8 million.
- v. Purchase of Uniforms for inmates – KSh. 439.5 million among others.

### **3.4 State Department for Public Service**

18. The Committee held a briefing meeting with a delegation from the State Department for Public Service on 18<sup>th</sup> February 2021. The PS submitted that the key priorities for 2021/22 budget and the medium term included formulating and implementing Public Service Resource Management and Development Policies and Standards, Spearheading Public Sector Reforms and Transformation, Management of Government Human Resource Information System, administering Medical scheme for public servants. The total resource requirement was KSh. 17.7 billion against a BPS ceiling of KSh. 8.5 billion giving a funding gap of KSh. 9.2 billion. The key underfunded areas include: -

- i. HRM policies development and payments of premium to commence implementation of post-retirement medical insurance scheme – KSh. 3.1 billion
- ii. Enhanced comprehensive medical insurance for civil servants- KSh. 2 billion
- iii. ICT infrastructure upgrade for Huduma Popote – KSh. 533.1 million
- iv. Automation of Performance Management processes -KSh 152.3 million
- v. ICT end of life technology and licence maintenance – KSh. 347.8 million
- vi. Upgrading of Government Human Resource Information System – KSh. 180 million
- vii. Furnishing of ultramodern complex- Mombasa - KSh. 60 million

### 3.5 Public Service Commission

19. The Committee held a consultative meeting with a delegation from Public Service Commission on 18<sup>th</sup> February 2021 led by the Vice-Chairperson. Then Commission submitted that the policy priorities for the 2022 Financial Year as highlighted in the 2019-24 strategic Plan included: -
- i. Reforming the Public Service to place the Kenyan citizen at the centre of service delivery and national development agenda. This would be achieved through a review of service delivery programmes, performance management and productivity frameworks, youth empowerment and talent management programmes, Public Service Internship Programme, promotion of volunteerism; and use of citizens' feedback systems in improving service delivery.
  - ii. Improvement of Human Resource practices to support the Government's Big Four Agenda. The Commission was working closely with other public and private sector agencies to bridge the skills, knowledge and competency gaps in the public service organizations at the core of implementation of the agenda. The Commission was also implementing succession management policy in MDAs to ensure continuity of service provision.
  - iii. Inculcation of values and principles of governance in the public service and renewed focus on ethics, integrity and honest service. The Commission would promote values and principles of public service as provided in the Constitution by ensuring equity, professionalism and meritocracy in appointments to ensure economic and prudent utilization of resources.
  - iv. Leveraging on ICT: The Covid-19 pandemic had prompted the Commission to rethink of other efficient ways to undertake its mandate of recruitment for the MDAs. The Commission would continue to leverage in ICT in undertaking its mandate to enhance service delivery
20. As captured their submissions to the Sector Working Group (SWG), the resource requirements for FY 2021/22, was Ksh. 4,794.66 million while the resources allocated is Ksh. 2,284.49 million resulting in a funding shortfall of Ksh. 2,510.17 million. The key underfunded areas included: -
- i. Stipend for 6,000 Interns to increase the recruited interns from 3000 to 6,000. Current request from MDAs stands at 7,500 interns – KSh. 1.2 billion.
  - ii. Administrative costs for Internship Programme (Recruitment, Induction & monitoring)- KSh. 100 million
  - iii. As an aftermath of the COVID-19 disruptions, the Commission wishes to adopt virtual job interviews as the new normal. This would also advantage job candidates from far-flung areas of this country who must travel all the way to Nairobi to attend

such interviews. The activity is underfunded by KSh 95 million.

- iv. Recruitment and Selection for Public Universities, TVET and Constitutional Commissions- KSh. 60 million among others.

### **National Police Service Commission**

21. The Committee held a consultative meeting with a delegation from the National Police Service Commission led by the Vice Chairperson. The Delegation submitted that the policy priorities in FY 2021/22 will include

- i. Automation of Human Resource Management process at the National Police Service Commission to increase efficiency and enhance data integrity and availability
- ii. Decentralization of the Commission HR Services
- iii. Decentralization of the counselling and wellness centre to the regions
- iv. Delinking of civilian staff from the National Police Service

22. The total resource requirement amounts to KSh. 1.2 billion against a resource ceiling of KSh. million. Some key areas which are underfunded included: -

- i. Operationalization of counselling and wellness centre in three regions by KSh. 65 million
- ii. Integrated Human resource Management system by KSh. 40 million
- iii. Operationalization of regional and county offices by KSh. 40 million
- iv. Purchase of Commission vehicles by KSh. 100 million

### **Independent Policing Oversight Authority**

23. The Committee held a consultative meeting with a delegation from the Independent Policing Oversight Authority led by the Chairperson. The Delegation submitted that the policy priorities in FY 2021/22 will include: -

- i. Receiving and processing complaints, inspecting police premises, monitoring police operations and making recommendations to institutionalize police reforms
- ii. Monitoring and inspecting aspects of Community Policing and County Policing Authorities to ensure compliance with the NPS Act and other legal provisions
- iii. Professionalizing the police service in order to foster peaceful coexistence between police and the public
- iv. monitoring police operations including surveillance systems to ensure they match with modern technological developments
- v. Following up on implementation of the housing crisis research that recommended NPS members have housing that meets the current economic needs

The ceiling for the Authority amounts to KSh. 922 million against a resource requirement of KSh. 1.3 billion

## PART III

### 4.0 COMMITTEE OBSERVATIONS

#### State Department for Interior and Citizen Services

1. The BPS has prioritized operationalization of the newly gazetted Police Stations and sub-county headquarters. However, the resources for actualizing this policy priority has not been availed. Operationalization of newly gazetted NGA offices has been underfunded by **KSh. 500 million** while that of police stations is underfunded by **KSh. 1 billion**. The BPS has also prioritized the equipping of the forensic laboratory which has been underfunded by KSh. 1.5 billion
2. It is emerging that **service delivery by NGA officers is compromised by lack of enough vehicles**. The BPS promises to accelerate government service delivery through acquisition of additional vehicles for National Government Administration (NGA) officers and acquire over 5,000 motor cycles for Chiefs and Assistant Chiefs. The absence of a policy on equitable distribution of such vehicles across the various sub-counties may however inhibit the success of the policy initiative. Currently the government has acquired 2,000 vehicles under the leasing programme yet most sub-counties do not have reasonable numbers for their operations.
3. The government to continue expanding the housing units for the police service. It was however observed that the policy on payment of house allowances was not effective given the nature of security mishap which usually occur when officers leave their stations for home. Mobilization to respond to such distress call becomes difficult. There was therefore a need for policy review to tackle such emerging challenges.

#### State Department for Correctional Services

1. The underfunding to the State Department was undermining the ability of the Prison Service to be self-reliant. Many projects related to prison enterprises which could have been completed to generate AIA were subjected to budget cuts inhibiting their completion.

#### State Department for Public Service

1. In line with the government policy of enhancing service delivery, the Huduma centres were still few to offer service delivery expected from government by the citizens. There was a need to increase the number of Huduma centres to 290 sub-counties.

#### Public Service Commission

1. The task of recruiting various cadres in the public service and the internship programme was observed to be highly centralized in Nairobi which was disadvantaging several youth who were bright and skillful but could not afford travelling to Nairobi. There was a need for the Commission to start conducting the interviews in every region and ultimately to every sub-county. The Commission could use the Constituency Innovation hubs for conducting such interviews.

#### **National Police Service Commission**

1. The National Police Service Officers are spread across the country and it was observed that some of the officers who require Commission services were unable to access them due to long distance.
2. The Commission had not fully taken their mandate of recruitment, Promotions, Transfers and discipline within the National Police Service.

## 5.0 COMMITTEE RECOMMENDATIONS

### 5.1 Policy Recommendations

1. In view of limited resources, it is recommended that the Cabinet Secretary for the State Department for Interior to take a phased approach to operationalization of sub-county headquarters taking into consideration the security concerns of the area, the level of service delivery required in addition to equitable operationalization across the country. It is also recommended that the Inspector General of Police undertake similar approach when operationalizing police stations.
2. The Cabinet Secretary to develop policy guidelines on the distribution of leased vehicles between the sub-counties with a view of enhancing efficiency in service delivery by 31<sup>st</sup> December 2021
3. The Cabinet Secretary for Interior jointly with the Inspector General of Police to undertake a review of policy on payment of housing allowance with a view of determining its impact on service delivery by the police.
4. The Chairman, Public Service Commission to develop guidelines on conducting recruitment outside Nairobi by 31<sup>st</sup> December 2021 with a view of making the exercise less costly to the youth interviewees.
5. The Chairman, National Police Service Commission to begin the process of decentralizing its HR offices to ensure that NPSC services are taken closer to the Police Officers. In view of resource constraints, the Commission should adopt a phased approach to opening by targeting the 7 regional offices by 30<sup>th</sup> June 2022.
6. Further the National Police Service Commission to ensure that the counselling services are operationalized in Mombasa, Nyeri and Kisumu.

### 5.2 Financial Recommendations

1. Enhance the ceiling of the National Police Service Commission by KSh. 165 million.
  - a) KSh. 65 million will facilitate the decentralization of 3 counselling services in Mombasa, Nyeri and Kisumu.
  - b) KSh. 100 million to facilitate the decentralization of the Commission's regional HR offices

SIGNED.......... DATE.....*26<sup>th</sup> Feb 2021*.....

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ADMINISTRATION &  
NATIONAL SECURITY)

**Annexures**

**Annex 1: Mini Schedule indicating the final ceilings per programme**

		<b>Draft Ceilings (As tabled)</b>			<b>Committee Amendments</b>			<b>Final ceilings</b>		
<b>Vote</b>	<b>Programme</b>	<b>Rec</b>	<b>Dev</b>	<b>Total</b>	<b>Rec</b>	<b>Dev</b>	<b>Total</b>	<b>Rec</b>	<b>Dev</b>	<b>Total</b>

Annex 2: PBO brief on the proposed 2020/21 Budget Estimates

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List



**REPUBLIC OF KENYA**

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**STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE  
ECONOMY**

**THE DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK ON  
THE CONSIDERATION OF THE BUDGET POLICY STATEMENT FY 2021 AND FY  
2020/21 SUPPLEMENTARY ESTIMATES 1**

**22<sup>ND</sup> FEBRUARY 2021**

## A: GENERAL OVERVIEW

### 1.0 INTRODUCTION

Honorable Chairman and Honorable Committee Members, I would like to express my gratitude to this Committee for accorded me the opportunity to deliberate with you on the contents of the proposed Supplementary Estimates 1 FY 2020/21 and the Draft 2021 Budget Policy Statement that have been submitted to the National Assembly in accordance to Section 44 of the PFM Act, 2012 and Section 25 of the PFM Act, 2012 respectively.

As you are aware, Hon. Chairman, the Departmental Committee on Agriculture and Livestock is established by Standing Order 216(5) of the National Assembly and is mandated, amongst others, ***'to investigate into, inquire into, and report on all matters relating to mandate, management activities, administration, operations and estimates of the assigned Ministries and Departments.'***

Hon. Chairman, let me commence by outlining our structure, mandate and overall goals:

#### 1.1 Institutions

Hon. Chairman, the State Department has three Semi-Autonomous Government Agencies (SAGAs), a departmental corporation, an Advisory Council, and a Fund as enumerated below:

1. Kenya Marine and Fisheries Research Institute (KMFRI)
2. Kenya Fisheries Services (KeFS)
3. Kenya Fish Marketing Authority (KFMA)
4. Kenya Fishing Industries Corporation (KFIC)
5. Kenya Fisheries Advisory Council (KFAC)
6. Fish Levy Trust Fund (FLTF)

#### 1.2 State Department's Vision and Mission

In fulfilling our mandate, we have adopted the following Vision and Mission:

##### 1.2.1 Vision

*"To be a regional leader in governance and development of the fisheries resources, aquaculture and the blue economy"*

##### 1.2.2 Mission

*"To facilitate sustainable management and development of fishery resources, aquaculture and the blue economy for accelerated socio-economic development"*

### 1.3 Functions

Honorable Chairman, the specific functions of the State Department for Fisheries, Aquaculture and the Blue Economy as outlined in Executive Order No. 1 of 2018 are as follows:

- i. Fisheries policy;
- ii. Fisheries marketing Policy;
- iii. Coordination of Fisheries, Marine and the Blue Economy Research
- iv. Fishing licensing;
- v. Development of fisheries;
- vi. Fish quality assurance;
- vii. Coordination of development of policy, legal regulatory and institutional framework for the fisheries industry and the Blue Economy
- viii. Enhancement of technical cooperation with partner states
- ix. Coordination of maritime spatial planning and integrated coastal zone management;
- x. Protection and regulation of marine ecosystems;
- xi. Management and licensing of local and foreign fishing trawlers in Kenyan waters
- xii. Protection of marine resources in EEZ
- xiii. Overall policy for exploitation of agro-based marine resources;
- xiv. Policy on development of fishing ports and associated infrastructure
- xv. Capacity building for sustainable exploitation of agro-based marine resources;
- xvi. Protection of aquatic ecosystem;
- xvii. Promotion of Kenya as a center for aquaculture
- xviii. Oversight of state corporation

The overall strategic goal of the State Department for Fisheries, Aquaculture and the Blue Economy is as per the current MTP is to **increase fish production from 135,100 MT to 396,571 MT**. Currently, we are **146,543 MT** (2019). This will be achieved by:

- ❖ Increasing aquaculture fish production from 12,356MT to 84,551MT. As at the end of the year 2019, we were at 18,542 MT.
- ❖ Increasing fish production from Marine Fisheries from 23,286MT to 126,056MT. This had increased to 25,670 MT (2019).
- ❖ Increasing fish production from Inland Fisheries from 99,458MT to 185,964MT. Currently, we are at 102,331 MT (2019);
- ❖ Reducing post-harvest fish loses by 10%; and
- ❖ Increasing fish consumption from 4.0kg to 10kg per person per year.

Hon. Chairman, let me now address the specific issues raised in your invitation letter Ref. No. NA/DCS/A&L/2021/002 dated 16<sup>th</sup>, February, 2021:

## **B. 2021 BUDGET POLICY STATEMENT**

### **1. STATUS OF IMPLEMENTATION OF THE STRATEGIC PLAN 2018 – 2022**

**Hon. Chairman**, we have provided both soft and hard copies of our Strategic Plan 2018 – 2022 as **Annex 1**. Nevertheless, **table 1** shows the status of implementation of the Strategic Plan:

Table 1: Status of Implementation of the Strategic Plan 2018 - 2022

S/NO	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	STRATEGIC INTERVENTIONS	STATUS OF IMPLEMENTATION
1	Policy, legal and institutional framework for management and development of fisheries, aquaculture and the blue economy resources.	To develop/ review policies, plans, strategies, guidelines, legal and institutional framework for fisheries, aquaculture and the blue economy management and development	Develop policy, legal, regulatory and institutional framework for the blue economy  Review of the National Oceans and Fisheries Policy 2008	Regulations to operationalize Fisheries Management and Development Act 2016 have been finalized and submitted for gazettelement.  Done
			Develop an integrated National Maritime Policy and Blue Economy Strategy Develop Fish Levy Trust Fund regulations	Interagency constituted  A Draft of the regulations in place
			Develop Inter-Agency Monitoring, Control and Surveillance Regulations	No regulations in place
			Develop the Blue Economy Spatial Plan and Integrated Coastal Management Plan	Process of developing Maritime Spatial Plan (MSP) has been initiated .A multi-agency team was appointed

S/NO	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	STRATEGIC INTERVENTIONS	STATUS OF IMPLEMENTATION
			<p>Develop the Blue Economy Master Plan</p> <p>Sensitize fisheries stakeholders on fisheries, aquaculture and the blue economy policies, laws and regulations</p>	<p>Yet to be developed</p> <p>Stakeholders sensitization forums held in Kwale, Mombasa, Kilifi and Lamu.</p>
2	Investment in the Blue Economy	To enhance investment in the Blue Economy	Participate in matters of regional, and international protocols, interventions and standards relating to fisheries and aquaculture	Participated in regional and international fisheries cooperation meetings
			Sensitize and create awareness about the blue economy especially to the young population	The youth in learning institutions have been trained on aquaculture skills transfer i.e Aquaculture Demonstration Units

S/NO	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	STRATEGIC INTERVENTIONS	STATUS OF IMPLEMENTATION
			Build capacity of fishers to venture into the deep sea fishing	Capacity building for fishers to venture into deep-sea fishing by providing fishing boats and equipment. 186 fishermen in Lamu (100) and Kilifi (86) have been trained. Training to continue in all other counties
			Co-ordinate policy development on the development of fishing ports and associated infrastructure	
			Implement Aquaculture Technology Development and Innovations Transfers Programme	National Aquaculture Resource Centre in Kiganjo completed. 2. Catering Block at NARDTC, Sagana 80% complete 3. National Aquaculture Technology and innovation transfer resource Centre 30% complete.
			Implement Aquaculture Business Development Project	Project launched in April 2019, On going

S/NO	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	STRATEGIC INTERVENTIONS	STATUS OF IMPLEMENTATION
			Implement Kenya Marine Fisheries and Social Economic Development Project	Project launched in July 2020.
			Support sea weed farming	Supported sea weed farmers in Kibuyuni and expand farming in Gazi
			Rehabilitate six fish landing sites in L. Victoria	Six landing sites in Lake Victoria namely Ogal, Mulukhoba, Lwanda O'Otieno, Wichlum, Sori, and Nyandiwa were under rehabilitation however due to rising waters of L.Victoria, all the sites were flooded. The Department has identified high and safe grounds for construction of new landing sites. Cadastra studies, designs and estimates have been done.
			Promote fish consumption and marketing	Promotion of fish consumption and marketing has been on-going through "Eat more fish campaigns".
			Develop fish markets and auction centres	Constructions of two markets on-going in Likoni, Mombasa and Malindi in Kwale County. The programme will continue to cover other counties.

S/NO	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	STRATEGIC INTERVENTIONS	STATUS OF IMPLEMENTATION
			<p>Renovate and expand Liwatoni Fisheries Complex</p> <p>Acquire Government land set aside for fisheries development</p>	<p>Liwatoni Fishing port is being rehabilitated and upgraded into a fish processing hud.</p> <p>The programme of repossessing grabbed gazetted fish landing sites is on-going. Survey of these sites has been completed in Kwale, Mombasa and Kilifi.</p>
			Promote PPP in fisheries and aquaculture management and development	Yet to be conducted
3	Capacity for development and management of fisheries, aquaculture and the blue economy	To enhance the capacities for development and management of fisheries, aquaculture and the blue economy	<p>Support and strengthen fisher and producer organizations (Kenya National BMU Networks, Aquaculture Association of Kenya and Wavuvi Association of Kenya)</p> <p>Organize and support Beach Management Units (BMUs) into viable commercial entities</p> <p>Implement resource development and succession management; human planning, and management;</p>	<p>Three (3) fishing boats have been procured, commissioned and distributed to Kwale, Kilifi and Lamu Counties. The boats will be given to BMUs to enable the venture into deep sea fishing.</p> <p>Regulations for BMUs have been developed and at the AG's level. The landing sites being developed will be operationalized and run by BMUs.</p> <p>Done</p>

S/NO	STRATEGIC FOCUS AREAS	STRATEGIC OBJECTIVES	STRATEGIC INTERVENTIONS	STATUS OF IMPLEMENTATION
4	Leadership, Integrity and Governance	To fast track implementation of the Leadership and Integrity Act (LIA) 2012.	<p>Operationalize KFIC and the institutions established by the Fisheries Management and Development Act, 2016 (KeFS; KFMA; KFAC; FLTF; MCS Unit; and Inter-Agency MCS Unit.);</p> <p>Provide the necessary equipment, infrastructure, facilities and tools for service delivery</p> <p>Create awareness on National Values and Principles of Governance</p> <p>Create awareness on the Values and Principles of Public Service</p> <p>Prevent Corruption</p> <p>Conduct M&amp;E of projects and programs</p>	<p>Fisheries Institutions operationalized;(KeFS and KFMA)FLTF in the process of developing the operational documents, KFIC has no board yet</p> <p>Done</p> <p>Done</p> <p>Done</p> <p>Done</p>

## 2. SECTOR WORKING GROUP SUBMISSION

Hon. Chairman, during the Sector Working Group retreat for the preparation of the FY 2021/22 – 2023/24 Medium Term budget, the State Department submitted the following documents which have been annexed to this report in both hard and soft copies:

- |                                    |         |
|------------------------------------|---------|
| 1. Sub-Sector Report               | Annex 2 |
| 2. Programme-Based Budget Report   | Annex 3 |
| 3. Project Concept Notes           | Annex 4 |
| 4. Programme Performance Review    | Annex 5 |
| 5. Information on Capital Projects | Annex 6 |

In our submission, Hon. Chairman, we made the following requests:

### (i) Recurrent Vote

As shown in table 2, the baseline estimates (FY 2020/21) for recurrent expenditure is **Kshs. 1,994.9 million**. The sub-sector requested to be allocated **Kshs. 4,774 million** in FY 2021/22, **Kshs. 5,182 million** in FY 2022/23 and **Kshs. 5,718 million** at the end of the MTEF period. The increments were meant to operationalize our SAGAs, purchase furniture and other office equipment, carry out monitoring and evaluation of our capital projects, among others. Due to resource constraints, the sub-sector has been allocated **Kshs. 2,105.4 million** in FY 2021/22, **Kshs. 2,164.3 million** in FY 2022/23 and **Kshs. 2,214.6 million** in FY 2023/24. These allocations include the Kshs. 10 million local AIA from Kenya Marine Fisheries and Research Institute.

Table 2 summarizes this information.

Table 2: Recurrent Resource Requirements vs Allocations in the Period 2021/22 - 2023/24

Economic Classification	Approved Estimates 2020/21	REQUIREMENT			ALLOCATION		
		2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Kshs. Millions							
Gross	1,994.9	4,774.0	5,182.0	5,718	2,105.4	2,164.3	2214.6
AIA	0.0	10.0	10.0	10	10.0	10.0	10.0
NET	1,994.9	4,764.0	5,172.0	5,708	2,095.4	2,154.3	2,204.6
Compensation to Employees	416.0	428.0	441.0	454	416.0	438.0	451.0
Transfers	1,454.0	3,993.0	4,370.0	4,846	1,464.0	1,508.0	1,544.0
Other recurrent	124.9	343.0	361.0	408	225.4	228.3	229.6

**(ii) Development Vote**

As shown in the table below, the sub-sector has a gross allocation of **Kshs. 4,964 million** in FY 2020/21 which is comprised of **Kshs. 2,624 million** GoK contribution and development partners loans of Kshs. 2,340 million. The need to accelerate the implementation of coastal and Lake Victoria fish landing sites, finalize the construction and operationalization of the Liwatoni Fish Port, the development of coastal fisheries infrastructure and the expansion of exploitation of living resources under the blue economy, among other capital projects, saw the sub-sector place a requirement of **Kshs. 12,690 million** in FY 2021/22, **Kshs. 11,393 million** in FY 2022/23 and **Kshs. 9,895 million** in FY 2023/24. The sub-sector was instead allocated **Kshs. 7,956.2 million** in FY 2021/22, **Kshs. 7,923.3 million** in FY 2022/23 and **Kshs. 6,798.4 million** in FY 2023/24 for the implementation of several capital projects as shown in **table 3**:

**Table 3: Development Resource Requirements vs Allocations in the Period 2021/22 - 2023/24**

Description	Approved Estimates	REQUIREMENT			ALLOCATION		
	2020/21	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Kshs millions							
Gross	4,964.0	12,690.0	11,393.0	9,895.0	7,956.2	7,923.3	6,798.4
GOK	2,624.0	6,669.0	7,022.0	5,734.0	2,146.0	4,212.0	2,637.0
Loans	2,340.0	6,021.0	4,371.0	4,161.0	5,810.2	3,711.3	4,161.4
Grants	-	-	-	-	-	-	-
Local AIA	-	-	-	-	-	-	-

Hon. Chairman, the above proposed allocations were shared out as follows among the various projects:

**Table 4: Approved Budget FY 2020/21 and Requirement vs Allocations for Capital Projects FY 2020/22**

No.	Project Name	Approved Budget FY 2020/21		Requirement FY 2021/22		Proposed Allocation FY 2021/22	
		GoK	Foreign	GoK	Foreign	GoK	Foreign
Kshs. Millions							
1.	Aquaculture Technology Development and Innovation Transfers	330.0	0.0	550.0	0.0	269.0	0.0
2.	Aquaculture Business Development Project (ABDP)	539.0	1,268.0	591.0	2,685.0	591.0	2,685.0
3.	Construction of Fisheries Monitoring Control and Surveillance Centre	25.0	0.0	72.0	0.0	15.0	0.0
4.	Kenya Marine Fisheries & Socio-Economic Development Project	60.0	1,072.0	550.0	3,336.0	109.7	3,125.2

5.	Construction of Shimoni Mariculture Center	235.0	0.0	750.0	0.0	252.0	0.0
6.	Construction of Fish Markets in Mombasa	10.4	0.0	25.0	0.0	25.0	0.0
7.	Construction of Fish Markets in Kilifi	10.1	0.0	25.0	0.0	25.0	0.0
8.	Construction of Police Sentry & Kitchenette at Shimoni Fisheries Jetty	0.0	0.0	6.6	0.0	6.6	0.0
9.	Fish Landing Sites in Sori	40.5	0.0	130	0.0	54.5	0.0
10.	Fish Landing Sites in Nyandhiwa	25.4	0.0	142	0.0	41.0	0.0
11.	Fish Landing Sites in Mulukhoba	42.2	0.0	160	0.0	35.0	0.0
12.	Fish Landing Sites in Wichlum	30.7	0.0	136	0.0	43.1	0.0
13.	Fish Landing Sites in Lwanda K'Otieno	41.1	0.0	127	0.0	45.0	0.0
14.	Fish Landing Sites in Ogal	42.3	0.0	131	0.0	50.0	0.0
15.	Fish Quality Laboratory in Mombasa	14.7	0.0	15.0	0.0	0.0	0.0
16.	Fish Quality Laboratory in Nairobi	46.0	0.0	15.0	0.0	0.0	0.0
17.	Fish Quality Laboratory in Kisumu	14.6	0.0	15.0	0.0	0.0	0.0
18.	Fish Landing Sites in Vanga	98.0	0.0	18.0	0.0	18.0	0.0
19.	Fish Landing Sites in Kibuyuni	73.0	0.0	40.0	0.0	40.0	0.0
20.	Fish Landing Sites in Gazi	60.0	0.0	31.0	0.0	31.0	0.0
21.	Fish Landing Sites in Ngomeni	109.0	0.0	36.0	0.0	36.0	0.0
22.	Fish Landing Sites in Kichwa Cha Kati	44.0	0.0	45.0	0.0	45.0	0.0
23.	Construction of Fishing Port at Liwatoni	200.0	0.0	700.0	0.0	414.0	0.0
24.	Marine Fish Stock Assessment	220.0	0.0	928.0	0.0	0.0	0.0
25.	Blue Economy Capacity Building	314.0	0.0	2,738.0	0.0	0.0	0.0
26.	Fisheries and Oceanographic Research Vessel	0.0	0.0	800.0	0.0	0.0	0.0
	<b>TOTAL</b>	<b>2,625.0</b>	<b>2,340.0</b>	<b>8,775.4</b>	<b>6,021.0</b>	<b>2,145.9</b>	<b>5,810.2</b>

### 3. PROGRAMMES, KEY OUTPUTS AND TARGETS

To attain our mandate, **Hon. Chairman**, the State Department has adopted three main programmes namely; General Administration Planning and Support Services, Fisheries Development and Management, and Development and Coordination of the Blue Economy into which various projects and activities fall as shown in table 5:

**Table 5: Programmes, Key Outputs and Targets**

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement 2019/20	Target (Baseline) 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
<b>Programme 1: Fisheries Development and Management</b>									
<b>Outcome: Increase Food Security and Income</b>									
<b>SP 5.1 Fisheries Policy, Strategy and Capacity Building</b>	Kenya Fisheries Service	Marine and inland regulations	Percentage completion of marine and inland fisheries regulations	80%	80%	100%	-	-	-
		Fish Quality Assurance Regulations	Percentage completion of Fish Quality Assurance Regulations	80%	80%	100%	-	-	-
		Aquaculture Regulations	Percentage completion of Aquaculture Regulations	40%	0%	40%	100%	-	-
		Recreational Fisheries Regulations	Percentage completion of Recreational Fisheries Regulations	80%	80%	100%	-	-	-
		Beach Management Unit (BMU) regulations	Percentage completion of review of BMU regulations	100%	80%	100%	-	-	-
		Inter-Agency Regulations	Percentage completion of Inter-Agency Monitoring, Control and Surveillance Unit Regulations	40%	5%	10%	30%	50%	70%
		Ungwana Bay Prawn Fisheries Management Plan	Percentage completion of review of the Ungwana Bay Management Plan	80%	60%	100%	-	-	-
		Lake Turkana Fisheries Management Plan	Percentage completion of Lake Turkana Fisheries Management Plan	70%	10%	100%	-	-	-
		Octopus fishery management plan	Percentage completion of Octopus fishery management plan	80%	80%	100%	-	-	-
		Aquaculture Strategy & Development Plan	Percentage completion of the Aquaculture Strategy & Development Plan	65%	0%	100%	-	-	-
		Annual Fisheries Statistical Bulletins	Number of Annual Fisheries Statistical Bulletins produced	1	1	1	1	1	1
		Fisheries Research and Development Fund	Percentage completion of FRDF Regulations	70%	0%	10%	70%	100%	-

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement nt 2019/20	Target (Baseline) 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
		(FRDF) regulations							
	Fish Levy Trust Fund	FLTF Operational Documents	Percentage completion of FLTF operational documents	5%	5%	20%	100%	-	-
		Fish Levy Trust Fund regulations	Percentage completion of Fish Levy Trust Fund Regulations	10%	5%	50%	100%	-	-
		Strategic Plan 2018-2022	Percentage completion of the Strategic Plan	-	-	20%	100%	-	-
SP 5.2 Aquaculture Development	Kenya Fisheries Service	Aquaculture innovations and technologies	Number of aquaculture innovations and technologies developed	2	1	3	4	5	6
		Aquaculture demonstration units in learning institutions	Number of aquaculture demonstration units in learning institutions	10	10	10	20	25	40
		Fish gene banks	Number of gene banks developed and maintained	2	2	1	1	1	1
		Market outlets for aquaculture value added products	Number of market outlets for aquaculture value added products developed	10	6	10	10	10	10
		Eat More Fish Campaigns	Number of Eat More Fish Campaigns conducted	12	5	20	20	20	20
		Natural and manmade small water bodies stocked and restocked	Number of brooders stocked and restocked in Natural and manmade small water bodies	25,000	25,000	60,000	200,000	250,000	300,000
			Number of fingerlings stocked and restocked in natural and manmade small water bodies	2,100,000	2,100,000	1,600,000	3,000,000	3,500,000	4,000,000
			Number of Smallholder Aquaculture Groups (SAG's) formed	240	78	203	250	245	-
			Number of smallholder aquaculture farmers supported with inputs	300	250	4,000	6,500	8,000	4,650
			Aquaculture Technical Extension Officers trained	120	126	220	250	150	120

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement 2019/20	Target (Baseline) 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
SP 5.3 Management and Development of Capture Fisheries			Technologies, Innovations and management Practices (TIMPs)						
		Aquaculture Support Enterprises	Number of Aquaculture Support Enterprises (ASEs) established	54	0	100	300	300	300
		Aquaculture Blue Books	Number of Aquaculture Blue Books developed	-	-	15	16	16	-
		Sustainable Fisheries management	Percentage coverage of port inspections on semi & industrial fishing vessels	100%	100%	100%	100%	100%	100%
			Number of MCS protocols developed	1	1	2	2	3	3
			Percentage coverage of artisanal, semi-industrial and industrial fishers licensed	100%	50%	100%	100%	100%	100%
			Number of frame surveys conducted in waters	1	0	1	1	2	1
			Number of catch assessment surveys in marine water undertaken	1	1	1	3	3	3
			Number of critical habitats mapped and gazetted	11	0	21	21	11	11
			Number of lakes and riverine water bodies restocked with fish	5	3	6	6	6	6
			Level of development of the Lake Naivasha Management Plan	-	-	20%	60%	100%	-
			Number of patrols undertaken in lakes	16	16	16	16	16	16
		KEMFSED NPCU	Strengthened access to complementary livelihood activities in coastal communities	0	0	12,000	50,000	150,000	0

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement 2019/20	Target (Baseline) 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
SP 5.4 Assurance of Fish Safety, Value Addition and Marketing			Number of Grants delivered to members of Common Interest Group (CIG)	-	-	0	0	2,000	8,000
		Kenya Fishing Industries Corporation	KFIC operational documents KFIC Masterplan, and Tariff Schedule	-	-	40%	100%	-	-
	Kenya Fisheries Service	Audit inspections of fisheries enterprises Accredited Fish Quality Control Laboratories	32	32	30%	60%	100%	-	-
		Fish, fishery products, water and sediments analyzed	-	-	45	45	45	45	45
		Kenya Fish Marketing Authority Operational Documents	-	-	-	20%	50%	100%	100%
		National Fish Marketing Strategy	100%	35%	80%	100%	-	-	-
		Fish Marketing regulations	0	0	10%	100%	-	-	-
		Fish seeds	3	3	3	3	3	3	3
		High quality fish feeds	5	5	5	5	6	6	6
	SP 5.5 Marine and Fisheries Research	Kenya Marine and Fisheries Research Institute (KMFR)		Number of new fish diets developed	2	2	2	2	2
			Climate smart technologies developed Fish stock assessments in the Coast and inland	1	1	1	1	1	1

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement 2019/20	Target (Baseline) 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
		waters							
		Ecosystem friendly fishing technologies	Number of piloted and transferred ecosystem friendly fishing technologies	2	2	2	3	3	4
		Fish post-harvest losses technologies	Number of fish post-harvest losses technologies piloted	1	1	1	1	1	1
		Set of superior tide tables	Number of set of superior tide tables developed	1	1	1	1	1	1
<b>Programme 2: General Administration, Planning and Support Services</b>									
<b>Outcome: Efficient and effective support services</b>									
SP 6.1 General Administration, Planning and Support Services	Central Planning and Project Monitoring Unit	Projects monitored and evaluated	Number of monitoring and evaluation reports	4	4	4	4	4	4
	Finance Unit	Approved budget	PPR, PBB, Sub Sector reports, Annual printed estimates and Supplementary estimates	6	6	6	6	6	6
	Supply Chain Management services	Annual Work plan	Annual work plan developed	1	1	1	1	1	1
		Procurement plan	Procurement plan developed	1	1	1	1	1	1
<b>Programme 3: Development and Coordination of the Blue Economy</b>									
<b>Outcome: Conducive Environment for Sustainable Development of the Blue Economy</b>									
SP 7.1 Spatial Planning and Coastal Zone Management	Directorate of Blue Economy Management and Development	Integrated Marine Spatial Plan	Level of integrated marine spatial plan developed	10%	20%	30%	50%	75%	100%
SP 7.2 Protection and Regulation	Directorate of Blue Economy Management and	Artisanal fishers capacity built	Number of fisher folks trained	400	186	2000	2000	2000	2000
			Number of Boats procured	3	0	3	3	3	3

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2019/20	Actual Achievement 2019/20	Target (Baseline) 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
of Marine Aquatic Resources	Development								
	Directorate of Blue Economy Management and Development	Audited Fish water bodies	Number of water bodies audited	1	1	3	1	1	1
SP 7.3 Management of Fish Ports and Coastline infrastructure	Directorate of Fisheries and Aquaculture Management and Development	National Fish Marketing Policy	Level of development of Fish Marketing Policy	30%	10%	20%	100%	-	-
SP 7.4 Blue Economy Policy Coordination	Directorate of Blue Economy Management and Development	Blue Economy Strategy	Level of completion of the Blue Economy strategy	10%	10%	40%	100%	-	-
	Directorate of Blue Economy Management and Development	Marine Strategy	Level of development of the Marine Strategy	10%	20%	35%	100%	-	-
	Directorate of Blue Economy Management and Development	"Eat More Fish Campaigns"	Number of 'Eat More Fish Campaigns' conducted	3	3	10	10	10	10
SP 7.5 Centre for Agro-based Blue Economy	Kenya Fisheries Service	Mariculture development	Number of sea weed groups supported	1	1	2	2	2	2
			Numbers of sea weed farmers trained	200	200	200	200	200	200

4. PROJECT INFORMATION

a) Status of Projects (Cost of the Project, Actual Expenditure to Date, Remaining Project Cost to Completion, Proposed Medium Term Allocations and Source of Financing)

Hon. Chairman, table 6 shows the status of our capital projects as at 15<sup>th</sup> February, 2021:

Table 6: Status of Capital Projects as at 15<sup>th</sup> February, 2021

Project Name	Est. Cost of Project	Financing		Actual Cumulative Expenditure up to February 15, 2021	Outstanding Project Cost as at 15 <sup>th</sup> Feb. 2021	Proposed Medium-term Allocations							
		GoK	Foreign			FY 2021/22		FY 2022/23		FY 2023/24			
						GoK	Foreign	GoK	Foreign	GoK	Foreign		
						Kshs. Millions							
Fish Quality Laboratory in Mombasa	17	17	0	12.8	4.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fish Quality Laboratory in Nairobi	86	86	0	70.8	15.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fish Quality Laboratory in Kisumu	25	25	0	15.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Aquaculture Technology Development and Innovation Transfers	3,182	3,182	0	1475.0.0	2,023.0	269.0	0.0	260.0	0.0	0.0	0.0	0.0	0.0
Construction of Fisheries Monitoring Control and Surveillance Centre	401	401	0	204.3	196.7	15.0	0.0	20.0	0.0	0.0	87.0	0.0	0.0
Aquaculture Business Development Project (ABDP)	14,373	3,373	11,000	1351.6	13,021.4	591.0	2,685.0	565.0	1,820.0	440.0	1,438.0		
Kenya Marine Fisheries & Socio-Economic Development Project	11,500	1,500	10,000	248.0	11,252.0	109.2	3,336.0	379.6	2,536.0	407.4	2,723.0		
Construction of Shimoni Mariculture Center	2,880	2,880	0	479.0	2,401.0	252.0	0.0	670.0	0.0	603.0	0.0	0.0	0.0

Project Name	Est. Cost of Project	Financing		Actual Cumulative Expenditure up to February 15, 2021	Outstanding Project Cost as at 15 <sup>th</sup> Feb. 2021	Proposed Medium-term Allocations						
		GoK	Foreign			FY 2021/22		FY 2022/23		FY 2023/24		
						GoK	Foreign	GoK	Foreign	GoK	Foreign	
												GoK
Construction of Fish Markets in Mombasa	201	201	0	16.2	184.8	25.0	0.0	0.0	0.0	0.0	0.0	0.0
Construction of Fish Markets in Kilifi	400	400	0	14.5	385.5	25.0	0.0	0.0	0.0	0.0	0.0	0.0
Fish Landing Sites in Sori	170	170	0	19.0	151.0	54.5	0.0	74.0	0.0	0.0	0.0	0.0
Fish Landing Sites in Nyanchiwa	167	167	0	6.4	160.6	41.0	0.0	62.0	0.0	0.0	0.0	0.0
Fish Landing Sites in Mulukhoba	202	202	0	21.3	180.7	35.0	0.0	55.0	0.0	0.0	0.0	0.0
Fish Landing Sites in Wichlum	167	167	0	7.5	159.5	43.1	0.0	60.0	0.0	0.0	0.0	0.0
Fish Landing Sites in Lwanda K'Otieno	168	168	0	9.3	158.7	45.0	0.0	65.0	0.0	0.0	0.0	0.0
Fish Landing Sites in Ogal	173	173	0	32.3	140.7	50.0	0.0	70.0	0.0	0.0	0.0	0.0
Development of Blue Economy Initiatives (Fish Landing Sites in Vanga)	122	122	0	45.0	77	18	0	0	0	0	0	0
Fish Landing Sites in Kibuyuni	122	122	0	9.0	113.0	40.0	0	0.0	0	0.0	0.0	0
Fish Landing Sites in Gazi	100	100	0	32.6	67.4	31.0	0	0.0	0	0.0	0.0	0
Fish Landing Sites in Ngomeni	158	158	0	55.3	102.7	36.0	0	0.0	0	0.0	0.0	0

Project Name	Est. Cost of Project	Financing		Actual Cumulative Expenditure up to February 15, 2021	Outstanding Project Cost as at 15 <sup>th</sup> Feb. 2021	Proposed Medium-term Allocations						
		GoK	Foreign			FY 2021/22		FY 2022/23		FY 2023/24		
						GoK	Foreign	GoK	Foreign	GoK	Foreign	
Fish Landing Sites in Kichwa Cha Kati	96	96	0	16.5	79.5	45.0	0	0.0	0	0.0	0	0
Exploitation of Living Resources under the Blue Economy (including Construction of Fishing Port at Liwatoni)	0	2,893	0	407.8	2,485.2	414.0	0	500.0	0	0.0	0	0
Marine Fish Stock Assessment	2,653	2,653	0	836.2	1816.8	0.0	0	946.0	0	0.0	0	0
Blue Economy Capacity Building	12,931	12,931	0	174.4	12,756.6	0.0	0	486.6	0	0.0	0	0
Construction of Police Sentry & Kitchenette at Shimoni Fisheries Jetty	19	19	0	12.4	6.6	0.0	0	0.0	0	1,100.0	0	0
Fisheries and Oceanographic Research Vessel	4,500	4,500	0	-	4,500.0	6.6	0	0.0	0	0.0	0	0
<b>TOTAL</b>	<b>50,292.50</b>	<b>32,185.40</b>	<b>21,000.00</b>	<b>5,566.3</b>	<b>44,726.2</b>	<b>2,138.8</b>	<b>6,021.0</b>	<b>4,213.2</b>	<b>4,356.0</b>	<b>1,537.4</b>	<b>4,161.0</b>	<b>4,161.0</b>

b) **Projects Linked to the Big Four Agenda and their Status**

Hon. Chairman, table 7 provides information relating to the status of projects linked to the *Big Four Agenda*:

**Table 7: Status of Projects Linked to the Big Four Agenda**

Name of Project	Status
Aquaculture Technology Development and Innovation Transfers	<ul style="list-style-type: none"> <li>❖ Completed the National Aquaculture Resource Centre in Kiganjo;</li> <li>❖ Completed 80% of construction of catering block at the National Aquaculture Resource Centre at Sagana; and</li> <li>❖ Completed 30% of National Aquaculture Technology and Innovation Transfer resource center in Sagana.</li> </ul>
Fish Landing Sites in Sori	<ul style="list-style-type: none"> <li>❖ The projects have been wound up due to flooding that has affected the integrity of the buildings thereby rendering them unsuitable for the intended purpose.</li> <li>❖ New and safer sites away from flood-prone areas have been identified.</li> <li>❖ Cadastral survey conducted.</li> <li>❖ New designs and estimates done</li> </ul>
Fish Landing Sites in Nyandhiwa	
Fish Landing Sites in Mulukhoba	
Fish Landing Sites in Wichlum	
Fish Landing Sites in Lwanda K'Otieno	
Fish Landing Sites in Ogal	

Name of Project	Status
Development of Blue Economy Initiatives	<ul style="list-style-type: none"> <li>❖ Completed 97% of fishing landing site in Vanga, Kwale County (New wall tiles installed ceiling replaced, welding of rusted steel, concrete paving to the front of the building and repair of the water tank tower);</li> <li>❖ Frame survey for Lake Victoria completed. The Indian Ocean one affected by Covid-19;</li> <li>❖ Completed 72% of fish landing site in Kibuyuni, Kwale (All substructure works including reinforced concrete footing, columns and ground beam and walling); sea weed store, drying racks and sheds constructed and 500 sea weed farmers trained.</li> <li>❖ Completed 87% of fish landing site in Gazi, Kwale (All substructure works including reinforced concrete footing, columns and ground beam, walling, weed shade strip and slab);</li> <li>❖ Completed 85% of fish landing site in Ngomeni, Kilifi (All substructure works including reinforced concrete footing, columns and ground beam, walling, backfilling and ground floor slab); and</li> <li>❖ Completed 87% of fish landing site in Kichwa Cha Kati, Kilifi (substructure works including reinforced concrete footing, columns and walling).</li> </ul>

**c) Stalled Projects.**

Hon. Chairman, the State Department has no stalled projects.

**d) New Projects**

Hon. Chairman the State Department has got no new projects earmarked for implementation in the FY 2021/22.

**e) Geographical Location of Projects**

Hon. Chairman, Table 8 below show the geographical location of the projects

**Table 8: Geographical Locations of Projects**

No.	Project Name	County/Countries	Constituency

No.	Project Name	County/Countries	Constituency
1.	<b>Aquaculture Technology Development and Innovation Transfers</b>	Nationwide but domiciled in Sagana and Kiganjo in Kirinyaga and Nyeri counties respectively	Constituencies country wide but domiciled in Sagana and Kiganjo in Kirinyaga and Nyeri counties respectively
2.	<b>Aquaculture Business Development Project (ABDP)</b>	Nyeri, Kirinyaga, Meru, Kakamega, Homa Bay, Migori, Tharaka Nithi, Embu, Kiambu, Machakos, Kajiado, Busia, Siaya, Kisumu, Kisi	All constituencies in Nyeri, Kirinyaga, Meru, Kakamega, Homa Bay, Migori, Tharaka Nithi, Embu, Kiambu, Machakos, Kajiado, Busia, Siaya, Kisumu, Kisi
3.	<b>Kenya Marine Fisheries &amp; Socio-Economic Development Project</b>	Mombasa, Kwale, Kilifi, Tana River and Lamu	All riparian constituencies in Mombasa, Kwale, Kilifi, Tana River and Lamu Counties
4.	<b>Coastal Fisheries Infrastructure Development</b>		
	a) Construction of Shimoni Mariculture Center	Kwale	Lunga lunga
	b) Construction of Fish Market in Likoni	Mombasa	Likoni
	c) Construction of Fish Market in Kilifi County	Kilifi	Malindi
	d) Construction of police Sentry and Kitchenette at Shimoni Fisheries Jetty	Kwale	Lunga Lunga
5.	<b>Rehabilitation of Fish Landing Sites in Lake Victoria</b>		
	a) Fish Landing Sites in Sori	Migori	Nyatike
	b) Fish Landing Sites in Nyandhiwa	Homa Bay	Suba South
	c) Fish Landing Sites in Mulukhoba	Busia	Budalangi
	d) Fish Landing Sites in Wichlum	Siaya	Bondo
	e) Fish Landing Sites in Lwanda K'Otieno	Siaya	Rarienda
	f) Fish Landing Sites in Ogal	Kisumu	Kisumu West
6.	<b>Development of Fish Quality Laboratories</b>		
	a) Fish Quality Laboratory in Mombasa	Mombasa	Mvita

No.	Project Name	County/Countries	Constituency
	b) Fish Quality Laboratory in Nairobi	Nairobi	Langata
	c) Fish Quality Laboratory in Kisumu	Kisumu	Kisumu town
<b>7.</b>	<b>Development of Blue Economy Initiatives</b>		
	a) Fish landing site in Vanga	Kwale	Lunga Lunga
	b) Fish landing site in Shimoni	Kwale	Lunga Lunga
	c) Fish landing site in Kibuyuni	Kwale	Lunga Lunga
	d) Fish landing site in Gazi	Kwale	Msambweni
	e) Fish landing site in Ngomeni	Kilifi	Magarini
	f) Fish landing site in Kichwa cha kati	Kilifi	Magarini
<b>8.</b>	<b>Exploitation of Living Resources under the Blue Economy</b>		
	a) Liwatoni Fishing Port	Mombasa	Mvita
<b>9.</b>	<b>Construction of Fisheries Monitoring Control and Surveillance Centre</b>	Mombasa	Mvita

## 5. POLICY ISSUES

Hon. Chairman, there are no policy issues that I wish to present to this Committee as at now.

**C. PROPOSED FY 2020/21 SUPPLEMENTARY ESTIMATES NO. 1**

**1. A SUMMARY BRIEF ON THE PROPOSED SUPPLEMENTARY ESTIMATES FOR FY 2020/21**

Hon. Chairman, the State Department for Fisheries, Aquaculture and the Blue Economy was allocated Kshs. 1,994,874,045 and Kshs. 4,964,000,000 for recurrent and development expenditures respectively in the Approved Estimates FY 2020/21. It has been proposed that the recurrent allocation be increased by Kshs. 165,400,000 while the development budget be reduced by Kshs. 1,969,220,000 in the Supplementary Estimates No. 1 FY 2020/21.

Table 9 provides a summary of the information above:

**Table 9: Summary of the Approved Estimates and Supplementary Estimates No. 1 FY 2020/21**

No.	Description	Printed Estimates	Revised Estimates	Change
1.	Recurrent	1,994,874,045	2,160,274,045	165,400,000
2.	Development	4,964,000,000	2,994,780,000	(1,969,220,000)
	<b>Total</b>	<b>6,958,874,045</b>	<b>5,155,054,045</b>	<b>(1,803,820,000)</b>

**a) Recurrent Vote**

In the current FY 2020/21, the gross printed estimates budget is Kshs. 1,994,874,045. In the proposed Supplementary Estimates FY 2020/21, the allocation has been increased by Kshs 165,400,000 to Kshs. 2,160,274,045. This increase is as a result of additional Kshs 515,000,000 granted from the National Treasury for capacity building in deep sea fishing. However, our normal recurrent budget has been reduced by Kshs 349,600,000 and this will affect operations especially for Kenya Marine and Fisheries Research Institute which has lost Kshs 300,000,000. This information is as summarized in the table below:

**Table 10: Analysis of Changes Made in the Proposed Supplementary Estimates 1 FY 2020/21**

Sub tem	Estimates FY 2020/21		Variation
	Approved	Supplementary	
Compensation of Employees	415,580,000	340,580,000	(75,000,000)
Utilities Supplies and Services	11,539,281	11,539,281	-

Communication, Supplies and Services	3,940,569	1,692,687	(2,247,882)
Domestic Travel and Subsistence	15,439,179	7,059,524	(8,379,655)
Foreign Travel and Subsistence	1,430,364	654,736	(775,628)
Printing, Advertising and Information Supply and Services	2,498,992	661,212	(1,837,780)
Rentals of Produced Assets	12,341,367	377,341,367	365,000,000
Training Expenses	2,781,169	151,122,037	148,340,868
Hospitality Supplies and Services	7,313,252	6,543,809	(769,443)
Specialized Materials and Supplies	11,638,219	11,638,219	-
Office and General Supplies and Services	7,926,977	4,276,183	(3,650,794)
Fuel Oil and Lubricants	8,100,932	3,637,890	(4,463,042)
Other Operating Expenses	28,730,176	25,013,532	(3,716,644)
Use of Goods and Services	122,232,942	609,732,942	487,500,000
Grants and Other Transfers	1,454,000,000	1,206,900,000	(247,100,000)
Acquisition of Non-Financial Assets	3,061,103	3,061,103	-
<b>Net Vote</b>	<b>1,994,874,045</b>	<b>2,160,274,045</b>	<b>165,400,000</b>

**b) Development Vote**

Hon. Chairman, the State Department had an allocation of Kshs. 4,964,000,000 which included Kshs. 350,000,000 AIA in the Approved Estimates FY 2020/21. In the Supplementary Estimates, the allocation has been reduced by Kshs. 1,969,220,000 to Kshs. 2,994,780,000; a 40% reduction. The table below summarizes this information:

**Table 11: Analysis of Changes Made in the Proposed Supplementary Estimates 1 FY 2020/21**

Programme	Approved Estimates 2020/21		Net Amendments		Proposed Approved Estimates 2020/21	
	Gross	AIA	Net	Gross	AIA	Net
Fisheries Development and Management	3,847,000,000	350,000,000	3,497,000,000	2,058,020,000	99,000,000	1,959,020,000
				(1,537,980,000)		
						Kshs.

Development and Coordination of the Blue Economy	1,117,000,000	0	1,117,000,000	(180,240,000)	936,760,000	936,760,000
<b>Total</b>	<b>4,964,000,000</b>	<b>350,000,000</b>	<b>4,614,000,000</b>	<b>(1,718,220,000)</b>	<b>2,994,780,000</b>	<b>2,895,780,000</b>

## 2. FIRST HALF FY 2020/21 FINANCIAL AND NON-FINANCIAL PERFORMANCE OF THE BUDGET

### a) Financial Performance

#### (i) Recurrent Budget

Hon. Chairman, the State Department had a first half allocation of Kshs. 1,004,340,773 out of which Kshs. 907,057,625 was absorbed as at the end of the first half FY 2020/21. This translates to an absorption rate of 90%. The under-expenditure was largely due to the need to adhere to the Procurement rules and regulations before acquiring goods and seeking services. This information is summarized in the table 12:

Table 12: First Half FY 2020/21 Approved Estimates Vs Actual Expenditure

Economic Item	Approved Estimates FY 2020/21	Expenditure as at 31 <sup>st</sup> December, 2020		Remarks
		Kshs.	Kshs.	
Personal Emoluments	207,273,998	130,840,138		The State Department is in the process of recruiting additional technical staff and once the process has been finalized, the PE absorption rate will be higher
Domestic Travel	14,814,837	6,156,489		
Foreign Travel	1,646,343	419,786		
Printing and Advertising	2,853,208	182,437		
Rentals & Rates-Non-Residential	4,250,500	2,913,927		
Training	1,344,281	569,000		
Hospitality	3,392,037	3,253,000		
Maintenance Expenses-Motor				

Vehicles	2,581,132	1,677,421	The under-absorption is due to the delay in the uploading of the procurement plan.
Maintenance Expenses-Other Assets	1,428,368	1,299,654	
Current Transfers to SAGAS	727,000,000	721,272,122	
Medical & Group Personal Insurance	-	-	
General Office Supplies	5,377,991	3,358,798	
Fuel and Lubricants	4,102,938	3,254,926	
Legal fee/dues, Arbitration	-	-	
Contracted Professional Services	-	-	
Membership fees and subscriptions	-	-	
Telephone, Telex, Facsimiles and mobile services	1,970,282	1,324,201	
Other O&M Expenses	26,304,658	30,535,726	
<b>Total</b>	<b>1,004,340,773</b>	<b>907,057,625</b>	<b>90% absorption</b>

ii) Development Budget

Hon. Chairman, the State Department had an allocation of Kshs. 2,480,501,000 for implementation of capital projects during the first half of the FY 2020/21. During this period, Kshs. 1,286,576,832 was absorbed translating to a utilization rate of 52%. This information is summarized in table 13:

Table 13: First Half FY 2020/21 Comparison between Approved Estimates and Actual Expenditure

Project title	Approved Estimates	Actual Expenditure
	First Half FY 2020/21 (Kshs)	First half FY 2020/21 (Kshs)

Project title	Approved Estimates	Actual Expenditure
	First Half FY 2020/21 (Kshs)	First half FY 2020/21 (Kshs)
Development of Fish Quality Laboratories	37,663,370	250,500
Aquaculture Technology and Innovation Transfer	165,000,000	153,369,500
Construction of Fisheries Monitoring Control and Surveillance Centres	12,500,000	3,630,551
Aquaculture Business Development Project (ABDP)	903,500,000	389,611,306
Kenya Marine Fisheries & Socio-Economic Development Project	566,000,000	53,032,923
Coastal Fisheries Infrastructure Development	127,750,000	112,077,901
Rehabilitation of Lake Victoria Fish Landing Sites	111,086,630	7,114,101
Development of Blue Economy Initiatives	191,499,000	111,154,923
Exploitation of Living Resources under the Blue Economy	540,502,000	456,335,127
<b>Total</b>	<b>2,480,501,000</b>	<b>1,286,576,832</b>

**b) Non-financial Performance**

Table 14 summarizes our non-financial performance during the first half of the FY 2020/21:

**Table 14: First Half FY 2020/21 Non-financial Performance**

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
<b>Programme: 0111000 Fisheries Development and Management</b>							
<b>Outcome: Maximized contribution of fisheries to poverty reduction, food security and wealth creation</b>							
Fisheries Policy, Strategy and Capacity Building	Development and Coordination of the Blue Economy	Fish marketing policy developed	Percentage completion of fish policy.	50%	.	(50%)	Activity to be conducted in the subsequent quarters.

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
Aquaculture Development	Directorate of aquaculture development	Aquaculture Technology Block at Sagana established	Percentage level of aquaculture technology block at Sagana established.	77%	51%	(26%)	
		Aquaponics units established	Number of Aquaponics units established	50	10	(35)	
		Community dams restocked	Number of community dams restocked	60	60	0	
		Vehicles and motor cycles for extension at the county level procured	Number of vehicles vehicles and motor cycles for extension at the county level procured	121	0	(121)	Activity to be conducted in the subsequent quarters
		Marine fisheries frame surveys conducted	Number of frame surveys conducted in marine waters	1	0	(1)	Not undertaken due to covid 19 restrictions
		Marine catch assessment surveys undertaken	Number of catch assessment surveys in marine water undertaken	3	3	-	Catch Assessment undertaken three times
Management and Development of Capture Fisheries	1166000700 Directorate of Fisheries	Fishing access rights issued	Number of access fishing rights issued	20	0	(20)	Activity to be conducted in the subsequent quarters
		Reviewed Prawn Management Plan	Number of Prawn Management Plan reviewed	1	0	(1)	Activity to be conducted in the subsequent quarters
		Frame Surveys undertaken in Lake Victoria	Number of frame surveys conducted in Lake Victoria	1	0	(1)	Frame survey undertaken

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
Assurance of Fish Safety, Value Addition and Marketing	Directorate of Fish Inspection and Quality Assurance	Fishing boats registered and licensed	Percentage level of fishing boats registered and licensed	100%	100%	-	Target achieved
		Coastal fisheries infrastructure developed	Number of quarterly sampling of farmed fish from approved fish farms undertaken	36	36	-	Activity to be conducted in the subsequent quarters
	Number of Fish laboratories Nairobi, Mombasa and Kisumu) accredited with ISO 17025 and equipment calibrated		3	3	-	Target achieved	
	Number of scheduled audit inspections of registered fish processors conducted		34	34	-	Target Met	
Marine and Fisheries Research	Kenya Marine Fisheries & Socio-Economic Development Project	Project Coordination Units (PCU) established	Number of Project Coordination Units (PCU) established	6	-	(6)	Target not achieved
	Coastal Fisheries Infrastructure Development	Shimoni mariculture center developed	Level of Shimoni Mariculture centre developed	20%	60%	40%	Substructure works complete, Concrete beams in progress, Backfilling in progress, construction materials on site. 60% complete
		Fish market constructed in Likoni.	Level of completion of Fish market in Mombasa	50%	75%	25%	Substructure works complete, Walling in progress, construction materials on site. 65% complete

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
		Construct Monitoring Control and Surveillance Centre	Level of completion of MCS Centre.	100%	92%	8%	Substructure complete, complete works Roofing
		Fish market constructed in Malindi.	Level of completion of Fish market in Malindi	50%	87%	37%	
<b>Programme: General Administration, Planning and Support Services</b>							
<b>Outcome: Efficient and effective support services</b>							
Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First half			Remarks
				Target(s)	Actual Achievement	Variance	
0117010 General Administration, Planning and Support Services	1166000100 Headquarters and Administrative Services	Fisheries Policies implementation activities and meetings coordinated	Number of Fisheries Policies implementation activities and meetings coordinated	4	0	(4)	
		Open forums held	Number of Open Days held (World Fisheries Day, World Oceans Day and World Food Day) coordinated and held	3	0	(3)	Activity not undertaken due to covid pandemic
		Staff sensitized on HIV and AIDS	Number of Regional Agriculture Society of Kenya (ASK) shows coordinated	6	0	(6)	Activity not undertaken due to covid pandemic
			Number of staff sensitized on HIV and AIDS	200	40	(160)	Target to be achieved in the subsequent quarters

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
		Developed and submitted Schemes of Service to PSC	Number of Schemes of Service developed and submitted to PSC	2	-	(2)	Activity not undertaken due to covid pandemic
<b>Programme: Development and coordination of the Blue Economy</b>							
<b>Outcome: Conducive environment for sustainable development of the blue economy</b>							
Maritime Spatial Planning and Coastal Zone Management	Spatial Planning and Coastal Zone Management	Maritime spatial plan developed	Number of Maritime Spatial Plan developed	1	0	(1)	
		Blue Economy database developed	Number of Blue Economy database developed	1	0	(1)	
		Cage culture guidelines developed	Number of cage culture guidelines for Lake Victoria developed	1	1	0	
Protection and Regulation of Marine and Aquatic Resources	Protection and Regulation of Marine and Aquatic Resources	Fish critical habitats for L. Naivasha and L. Victoria gazetted	Number of critical fish habitats for L. Naivasha and L. Victoria gazetted.	2	0	(2)	Target to be achieved in the subsequent quarters
		Fish landing sites in Lake Victoria and the Indian Ocean Gazetted fish landing sites surveyed, demarcated, titled and gazetted	Number of fish landing in Lake Victoria and the Indian Ocean surveyed, demarcated and titled	39	0	(39)	
Development and Management of Fishing Ports and its Infrastructure	Management of Fish Ports and Coastline Infrastructure	Liwatoni Fishing Port Strategic Plan developed	Percentage of Liwatoni Fishing Port Strategic Plan developed	50%	0	(50%)	
		Manual of Operating Procedure for Liwatoni Fishing Port developed	Percentage level of Operating Manual for Liwatoni Fishing Port developed	60%	10%	(50%)	Target to be achieved in the subsequent quarters

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
Blue Economy Policy, Strategy and Coordination	Fish landing sites at the coast rehabilitated( Vanga,Kibuyuni, Gazi, Ngomeni and Kichwa cha Kati)	Percentage completion of fish landing sites at the coast rehabilitated( Vanga,Kibuyuni, Gazi, Ngomeni and Kichwa cha Kati)	70%	86%	16%	Kichwa cha Kati in Kilifi 87%, Vanga in Kwale 97%, Kibuyuni in Kwale 72%, Ngomeni in Kilifi 85% and Gazi in Kwale 87%	
			500	500	0	Target achieved all the sea weed farmers trained	
	Medium size boats for fishermen procured	Number of medium sized boats for fishermen procured	10	3	(7)	Exchequer delays and delays in procurement process affected the activity	
	Fish post-harvest loss assessment tools developed	Number of fish post-harvest loss assessment tools developed	3	0	(3)	Target to be achieved in the subsequent quarters	
	Young population sensitized on Blue Economy	Number of sensitized youth.	30	10	(20)	Target to be achieved in the subsequent quarters	
	Blue Economy Strategy developed.	Percentage level of Blue Economy Strategy developed	40%	10%	(30%)	Raw draft in place	
Promotion of Kenya as a Centre for Agro based Blue Economy	Eat more fish campaigns Conducted	Number of "Eat more fish" campaigns conducted.	6	-	(6)	Activity not undertaken due to covid pandemic	
			35%	80%	45%	Substructure works complete, roofing complete and cold rooms installations in progress.	
	Fish stocks Assessment Surveys in Indian Ocean	Number of fish stock assessment surveys conducted in Indian Ocean.	1	1	0	The exercise was conducted and completed	

Sub Programme	Delivery Unit	Key Output	Key Performance Indicators	First Half			Remarks
				Target(s)	Actual Achievement	Variance	
		conducted Fishermen (youth) from coastal counties trained	Number of fishermen from coastal counties trained.	500	100	(400)	The exercise was affected by the Covid 19 pandemic, target to be achieved in subsequent quarters

### 3. NEW PROJECTS

Hon. Chairman, there were no new projects introduced in the Supplementary Estimates No.1 FY 2020/21.

### 4. THE IMPACT OF THE CHANGES MADE IN THE PROPOSED SUPPLEMENTARY ESTIMATES 1 (INCLUDING CHANGES TO KEY PERFORMANCE INDICATORS, OUTPUTS AND TARGETS)

#### (a) Recurrent Budget

Hon. Chairman, the proposed reallocations in the recurrent budget will have far-reaching implications in so far as the attainment of our mandate is concerned. Table 15 summarizes the impact of the proposed reallocations on some of our key activities:

**Table 15: The Impact of the Proposed Reallocations on Key Activities and Operations**

Description	Delivery Unit	Proposed Reduction	Impact
Current Transfers to SAGAs.	KMFRI	165,000,000	<p>The allocation is being reduced from <b>Kshs. 1,123,000,000</b> to <b>Kshs. 958,000,000</b>. This reduction will affect the following expenditures;</p> <p><b>EMPLOYEES COSTS (Salary, allowance, employer pension contribution, medical insurance)</b></p> <p>It is important to note that employee costs for KMFRI are <b>Kshs. 954,084,284</b> annually including medical insurance.</p> <p>Monthly salaries currently stand at <b>Kshs 72,152,857</b> per month and the revised budget allocation of <b>Kshs 396,500,000</b> will not be enough to cover salaries for the remaining six months (January, 2021 – June, 2021) .All Fisheries and aquaculture research activities will be suspended for the rest of the Financial Year. Contractual obligations such as Insurance, utilities, contracted guards, Rent, Board expenditures and Internet connection will be affected.</p>
	RV Mtafiti	135,000,000	<p>The vessel has generated key information on fish stock and other key features in the Indian Ocean. Its operation remains key for Blue Economy development in Kenya and the region.</p> <p>As at 31<sup>st</sup> December 2020 the amount disbursed and fully utilized – <b>KShs. 135,000,000</b></p> <p>With the Reduction of the allocation by half,(<b>Kshs 135,000,000</b>)the research activities of the vessel will be suspended for the next six months.</p> <p>It is important to note that the vessel is live.</p>
Other Recurrent.			The reduction will affect operations and maintenance for the remaining part of the year.

**(b) Development Vote**

Table 16 shows the effect of the proposed budget cuts on the implementation of our capital projects:

**Table 16: Impact of the Proposed Supplementary Estimates on Capital Projects**

Project Name	Sub-item	Estimates FY 2020/21			Impact
		Approved Estimates	Supplementary Estimates	Variation	
Fish Quality Laboratory in Mombasa	2211008 Laboratory Materials, Supplies and Small Equipment	14,700,000	2,840,000	(11,860,000)	A certificate of Kshs.7 million is still pending. Other procurement processes have already been initiated
	2211008 Laboratory Materials, Supplies and Small Equipment	23,000,000	-	(23,000,000)	
Fish Quality Laboratory in Nairobi	2211311 Contracted Technical Services	20,026,740	-	(20,026,740)	Certificates of Kshs. 8 million are still pending.
	3111401 Prefeasibility, Feasibility and Appraisal Studies	3,000,000	1,800,000	(1,200,000)	
Fish Quality Laboratory in Kisumu	2211008 Laboratory Materials, Supplies and Small Equipment	14,600,000	1,380,000	(13,220,000)	There are several certificates amounting to Kshs. 15.2 million that are outstanding for various works and supplies already made
	2210702 Remuneration of Instructors and Contract Based Training Services	25,000,000	12,500,000	(12,500,000)	
Aquaculture Technology Development and Innovation Transfers	2211007 Agricultural Material, Supplies and Small Equipment	30,000,000	15,000,000	(15,000,000)	There are certificates totaling to Kshs. 150 million that are still unpaid. Works still ongoing. The process of land acquisition is ongoing; we are awaiting no objection from KeNHA and Kenya Railways. The process of land acquisition is likely to be finalized in May, 2021.
	2211023 Supplies for Production	58,000,000	29,000,000	(29,000,000)	
	3110504 Other Infrastructure and Civil Works	100,250,000	50,125,000	(50,125,000)	
	3111102 Purchase of Boilers, Refrigeration and Air-conditioning	35,000,000	17,500,000	(17,500,000)	

Project Name	Sub-item	Estimates FY 2020/21			Impact
		Approved Estimates	Supplementary Estimates	Variation	
	Plant				
	3111302 Purchase of Animals and Breeding Stock	62,000,000	31,000,000	(31,000,000)	
	3111401 Pre-feasibility, Feasibility and Appraisal Studies	2,750,000	1,375,000	(1,375,000)	
	3130101 Acquisition of Land	17,000,000	8,500,000	(8,500,000)	
Construction of Fisheries Monitoring Control and Surveillance Centre	2210200 Communication, Supplies and Services	15,000,000	-	(15,000,000)	There is a contract for the provision of internet service for the MCS center amounting to Kshs 15M that should be paid annually.
	3110202 Non-Residential Buildings (offices, schools, hospitals, etc.)	10,000,000	7,500,000	(2,500,000)	A certificate of Kshs.5,512,318 is still pending payment while Kshs 3008512 has already been paid the available is less by Kshs 1,020,830
Aquaculture Business Development Project (ABDP)	2640503 Other Capital Grants and Transfers	1,807,000,000	1,208,500,000	(598,500,000)	<p>The reduction of Kshs 598,500,000 will negatively impact the delivery of the following:</p> <ul style="list-style-type: none"> <li>• Provision of farmers with farm inputs such as liner kits, bird nets, predator mesh etc.</li> <li>• Support of Farmers Field Schools</li> <li>• Fish fare events</li> <li>• Stocking and Restocking of dams Climate Mitigation in Aquaculture, Climate Smart Aquaculture</li> <li>• Support to the revival of fish processing plants for aquaculture produce.</li> <li>• County operations.</li> </ul>

Project Name	Sub-item	Estimates FY 2020/21			Impact
		Approved Estimates	Supplementary Estimates	Variation	
Kenya Marine Fisheries & Socio-Economic Development Project (KEMFSED)	2630201 Capital Grants to Semi-Autonomous Government Agencies	1,132,000,000	630,000,000	(502,000,000)	This financial year, the following contracts have been signed: Co-governance instruments, office rehabilitation, contractual engagements for Uvuvu House, supply of goods and services and ICT equipment, purchase of motor vehicles and motorbikes, consultancies, transfers to CPIUs and JMCA
	3110202 Non-Residential Buildings (offices, schools, hospitals, etc.) 2	232,000,000	23,140,000	(208,860,000)	
Construction of Shimoni Mariculture Center	3111401 Pre-feasibility, Feasibility and Appraisal Studies	3,000,000	3,000,000	-	Certificate of Kshs. 2.8 million pending
	3110202 Non-residential Buildings	9,000,000	-	(9,000,000)	
Construction of Fish Market in Mombasa	3111401 Pre-feasibility, Feasibility and Appraisal Studies	1,400,000	500,000	(900,000)	Payment commitments have already been made awaiting exchequer. Any reduction will lead to over expenditure
	3110202 Non-residential Buildings	9,000,000	-	(9,000,000)	
Construction of Fish Market in Malindi	3111401 Pre-feasibility, Feasibility and Appraisal Studies	1,100,000	500,000	(600,000)	Kshs 173,667,039 is required to pay for final accounts of current contracts that have been affected by rising water levels. The reduction therefore will lead to pending bills as the allocations have been reduced to zero
	3111401 Pre-feasibility, Feasibility and Appraisal Studies	1,500,000	500,000	(1,000,000)	
Fish Landing Sites in Sori	3110504 Other Infrastructure and Civil Works	39,000,000	-	(39,000,000)	
	3111401 Pre-feasibility, Feasibility and Appraisal Studies	2,000,000	1,620,000	(380,000)	
Fish Landing Sites in Nyandhiwa	3110504 Other Infrastructure and Civil Works	23,400,000	-	(23,400,000)	

Project Name	Sub-item	Estimates FY 2020/21		Variation	Impact
		Approved Estimates	Supplementary Estimates		
Fish Landing Sites in Mulukhoba	3111401 Pre-feasibility, Feasibility and Appraisal Studies	2,200,000	2,200,000	-	
	3110504 Other Infrastructure and Civil Works	40,000,000	460,000	(39,540,000)	
Fish Landing Sites in Wichlum	3111401 Pre-feasibility, Feasibility and Appraisal Studies	2,700,000	2,180,000	(520,000)	
	3110504 Other Infrastructure and Civil Works	27,973,260	-	(27,973,260)	
Fish Landing Sites in Lwanda K'Otieno	3111401 Pre-feasibility, Feasibility and Appraisal Studies	2,100,000	2,100,000	-	
	3110504 Other Infrastructure and Civil Works	39,000,000	1,200,000	(37,800,000)	
Fish Landing Sites in Ogal	3110504 Other Infrastructure and Civil Works	40,000,000	1,300,000	(38,700,000)	
	3111401 Pre-feasibility, Feasibility and Appraisal Studies	2,300,000	2,300,000	-	
Fish Landing Site, Vanga	3111401 Pre-feasibility, Feasibility and Appraisal Studies	18,849,020	15,327,420	(3,521,600)	Certificates of Kshs 26,486,129 have been processed and are awaiting exchequer. The reduction to zero will lead to over expenditure.
	3110504 Other Infrastructure and Civil Works	55,360,243	-	(55,360,243)	
	3111102 Purchase of Boilers, Refrigeration and Air-conditioning Plant	23,360,420	-	(23,360,420)	
Fish Landing Site, Kibuyuni	3111401 Pre-feasibility, Feasibility and Appraisal Studies	14,036,690	8,780,000	(5,256,690)	The project is 72% complete. Substructure works have been finalized. Concrete beams cast and paving blocks on site. Kshs 3,076039 for issued certificates has been processed awaiting exchequer. while certificates amounting to Kshs 22,337,162.80
	3110504 Other Infrastructure and Civil Works	41,219,311	-	(41,219,311)	

Project Name	Sub-item	Estimates FY 2020/21			Impact
		Approved Estimates	Supplementary Estimates	Variation	
	3111102 Purchase of Boilers, Refrigeration and Air-conditioning Plant	17,393,356	-	(17,393,356)	are awaiting processing. Reduction of the allocation to zero will lead to over expenditure and pending bills as the project is ongoing and is to be completed in June 2021 for the construction of weed and drying shades and stores are still pending processing. Reduction of the allocation to Zero will lead to over expenditure and pending bills.
Fish Landing Site, Gazi	3111401 Pre-feasibility, Feasibility and Appraisal Studies	11,603,322	6,000,000	(5,603,322)	Certificates worth Kshs 20,138,238 have been processed awaiting exchequer while Certificates worth Kshs. 27 million for the construction of weed and drying sheds and stores are still pending processing. Reduction of the allocation to zero will lead to over expenditure and pending bills.
	3110504 Other Infrastructure and Civil Works	34,073,628	-	(34,073,628)	
	3111102 Purchase of Boilers, Refrigeration and Air-conditioning Plant	14,378,085	-	(14,378,085)	
Fish Landing Site, Ngomeni	3111401 Pre-feasibility, Feasibility and Appraisal Studies	11,003,807	6,400,000	(4,603,807)	Certificates worth Kshs 32,378,747 have been processed for payment and are awaiting exchequer while more certificates are expected to be issued as the project is ongoing. Reduction of the allocation to zero will lead to over expenditure and pending bills.
	3110504 Other Infrastructure and Civil Works	71,678,532	-	(71,678,532)	
	3111102 Purchase of Boilers, Refrigeration and Air-conditioning Plant	26,026,555	-	(26,026,555)	
Fish Landing Site, Kichwa cha Kati	3111102 Purchase of Boilers, Refrigeration and Air-conditioning Plant	10,537,761	1,696,016	(8,841,745)	The project is 87% complete. Mass excavations and substructure works have been finalized. Walling is in progress. Kshs 3,518,995 of issued certificate has been paid under infrastructure and civil works and more certificates are expected as the project is ongoing. Reduction of the allocation will lead to over expenditure and pending bills.
	3111401 Pre-feasibility, Feasibility and Appraisal Studies	8,503,984	8,503,984	-	
	3110504 Other Infrastructure and Civil Works	24,973,286	-	(24,973,286)	
Construction of Fish Port (Liwatoni)	3110504 Other Infrastructure and Civil Works	200,000,000	135,000,000	(65,000,000)	Kshs 115,950,733 of issued certificates has been processed awaiting exchequer the reduction therefore will lead to over expenditure and pending bills as the work is ongoing and more
	3110701 Purchase of Motor Vehicles	-	18,000,000	18,000,000	

Project Name	Sub-item	Estimates FY 2020/21			Impact
		Approved Estimates	Supplementary Estimates	Variation	
Marine Fish Stock Assessment	3111120 Purchase of Specialized Plant	-	394,000,000	394,000,000	certificates are expected.
	3111401 Pre-feasibility, Feasibility and Appraisal Studies.	-	13,000,000	13,000,000	
Blue Economy Capacity Building	3111401 Pre-feasibility, Feasibility and Appraisal Studies	220,000,000	220,000,000	-	The vehicles (5No.) have already been delivered. The payment process is ongoing and we require Kshs. 27 million to settle the debt.
	3110701 Purchase of Motor Vehicles	27,002,000	10,052,580	(16,949,420)	
	3110702 Purchase of Boats	100,000,000	100,000,000	-	
	2210702 Remuneration of Instructors and Contract Based Training Services	75,000,000	-	(75,000,000)	
	2210703 Production of Training Materials	25,000,000	-	(25,000,000)	
	2210704 Hire of Training Facilities and Equipment	5,000,000	-	(5,000,000)	
	2211007 Agricultural Material, Supplies and Small Equipment	36,000,000	-	(36,000,000)	
	2211023 Supplies for Production	42,000,000	-	(42,000,000)	
	2211311 Contracted Technical Services	4,000,000	-	(4,000,000)	
<b>TOTAL</b>		<b>4,964,000,000</b>	<b>2,994,780,000</b>	<b>(1,969,220,000)</b>	

c) Changes to Key Performance Indicators, Outputs and Targets due to the Effects of Supplementary Estimates No. 1 FY 2020/21

Table 17 shows the impact of the proposed Supplementary Estimates No. 1 FY 2020/21 on our KPIs, outputs and targets:

Table 17: Changes to KPIs, Outputs and Targets due to Supplementary Estimates No.1 FY 2020/21

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2020/2021	Revised 2020/21 Targets
<b>Programme: General Administration, Planning and Support Services</b>				
<b>Sub-Programme: General Administration, Planning and Support Services</b>				
Central Planning and Project Monitoring Unit (CPPMU)	Reports on project monitored and evaluated	No. of reports	4	1
<b>Programme: Fisheries Development and Management</b>				
<b>Sub-Programme: Aquaculture Development</b>				
Aquaculture Technology Development and Innovation Transfers	Aquaculture innovations and technologies developed	Number of aquaculture innovations and technologies developed	2	1
Aquaculture Business Development Project (ABDP)	Aquaculture support enterprises in the implementing counties established	Number of aquaculture support enterprises established	80	44
Directorate of Aquaculture Development	Smallholder aquaculture groups established	Number of smallholder aquaculture groups established	270	163
	Eat More Fish Campaigns	Number of Eat More Fish Campaigns conducted	20	7
	Aquaculture demonstration units in learning institutions	Number of aquaculture demonstration units in learning institutions	10	5
	Natural and manmade small water bodies stocked and restocked	Number of brooders stocked and restocked in Natural and manmade small water bodies	60,000	25,000

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2020/2021	Revised 2020/21 Targets
<b>Sub-Programme: Management and Development of Capture Fisheries</b>				
Rehabilitation of fish landing sites in Lake Victoria	Fish landing sites rehabilitated	Percentage of completion of 6 fish landing sites in L. Victoria	80%	0%
Directorate of Inland and Riverine Fisheries	Sustainable fisheries management	Number of lakes and riverine water bodies restocked with fish	6	2
		Number of patrols undertaken in lakes	16	8
		Number of frame surveys conducted in fisheries waters	1	0
		Number of critical habitats mapped and gazetted.	21	8
		Number of MCS protocols developed	2	0
<b>Sub-Programme: Marine and Fisheries Research</b>				
Construction of Fisheries Monitoring Control and Surveillance Centre	Monitoring, control and surveillance (MCS) centre constructed	Percentage completion of MCS centre	100	92
Kenya Marine Fisheries & Socio-Economic Development Project	Quantity of marine exports increased	Metric tonnes of marine fish and fish products exported	4350	2000
Directorate of Blue Economy Management and Development	Fish port infrastructure at Liwatoni developed	Level of completion of fishing port facilities at Liwatoni, Mombasa	100%	92%
	Fish port infrastructure at Shimoni developed	Level of completion of facilities at Shimoni	100%	38%

Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2020/2021	Revised 2020/21 Targets
Marine Fisheries Research Institute	Seaweed nurseries established in the south coast to promote commercialization of seaweed Farming  Ecosystem friendly fishing technologies introduced to improve fish catches	Number of established seaweed Nurseries  Number of piloted and transferred ecosystem friendly fishing technologies	3  3	0  0
<b>Sub-Programme: Assurance of Fish Safety, Value Addition and Marketing</b>				
Directorate of Quality Assurance and Marketing	Fish quality control laboratories accredited	Percentage completion of accreditation of 3 fish quality control laboratories.	60%	60%
Coastal Fisheries Infrastructure Development	Fish markets constructed	Percentage completion	75%	75%
<b>Programme: Development and Coordination of the Blue Economy</b>				
<b>Sub-Programme: Promotion of Kenya as a Centre for Agro-based Blue Economy</b>				
Exploitation of Living Resources under the Blue Economy	Marine stock data bank	No. of marine fish stock assessments conducted	1	1
<b>Sub-Programme: Development and Management of Fishing Ports and its Infrastructure</b>				
Development of Blue Economy Initiatives	Modern fish landing sites developed	Number of fish landing sites developed at the coast  Percentage of completion	5  100%	1  80%

**THANK YOU!**



**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON INFORMATION, COMMUNICATION  
TECHNOLOGY AND INNOVATION**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT 2021/22  
AND THE MEDIUM TERM FOR THE STATE DEPARTMENT FOR INFORMATION,  
COMMUNICATION, TECHNOLOGY & INNOVATION AND THE STATE  
DEPARTMENT FOR BROADCASTING & TELECOMMUNICATION**

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'.

The Budget Policy Statement was tabled before the House on Thursday 11<sup>th</sup> February, 2021 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

Following the tabling of the BPS, the Departmental Committee on Communication, Information Technology & Innovation held a briefing session with the Parliamentary Budget Office on the 23<sup>rd</sup> February 2021 and subsequently held consultative meetings with the State Departments and agencies domiciled in the respective departments.

On behalf of the Departmental Committee on Communication, Information Technology & Innovation pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Budget Policy Statement for the State Departments that falls under its purview.

#### 1.2 Mandate and Membership of the Committee

The Departmental Committee on ICT & Innovation is established under Standing Order No. 216. Its mandate pursuant to Standing Order 216(5) is:-

- a. **Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;**
  - b. Study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
  - c. Study and review all legislation referred to it;
  - d. Study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
  - e. Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
  - f. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);
- (fa) examine treaties, agreements and conventions;
- g. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
  - h. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
  - i. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and

- j. Examine any questions raised by Members on a matter within its mandate.

### 1.3 Committee Membership

The Departmental Committee on Communication, Information and Innovation was constituted by the House in December 2017 and comprises of the following Members-

#### **Chairperson**

Hon. Kisang William Kipkemoi, M.P  
MP for Marakwet West Constituency

#### **Jubilee Party**

#### **Vice-Chairperson**

Hon. Jane WanjikuNjiru  
MP for Embu County

#### **Jubilee Party**

Hon. George Theuri, MP  
M.P for Embakasi West Constituency

#### **Jubilee Party**

Hon. Gertrude Mbeyu , MP  
MP for Kilifi County

#### **Orange Democratic Party**

Hon. Alfah O. Miruka, MP  
M.P for BomachogeChache Constituency

#### **Kenya National Congress**

Hon. Anthony Kiai, MP  
MP for Mukurweini Constituency

#### **Jubilee Party**

Hon. Annie WanjikuKibeh, MP  
MP for Gatundu North Constituency

#### **Jubilee Party**

Hon. (Eng.) Mark NyamitaOgola, MP  
MP for Uiri Constituency

#### **Orange Democratic Party**

Hon. Joshua Kimilu, Kivinda, MP  
MP for Kaiti Constituency

#### **Wiper Democratic Party**

Hon. VictorMunyaka, MP  
MP for Machakos Town Constituency

#### **Jubilee Party**

Hon. MarwaKitayamaMaisori, MP  
MP for Kuria East Constituency

#### **Jubilee Party**

Hon. Erastus NziokaKivasu, M.P.  
MP for Mbooni

#### **New Democrats Party**

Hon. MwambuMabongah, MP  
MP for Bumula Constituency

#### **Independent**

Hon. Innocent MomanyiObiri, MP  
Bobasi Constituency

#### **People's Democratic Party**

Hon. Maritim Sylvanus, MP  
MP for Ainamoi Constituency

#### **Jubilee Party**

Hon. Godfrey OsotsiAtieno, MP  
Nominated

#### **African National Congress**

Hon. MwangazaKawira, MP  
MP for Meru County

#### **Independent**

Hon. Anthony, Tom Oluoch, MP  
MP for Mathare Constituency

#### **Orange Democratic Party**

Hon. Jonah Mburu, MP

MP for Lari Constituency  
**Jubilee Party**

#### **1.4 Committee Secretariat**

The Committee secretariat is composed of the following technical staff;

##### **Head of the Secretariat**

Ms. Hellen Kina

**Clerk Assistant II**

Ms. Ella Kendi  
**Clerk Assistant II**

Mr. Salem Lorot  
**Legal Counsel**

Mr. Donald Manyala  
**Research Officer II**

Mr. Thomas Ogwel  
**Fiscal Analyst III**

#### **1.5 Overview of the Examination of the Budget Policy Statement 2021**

Pursuant to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. On Thursday, 11<sup>th</sup> February, 2021, the Budget Policy Statement (BPS) was laid on the floor of the House by the Leader of the Majority Party pursuant to the provisions of the Standing Order No. 232 of the National Assembly and section 25 of the Public Finance Management Act (2012). Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently **'shall stand committed to each Departmental Committee without question put'**.

The Standing Order No 232 (4) further provides that the Departmental Committee is to deliberate on the BPS according to its mandate and make recommendations to the Budget and Appropriations Committee (BAC).

In considering the BPS, the BAC shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.

Following the tabling of the BPS, the Departmental Committee on ICT & Innovations held a briefing meeting by the Parliamentary Budget Office (PBO) on 22<sup>nd</sup> February 2021 and thereafter held consultative meetings with the State Departments and the Semi- Autonomous Government Agencies (SAGAs) domicile in the departments.

The departments under the purview of the Committee are;

- (i) The State Department for ICT & Innovation (vote 1122)
- (ii) The State Department for Broadcasting and Telecommunication (Vote 1123)

(iii)

The deliberations of the meetings together with the contents of the BPS, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

In MTEF Sector classifications, the two departments fall under the Energy, Infrastructure and ICT sector. The sub-sector as an enabler plays a crucial role in facilitating the achievement of the envisaged goals and objectives of the Big Four, the Pillars of Vision 2030 and the Sustainable Development Goals.

### **1.6 Acknowledgement**

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also extends its appreciation to the State Department for ICT & Innovation and State Department for Broadcasting & Telecommunications and the management team of the relevant agencies (SAGAs) for their active participation during the consultative engagements that culminated into the production of this report.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Communication, Information and Innovation to present this report on the Budget Policy Statement 2021 and the medium term.

**Hon. William Kisang, M.P - (CHAIRPERSON)**

## **PART II**

### **2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE BPS 2021**

The 2021 BPS is premised on the theme of 'Building back better: strategy for resilient and sustainable economic recovery'. The BPS is prepared against a backdrop of a contracting economy in 2020 which requires strategic policy interventions to spur economic recovery and growth. Indeed, the economy is projected to achieve a 6.4% growth in 2021.

In overall, the total budget ceiling for the FY 2021/22 is proposed to amount to Ksh 3.018 Trillion (an 8.8 % increase when the current financial year is used as the baseline). The proposed ceilings is to be shared among the various arms of government as follows;

- i) Executive at Kshs. 1,894,576,800,000 (62.8%)
- ii) Parliament at Kshs. 37,882,700,000 (1.3%)
- iii) Judiciary at Kshs. 17,918,300,000 (0.6%)
- iv) Consolidated Fund Services at Kshs. 697,623,500,000 (23.1%)
- v) County Governments at Kshs. 370,000,000,000 (12.3%)

The Subsector of ICT has continued to play a crucial role in today's digital economy. Amidst the disruptions emanating from the adverse effects of Covid 19 and the subsequent containment measures that necessitated working from home, the ICT has taken the centre stage in the various multi-dimensional aspects of human life. Indeed, the importance of leveraging on technological advancement to spur economic growth and development has been appreciated more than ever. Taking cognizance of the critical role ICT and Innovation plays in economy, the BPS identifies promotion of ICT and Innovation as a priority pro-growth policy measure on which the realization of the aspirations of Big Four Agenda and Vision 2030 is hinged on.

The policies in the sub-sector as enshrined in various programmes are therefore anchored on the need to expand and improve the ICT infrastructure with the aim of enhancing reliability, accessibility and affordability of ICT connectivity.

### **3.0 SUBMISSIONS BY THE STATE DEPARTMENTS**

#### **3.1 THE STATE DEPARTMENT FOR ICT & INNOVATIONS(VOTE 1122)**

The Permanent Secretary for the State Department and a team of management from the relevant Semi-Autonomous Government Agencies (SAGAs) appeared before the Committee on 22<sup>nd</sup> February and made submission on the proposed Budget Policy Statements for the financial year 2021/22.

The mandate of the State department was underscored and was noted to include: National ICT Policy and Innovation, Promotion of E-Government, Promotion of software development industry, Provision of ICT technical support to MDAs, Policy automation of Government Services, Development of National Communication capacity and infrastructure, management of national Fibre Optic Infrastrutture and to regulate processing.

To facilitate the execution of its mandate, within the State department are domiciled three SAGAs namely Information Communication Technology Authority (ICTA), Konza Technopolis Authority and Office of the Data Protection Commissioner.

**Policies under implementation:** The State Department apprised members on the existing policies that guide the development and regulation of the ICT services. Key among the policies discussed included: The National ICT policy, National Cyber Security Masterplan, Digitization Policy for the public sector, Digital Economy Strategy for Kenya Huduma Namba, Spectrum Policy, The Digital Economy blue print and the National Broadband Policy 2023. It was underscored that the principal objective of the policies pursued in this sub-sector have overtime been hinged on the need to enhance the accessibility, reliability and affordability of ICT and digital services. This policy thrust has informed the enhanced investments in development of the requisite ICT and digital infrastructure to facilitate E-commerce and delivery of public services.

**Proposed Ceilings in the BPS:** The proposed total ceilings for the State department amounts to Ksh.23.8 Billion (an increase of by 19%: an additional Ksh.3.8 Billion using the current FY as the base year). The Recurrent being Ksh.1.6 Billion (7% of total ceilings) while the Development vote amounts to Ksh.22.2 Billion (93%). The proposed ceilings for the three programmes under implementation under the state department were provided as summarized in the table 1:

Programme/FY	Approved Estimates 2020/21			BPS 2021/22			variation		
	Rec	Devt	Total	Rec	Devt	Total	Rec	Devt	Total
General Admin	230	0	230	234	0	234	4	0	4
ICT Infrastructure Devt	477	16,940	17,418	535	20,677	21,212	58	3,737	3,794
E-Govt Services	796	1,564	2,359	884	1,483	2,367	88	-81	8
<b>Total</b>	<b>1,503</b>	<b>18,504</b>	<b>20,008</b>	<b>1,653</b>	<b>22,160</b>	<b>23,813</b>	<b>150</b>	<b>3,656</b>	<b>3,805</b>

**Source:** The BPS Estimates (The National Treasury).

The major increase is in the ICT Infrastructure development programme on account of higher targets set in areas of completion rate which necessitates enhanced activities on areas such as: construction of the Disaster recovery centre, maintenance of National Optic Fibre Cable network, constituency innovation hubs, Konza horizontal infrastructure development.

**Funding Gaps:** It was reported that at the Sector Group Working stage, the State department made a request for a resource requirement amounting to Ksh.24.2 Billion whereas only a total of Ksh.23.8 billion is proposed ceilings in the BPS representing a funding gap of Ksh.454 million. The funding gap amounting to Ksh.454 million were noted will adversely affect domestically funded projects across the programmes.

**Stalled projects and on-going projects:** The department reported that currently it has no stalled project but indicated the sluggish pace in completion of the ongoing projects on account of inadequate

funding, in year budget cuts and delays in exchequer releases for the capital expenditures. It became apparent that the timelines set for completion shall not be met if no remedial action is taken to address the challenges in funding. Key among the affected projects include: construction of Disaster Recovery Centre, Construction and maintenance of the National Fibre Optic Network, construction of Konza Data Centre and Smart City Facility, connectivity to Health Facilities, to Special economic zones Textile Park in Naivasha and Dongo Kundu among others.

**Targets Set:** The Committee was taken through the planned targets for the FY 2021/22 as compared to the targets for the current financial year (annexed- submission from the Department). It was reiterated that in the initial budget formulation stages, the targets are well set based on resource allocations only for in year budget cuts to emerge and distort the realization of the targets.

The Key Performance Indicators (KPIs) remain largely the same given the continuity in implementation of the programmes and projects. The justifications for adjustments of the targets were noted to be informed mainly by the proposed variations in resource allocations .The BPS has incorporated new targets for the newly introduced delivery unit of Office of Data Protection Commissioner. In the financial 2021/22,the office is envisaged to establish the requisite regulatory framework to facilitate data protection and conduct registration of data managers and processors.

### **3.2 THE STATE DEPARTMENT FOR BROADCASTING & TELECOMMUNICATION(VOTE 1123).**

The Permanent Secretary for the State Department and a team of management from the relevant Semi-Autonomous Government Agencies (SAGAs) appeared before the Committee on 23<sup>rd</sup> February and made submission on the proposed Budget Policy Statements for the financial year 2021/22.

To facilitate the implementation of the programmes under the State department, the mandates of the five technical departments and eleven (11) SAGAs were highlighted. The technical departments include: Office of the Government Spokesperson, department of information, Government Advertising Agency, department of public communications and department of Film Services & Kenya Film School.

The SAGAs under the department include: Kenya Broadcasting Corporation (KBC), Communications Authority of Kenya (CA); Postal Corporation of Kenya (PCK); Media Council of Kenya (MCK); Kenya Yearbook Editorial Board (KYEB); Kenya Institute of Mass Communication (KIMC); National Communications Secretariat (NCS); The Universal Service Fund Advisory Council (USFA); The Kenya Film Classification Board; Kenya Film Commission; Multimedia Complaints Commission.

The State Department shall continue to implement four programmes namely: Information and Communication, Media skills development, Film development services and General administration, Planning and Support Services.

The priority areas for the State department as enshrined the strategic plan and in line with the Medium Term Plan III shall be on:

- i. Policy, legal and institutional reforms in subsector
- ii. Provision of strategic Government communication services
- iii. Bridging the digital divide in public Broadcasting Services through KBC

- iv. Media regulatory services through MCK
- v. Mass Media Skills development through KIMC
- vi. Job creation through Studio mashinani Initiative
- vii. Refurbishment of Cinema Theatre
- viii. Films location mapping
- ix. Modernization of the Kenya Film School

**Policies and Bills:** The Committee was apprised on the various policies and Bills under development and their respective stages of development were expounded on. The policies include: Public Relations and Communication Management Policy, National film Policy, Digital economy Strategy, National Spectrum Policy and National Addressing System Policy.

The Bills that are in various stages of development and are expected to be submitted to Parliament for legislation include: Institute of Public Relations and Communication Management Bill, Kenya Film Bill, National Addressing System Bill and Kenya Institute of Mass Communications Bill.

**Proposed ceilings:** The proposed total ceilings for the State department are Ksh.6.4 Billion (an additional Ksh.140 M when compared to the approved estimates of the current financial year). The Recurrent being Ksh.5.9Billion (92 % of total ceilings for the vote) while the Development vote amounts to Ksh.451 Million (8 %). The table provides a summary of the proposed ceilings for the programmes under State Department.

The State Department provided the variations in the proposed ceilings as contained in the table.

<b>Table: Approved Estimates Vs. Proposed Ceilings for Broadcasting &amp; Telecommunication(Ksh.M)</b>									
<b>Programme/FY</b>	<b>Approved Estimates 2020/21</b>			<b>BPS 2021/22</b>			<b>variation</b>		
	<b>Rec.</b>	<b>Cap</b>	<b>Total</b>	<b>Rec.</b>	<b>Cap.</b>	<b>Total</b>	<b>Rec</b>	<b>Cap</b>	<b>Total</b>
General Admin.	201	0	201	205	0	205	4	0	4
Info. & Communication services	4,247	530	4,777	4,595	306	4,901	348	-224	124
Mass Media Skills Devt	202	69	271	225	40	265	23	-29	-6
Film Development Services	880	99	979	892	105	997	12	6	18
<b>Total</b>	<b>5,530</b>	<b>698</b>	<b>6,228</b>	<b>5,917</b>	<b>451</b>	<b>6,368</b>	<b>387</b>	<b>-247</b>	<b>140</b>

Sources: 2021 BPS (The National Treasury).

**Funding Gaps:** The State Departments during the sector working group submitted a resource requirement request amounting to Ksh.12.1 Billion of which the proposed ceilings in the BPS of Ksh.6.36 Billion only caters for only 48% of the requirement. The funding gap of Ksh.5.8 Billion as per the sector working group report is made up of a gap of Ksh.4.3 Billion and Ksh.1.4 Billion in recurrent and capital expenditure respectively. The funding gap is largest under the programme of

Information and Communication Services (with a gap of Ksh.4.3 Billion) and the Film development services (with a gap of Ksh.1 Billion). It was submitted that Kenya Broadcasting Corporation and Kenya Film Commission are the expenditure heads that face the highest funding gaps. The impact of the funding gap shall be felt heavily on the following areas:

- i. The shortfall under KBC will largely affect universal postal service obligations.
- ii. The role in Government Strategic Communications such as the dissemination of information relating to the Big Four Agenda pillars shall be impaired.
- iii. The ongoing legal arbitration case in the London (case initially determined at Ksh.40 Billion).

Details of the breakdown of the funding gaps among the SAGAs and their respective impacts were provided and are herein annexed (submission by the State Department).

**Pending Bills:** The Department detailed pending bills that amounts to Ksh.1.9 Billion as at 30<sup>th</sup> December 2020. The Committee was informed that out of the total pending bills, Ksh.1.5 billion have been verified and is payable while Ksh.76 Million worth of bills is undergoing verification process. The Department indicated that part of the bills amounting to Ksh.294 Million has been contested and awaiting court decisions. It was noted the bulk of the pending bills are on account of advertisement services offered by media companies whose bills are yet to be settled. Key among the media groups owed include: Standard Media Group, National Media Group, Mediax Network Limited, and Radio Africa Group. Some of the SAGAs under the department that have accumulated pending bills include Kenya Broadcasting Corporation at Ksh.5.3 Billion and Kenya Film Classification Board at Ksh.34 Million.

The department appreciated the granting of Ksh.700 Million under Article 223 of the Constitution contained herein the supplementary I which was noted will help settle part of the pending bills. It was reiterated that this does not settle all the outstanding bills.

The department illustrated the upward trajectory of accumulation of the pending bills which was noted are rising so fast. Taking cognizance of the requirement to settle pending bills as a first charge, the department illustrated how complying with this provision would deplete its resources to an extent that even routine operational costs cannot be met.

**Ongoing and Stalled Projects:** The department reported that it has no stalled projects. However, it was pointed out that the inadequate provisions couple with the delay in exchequer receipts have derailed the completion pace of most the projects being undertaken, a matter that was illustrated if not remedied then there is a prospect of the projects getting stalled or not meeting the set planned completion timelines. Key among the projects with financial underperformance include: KBC Analogue to Digital TV Migration, KBC roll out of studio mashinane, modernization of KNA Desk among others.

**Targets:** On account of a proposed modest increase of by Ksh.140 Million when the current approved estimates are used as the baseline, the set targets based on the Key performance indicators remain largely the same. The programme of programme of Film development services though has enhanced proposed targets in film regulation services.

## **PART III**

### **4.0 OBSERVATIONS**

#### **4.1 STATE DEPARTMENT FOR ICT & INNOVATION**

1. There is a huge funding gap estimated at Ksh.17.5 billion as reflected by the difference between the resource requirement and the proposed ceilings, a matter that calls for reprioritization of programmes and projects to minimize missed opportunities in public service delivery.
2. There is rapid adoption of ICT technology and advancement in innovations in the digital space within the country and globally. With the full rollout and operationalization of huduma number for expanded E-Government services, the reliance on ICT shall even go higher. However, the policies and strategies on data protection are still inadequate to prevent misuse of personal data collected for specific intended purposes.
3. Unlike the private sector that has leveraged on the ICT technology to mitigate the effects of Covid 19 while ensuring office work are undertaken virtually, the public sector has not optimized the leverage on ICT technology in work performance.
4. The digital literacy programme has stuck to its targets premised on key performance indicator of purchase and distribution of digital devices and appliances to public primary schools. The plausibility and sustainability of the programme given the dynamic nature of technology and change in curriculum to Competency Based Curriculum (CBC) is questionable. The success rate of the programme since its inception remain low an indication of the need to change of strategy.
5. Despite the rapid upsurge in usage of electronic and digital appliances, there is lack of a robust policy on E-waste management to handle the disposal and recycling of the discarded electrical and electronic devices.
6. The targets set at the budget formulation stages are impressive and even subsequent reports on achievement status of the targets are oftentimes appealing. However, most programmes, sub-programmes and projects lack monitoring and evaluation frameworks for assessment of the real impact on public service delivery.

#### **4.2 THE STATE DEPARTMENT FOR BROADCASTING AND TELECOMMUNICATION**

1. There is a thin line among the responsibilities and mandates of the SAGAs within the State Department leading to duplication and overlaps in programmes and activities of the SAGAs. Such overlaps are noted in the film regulation such as between Kenya Film Commission and Kenya Film Classification Board.
2. There is a weak policy and strategy to tackle issue of hate speech. This does not auger well given the imminent heightened political season in the country.
3. The business strategy of Postal Corporation of Kenya is not effective and if not fixed shall necessitate reliance on exchequer for the financing of its operational costs among other costs.

4. There is an ongoing international arbitration on a case in London involving Kenya Broadcasting Corporation whose unfavorable outcome poses a huge financial risk to the corporation. Initially the case was determined at Ksh.40 Billion.
5. Despite the impressive report on the realization of various targets when evaluated on the respective Key Performance indicators, the impacts of the met targets are not being felt on the ground. These were noted in areas such as Studio Mashinani and in the Ajira Programmes.
6. There are huge pending bills amounting Ksh.1.2 billion owed to Postal Corporation of Kenya owed by Ministry of Public Service for hosting Huduma Centres.

## **5.0 RECOMMENDATIONS**

### **5.1 Policy Recommendations**

#### **State Department on ICT & Innovation**

- I. The State department for ICT & Innovation to develop a Post Covid 19 strategy on how to leverage on ICT technology in work delivery in the public sector. The Strategy to be established by end of the 2021 with an aim of alleviating operational costs in the public sector workplaces.
- II. The State Department for ICT & Innovation in collaboration with Natural Environment Authority (NEMA) to enhance its E-Waste Management Strategy and report to the Committee on the institutionalized enhanced strategy by end of September 2021.
- III. The regulatory framework and policies on data protection and processing to be developed by the Office of Data Protection Commissioner for full operationalization of the office. The enactment of supportive legislations and policies to be fast tracked by the Committee for subsequent institutionalization and enactment before the end this year (2021).
- IV. In the programme of ICT infrastructure development, there exists projects such as Konza Conference facilities that are almost complete and require to be fast tracked for realization of the envisaged public services.
- V. There is no hotel facility to complement the conference facility project; this will make the Konza conference facility to operate below optimum level.

#### **State Department for Broadcasting & Telecommunication**

- I. The State Department for Broadcasting in collaboration with the Government Advertising Agency (GAAs) to develop and institutionalize a monitoring and evaluation framework that facilitates GAA's public expenditure impact analysis before deliberation on budget estimates for the year 2021/22 between the department and this committee on ICT & Innovation begins.
- II. There is need for the National Treasury to establish and enforce before the end of this financial year 2020/21 a framework on settlement of existing outstanding bills among the public entities to prevent the prevailing laxity in this area.
- III. The State Department in collaboration with the National Cohesion and Integration Commission (NCIC) and relevant enforcement agencies such as state department for Interior to come up with a strategy on how to address the issue of hate speech more so

in the imminent heightened political seasons. This strategy is to be presented to the Committee by end of March 2021.

- IV. The State Department for Broadcasting & Telecommunication to re-evaluate the mandates and roles of SAGAs in the film industry (Kenya Film Classification Board, Kenya Film Commission) in order to come up with a strategy of merging SAGAs with overlapping roles and SAGAs whose functions do not warrant standalone. The Department to fast track this for conclusion by December 2021.

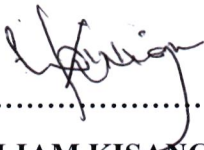
## 5.2 Financial Recommendations

1. The Committee requests:

- I. That the Programme of ICT infrastructure Development (sub-programme ICT Business Process Outsourcing Development) be allocated additional Ksh.50 Million to cater for construction of the Konza conference facilities
- II. That the programme of E-Government Service be allocated an additional Ksh.50 Million to enhance operationalization of the Office of Data Protection Services.
- III. The programme of ICT Infrastructure development under the State Department of ICT & Innovation to be allocated Ksh.150 Million to facilitate the construction of hotel facility to complement Konza Conference facility.

2. The Committee approves the ceilings as proposed in the other programmes under the two State Departments.

SIGNED.....



DATE.....

26/02/2021

**HON. WILLIAM KISANG, MP - CHAIRPERSON, DEPARTMENTAL COMMITTEE ON  
COMMUNICATION, INFORMATION AND INNOVATION**

**Proposed Annexures**

**Annex 1: Mini Schedule indicating the final ceilings per programme**

Vote	Programme	Draft Ceilings (As tabled)			Committee Amendments			Final ceilings		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total

Annex 2: PBO brief on the proposed 2020/21 Budget Estimates

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT 2021/22  
AND THE MEDIUM TERM FOR THE MINISTRY OF DEFENCE, MINISTRY OF  
FOREIGN AFFAIRS, MINISTRY OF EAST AFRICAN COMMUNITY & NOTHERN  
CORRIDOR DEVELEOPMENT, AND THE NATIONAL INTELLIGENCE SERVICE**

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**February, 2021**



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# PART I

## 1.0 PREFACE

### 1.1 Introduction

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently ‘**shall stand committed to each Departmental Committee without question put**’.

The Budget Policy Statement was tabled before the House on Thursday 11<sup>th</sup> February, 2021 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

Following the tabling of the BPS, the Departmental Committee on Defence and Foreign Relations held a briefing session with the Parliamentary Budget Office and subsequently held consultative meetings with the ministries and agencies under its docket and on which it exercises oversight.

On behalf of the Departmental Committee on Defence and Foreign Relations and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Budget Policy Statement for the Ministries, Agencies and State Departments that falls under its purview.

### 1.2 Mandate and Membership of the Committee

The Departmental Committee on Defence and Foreign Relations is established under Standing Order No. 216. Its mandate pursuant to Standing Order 216(C) is:-

- a) *to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*
- b) *to study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;*
- c) *to study and review all legislation referred to it;*
- d) *to study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
- e) *investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as may be referred to them by the House;*
- f) *to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointment); and*
- g) *make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

### 1.3 Committee Membership

The Committee Membership is as follows:

The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)  
MP for Kajiado South Constituency  
Jubilee Party

The Hon. Richard Tongi, MP  
(Vice Chairperson)  
MP for Nyaribari Chache  
Constituency  
Jubilee Party

The Hon. Yusuf Hassan Abdi, MP  
MP for Kamukunji Constituency  
Jubilee Party

The Hon. Charles Kilonzo, MP  
MP for Yatta Constituency  
Independent

The Hon. Stephen Mule, MP  
MP for Matungulu Constituency  
WDM-K Party

The Hon. Dido Ali Raso, MP  
MP for Saku Constituency  
Jubilee Party

The Hon. Maoka Maore, MP  
MP for Igembe North  
Jubilee Party

The Hon. Irene Kasalu, MP  
MP for Kitui County  
WDM-K Party

The Hon. Gideon Konchella, MP  
MP for Kilgoris Constituency  
Jubilee Party

The Hon. Memusi Ole Kanchory, MP  
MP for Kajiado Central Constituency  
ODM Party

The Hon. Martha Wangari, MP  
MP for Gilgil Constituency  
Jubilee Party

The Hon. Major (Rtd.) Bashir Sheikh  
Abdullah, MP  
MP for Mandera North Constituency  
Jubilee Party

The Hon. (Dr.) Lilian Gogo, MP  
MP for Rangwe Constituency  
ODM Party

The Hon. Zachary Thuku, MP  
MP for Kinangop Constituency  
Jubilee Party

The Hon. Moses Nguchine Kirima,  
MP  
MP for Central Imenti Constituency  
Jubilee Party

The Hon. Vincent Kipkurui Tuwei,  
MP  
MP for Mosop Constituency  
Jubilee Party

The Hon. Ernest Ogesi Kivai, MP  
MP for Vihiga Constituency  
ANC Party

The Hon. Caleb Amisi, MP  
MP for Saboti Constituency  
ODM Party

The Hon. Asha Hussein Mohamed,  
MP  
MP for Mombasa County  
ODM Party

## 1.4 Committee Secretariat

The Committee secretariat is composed of the following technical staff;

Mr. Victor Weke  
First Clerk Assistant  
**Lead Clerk**

Mr. Abdiaziz Shobay  
Clerk Assistant II

Ms. Grace Wahu  
Research Officer

Ms. Mercy Wanyonyi/ Mr. Salem  
Lorot  
Legal Counsels

Mr. Edison Odhiambo  
Fiscal Analyst

## 1.5 Overview of the Examination of the Budget Policy Statement 2021

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. On Thursday, 11<sup>th</sup> February, 2021, the Budget Policy Statement (BPS) was laid on the floor of the House by the Leader of the Majority Party pursuant to the provisions of the Standing Order No. 232 of the National Assembly and section 25 of the Public Finance Management Act (2012). Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently **'shall stand committed to each Departmental Committee without question put'**.

The Standing Order No 232 (4) further provides that the Departmental Committee is to deliberate on the BPS according to its mandate and make recommendations to the Budget and Appropriations Committee (BAC).

In considering the BPS, the BAC shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.

Following the tabling of the BPS, the Departmental Committee on Defence and Foreign Relations held a briefing meeting by the Parliamentary Budget Office (PBO) on 16<sup>th</sup> February 2021 and subsequently held consultative meetings with the Ministries under its purview and on which it exercises oversight, on 22<sup>nd</sup> and 23<sup>rd</sup> February, 2021.

The Ministries, Departments and Agencies under the purview of the Committee are;

- (i) Ministry of Defence
- (ii) Ministry of Foreign Affairs
- (iii) Ministry of East African Community and Regional Development
- (iv) National Intelligence Service

The deliberations of the meetings together with the contents of the BPS, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

In MTEF Sector classifications, the Ministry of Defence and the National Intelligence Service are classified under the National Security Sector. The Ministry of Foreign Affairs is classified under the Public Administration and International Relations (PAIR), whereas the Ministry of East African Community and Regional Development is classified under the General Economic, Commercial Affairs (GECA). These sectors are key in the delivery of goals and objectives of the Big Four as enablers, the three Pillars of Vision 2030 and the Sustainable Development Goals.

## 1.6 Acknowledgement

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also thanks the Ministry of Defence, Ministry of Foreign Affairs, Ministry of East African Community and Northern Corridor Development and the National Intelligence Service (NIS) for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Defence & Foreign Relations, to present this report on the Budget Policy Statement 2021 and the medium term.

Signed.......... Date: ..........

**Hon. Katoo Ole Metito, EGH, MGH, M.P**  
**(CHAIRPERSON)**

## PART II

### 2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE BPS 2021

The theme of this year's BPS was 'Building back better: strategy for resilient and sustainable economic recovery'. This was against the backdrop of a contracting economy in 2020, expected to bounce back and grow at a pace of 6.4% in 2021;

Overall, the budget would be shared between the various arms of government as follows;

- i) Executive at Kshs. 1,894,576,800,000
- ii) Parliament at Kshs. 37,882,700,000
- iii) Judiciary at Kshs. 17,918,300,000
- iv) Consolidated Fund Services at Kshs. 697,623,500,000
- v) County Governments at Kshs. 370,000,000,000

Sectorally, the National Security sector (Ministry of Defence and NIS) had seen increased allocation to address contemporary and emerging threats, maintain economic stability and attract investment. The sector had received Kshs. 170 billion for FY 2021/22, expected to grow to Kshs. 180.9 billion and Kshs. 196.8 billion in subsequent financial years in the medium term. The Sector has not only been widely playing the role of enabler to the big Four agenda but has also directly pronounced itself on policy matters to directly promote the big four agenda. In particular, the Ministry of Defence has concentrated on Institutional housing to support the affordable housing while on Universal Health Care, it has been equipping the Defence Forces Memorial Hospital- the military referral hospital and Level III hospital for AMISOM, Rehabilitation Centre at KR Langata and medical facilities across all military institutions.

Despite the resources that have been spent on the sector, there has been incidences of security challenges. For instance, in 2019, Al-Shabab attack in Dusit complex lead to deaths and injuries hence compromising Kenya's national security.

The International Relations sub-sector comprising Ministry of Foreign Affairs and the State Department for East African Community has focused on broadening and deepening co-operation with traditional and non-traditional political partners by facilitating engagements at all levels – opening of new markets and export opportunities for Kenyan goods and services. The sector had proposed ceilings of Kshs. 19.066 billion to pursue Kenya's foreign policy. This represents a growth of 9.1% despite an overall shortfall of Kshs. 43.657 billion. The growth is on account of projected growth in establishment of more diplomatic footprints across the globe and the role Kenya is expected to play in the regional front in EAC Affairs as well as in IGAD, AU among others. Further, the elevation of Kenya to the UN Security Council with a fully-fledged Secretariat in New York will require more resources. The projected growth on regional integration is in tandem with the broad policy on promoting deeper and wider integration within the East African region and the African continent at large, given that Africa constitutes Kenya's largest export market with immense potential for growth.

As an enabler to the Big Four, the sub-sector focused on strengthening bilateral cooperation through negotiation and signing of various cooperation frameworks in key sectors of economy with countries having comparative advantage on the “Big Four”.

Regional development authorities had a proposed ceiling of Kshs. 3.751 billion, from the current Kshs. 2.9967 billion. This is against a resource requirement of Kshs. 15.099 billion, a shortfall of 75%. The State Department majorly drives the deliverables under the Integrated Basin Based Development programme running across the country and at which various projects and activities aimed at uplifting the livelihood of Kenyans are implemented.

### **3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES**

#### **3.1 National Intelligence Service**

The service had a proposed ceiling of Kshs. 42.451 billion for the financial year 2021/22, leaving a critical funding gap of Kshs. 3.5 billion.

The budgetary allocation was entirely under the national security intelligence programme. Funding would rise to Kshs. 47.837 and Kshs. 48.794 in the subsequent financial years, under the medium-term economic framework. During this period, the service expects to undertake the following projects;

- i. Infrastructural acquisition and improvements
- ii. Expansion of surveillance systems
- iii. System and equipment-based projects

These programmes had as outputs, timely and actionable intelligence and counter-intelligence for a secure and protected nation as the outcome.

The service was also in the nascent stages of establishing a National Intelligence Research University College, which will be a constituent college of the National Defence University. The project was still being conceptualized before being brought to the Committee.

The service was increasingly faced with the challenge of responding to various threats from within and without the country, especially in a fluid regional and global geo-political environment. It was also noteworthy that the service was engaged in a number of multi-agency operations that had seen its budget stretched. These included the geo-physical and geo-spatial surveys, COVID-19 contact tracing among other operational programmes.

The service had no stalled project and no pending bills, save for commitments of **KSh. 1.2 billion** that were awaiting exchequer release. This had seen it attain an absorption rate of 47.6% in the current financial year, as at 15<sup>th</sup> February 2021. The slow exchequer releases had affected operational programmes and delayed payment to contractors, renegotiation of existing payment plans and shelving of new contracts altogether.

#### **3.2 Ministry of Defence**

The Ministry of Defence is driven by the mission ‘to protect and defend the nation against internal and external threats, through forewarning, detecting, deterring and defeating aggression.’ To attain its vision of being a credible and capable force, the ministry had embarked on strategies to reshape and re-posture the force to meet current and emergent threats, enhance operational readiness and frontline capability, self-sufficiency and national development as well as generate revenue.

To attain these objectives, the ministry was pursuing 4 programmes of national defence, general administration, planning and support services, national space management and civil aid, and had made provisions for its 5 semi-autonomous agencies, namely;

- i. Kenya Ordnance Factories Corporation
- ii. Kenya Space Agency

- iii. Kenya Shipyard Limited
- iv. National Air Services Department
- v. Kenya Meat Commission

The latter two were as a result of executive orders issued by the President. The ministry submitted that for the Kenya Meat Commission, the court pronouncement did not reverse the decision to hand it to the ministry, but rather, as advised by the Attorney General, was the ministry to conduct public participation and regularize the transfer. In any case, the government was in the process of appealing the court decision.

For the ceilings, the Ministry had a proposed allocation of **Kshs. 127.563 billion**, expected to rise to Kshs. 133.054 billion and Kshs. 142.048 billion in the subsequent financial years. The ministry submitted that it had a resource requirement of Kshs. 187.740 in the subject financial year, 2021/22. The most affected with this funding gap would be its modernization programme which entails acquisition of equipment and infrastructure in order to modernize the force in line with emerging threats and rapid technological changes. This programme is funded through exchequer and Export Credit Arrangement. The ministry was also pursuing public private partnerships to mitigate against over-reliance on exchequer.

The ministry had noted the strategic potential of the ordinance factory and the Kenya Meat Commission and would leverage on them for income generation and self-sustenance. The KMC would be ready for full capacity roll-out from April 2021.

### **3.3 Ministry of East African Community & Northern Corridor Development**

#### **3.3.1 State Department for East African Community**

The State Department sought to be a champion on regional integration and business transformation. This would be attained through its mission of 'deepening and widening East African integration, facilitating business transformation. The State Department thus coordinates EAC integration and business transformation, and covers all sectors in economic, investment, infrastructure, social, environmental and political affairs.

This was pursued through one programme at the ministry namely East African Affairs and Regional Integration, disaggregated into three sub-programmes of, East African Customs Union, East African Common Market and East African Monetary Union.

The entire state department's allocation was recurrent, with a proposed ceiling of **Kshs. 609.14 million**, against what they submitted as a requirement of Kshs. 2.299 billion. They were especially in dire need of Kshs. 77 million in their development budget as GOK counterpart funding for a proposed Busia cross-border market that would cost a total of Kshs. 600 million that had been pledged by a partner. The funding gap also entailed purchase of office furniture at Kshs. 8 million, installation of LAN at Kshs. 16 million and provision of logistical support to EALA MPs at Kshs. 36 million. It was thus critical that the state department had its ceiling adjusted by at least Kshs. 137 million.

### 3.3.2 State Department for Regional & Northern Corridor Development

The State Department was placed under the General Economic and Commercial Affairs sector with one programme of integrated regional development, pursued through three sub-sectors, namely; integrated basin-based development, management of northern corridor integration and general administration, planning and support services.

Under the BPS, the state department had a proposed ceiling of **Kshs. 3.752 billion**, comprising Kshs. 2.718 billion recurrent and Kshs. 1.033 billion for development. For the financial year in focus, the state department had committed to complete review of the RDA Acts, finalize the regional development policy and strategy and increase food production through irrigation. They would also continue with construction and operationalization of value addition factories, water security, catchment areas conservation and rehabilitation and coordinate the implementation of the northern corridor integration projects.

### 3.4 Ministry of Foreign Affairs

The Ministry has as its core mandate, to formulate, articulate and implement Kenya's foreign policy, coordinate regional peace initiatives, ratify all international treaties and agreements and liaise with world trade and UN bodies.

To attain this, the ministry runs four programmes as follows;

- i. General administration, planning and support services
- ii. Foreign relations and diplomacy
- iii. Economic and commercial diplomacy
- iv. Foreign policy research, capacity development and technical cooperation

In the current financial year, the ministry had absorbed 45% of its budgetary allocation, due to inadequate exchequer releases. Despite this, the ministry had achieved a number of non-financial scores including;

- i. High level state and official visits to France, Italy and Djibouti, and inbound visits from presidents of Somaliland and Ethiopia;
- ii. Accreditation of fifteen ambassadors to Kenya;
- iii. Strengthened bilateral cooperation through signing of bilateral agreements with France, Japan, inauguration of a one-stop border stop with Ethiopia in Moyale, facilitation of discussions towards the free trade areas agreement with the US and the signing of a supplemental agreement with the UK for strategic partnership;
- iv. Set-up and operationalization of the UN Security Council office in New York and other multi-lateral engagements.

The ministry has been allocated **Kshs. 16.668 billion** in the BPS, projected to rise to Kshs. 16.192 billion and Kshs. 16.937 billion in the subsequent two financial years. The BPS for the subject financial year had left a gap of Kshs. 30.411 billion. The gap would affect intended projects including operationalization and establishments of new missions in Maputo and Jakarta, and consulates in Guangzhou, Mumbai and Lagos.

The ministry was facing challenges including foreign exchange fluctuation losses, dilapidated properties abroad, diaspora challenges, inadequate funds for human capacity building and the ever-evolving global security threat.

The ministry recommended the creation of a foreign exchange risk assumption facility to cushion Kenyan missions abroad against foreign exchange losses.

## **PART III**

### **4.0 OBSERVATIONS**

#### **4.1 National Intelligence Service**

With the country increasingly relying on multi-agency operations approach, it is imperative that financial allocations are streamlined and allocated to the lead agency tasked with implementation. This will avoid overlaps, and free funds allocated to NIS for their core functions.

#### **4.2 Ministry of Defence**

1. The Ministry of Defence and Treasury have hitherto entered into Export Credit Arrangements with external donors before engaging Parliament on the specific projects that are being financed.
2. The Kenya Ordnance Factory has not been operationalized to full potential to allow for its sustainability. Its current existence is merely based on its strategic importance, rather than income generation.
3. The military expansion that was observed to be mainly in Nairobi was not being spread to other parts of the country where there was public land available for such programmes at no cost.
4. The austerity measures being applied by the National Treasury was mainly affecting the civilian component of the budget which was affecting the overall MoD service delivery. International practices require the civilian personnel to be an integral part of the Human Resource Management for MoD.

#### **4.3 Ministry of East African Community & Northern Corridor Development**

##### **4.3.1 State Department for East African Community**

The State Department had no allocation for development in spite of the critical role it plays in regional integration. The National Treasury had signed a partnership agreement with a donor for the construction of a cross border market in Busia, but had not committed its counterpart funding of **Kshs. 83 million**. These markets are important for regional trade and integration and should be encouraged. Lack of counterpart funding by the GoK may delay the implementation of such critical projects.

##### **4.3.2 State Department for Regional & Northern Corridor Development**

1. The ministry had a number of projects that were behind schedule due to perpetual and chronic underfunding. Despite the importance of projects that the state department undertakes, the National Treasury had not prioritized funding of the identified projects, and had seen many lagging behind, accruing pending bills and exposing the government to potential litigation.

2. The debt owed as a result of the construction of the mall by the LBDA in Kisumu was not accrued to the government of Kenya making such huge government project to be under risk of reverting to private hands. The mall serves as a collateral for the loan which was borrowed by a private entity.
3. The State Department had historical pending bills amounting to KSh.6.2 billion and the pending bill closing committee of the National Treasury had taken inordinately long to ascertain the validity of such pending bills.

#### **4.4 Ministry of Foreign Affairs**

1. Despite the Committee recommending last year that the Cabinet Secretary Ministry of Foreign Affairs jointly with the Cabinet Secretary in charge of Public Works fastrack the development of an asset acquisition and management policy, which provides for design and standards for its mission buildings not later than 31<sup>st</sup> December 2020, this was yet to be submitted.
2. Experience of the covid-19 pandemic that saw a number of Kenyans stranded abroad, the ministry clearly lacked the wherewithal to facilitate their welfare, due to lack of budgetary provisions for the same, as well as the absence of a policy to guide such extra-ordinary circumstances.
3. Lack of funds was curtailing the implementation of assets acquisition plan. The plan targets to acquire property in high rental capitals as well as security missions.
4. There was no policy direction on sharing of AIA proceeds from e-citizen between the National Treasury and the Ministry of Foreign Affairs. The current arrangement that missions retain collections from visa, passports and other fees and the money is utilized to fund immigration attaches at the missions.
5. The centralization policy on ICT funding is not effective as it is impossible to implement it in foreign missions.

## **5.0 RECOMMENDATIONS**

### **5.1 Policy Recommendations**

1. Treasury and the Ministry of Defence must first submit before Parliament, and specifically this Committee, any proposed Export Credit Arrangement before entering into contract. This will enable the Committee assess importance of these projects before the government commits taxpayers' funds;
2. The Ministry of Defence to immediately devise a strategy for the ordnance factory to be self-sustainable and income generating, by 30<sup>th</sup> June 2021;
3. The State Department for Regional Authorities to complete the regional development policy, including the building of internal capacity to conduct projects of various magnitudes, and submit it to Parliament by 31<sup>st</sup> December 2021;
4. The pending bills closing committee of the National Treasury to fastrack the exercise of determining the validity of all historical pending bills under the State Department for Regional Development Authorities and Northern Corridor Development by 30<sup>th</sup> September 2021 and embark on the exercise of paying all the legible pending bills by 30<sup>th</sup> June 2022.
5. The Cabinet Secretary responsible for Regional Development Authorities and that of the National Treasury together with Cooperative Bank of Kenya enter into a tripartite agreement of transferring the loan owed under the LBDA mall to government to deter any possible loss of public investments to private hands by 31<sup>st</sup> December 2021.
6. The Cabinet Secretary Ministry of Foreign Affairs jointly with the Cabinet Secretary in charge of Public Works to immediately submit an asset acquisition, maintenance and management policy, which provides for uniform design and standards for its mission buildings, not later than 31<sup>st</sup> July 2021;
7. Owing to ineffectiveness in implementing the policy of centralization of ICT funds under the State Department for ICT, it is recommended that the Ministry of Foreign Affairs be exempted from this policy and its corresponding budget transferred to the Ministry for purposes of their operations in foreign missions effective from 1<sup>st</sup> July 2021.
8. Owing to shortfalls in budgetary allocation to the Ministry of Foreign Affairs, it is recommended that any fees accruing from issuance of passports and visas in foreign mission through the e-citizen platform be used to enhance the budgetary allocation for the ministry by similar amount to support their operations.
9. The Ministry of Foreign Affairs to develop a diaspora policy, by 31<sup>st</sup> December 2021, to guide assistance to Kenyans abroad facing extraneous and emergency circumstances.

### 5.3 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change	Financial Recommendation (If any)
1.	No policy direction on sharing of AIA proceeds from e-citizen between the National Treasury and the Ministry of Foreign Affairs.	Enhance the budgetary allocation to Immigration attachee by similar amount	N/A
2.	The centralization policy on ICT funding is not effective as it is impossible to implement it in foreign missions	The CS National Treasury to exempt the Ministry of Foreign Affairs from this policy and have their ICT budget for foreign missions embedded in the mission's budget by 1 <sup>st</sup> July, 2021.	N/A
3.	Lack of funds was curtailing the implementation of assets acquisition plan	Allocate funds for assets acquisition in high rental missions progressively between July 1 <sup>st</sup> 2021 to 30 <sup>th</sup> June 2031	N/A
4.	Nonperformance of KOFC	Revamping of KOFC to be self-sustaining	N/A
5.	Lack of asset acquisition, maintenance and management policy	Develop an asset acquisition, maintenance and management policy, which provides for uniform design and standards for its mission buildings, not later than 31 <sup>st</sup> July 2021;	N/A
6.	Persistent cases of Kenyans getting stranded abroad	Development of Diaspora policy	N/A

Signed.....  Date: 25/2/2021

Hon. Katoo Ole Metito, EGH, MGH, M.P  
(CHAIRPERSON)

## Annexures

Annex 1: Mini Schedule indicating the final ceilings per programme

Vote	Programme	Draft Ceilings (As tabled)			Committee Amendments			Final ceilings		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total

Annex 2: PBO brief on the proposed 2020/21 Budget Estimates

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List

**MINUTES OF THE ONE HUNDRED AND FIFTEENTH (115<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN COMMITTEE ROOM, 4<sup>TH</sup> FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS, ON TUESDAY, 16<sup>TH</sup> FEBRUARY, 2021 AT 10.00 AM.**

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**PRESENT**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Richard Tong'i, MP (Vice Chairperson)
3. The Hon. Charles Kilonzo, MP
4. The Hon. Richard Maore Maoka, CBS, MP
5. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
6. The Hon. Martha Wangari Wanjira, MP
7. The Hon. Elijah Memusi Kanchory, MP
8. The Hon. Caleb Amisi, MP
9. The Hon. Ernest Ogesi Kivai, MP
10. The Hon. Moses Nguchine Kirima, MP
11. The Hon. Vincent Kipkurui Tuwei, MP
12. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
2. The Hon. Yusuf Hassan Abdi, MP
3. The Hon. (Dr.) Irene Muthoni Kasalu, MP
4. The Hon. Stephen Mutinda Mule, MP
5. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
6. The Hon. (Dr.) Lilian Gogo, MP
7. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Victor Weke - Clerk Assistant I
2. Mr. Edison Odhiambo - Fiscal Analyst

**MIN. NO.NA/DC.DFR /2021/007: PRELIMINARIES**

The Chairperson called the meeting to order at 10.20 am and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Charles Kilonzo, MP and seconded by The Hon. Ernest Ogesi Kivai, MP.

**AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sitting
4. Matters arising
5. Substantive agenda: **Briefing on BPS 2021 and Supplementary Estimates I of FY 2020/21**
6. Any Other Business

**MIN. NO.NA/DC.DFR /2021/008: CONFIRMATION OF MINUTES OF PREVIOUS SITTING**

Minutes of the 114<sup>th</sup> sitting held on 9<sup>th</sup> February 2021 were confirmed as a true record of the proceedings as proposed by Hon. Ernest Kivai, MP and seconded by Hon. Elijah Memusi Kanchory, MP.

**MIN. NO.NA/DC.DFR/2021/009: MATTERS ARISING**

**Under Min.No.NA/DC.DFR/2021/003**

The Chairperson confirmed that his request to the Speaker to exempt the Foreign Service Bill from provisions of Standing Order 114 on money bills was successful. The Bill would now proceed for publishing.

The Regional Development Bill would however go to the Budget & Appropriations Committee for scrutiny.

**Under Min.No.NA/DC.DFR/2021/004**

1. The secretariat confirmed that the statement requested by Hon. Aden Duale, MP on the state of Kenya-Somalia relations had been responded to by the Chairperson during the same plenary sitting, and would require no further action.
2. The Committee reconsidered its schedule for the month of February and resolved to proceed with the retreat on the Budget Policy Statement as scheduled, while the retreat to draw the work plan was set for either 4<sup>th</sup> – 7<sup>th</sup> February or 11-14<sup>th</sup> March 2021.

**Under Min.No.NA/DC.DFR/2021/005**

Hon. Caleb Amisi, MP confirmed having attended the meeting with the Moroccan Ambassador to Kenya, H.E. El Mokhtar Ghambou, together with Hon. Bashir Abdullah, MP and Hon. Yusuf Hassan, MP. He reported that the two parties discussed a wide range of bilateral matters including agriculture, tourism and the state of the Western Sahara. The Ambassador requested the Committee to pay Morocco a visit once the corona pandemic was under control, in advancement of parliamentary diplomacy.

**MIN. NO.NA/DC.DFR/2021/010: BRIEFING ON SUPPLEMENTARY ESTIMATES I**

The fiscal analyst briefed the Committee as follows;

1. The estimates were submitted to the National Assembly on 9<sup>th</sup> February 2021 and subsequently tabled in the House for consideration by Departmental Committees;
2. The estimates were meant to rationalize expenditure due to revenue underperformance occasioned by the economy contracting by 5.7% in the 2<sup>nd</sup> quarter of 2020;
3. The Ministry of Defence had its allocation increase by 6%, from Kshs. 115.481 billion to Kshs. 122.365 billion. The increment is on account of enhanced security operations, national air services, Kenya National Shipyard, modernization programme and the revitalization of the Kenya Meat Commission. Of the Kshs. 6.35 billion increment, the ministry had expended Kshs. 3.2 billion already;
4. The Ministry of Foreign Affairs saw its allocation have a net increment of 8%, occasioned by a rise of its recurrent expenditure from Kshs. 14.555 billion to Kshs. 15.924 billion, whilst its development vote decreased to Kshs. 1.016 billion from Kshs. 1.201 billion. The Kshs. 1.2 billion is largely attributable to operationalization of the UN Security Council membership office and additions to various embassies;

5. The State Department for East African Community (EAC) had an 11% reduction of its recurrent vote from Kshs. 608 million to Kshs. 539.3 million. It had no development vote;
6. The State Department for Regional Development Authorities had an overall reduction of 3%, with its recurrent expenditure moving from Kshs. 2.266 billion to Kshs. 2.173 billion, while the development vote reduced to Kshs. 823.1 million from Kshs. 837.5 million. The gross decrease of Kshs. 357 million has seen the outputs of the various RDAs reduced;
7. The National Intelligence Service saw an increase of 17% from Kshs. 39.051 billion to Kshs. 45.551 billion;
8. Due to constrained revenue collection, MDAs had received less than 50% of exchequer release for their programmes.

The Committee noted the following in the interim and would seek responses from the MDAs when they appear before it;

- i) Some of the proposed projects were clearly foreseeable and did not strictly meet the threshold of supplementary budgets as per the PFM Act 2012 and its regulations. Examples include the dredging of Lake Victoria ports of Kisumu and Mbita by the Ministry of Defence;
- ii) State Department of Regional Development Authorities had an increased allocation of Kshs. 95 million for new projects, also in violation of PFM norms;
- iii) Further, the House had hitherto passed a resolution that the Executive must seek concurrence of the House when expending sums of more than Kshs. 1 billion. This had not been adhered to by the Ministry of Defence having already expended Kshs. 3.2 billion;
- iv) The Ministry of Foreign Affairs had seen increased allocations by Kshs. 1.3 billion to various embassies, with no corresponding increases in targets and outputs;
- v) The allocations to the security sector were not clear as no itemized breakdown had been provided for justification;
- vi) Proposed cuts, especially to RDAs would compound the already existing problem of pending bills and stalled projects. The perpetual underfunding to these entities posed a challenge to their continued existence.

**MIN. NO.NA/DC.DFR/2021/011:            BRIEFING ON THE BUDGET POLICY STATEMENT (BPS) 2021**

The fiscal analyst briefed the Committee as follows;

1. The theme of this year's BPS was 'Building back better: strategy for resilient and sustainable economic recovery'. This was against the backdrop of a contracting economy in 2020, expected to bounce back and grow at a pace of 6.4% in 2021;
2. Overallly, the budget would be shared between the various arms of government as follows;
  - i) Executive at Kshs. 1,894,576,800,000 (62.8%)
  - ii) Parliament at Kshs. 37,882,700,000 (1.3%)
  - iii) Judiciary at Kshs. 17,918,300,000 (0.6%)
  - iv) Consolidated Fund Services at Kshs. 697,623,500,000 (23.1%)
  - v) County Governments at Kshs. 370,000,000,000 (12.3%)
3. Sectorally, the security sector (Ministry of Defence and NIS) had seen increased allocation to maintain economic stability and attract investment. The sector had received Kshs. 170 billion for FY 2021/22, expected to grow to Kshs. 180.9 billion and Kshs. 196.8 billion in subsequent financial years in the medium term;

4. The international relations sub-sector comprising Ministry of Foreign Affairs and the State Department for EAC had proposed ceilings of Kshs. 19.066 billion to pursue Kenya's foreign policy. This represents a growth of 9.1% despite an overall shortfall of Kshs. 43.657 billion;
5. Regional development authorities had a proposed ceiling of Kshs. 3.751 billion, from the current Kshs. 2.9967 billion. This is against a resource requirement of Kshs. 15.099 billion, a shortfall of 75%;

The Committee noted the following in the interim and would seek responses from the MDAs when they appear before it;

- i) In spite of the theme of the BPS being economic recovery, the submitted ceilings did not signal any structural shift in priorities of the country. Further the BPS was not linked to the country's debt situation to demonstrate sustainability and reality of envisioned programmes;
- ii) The BPS was not accompanied with a reconcilable list of projects, especially in the security sector;
- iii) RDAs continue to see gross underfunding, with current stalled projects worth billions numbering 20. Further, governance challenges at the RDAs have seen projects expending large sums of money without clear value for money.

The Committee would next meet with the various ministries and departments as scheduled on 22<sup>nd</sup> & 23<sup>rd</sup> March 2021 at the Hilton Garden Hotel, before writing its reports.

MIN. NO.NA/DC.DFR/2021/012:      ADJOURNMENT

There being no other business, the meeting adjourned at 12.35pm.

Signed.....  
Hon. Katoo Ole Metit, M.P (CHAIRPERSON)

Date.....  
24/2/2021

**MINUTES OF THE ONE HUNDRED AND SIXTEENTH (116<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN GROUND FLOOR, PAVILION CONFERENCE ROOM, HILTON GARDEN INN ON MONDAY, 22<sup>ND</sup> FEBRUARY, 2020 AT 9.00 AM.**

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**PRESENT**

1. The Hon. Richard Tong'i, MP (Vice Chairperson)
2. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
3. The Hon. Charles Kilonzo, MP
4. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
5. The Hon. Martha Wangari Wanjira, MP
6. The Hon. Elijah Memusi Kanchory, MP
7. The Hon. Stephen Mutinda Mule, MP
8. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
9. The Hon. (Dr.) Lilian Gogo, MP
10. The Hon. (Dr.) Irene Muthoni Kasalu, MP
11. The Hon. Moses Nguchine Kirima, MP
12. The Hon. Ernest Ogesi Kivai, MP
13. The Hon. Vincent Kipkurui Tuwei, MP
14. The Hon. Caleb Amisi, MP
15. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Yusuf Hassan Abdi, MP
3. The Hon. Richard Maore Maoka, CBS, MP
4. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

- |                           |   |                        |
|---------------------------|---|------------------------|
| 1. Mr. Victor Weke        | - | First Clerk Assistant  |
| 2. Mr. Abdiaziz Shobay    | - | Second Clerk Assistant |
| 3. Mr. Edison Odhiambo    | - | Fiscal Analyst         |
| 4. Ms. Grace Wahu Karanja | - | Research Officer       |
| 5. Mr. John Ngang'a       | - | Audio Officer          |

**NATIONAL INTELLIGENCE SERVICE (NIS)**

- |                            |   |                                 |
|----------------------------|---|---------------------------------|
| 1. Maj. Gen. Philip Kameru | - | Director General, NIS           |
| 2. A. N. Shikuku           | - | National Intelligence Service   |
| 3. J.N Ndola               | - | National Intelligence Service   |
| 4. E.J Mafubo              | - | National Intelligence Service   |
| 5. R.N Malaria             | - | National Intelligence Service   |
| 6. D.M Isaboke             | - | National Intelligence Service   |
| 7. Hellen Saina            | - | National Intelligence Service   |
| 8. Eric Mwendwa            | - | National Intelligence Service , |

**MINISTRY OF DEFENCE**

1. Ms. Monica Juma - Cabinet Secretary, Ministry of Defence

- |                          |   |                                   |
|--------------------------|---|-----------------------------------|
| 2. Lt. General L. Mghalu | - | VCDF, KDF/MOD                     |
| 3. Dr. Mohamed           | - | Principal Secretary, MOD          |
| 4. Mr. Muhia             | - | Senior Chief Finance Officer, MOD |
| 5. Brig. DNN Kamuri      | - | Chief of Infrastructure           |
| 6. Lt. Col. Mung'ori     | - | Colonel, Budget                   |
| 7. Mr. Kariuki Kimemia   | - | Deputy Director, Budget           |

**MIN. NO.NA/DC.DFR/2021/013:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 9.20 am and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP and seconded by The Hon. Zachary Kwenya Thuku, MP.

**AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sittings
4. Substantive agenda:
  - i) Briefing by the National Intelligence Service (NIS) on the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21
  - ii) Briefing by the Ministry of Defence (MOD) on the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21
5. Any Other Business

**MIN. NO.NA/DC.DFR /2021/014:**

**CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

The agenda item was deferred to the next sitting.

**MIN. NO.NA/DC.DFR /2021/015:**

**BRIEFING BY THE NATIONAL INTELLIGENCE SERVICE ON THE BUDGET POLICY STATEMENT (BPS), FY 2021/22**

The Director General, National Intelligence Service took the Committee through the following items;

1. The proposed budgetary requirement is Ksh. 58.832 billion and the proposed budgetary allocation is Ksh. 42.451 billion.
2. The funding gap is Ksh. 16.381 billion after prioritization and rationalization. The critical funding gap is Ksh. 3.5 billion.
3. The NIS printed estimates FY 2020/21 is Ksh. 39.051 billion with an additional allocation of Ksh. 6.5 billion proposed by the National Treasury subject to regularization through Supplementary Estimates No.1.
4. The proposed additional allocation is broken down as follows:
  - i) Ksh. 2 billion to cater for enhanced security operations and support of on-going national initiatives while Ksh. 1.5 billion to cater for enhanced security operations and implementation of on-going national security projects.

- ii) Ksh. 3 billion to cater for purchase of operational equipment and operational training. Exchequer under issue during the FY 2019/20 amounting to Ksh. 3.31 billion adversely affected security related operations and payments of contracts.
  - iii) The printed estimates of FY 2020/21 amounts to Ksh. 39.051 billion, however Exchequer releases as of 31<sup>st</sup> December, 2020 was Ksh. 18, 183, 636, 563 (46.56 %)
5. The service is in the process of establishing National Intelligence & Research University College.
  6. Implementation of the intended programmes/operational activities may not be operational due to constrained Exchequer issues
  7. The current exchequer releases as at 15<sup>th</sup> February 2021 stand at a total of Ksh. 21.707 billion and this represents 47.6% of the proposed approved budget of Ksh. 45.551 billion.
  8. Ksh. 23.84 billion budget balance is not funded with four months to the end of the FY 2020/21.
  9. Ksh. 5.96 billion of monthly Exchequer releases is required to fund the budget fully between March and June 2021 and this has resulted to service operational programs being adversely affected shelving of new contracts.
  10. The service has delayed payments to contractors and renegotiation of the payment plans for on-going contracts.
  11. The Service requests the National Assembly approves the proposed total budgetary allocation of Ksh. 42.451 billion for the FY 2021/22 and the proposed additional budgetary resources amounting to Ksh. 6.5 billion during the Supplementary Estimates No. 1 for the FY 2020/21.

**MIN. NO.NA/DC.DFR /2021/016:**

**BRIEFING BY THE CABINET SECRETARY,  
MINISTRY OF DEFENCE ON THE BUDGET  
POLICY STATEMENT (BPS), FY 2021/22**

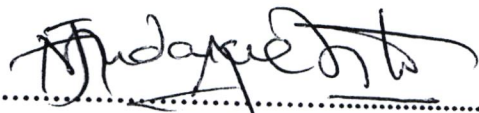
The Cabinet Secretary took the Committee through the following items;

1. The Ministry of Defence has been allocated Ksh. 127.563 billion in the FY 2021/22 against a resource requirement of Ksh. 187.740 billion.
2. The projected allocations in the FY 2022/23 and 2023/24 are Ksh. 133.054 billion and Ksh. 142.048 billion respectively.
3. Allocation in the proposed Supplementary Estimates 1 for FY 2020/21 has increased by Ksh. 6.884 billion that is from Ksh. 115.481 billion to Ksh. 122.365 billion.
4. Increase in recurrent expenditure by Ksh. 6.350 billion is attributed to the Approved additional expenditure totaling to Ksh. 6.272 billion for operationalization of the Kenya shipyard, upgrading of Kisumu shipyard and construction of wagon ferry, emergency security operations, support to the National Multi-Agency Command Centre, Kenya Meat Commission and dredging of Kisumu Port and Mbita course way.
5. Moreover, recurrent expenditure is also attributed to the transfer of funds maintaining air assets from various Ministries amounting to Ksh. 375 million to the Ministry of Defence.
6. The reduction in the budgetary allocation of the general administration, planning and support services programme, of Ksh. 246,990,000 in which the civilian function of the Ministry funds its activities under this program and the decrease is attributed to the following expenditure areas:

- i) Personal Emoluments of Ksh. 156,540,000 in salaries and allowances for newly recruited staff who were not able to report at the expected time due to COVID 19 restrictions on minimizing the number of staff
  - ii) Operation and maintenance amounting to Ksh. 90,450,000 in rationalization of O&M budget items effected due to non-performance of the economy.
7. In the development estimates, the development expenditure allocation of Ksh. 9.208 billion is utilized for implementation of three (3) military modernization projects funded through GoK (Ksh. 3 billion) and ECA (Ksh. 6.208 billion).
  8. The ECA allocation has increased by Ksh. 534 million to facilitate payments as per project milestones achieved to date.
  9. The Exchequer requisitioned to date amounts to Ksh. 73.065 billion and receipts stand at Ksh. 62.795 billion leaving a balance of Ksh. 10.270 billion.
  10. Revenue received from UN/AMISOM reimbursements amounts to Ksh. 2.836 billion while revenue collected from other sources such as rent, sale of casted vehicles, sale of tenders amounted to Ksh. 566 million and have been remitted to the National Treasury.
  11. Military modernization is funded through Exchequer (GoK) and the Export Credit Arrangement (ECA).
  12. Border securitization has prioritized southern sector (Boni) extending 107 km from BP 29 in Kiunga to BP 23 in Libat to be implemented in two financial years.
  13. The FY 2021/22 focuses on the filling of the gaps between Kolbio and Kiunga and an additional 25 km southwards from Libat in order to complete the fencing of the entire 107km southern stretch.

**MIN. NO.NA/DC.DFR /2021/017: ADJOURNMENT**

There being no other business, the meeting adjourned at 1.30 pm.

Signed.....

Hon. Katoo Ole Metito, M.P  
(CHAIRPERSON)

Date.....24/2/2021

**MINUTES OF THE ONE HUNDRED AND SEVENTEENTH (117<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN GROUND FLOOR, PAVILION CONFERENCE ROOM, HILTON GARDEN INN ON MONDAY, 22<sup>ND</sup> FEBRUARY, 2020 AT 2.30 PM.**

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**PRESENT**

1. The Hon. Richard Tong'i, MP (Vice Chairperson)
2. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
3. The Hon. Charles Kilonzo, MP
4. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
5. The Hon. Martha Wangari Wanjira, MP
6. The Hon. Elijah Memusi Kanchory, MP
7. The Hon. Stephen Mutinda Mule, MP
8. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
9. The Hon. (Dr.) Lilian Gogo, MP
10. The Hon. (Dr.) Irene Muthoni Kasalu, MP
11. The Hon. Ernest Ogesi Kivai, MP
12. The Hon. Vincent Kipkurui Tuwei, MP
13. The Hon. Caleb Amisi, MP
14. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Yusuf Hassan Abdi, MP
3. The Hon. Richard Maore Maoka, CBS, MP
4. The Hon. Moses Nguchine Kirima, MP
5. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

- |                           |   |                        |
|---------------------------|---|------------------------|
| 1. Mr. Victor Weke        | - | First Clerk Assistant  |
| 2. Mr. Abdiaziz Shobay    | - | Second Clerk Assistant |
| 3. Mr. Edison Odhiambo    | - | Fiscal Analyst         |
| 4. Ms. Grace Wahu Karanja | - | Research Officer       |

**MINISTRY OF EAST AFRICAN COMMUNITY & REGIONAL DEVELOPMENT**

- |                         |   |                   |
|-------------------------|---|-------------------|
| 1. Hon. Adan Mohamed    | - | CS, EAC & NCD     |
| 2. Kevit Desai          | - | PS, EAC           |
| 3. Belio Kipsang        | - | MOEC & RD         |
| 4. Ms. Margaret Mwakima | - | PS TVET & RN & CD |
| 5. Ms. Risper Makasi    | - | EAC               |
| 6. Mr. Joseph Kimani    | - | RNCD              |
| 7. Mr. Emilio Mugo      | - | Secretary RNCD    |
| 8. Ngala Oloiptip       | - | MD, ENSDA         |

**MIN. NO.NA/DC.DFR/2021/018:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 2.35 pm and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Charles Kilonzo, MP and seconded by The Hon. Ernest Ogesi Kivai, MP.

## **AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sittings
4. Substantive agenda: **Briefing by the Ministry of East Africa Community (EAC) and Regional Development to consider the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21**
5. Any Other Business

**MIN. NO.NA/DC.DFR /2021/019:            CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

The agenda item was deferred to the next sitting.

**MIN. NO.NA/DC.DFR /2021/020:            BRIEFING BY THE PRINCIPAL SECRETARY, EAST AFRICAN COMMUNITY (EAC) ON THE BUDGET POLICY STATEMENT (BPS), FY 2021/22**

The Principal Secretary took the Committee through the following items;

1. The State Department's allocations for FY 2021/22 is Kshs. 609.14 million for recurrent budget against requirement of Kshs. 2.299 million
2. There was no allocation for development but requires Kshs. 77 million for development budget
3. The State department has a financing gap of Kshs. 1767million
4. The State Department has partnered with Trade Mark East Africa which has committed to fund the construction of phase one of the proposed Cross Boarder Market. The cost of the project is Kshs. 600million. The financing agreement has been signed by the Cabinet Secretary, the National Treasury
5. The State Department requests Kshs. 77million for GOK counterpart funding for the FY 2021/22
6. The State departments critical requirements is Kshs. 137million for office furniture and fittings (8million) and additional members of staff, installations of LAN Kshs. 16million, EALA MP's mileage allowance Kshs. 36 million.
7. The Ministry has repositioned Kenya to position 56 from position (61) in the global ease of doing business rankings, concluded the National consultations on the review of the EAC Common External Tariff (CET) and continued the coordination of the removal of non-tariff barriers.
8. Further, the State department coordinated the development and operationalization of regional protocols and guidelines and a mobile phone based cargo and truck truck drivers tracking system to mitigate against spread of Covid-19
9. The State department requests for interventions for three unfunded areas i.e. Busia Jumuiya cross border market

The Principal Secretary took the Committee through the following items;

1. Under the BPS projections the State Department for Regional Development has been allocated a budget of Kshs.3,751.0 Million which comprise of Kshs 2,718.0 Million for Recurent vote and Kshs 1,033.0 Million for Development Vote.
2. The Recurrent Budget of Kshs.2718 Million will primarily facilitate Payment of Salaries, which stands at Kshs 1,856.5 Million while the balance will be used to facilitate expenses related to Operations and Maintenance.
3. In the proposed Development Budget, the State Department plans to implement the construction and equipping of 18 Projects in various Counties across the Country.
4. An additional budget provision of Ksh.108 Million in the Recurrent Vote to facilitate rent expense for new offices for the State Department's Headquarters Offices which is currently housed by the State Department for East Africa Community.
5. An additional budget provision of Ksh.11.4Billion in the Development Vote to facilitate the delivery of projects currently ongoing and coverage of regions that have not benefitted from development projects over some period of time.
6. An additional budget provision of Kshs.805Million to facilitate payment of pending bill accruing to the Authorities

The Cabinet Secretary took the Committee through the following items;

1. The State Department commenced the financial year with an approved budget of Kshs.3,354.2 million comprising of Kshs.2,266.7million for recurrent expenditure and Kshs.1,087.5million for development expenditure.
2. The State Department has been affected with a budget cut of Kshs.608.7million consisting Kshs.149.3million in recurrent vote and Kshs.459.4million in development vote.
3. Similarly the State Department for Regional Development was granted an additional budget of Kshs.251.1million comprising of Kshs.56.1million for recurrent headquarters to bridge the PE shortfalls and the balance of Kshs.135million for development vote to facilitate the ongoing construction of Nyakoe market (Kshs.40million),
4. In regards to drought mitigation projects (Kshs.95million and Kshs.60million) for payment of consultancy services rendered to LAPSSSET under donor funding by ADfB.
5. The development budget is financed by two sources namely the GOK with **Kshs.837.45million** and the balance of **Kshs.250million** being financed by the Donor fund to facilitate the completion of Wei Wei Phase 3 Irrigation Project (Kshs.200 Million) and for Arror Multipurpose Dam (Kshs 50 Million)

There being no other business, the meeting adjourned at 5.00 pm.

Signed.....

*Katoo Ole Metito*

Hon. Katoo Ole Metito, M.P  
(CHAIRPERSON)

Date.....

24/2/2021

**MINUTES OF THE ONE HUNDRED AND EIGHTEENTH (118<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS HELD IN GROUND FLOOR, PAVILION CONFERENCE ROOM, HILTON GARDEN INN ON WEDNESDAY, 23<sup>RD</sup> FEBRUARY, 2020 AT 10.00 AM.**

**PRESENT**

1. The Hon. Katoo Ole Metito, EGH, MGH, MP (Chairperson)
2. The Hon. Richard Tong'i, MP (Vice Chairperson)
3. The Hon. Col. (Rtd.) Gideon S. Konchela, EGH, OGW, 'psc' (UK), MP
4. The Hon. Charles Kilonzo, MP
5. The Hon. Col. (Rtd) Dido Ali Raso, MBS, MP
6. The Hon. Martha Wangari Wanjira, MP
7. The Hon. Elijah Memusi Kanchory, MP
8. The Hon. Stephen Mutinda Mule, MP
9. The Hon. Maj. (Rtd.) Bashir Sheikh Abdullah, MP
10. The Hon. (Dr.) Lilian Gogo, MP
11. The Hon. (Dr.) Irene Muthoni Kasalu, MP
12. The Hon. Moses Nguchine Kirima, MP
13. The Hon. Ernest Ogesi Kivai, MP
14. The Hon. Vincent Kipkurui Tuwei, MP
15. The Hon. Caleb Amisi, MP
16. The Hon. Zachary Kwenya Thuku, MP

**APOLOGIES**

1. The Hon. Yusuf Hassan Abdi, MP
2. The Hon. Richard Maore Maoka, CBS, MP
3. The Hon. Asha Hussein Mohamed, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

1. Mr. Victor Weke - First Clerk Assistant
2. Mr. Abdiaziz Shobay - Second Clerk Assistant
3. Mr. Edison Odhiambo - Fiscal Analyst
4. Ms. Grace Wahu Karanja - Research Officer

**MINISTRY OF FOREIGN AFFAIRS**

1. Amb. Raychelle Omamo, SC - Cabinet Secretary, MFA
2. Amb. Macharia Kamau - Principal Secretary
3. Mr. J.A Aloyo - Ministry of Foreign Affairs
4. Mr. Arthur Nduati - Ministry of Foreign Affairs
5. Mr. Galma M. Boru - Ministry of Foreign Affairs
6. Ms. Margaret Gachoru - Ministry of Foreign Affairs
7. Ms. Dorcas Rukunga - Deputy Parliamentary Lisison Officer
8. Amb. Salim M. Salim - Ministry of Foreign Affairs
9. Mr. Joseph Macharia - Ministry of Foreign Affairs

**MIN. NO.NA/DC.DFR/2021/024:**

**PRELIMINARIES**

The Chairperson called the meeting to order at 10.20 am and said a prayer. The agenda of the meeting was adopted as hereunder after being proposed by The Hon. Martha Wangari Wanjira, MP and seconded by The Hon. Vincent Kipkurui Tuwei, MP.

## **AGENDA**

1. Prayers
2. Adoption of the agenda
3. Confirmation of minutes of previous sittings
4. Substantive agenda: **Briefing by the Ministry of Foreign Affairs on the Budget Policy Statement (BPS) for FY 2021/22 and the Supplementary Estimates (1) for FY 2020/21**
5. Any Other Business

**MIN. NO.NA/DC.DFR /2021/025: CONFIRMATION OF MINUTES OF PREVIOUS SITTINGS**

The agenda item was deferred to the next sitting.

**MIN. NO.NA/DC.DFR /2021/026: BRIEFING BY THE MINISTRY OF FOREIGN AFFAIRS ON THE BUDGET POLICY STATEMENT (BPS), FY 2021/22 AND THE SUPPLEMENTARY ESTIMATES (1) FOR FY 2020/21**

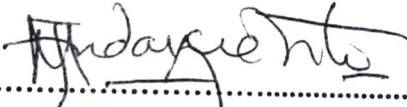
The Cabinet Secretary for Foreign Affairs took the Committee through the following items;

1. The Ministry's approved budget for the FY 2020/21 was Ksh. 15,757,171,675 which was later increased to Ksh. 16,940,953,306 in the Supplementary Estimates No.1 of the FY 2020/21
2. Increase in the recurrent vote amounting to Ksh. 1,387 million comprises of Ksh. 987 million and additional personnel emolument funding to plunge the gap on provision for Foreign Service allowance and Ksh. 400 million towards establishment and operationalization of the UNSC office in New York.
3. Austerity measures have resulted in the reduction of Ksh. 185 million from the Ministry's development budget due to national financial constraints which have led to claims on delayed payments, claims for idle capacity in labour and equipment and legal suits and penalties as a result of breach of contracts.
4. The Ministry boasts of continued strengthening of bilateral cooperation; promotion of economic cooperation, trade and investment; campaigns for country and individual candidatures; strengthened multilateral engagement; enhanced development cooperation and support; enhanced partnerships with development partners; resource mobilization and global solidarity in the fight against COVID 19; consular services.
5. The Ministry is requesting for strategic intervention funding amounting to Ksh. 8 billion to implement the asset management policy of 10 years in three facets namely; property acquisition/development, reconstruction of dilapidated property and annual maintenance of properties to avoid deterioration.
6. The Ministry requests that the Department of Immigration be funded by the National Treasury to cater for them at the Missions or the Ministry's budget be enhanced by a similar amount.
7. The Ministry also request to be considered in the share of the Big 4 agenda funding.

8. The Ministry faces the following challenges:
- i) foreign exchange losses and fluctuations;
  - ii) poor and dilapidated government properties abroad;
  - iii) Kenya diaspora related challenges;
  - iv) inadequate funds for human resource capacity building and ;
  - v) Evolving global security threats in terms of funds required for rescue operations and enhancing security of missions.

**MIN. NO.NA/DC.DFR /2021/027: ADJOURNMENT**

There being no other business, the meeting adjourned at 12.00 pm.

Signed.....

**Hon. Katob Ole Metito, M.P  
(CHAIRPERSON)**

Date.....24/2/2021

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT 2021  
FOR THE MINISTRY OF EDUCATION AND THE TEACHERS SERVICE  
COMMISSION**

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**Published by:-  
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Parliament Buildings  
NAIROBI**

**February, 2021**

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## **PART I**

### **1.0 PREFACE**

#### **1.1 Introduction**

On behalf of the Departmental Committee on Education and Research and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Education and Research Committee on its consideration of the Budget Policy Statement for 2021 and the Medium Term.

The report is the outcome of the examination of the Budget Policy Statement 2021 by the Committee for the Agencies under the purview of the Departmental Committee on Education and Research and consultative meetings with the Ministry of Education and TSC.

#### **1.2 Mandate of the Committee**

The Departmental Committee on Education and Research is established under Standing Order 216 and mandated to consider all matters relating to the Education Sector. Thus, in terms of budget oversight, the Committee covers the Ministry of Education and the Teachers Service Commission. Thus, the Committee has its oversight role covering the following Agencies:

- i. State Department for Early Learning Basic Education
- ii. State Department for University Education and Research
- iii. State Department of Vocational and Technical Training
- iv. State Department for Post Training and Skills Development
- v. Teachers Service Commission

### 1.3 Committee Membership

The Committee comprises of the following Members: -

#### Chairperson

1. Hon. Florence Mutua, MP  
Busia County

**Orange Democratic Movement Party**

#### Vice Chairperson

2. Hon. Ngunjiri Wambugu  
Nyeri Town Constituency

**Jubilee Party**

3. Hon. Geoffrey Makokha Odanga, MP  
Matayos Constituency  
**Orange Democratic Movement Party**
4. Hon. (Dr.) Pamela Ochieng, MP  
Migori County  
**Orange Democratic Movement Party**
5. Hon. (Eng.) Nzambia Kithua, MP  
Kilome Constituency  
**Wiper Democratic Movement Kenya**
6. Hon. (Prof.) Zadoc Abel Ogutu, MP  
Bomachoge Borabu Constituency  
**Independent**
7. Hon. Eric Muchangi Njiru, MP  
Runyenjes Constituency  
**Jubilee Party**
8. Hon. Eve Obara, MBS, MP  
Kabondo Kasipul Constituency  
**Orange Democratic Movement Party**
9. Hon. Jackson Lekumontare, MP  
Samburu East Constituency  
**KANU Party**
10. Hon. Jerusha Mongina Momanyi, MP  
Nyamira County  
**Jubilee Party**
11. Hon. Joseph Tonui, MP  
Kuresoi South Constituency  
**Jubilee Party**
12. Hon. Omboko Milemba, MP  
Emuhuya Constituency  
**Amani National Congress**
13. Hon. Peter Lochakapong, MP  
Sigor Constituency  
**Jubilee Party**
14. Hon. Wilson Sossion, MP  
**Nominated Member**
15. Hon. Wilson Kogo, MP  
Chesumei Constituency  
**Jubilee Party**
16. Hon. (Dr.) Daniel Kamuren Tuitoek, MP  
Mogotio Constituency  
**Jubilee Party**
17. Hon. Gichuki Mugambi, MP  
Othaya Constituency  
**Jubilee Party**
18. Hon. Paul Mwirigi, MP  
Igembe South Constituency  
**Independent**

## 1.4 Committee Secretariat

The Committee secretariat comprise of:-

Mr. Daniel Mutunga  
**Principal Clerk Assistant I**  
**Lead Clerk**

Mr. Philip Lekarkar  
**Clerk Assistant II**

Mr. Peter Mwaura  
**Legal Counsel**

Mr. Eric Kanyi  
**Fiscal Analyst III**

Ms. Winnie Kiziah  
**Media Relations Officer**

Ms. Catherine Mukunyi  
**Serjeant-At-Arms**

Mr. Collins Mahamba  
**Audio Officer**

Mr. Samuel Kimaru  
**Parliamentary Intern**

## **1.5 Overview on the Examination of the Budget Policy Statement 2021**

On Thursday 11<sup>th</sup> February 2021, the Budget Policy Statement (BPS) for 2021 was tabled in the House pursuant to the provisions of Standing Order 232 of the National Assembly and Section 25(2) of the Public Finance Management Act, 2012.

Standing Order 232(4) provides that the Departmental Committee is to deliberate on the Budget Policy Statement according to its mandate and make recommendations to the Budget and Appropriations Committee. Thus, pursuant to the provisions of Standing Order No 232(4), the BPS was referred to the Committee for consideration and subsequent reporting to the Budget and Appropriations Committee.

Following the tabling of the BPS, the Departmental Committee on Education and Research was briefed on the contents of the BPS 2020 and thereafter proceeded to hold consultative meetings with the four Departments within the Ministry of Education and the Teachers Service Commission.

In considering the Budget Policy, the Committee held a total five sittings. The Committee deliberated on the Sector policy issues contained in the budget policy statement as well as the proposed resource ceilings for the next MTEF period and subsequently adopted the report.

Details on this presentation on the Parliamentary Budget Office brief and submissions from the Ministry of Education and the Teachers Service Commission annexed in this report.

## **1.6 Acknowledgement**

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the Budget Policy Statement 2021.

On behalf of the Departmental Committee on Education and Research and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the Budget Policy Statement 2021 for the Ministry of Education and the Teachers Service Commission.

**HON. FLORENCE MUTUA, CBS, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH)**

## PART II

### 2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE BUDGET POLICY STATEMENT 2021

**Mr. Chairman,**

The government policy on education in 2020/21 and over the medium term is to support the various institutions of learning in order to expand access to education and training which is in line with the National development agenda and quality education for all agenda, which is a global agenda.

The 2021/22 and the medium-term education sector priorities outlined in the BPS 2021 are:

- i. Provide access, equity, quality and relevant education and training at all levels;
- ii. To establish, maintain and manage professional teaching and learning service at all levels;
- iii. Formulate, review and implement appropriate policies, legal and institutional frameworks;
- iv. Promote innovativeness and popularize research, technology and innovation in industry and learning institutions;
- v. Promote vibrant industry-institutional linkages in the area of skilling and employability.

In broad terms, the government has prioritized the following areas in 2021/22 and over the medium term to support both basic, technical and higher education through:

- Infrastructure development in all learning institutions,
- Skills development and training,
- Teacher recruitment
- Provision of capitation to learners in primary, secondary, tertiary and university levels of Education;
- Implementation of the Competency Based Curriculum (CBC)
- Provision of examination fees waivers for all KCPE and KCSE students.

The priorities outlined in the BPS 2021 are the areas which the sector has prioritized in the last 3 years hence creating consistency in terms of prioritization within the sector. The sector priorities outlined in the BPS 2021 indicates that the priorities enumerated are in line with the vision 2030 and the medium term plan III of the vision 2030. The MTP III of the vision 2030 envisages provision of universal and quality education for all Kenyans and this is also a goal contained in sustainable development goals.

**Mr. Chairman,**

The Committee noted that despite the consistency in the government priorities in the education sector, there seems to some extent the sector has not fully appreciated the merging issues which have had a serious impact on delivery of education service.

For instance, the COVID 19 has had far reaching effects on the education sector. However, there is no single policy in the BPS 2021 which seems to address the challenges posed by the COVID 19 especially at the Basic Education level.

The Committee expected COVID 19 interventions to be one of the priorities for the sector and this is not the case. The resources allocated towards infrastructure support to Basic Education remains the normal budgetary allocations observed every financial year with no noticeable increment yet this is one area which is critical in dealing with the COVID 19 situation. The Committee also expected resources towards provision of facemasks in primary schools learners but this is not the case in this BPS 2021.

**Mr. Chairman,**

The 2021/22 proposed resource ceiling for the Education sector is **Kshs 508.6 Billion**. Out of the **Kshs 508.6 Billion** proposed expenditure ceiling, **Kshs 487.7 Billion (95%)** goes towards recurrent expenditure and **Kshs 20.8 Billion (4%)** is on development spending. This is an indication the sector spending is largely driven by the nature of the sector where most spending is recurrent, that is, issues of capitation and compensation to employees are the huge spenders in the sector. A summary is presented below.

MDA's	2021/22 Ceiling (Millions)		
	Recc	Dev	Total
Basic Education	92,149	11,133	103,282
Technical Education	18,827	4,528	23,355
University Education	95,408	4,571	99,979
Post Training and Skills Development	268	0	268
TSC	281,059	645	281,704
<b>TOTAL</b>	<b>487,708</b>	<b>20,877</b>	<b>508,585</b>

### 3.0 SUBMISSIONS BY THE MINISTRY OF EDUCATION AND TEACHERS SERVICE COMMISSION

#### 3.1 STATE DEPARTMENT FOR EARLY LEARNING AND BASIC EDUCATION

The State Department budget allocation for 2021/22 financial year and MTEF period is as follows:

Vote	Printed Estimate 2020/21 FY	Allocation 2021/22 FY	Allocation 2022/23 FY	Allocation 2023/24 FY
Recurrent	89,128,982,114	92,149,000,000	95,530,000,000	98,915,000,000
Development	11,690,000,000	11,133,000,000	7,105,100,000	7,579,000,000
<b>Total</b>	<b>100,818,982,114</b>	<b>103,282,000,000</b>	<b>102,635,100,000</b>	<b>106,494,000,000</b>

There is a gradual increment in the recurrent budget from the 2020/21 FY to 2023/24 financial year.

The allocation to development budget is reducing across the MTEF period as result of Kenya Primary Education Project (GPE) coming to an end. Additionally, the allocation to schools infrastructure and provision for desks for both primary and secondary schools is not provided in the two outer years of MTEF period.

The key areas that require additional requirements are as follows:

1. Free Day Secondary Education (100% transition):- The programme requires Kshs. 7.564 billion this is because the enrolment of learners has increased due to the government initiative to achieve 100% transition to secondary schools. The current enrollment in public secondary schools is 3,146,242 students. The cost per child is **KShs. 22,244** therefore translating to a total requirement of **KShs. 69.985 billion** in 2021/22 FY. A growth of 6% on enrollment is projected and, therefore the current grant of Kshs. 62.422 billion is inadequate to efficiently provide the capitation to all learners.
2. The government initiative of 100% transition from primary to secondary education has increased the target enrolment of school learners hence the need to expand infrastructural facilities to reduce congestion in public schools. In addition, the extra infrastructure will provide for necessary facilities to deal with congestion through provision of toilets and classrooms to ensure social distancing in public schools is observed in line with the Post Covid-19 measures. Further,

infrastructural facilities will be provided to schools affected by flooding disasters experienced in specific areas. The BPS provides for Primary and Secondary infrastructure as well as desks 2021/22 FY. However, allocation to the two outer years in the MTEF period is not provided for. Additional requirement of Kshs. 1.2 billion and Kshs. 3.0 billion for primary and secondary schools infrastructure is required.

3. School Feeding Programme: - Additional funding of Kshs. 1.130 billion is required to feed 151 days school calendar year. In addition, to cater for the urban slums school ongoing children by providing food and purchase of uniforms. In addition, after the COVID – 19 pandemic there will be more nutritional requirements by children hence the need to provide sufficient food to schools.
4. Construction and Rehabilitation of Primary Teacher Training Colleges: - The project entails construction and rehabilitation of infrastructure in Primary Teacher Colleges to improve the quality of training and align the colleges to the new curriculum needs. Additional funding of Kshs. 300 million is required for this project.
5. Assessment of Grade Five Learners: - The Kenya National examination Council is expected to develop instruments for assessment for the grade five learners that will form part of the formative assessment to inform the transition to the Junior Secondary school. The assessment activities and expanded ICT infrastructure translates to a requirement of **Kshs.250 Million**.

### **3.2 STATE DEPARTMENT FOR UNIVERSITY EDUCATION AND RESEARCH**

The State Department for University Education and Research will continue to implement three (3) programmes in 2021/22 financial year and over the medium term. The resource requirements presented to the Sector working group for the financial year 2021/2022 was Kshs. 176,920,336,351 for both net exchequer and internally generated revenues.

However, due to resource constraints was retained at the same amount as the current financial year while the internally generated income was adjusted downwards to reflect the low collection levels caused by the impact of Covid 19 pandemic, in view of the foregoing the State Department was allocated Kshs. 100,347,140,118 resulting to a shortfall of Kshs. 76,573,196,233.

The State Department will continue to implement the same programmes and sub-programmes in 2021/2022 FY and the Medium-Term Period.

The allocated resources have been distributed to fund the on-going programmes and sub programmes as shown in the table below.

S/No	Name of Programme	Printed Estimates 2020/21 Kshs. (A)	Proposed Allocation 2021/22 Kshs. (B)	Variance (Kshs) (B-A)
1.	University Education	112,012,830,888	99,015,998,217	(12,996,832,671)
2.	Research, Science, Technology and Innovation	899,866,254	1,105,280,609	205,414,355
3.	General Administration, Planning and support services	220,061,405	225,861,292	5,799,887
<b>TOTAL</b>		<b>113,132,758,547</b>	<b>100,347,140,118</b>	<b>(12,785,618,429)</b>

The gross budget for FY2021/22 has decreased by **Kshs. 12.785 Billion** as explained here below:

The summary of the proposed expenditure for Recurrent and Development for FY 2021/2022 and the medium term is as follows:

#### Recurrent Estimates

Vote Head	Printed 2020/21 Kshs.	Proposed Allocation 2021/22	Projection 2022/23	Projection 2023/24
GROSS	107,757,158,547	95,408,140,118	98,998,980,965	102,695,290,717
NET(exchequer)	57,342,274,106	59,348,472,408	62,005,582,627	64,191,356,594
A-In-A	50,414,884,441	36,059,667,710	36,993,398,338	38,503,934,123

The net expenditure has increased by Kshs 2billion that treasury allocated as strategic intervention to cover increased salary levels in public universities.

The Appropriation in Aid (A-In-A) has decreased by kshs 14 billion due to impact of Covid 19 pandemic.

The Department is facing the following funding gaps:

1. Public Universities and Constituent Colleges: - Most of the Universities are currently insolvent as they cannot meet statutory obligations such as KRA, PAYEE, Pension deductions. Collection of AIA is declining due to low numbers in module II in addition to post Covid - 19 effects. The monthly payroll requirement is Kes. 4.5 Billion hence 12 months requirement is Kes. 54 Billion. Additional Kshs. 37.010 billion is required in the 2021/2022 financial year.
2. Private Universities: - Private Universities will not be able to offer quality University Education to their students including Government sponsored students enrolled to private universities. Government sponsored students are likely to be charged higher administrative and tuition fees compared to their counterparts in Public Universities. The programme requires an additional funding of Kshs. 4.170 billion in the 2021/2022 financial year.
3. Higher Education Loans Board: - HELB is not adequately funded to carry out its mandate of financing higher education as the number of students in recent past has continued to rise and the need for students to acquire laptops to ensure they are able to. The Board requires an additional Kshs. 8.673 billion.
4. General Administration and Support Services (Operational and Maintenance - Headquarters): The Headquarter will be hampered in undertaking its activities i.e Monitoring and Evaluation, allocation of bursaries to needy students and every day running of the State Department operations. The programme requires an additional funding of 1.419 billion.
5. Research, Science, Technology and Innovation (DRST, NRF, KENIA, and NACOSTI):- Low funding of Research from exchequer hampering implementation and commercialization of approved Research projects. The SAGAs require an additional funding of 8.673 billion.
6. Commission for University Education (CUE):- CUE is inadequately funded to enable them carry their mandate. The Commission requires Kshs. 337 million.
7. University Fund Board (UFB):- University Fund Board (UFB) is inadequately funded to enable them carry their mandate. It requires an additional funding of Kshs. 128 million.

The Development budget has been reduced from **Kes.5.4 Billion** in FY 2020/2021 printed Estimates to **Kes.4.9 Billion** in FY 2021/2022 proposed budget.

Approved On - Going Projects – Additional funding Kshs. 22.4 Million is required. This will affect the ongoing project completion rate and shall lead to stalled projects and escalation of project cost due to interest on delayed payments and penalties arising out of likely contractual claims.

### 3.3 STATE DEPARTMENT FOR VOCATIONAL AND TECHNICAL TRAINING

The State Department for Vocational and Technical training is mandated to undertake the following; Provision of quality technical education and training; Education policy management, curriculum development, quality assurance in education, special needs education management and policy development for Vocational technical colleges in counties.

The State Department budget allocation for 2020/21 financial year and MTEF period is as follows:

#### Development Vote

Programmes	Printed Estimates FY 2020/21 Kshs Million	Proposed BPS Estimates FY 2021/22 Kshs Million	Proposed Estimates FY 2022/23 Kshs Million	Proposed Estimates FY 2023/24 Kshs Million
Technical Vocational Education and Training	4,268	4,518.4	4,334.9	3,930
Youth Training and Development	2,000	10	20	39
General Administration, Planning and Support Services	-	-	-	-
<b>Total Vote</b>	<b>6,268</b>	<b>4,528.4</b>	<b>4,354.9</b>	<b>3,969</b>

#### Recurrent Vote

Programmes	Printed Estimates FY 2020/21 Kshs Million	Proposed BPS Estimates FY 2021/22 Kshs Million	Proposed Estimates FY 2022/23 Kshs Million	Proposed Estimates FY 2023/24 Kshs Million
Technical Vocational Education and Training	18,468.3	18,655	18,987	19,327
Youth Training and Development	37.7	39	40	41

General Administration, Planning and Support Services	131.9	133	138	142
<b>Total Vote</b>	<b>18,637.9</b>	<b>18,827</b>	<b>19,165</b>	<b>19,510</b>

### Policy issues

1. Conditional Grant for Rehabilitation of Youth Polytechnics of Kshs. 2, 000,000,000 allocated in the 2020 financial year: - The Conditional grant has been removed from the State Departments budget and will now be directly disbursed to counties as part of the equitable share of revenue. The growth and development of Youth polytechnics may be affected during the transition period and in future. Not provided for in the **BPS 2021/2022 Estimates**.
2. Curriculum Development in the TVET Sector: - TVET CDACC is a State Corporation responsible for Curriculum development and Assessment in the TVET sector. The functions of Curriculum development and Assessment are being transferred to KICD and KNEC respectively following a directive from the Head of Public Service with its allocation of Kshs. 371,500,000 in the 2020/2021 financial year and allocation of Kshs. 361,500,000 in the BPS 2021/2022 Estimates.
3. TVET Financing policy: - This is being funded by the World Bank project. The next phase is Stakeholders validation. The allocation in the 2021 BPS is Kshs. 5,000,000.

### 3.4 STATE DEPARTMENT FOR POST TRAINING AND SKILLS DEVELOPMENT

The State Department implements five sub-programmes and under three programmes. To implement the work place services programme and post training information management the resource requirement in FY 2020/21 was Kshs. 2,687.45 Million.

However, the department was allocated Kshs. 15.2 Million hence there was a deficit of Kshs. 2,672.25 Million. The outputs, which had been planned for FY 2020/2021, are as follows:

- Two professional bodies established
- 8 sector skills councils established and operationalized
- 200 OCS established in universities and TVET institutions
- Kenya national skills development council (KNDSC) established and operationalized
- National skills development policy and legal framework
- National skills development fund established
- 10,000 apprentices trained

- 20,000 startups enterprises natured
- 10,000 interns placed in industries
- 1 PTSD of mobile training workshop for PLWD
- 1 PTSD mobile training workshop trucks acquired and refurbished
- 1 PTSD of mobile training workshops for ASAL
- 1 exhibition held for entrepreneurs to inspire start-ups
- 3 national skills maps developed
- Operational integrated skills and employment information management systems

Owing to low budget allocation, the department adjusted its targets as follows:

- Complete national skills development policy
- Train 100 apprentices
- Train 100 national young innovators
- Train 47 TVET county directors on establishment of office of career services
- Undertake 20% of development of national skills management information system

Outside the budget allocation, the state department went an extra mile to work with development partners and industry to fulfil its mandate. The department held various meetings with these stakeholders with a view of forging partnerships and collaborations that would impact on skills development.

As a result, the department initiated three programmes including the National Sewing Operators Work-based Learning programme targeting 300 out of school youth; National Financial and sales work-based learning programme targeting 1250 secondary school graduates; and the national mapping of industries for skills development in 47 counties.

In addition, the department was directed to harmonize national career guidance and counselling policy to guide all sectors in education and training. This policy is imperative given the current curriculum reforms.

All these initiatives require Ksh.27.5M additional funding as follows:

- National sewing operators work-based learning programme -2.0M for quality assurance and standards.
- National financial and sales work based learning programme -5M for quality assurance and standards.
- National mapping of industries for skills development -10M for data collection
- National career guidance and counselling policy – 10.5M

### 3.5 TEACHERS SERVICE COMMISSION

#### Submission to the Sector Working Group (SWGS):

During the sector working group, the commission presented a budget proposal of Ksh.300.503 Billion but was allocated Ksh. 281.704 Billion as shown in the table below:-

Economic Classification	Baseline 2020/2021 Kshs. Millions	FY 2021/2022	
		Requirement Kshs. Millions	Allocation Kshs. Millions
Current Expenditure	265,493	299,637	281,059
Compensation to Employees	263,625	296,486	279,196
Use of Goods and Services	1,868	3,151	1,863
Capital Expenditure	600	866	645
Acquisition of Non-Financial Assets	-	95	45
Capital Grants to Government Agencies	600	771	600
Total Expenditure	266,093	300,503	281,704

The breakdown of the budget requirements of Ksh.300.5 Billion included;

- (i) Recruitment of 25,000 teachers at a cost of Kshs. 10.75 Billion
- (ii) Recruitment of 12,000 intern teachers at a cost of Kshs. 2.4 Billion
- (iii) Contribution of teachers' pension scheme at Kshs. 13.4 Billion amongst other issues.

Key programs financed in the 2021/22 financial year include;

- (i) Recruitment of 5,000 additional teachers at a cost of Ksh. 2.5 Billion
- (ii) Recruitment of 6000 intern teachers at a cost of Ksh. 1.2 Billion
- (iii) Training of teachers on CBC at a cost of Kshs.1 Billion
- (iv) Training of 25,000 teachers on School Based Teacher Support System (SBTSS) under the Secondary Education Quality Improvement (SEQIP) project
- (v) Construction of 1 (one) county office at a cost of Kshs. 45 Million
- (vi) Coaching and mentorship for approximately 25,000 teachers.

The expected 2021-2025 CBA: - The current CBA between the commission and the teacher unions will expire on 30/6/2021. The commission is engaging with the relevant government agencies on a new CBA for the teaching service.

The Contribution Pension Scheme for Teachers: - Pursuant to the provision the Public Service Superannuation Scheme Act, 2012, contribution by employees in the entire public service commenced on 1/1/2021. The current deductions are at the rate of 2% for teachers below the age of 45 years.

Double intake of grade 6 and standard 8 Pupils in 2023:- The current grade 4 and standard 6 pupils will transit to junior secondary and form 1 respectively in 2023. This will lead to higher enrolment which will call for additional teachers. There is need for this category of teachers to be capacity built to enable them specialize in senior secondary schools.

Training of primary school teachers at diploma level:- Training of primary school teachers has been upgraded from certificate to Diploma. The P1 Certificate has therefore been phased out with effect from May 2021.

## PART III

### 4.0 COMMITTEE OBSERVATIONS

The Committee having reviewed the Budget Policy Statement 2021 as well as having consultative meetings with the Ministry of Education and the Teachers Service Commission made the following observations during the scrutiny of the BPS 2021:

- i. That the sector proposed 2021/22 resource ceiling is Kshs 508.5 Billion. The proposed ceiling for recurrent spending is Kshs 487.7 Billion (95%) whereas Kshs 20.8 Billion (5%) is the proposed ceiling for development spending. Through this allocation, the Ministry and its various Agencies will be implementing a total of 12 programmes.
- ii. That the proposed 2021/22 budget ceiling for the sector is less compared to the resource requirement for the sector which stood at Kshs 657 Billion in 2021/22. This calls for efficient utilization of available resources to ensure that the key programmes are prioritized to ensure strategic objectives of the sector and key targets are achieved within the sector.
- iii. That the country is currently experiencing serious teacher shortages currently estimated at 80,000. This situation is made worse on account of the 100% transition policy which has increased the number of learners transiting to secondary school. The situation will be worse given that in 2023 there will be double intake in secondary school. The first CBC class (currently grade 4) will be transiting to junior secondary school and the 8-4-4 curriculum learners (currently standard 6) will be joining form 1 in 2023. This will to higher enrolment hence straining the available teachers in secondary schools. The current allocation to TSC only allows recruitment of 5,000 teachers in 2021/22.
- iv. That all the State Departments in the Ministry of Education and the Teachers Service Commission will be implementing the ongoing projects and no new government supported project has been introduced to be implemented in 2021/22 and over the medium term. This is commendable since only ongoing projects have been prioritized.
- v. That the School feeding programme is a critical programme aimed at retaining learners in primary schools in ASAL areas. The Committee is concerned that this programme only covers the ASAL areas thus leaving out other deserving areas in the country such as the slums and other pockets of

poverty across the country hence the need to review the policy on identification of the beneficiaries.

- vi. That in every financial year, resources have been provided towards infrastructure improvement in both primary and secondary schools. However, there are still infrastructural challenges in many public schools evidenced by many public schools missing basic educational facilities especially with the 100% transition policy and response to COVID 19 pandemic. This is an indication that the process of identification of schools to benefit from infrastructural support does not adequately address equity issues.
- vii. That the current capitation to both primary and secondary school learners in public schools is not sensitive to the prevailing economic circumstances. This puts financial strain to these institutions hence cannot meet their daily operations and maintenance needs especially during this COVID 19 period. The current capitation stands at Kshs 22,224 in secondary schools and Kshs 1,420 in primary schools and has remained unrevised for almost 10 years.
- viii. That there is a policy shift where conditional grants meant for village polytechnics is being converted into equitable share. This implies that the counties will not be obliged to support the village polytechnics. The question that arises is whether the areas of interventions which were being supported by the grant have been fully addressed and whether a transition mechanism has been put in place to transfer of the mandate to counties, particularly with regard to the provision of capitation to students. Further, the support towards Technical training is inadequate especially on capitation and this allocation should have been retained in the Department to fund technical institutions and national polytechnics.
- ix. That Infrastructure allocation seems to be the normal incremental despite the COVID 19 risks to learners where more resources need to be provided towards infrastructure support to ensure that COVID 19 protocols are observed in schools. The proposed allocation towards infrastructure is Kshs 2.6 Billion in 2021/22 which is an increase of only Kshs 600 Million compared to the current financial year.
- x. That the CBA agreement between the TSC and the teachers unions is coming to end in 30<sup>th</sup> June 2021 and that the Commission is engaging with the relevant government agencies for a new CBA for the teaching service.

- xi. That the P1 certificate for primary school teachers have been phased out effective May 2021 and will be replaced by a three year Diploma. The question that arises is on the transition mechanism and whether the TSC will continue to recruit primary schools teachers with P1 certificates acquired before this policy comes to force and what happens to the current students in TTC undertaking the P1 certificate.
- xii. That the functions of Curriculum Development Assessment and Certification Council (CDACC) are proposed to be transferred to Kenya Institute of Curriculum Development (KICD) and Kenya National Examination Council (KNEC) following a directive from the head of civil service yet the CDACC is established under an act of Parliament which is yet to be amended.
- xiii. That is there is a lot of discrepancies as regards university students' data/information which distorts proper planning, decision making and allocation of resources for higher education sub sector in the country. This has resulted into some universities missing out of their fair share of resources in terms of capitation. Further reforms in the higher education sub-sector in terms of amendments to the Universities Act has never been realized.
- xiv. That critical institutions within the higher education sub sector which are not well funded hence crippling their operations and hence not fully supporting the goals of the higher education sub sector. This institutions are Commission for University Education, National Research Fund, University Funding Board and Higher Education Loans Board.

## 5.0 COMMITTEE RECOMMENDATIONS

### 5.1 Policy Recommendations

The Committee having reviewed the Budget Policy Statement 2021 as well as having consultative meetings with the Ministry of Education and the Teachers Service Commission makes the following policy recommendations on the BPS 2021:

- i. That the Ministry of Education and the Teachers Service Commission to within the next three months submit to the National Assembly their plan of action and proposed strategy on provision of both teaching and infrastructure resources given the anticipated double intake in secondary school in 2023 as a result of concurrent implementation of the CBC as well as the 8-4-4 curriculum.
- ii. That the Ministry of Education should submit to the National Assembly quarterly reports on the distribution of school infrastructure funds every three months. The report should include among other things the criteria used to identify the schools, the facility supported and the allocation provided. Further, the Ministry should quarterly publish in their website the names of the schools per county which have benefited for public scrutiny. Similarly quarterly reports should be provided on the distribution of desks in learning institutions.
- iii. That in the next six months the Ministry of Education reviews through stakeholders' engagements the capitation provided for both public primary and secondary school learners and propose adjustments to this capitations to be in tandem with the prevailing economic situation.
- iv. That the Ministry of Education engages with the county governments on the continued funding of the village polytechnics given the transfer of the mandate to counties, particularly with regard to the provision of capitation to students. This is because the counties are not obliged to continue supporting the village polytechnics under the new arrangement.
- v. That the functions of Curriculum Development Assessment and Certification Council (CDACC) should not be transferred to Kenya Institute of Curriculum Development (KICD)

and Kenya National Examination Council (KNEC) before the relevant law is amended to give it full force of law give that CDACC is established through an act of parliament.

- vi. That within the next six months, the higher education sub sector should establish and implement the university education data management information system to promote accountability and improve management of disbursed funds. This university data management systems should also be linked to National Education Management information systems (NEMIS) to create a pool of credible data for the whole education sector.
- vii. That the Ministry of Education to annually present report to the National Assembly on the number of students in TVET institutions per county that have received the capitation grant of Kshs 30,000.
- viii. That the Ministry of Education within the next six months submit to the National Assembly a policy on reforms in public universities as well as relevant legislations which are required to support the envisaged reforms.

## **5.2 Financial recommendations**

That, the Committee notes the constrained resource basket in the country especially with the advent of the COVID 19 pandemic. However, there are critical areas within the Education sector that have financial gaps and request the Budget and Appropriation Committee to consider reviewing the sector ceiling to cater for these critical areas underfunded:

- (i) Recruitment of additional 5,200 secondary school teachers at a cost of Kshs. 2.6 Billion to support the 100% transition policy as well as begin preparing for the double anticipated in 2023.
- (ii) Public Universities and Constituent Colleges: - Additional Kshs. 37. Billion is required in the 2021/2022 financial year to support the public universities in terms of personnel emoluments as well as other statutory expenditures.
- (iii) Higher Education Loans Board: - HELB is not adequately funded to carry out its mandate of financing higher education as the number of students in recent past as continued rise and the

- need for new students to acquire laptops to ensure they are able to undertake virtual learning. The Board requires an additional Kshs. 8.6 billion to support students with educational loans.
- (iv) Free Day Secondary Education (100% transition):- The programme requires Kshs. 7.6 billion this is because the enrolment of learners has increased due to the government initiative to achieve 100% transition to secondary schools. The current enrollment in public secondary schools is 3,146,242 students. The cost per child is **KShs. 22,244** therefore translating to a total requirement of **KShs. 69.985 billion** in 2021/22 FY. A growth of 6% on enrollment is projected and, therefore the current grant of Kshs. 62.422 billion is inadequate to efficiently provide the capitation to all learners.
- (v) The government initiative of 100% transition from primary to secondary education has increased the target enrolment of school learners hence the need to expand infrastructural facilities to reduce congestion in public schools. In addition, the extra infrastructure will provide for necessary facilities to deal with congestion through provision of toilets and classrooms to ensure social distancing in public schools is observed in line with the Post Covid-19 measures. Further, infrastructural facilities will be provided to schools affected by flooding disasters experienced in specific areas. The BPS provides for Primary and Secondary infrastructure as well as desks 2021/22 FY. However, allocation to the two outer years in the MTEF period is not provided for. Additional requirement of Kshs. 1.2 billion and Kshs. 3.0 billion for primary and secondary schools infrastructure respectively is required.
- (vi) School Feeding Programme: - Additional funding of Kshs. 1.1 billion is required to feed 151 days school calendar year. In addition, there is need to cater for the urban slums school ongoing children by providing food. In addition, after the COVID – 19 pandemic there will be more nutritional requirements by children hence the need to provide sufficient food to schools.
- (vii) Assessment of Grade Five Learners: - The Kenya National examination Council is expected to develop instruments for assessment for the grade five learners that will form part of the formative assessment to inform the transition to the Junior Secondary school. The assessment activities and expanded ICT infrastructure translates to a requirement of **Kshs.250 Million**.

- (viii) Construction of mitihani House – This is a project which has stalled for almost 40 years and it is in the interest of the KNEC to complete the project. This is critical because with the rollout of the CBC curriculum and the numerous continuous assessment tests which are envisaged, KNEC requires a secure installation to ensure safe custody of learners’ records. The current rented premises cannot guarantee secure recording keeping. The project requires Kshs 400 Million to cater for the pending bills and Kshs 600 Million to complete the project.

SIGN



DATE

26.02.2021

**HON. FLORENCE MUTUA, CBS, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH)**

**ANNEXURES**

Annex 1: Minutes of the Committee sittings

Annex 2: Adoption List

Annex 3: PBO brief on the BPS 2021

Annex 24: MDA’s submissions

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON ENERGY**

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**REPORT ON THE CONSIDERATION OF THE 2021 BUDGET POLICY STATEMENT  
FOR THE FOLLOWING VOTES:**

**VOTE 1152 – STATE DEPARTMENT FOR ENERGY**

**VOTE 1193 - STATE DEPARTMENT OF PETROLEUM**

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1. Adoption List
2. Minutes
3. Submissions

## **Abbreviations**

AiA	Appropriation in Aid
BAC	Budget and Appropriation Committee
GDC	Geothermal Development Corporation
EPRA	Energy and Petroleum Regulatory Authority
FY	Financial Year
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power & Lighting Company
Kshs.	Kenya Shillings
MoE	Ministry of Energy
MP	Member of Parliament
MTP	Medium Term Plan
MW	Megawatts
NOCK	National Oil Corporation of Kenya
NuPEA	Nuclear Power and Energy Agency
REREC	Rural Electrification and Renewable Energy Corporation
SAGAs	Semi-Autonomous Government Agencies
S.O	Standing Order

## PART I

### 1.0 PREFACE

#### 1.1 Mandate of the Committee

The Departmental Committee on Energy is established pursuant to the provisions of Standing Order No. 216. The Committee is mandated to;

- a. investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- b. study the program and policy objectives of Ministries and departments and the effectiveness of the implementation;
- c. study and review all legislation referred to it;
- d. study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- e. investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
- f. to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);
- fa. examine treaties, agreements and conventions;
- g. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- h. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- i. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
- j. examine any questions raised by Members on a matter within its mandate.

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider matters relating to the Fossil Fuel Exploration, Development, Production, Maintenance and Regulation of Energy.

#### 1.2 Oversight

In executing this mandate, the Committee oversees the following State Departments:

- i. The State Department of Energy; and
- ii. The State Department of Petroleum and Mining.

### 1.3 Committee Composition

The Departmental Committee on Energy comprises the following Members:

#### **Chairperson**

The Hon. David Gikaria, M.P.  
Nakuru Town East Constituency

#### **Jubilee Party**

#### **Vice Chairperson**

The Hon. Gladwell Cheruiyot, MP  
Baringo County Women Representative

#### **Kenya Africa National Union (KANU)**

The Hon. Joseph Kirui Limo, MP  
Kipkelion East

#### **Jubilee Party**

The Hon. Ekomwa Lomenen James, MP.  
Turkana South Constituency

#### **Jubilee Party**

The Hon. Joseph Wathigo Manje, MP.  
Kajiado North Constituency

#### **Jubilee Party**

The Hon. Lemanken Aramat, MP.  
Narok East Constituency

#### **Jubilee Party**

The Hon. Rashid Kassim Amin, MP.  
Wajir East Constituency

#### **Wiper Democratic Movement- Kenya**

The Hon. (Eng.) Vincent Musyoka Musau, MP.  
Mwala Constituency

#### **Maendeleo Chap Chap Party**

The Hon. Amina Gedow Hassan, MP.  
Mandera County Women Representative

#### **Economic Freedom Party**

The Hon. Abdikhaim Osman Mohamed, MP  
Fafi Constituency

#### **Kenya Africa National Union (KANU)**

The Hon. Mary Wamaua Njoroge, MP.  
Maragua Constituency

#### **Jubilee Party**

The Hon. Elisha Odhiambo, MP  
Gem Constituency

#### **Orange Democratic Movement (ODM)**

The Hon. Elsie Muhanda, MP  
Kakamega County Women Representative

#### **Orange Democratic Movement (ODM)**

The Hon. Annie Wanjiku Kibeh, MP  
Gatundu North Constituency

#### **Jubilee Party**

The Hon. Julius Mawathe, MP  
Embakasi South Constituency

#### **Wiper Democratic Movement – Kenya**

The Hon. Richard Ken Chonga, MP  
Kilifi South Constituency

#### **Orange Democratic Movement (ODM)**

The Hon. Michael Mwangi Muchira, MP  
Ol Jorok Constituency

#### **Jubilee Party**

The Hon. Walter Owino, MP  
Awendo Constituency

#### **Orange Democratic Movement (ODM)**

The Hon. Mohammed Ali Lukiro, MP  
Turkana East Constituency

#### **Orange Democratic Movement (ODM)**

#### **1.4 Committee Secretariat**

The Committee has the following technical staff, representing the Office of the Clerk:

Ms. Rose M. Wanjohi  
Clerk Assistant I (Team Leader)

Mr. Douglas Katho  
Clerk Assistant II

Mr. Sidney Lugaga  
Legal Counsel I

Mr. Chacha Machage  
Fiscal Analyst II

Mr. David Ngeno  
Research Officer III

Ms. Noelle Chelagat  
Media Relations Officer

Ms. Mercyline Kerubo  
Audio Recording Officer

Ms. Sheila Chebotibin  
Sergeant at Arms I

### 1.5 Overview on the Examination Budget Policy Statement 2021

The 2021 Budget Policy Statement (BPS) was tabled in the House on Thursday 11<sup>th</sup> February, 2021 and subsequently referred to the relevant Departmental Committees for consideration.

The Second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Energy, the mandate to consider matters related to fossil fuel exploration; development, production, maintenance and regulation of energy.

In this regard, the Committee is mandated to review and scrutinize the BPS for the State Department for Energy (Vote 1152) and the State Department of Petroleum (Vote 1193) as well as the Agencies under the respective State Departments. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

Following the committal of the BPS to the relevant Departmental Committees including the Departmental Committee on Energy for timely legislative processing, the Committee engaged key stakeholders including the Parliamentary Budget Office and the relevant State Departments and Agencies. Thereafter, the Committee reviewed submissions in consideration of the proposed expenditure (Ceilings) and revenue measures as well as policies, programmes, projects and other measures contained in the 2021 BPS and the Medium Term.

### 1.6 Acknowledgement

The Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly, and the Secretariat for their invaluable support to the Departmental Committee on Energy as we discharge our oversight mandate on budget implementation.

On behalf of the Members of the Departmental Committee on Energy and pursuant to the Public Finance Management Act, 2012 and S.O. 199 (6), it is my pleasant duty, to submit to this House, the Committee's report on 2021 Budget Policy Statement

SIGNED.......... DATE.....26-02-21

**HON. DAVID GIKARIA M.P.**

**CHAIRPERSON, THE DEPARTMENTAL COMMITTEE ON ENERGY**

## PART II

### 2.0. OVERVIEW OF THE BUDGET POLICY STATEMENT 2021

1. Premised on the theme *Building Back Better: Strategy for resilient and sustainable economic recovery*, the 2021 BPS is founded on a raft of priority economic policies aimed at stimulating economic growth, promoting job creation, reduction of poverty, protection of vulnerable groups and businesses ,among others. To realize the envisaged policy intentions in the FY 2021/22 and in the Medium Term, the government plans to:
  - i. Roll out post COVID-19 Economic Recovery Strategy;
  - ii. Harnessing the implementation of the Big Four Agenda;
  - iii. Fast track the development of critical infrastructure in the country such as roads, energy and water, rail to reduce the cost of doing business and to facilitate competitiveness;
  - iv. Foster a clean and secure business environment by maintaining macroeconomic stability, enhancing security and improving business regulations; and
  - v. Improve access to education, strengthen healthcare systems cash transfer to support members of our society.
2. The total proposed resource allocation to the various spending agencies and the County Government for the period FY 2021/22 is proposed to rise by 9% to Kshs. 3.018 Trillion (up from Kshs. 2.773 Trillion). This is made up of Kshs. 1.894 Trillion for the Executive, Kshs. 38 Billion for Parliamentary Service Commission, Kshs. 18 Billion for the Judiciary and Kshs. 370 Billion to the County Governments and Kshs. 697 Billion for the Consolidated Fund Services.
3. The revenue collection including Appropriation in Aid (AiA) is projected to increase to Kshs. 2,033.9 Billion (16.4 percent of GDP) up from the estimated Kshs. 1,849.2 Billion (16.6 percent of GDP) in the current FY 2020/21. The revenue from tax (ordinary revenue) are expected to amount to Kshs. 1,775.6 Billion (14.3 % of GDP) in the FY 2021/22 from the estimated Kshs. 1,594 Billion in the current Financial Year.

### 3.0. SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 Submission by Parliamentary Budget Office

4. The Government policies in the sector have consistently been anchored on the need to ensure efficient and reliable production and distribution of affordable, clean and reliable energy. The thrusts of the policies in the energy sub-sector are enshrined in the following key policies:
  - i. National Energy Policy: This aims at enhancing accessibility of affordable and reliable electricity. The policy entails strategies on how to improve transmission networks while scaling up power generation for increased power supply. This is aimed at ensuring 100% access to electricity by both households and businesses by 2022 (currently the access is approximated at 75%).
  - ii. Feed in Tariffs Policy: The policy is premised on strategies that incentivize private investments that are below 10 MW from biomass and biogas and small hydros' which have been allocated resources over the last medium mainly on a pilot basis under alternative

energy programme. The policy initiatives aim at acquisition of renewable energy capacity at competitive prices for solar, wind and small hydro projects above 10 MW.

- iii. Integrated Energy Plan to National Energy Policy: This entails the integration of the national energy plans by the National energy providers and county energy plans within the national energy policy. The coordination therein is key for optimal infrastructural investments while pursuing supply options with appropriate technologies.
  - iv. Policy on Rural Electrification and Renewable Energy: The policy aims enhancing electrification in rural areas and in public facilities. It also targets improvements in reliance on renewable energy (except for Geothermal and hydro) to close the electricity gaps.
  - v. National Geothermal strategy: This sets out to capitalize on exploitation potential of geothermal in a cost effective manner.
5. An assessment of the sector policies as enshrined in the main priorities of the sub-sector indicates that the sector priorities are linked to the overall national agenda as planned in various budget documentations and the Vision 2030 (MTP III). Some of the envisaged projects aimed at increasing additional installed electricity capacity to 5,221 MW by 2022 is expected to be achieved in various areas:
- 93 MW from hydropower projects
  - 913 MW from Geothermal Power projects
  - 800 MW from Wind power projects
  - 157 MW from Biomass Power projects
  - 442 MW from Solar Power Projects
  - 328 from Coal Power projects

#### **Proposed Ceilings for Vote 1152: Ministry of Energy**

6. The BPS proposes total ceilings of Kshs. 78 Billion to the Ministry for the FY 2021/22. This represents a net increase of by 8% (Ksh. 5.5 Billion) when compared to the current Financial Year Estimates - Kshs. 72.5 Billion. The proposed ceiling is composed of Kshs. 6.6 Billion for recurrent and Kshs. 71.4 Billion for Development vote.

**Table 1: Approved 2020/21 Estimates, Resource requirements & Proposed BPS Ceilings (Ksh. Millions)**

	<b>Estimates 2020/21</b>	<b>Resource Requirement</b>	<b>2021 BPS Ceilings</b>	<b>Variance</b>
Genera Administration	484	1,298	534	764
Power Generation	10,393	20,459	13,734	6,725
Power Transmission and Distribution	58,149	139,343	60,887	78,456
Alternative Energy Technologies	3,466	3,369	2,893	476
<b>Total</b>	<b>72,493</b>	<b>164,469</b>	<b>78,048</b>	<b>86,421</b>

Source: 2021 BPS, Sector working Reports (various issues)

#### **Analysis of Proposed Ceilings per programme:**

##### *Programme I: Power Transmission and Distribution*

7. This program plays a critical role in evacuation and supply of high voltage power and balances between demand and supply of electric power. The programme is critical in ensuring equitable supply of power, reduce system losses and enhance national grid infrastructure outreach. These

are instrumental as enablers in the realization of the Big Four Agenda through value addition in Manufacturing, and facilitate achievement of targets in Health and Education sectors.

8. The programme is proposed to have the largest ceiling of Kshs. 60, 887 Million of which Recurrent is Kshs 3,743 Million (6%) and Development is Kshs. 57,144 Million (94%). In total this represents an increase of by 8% (up from Kshs. 58, 149 Million in the current FY). Key envisaged Outputs under the programme include:

- ❖ 457 Km of electricity transmission lines constructed (KETRACO)
- ❖ 400 Km of electricity distribution lines constructed (KPLC)
- ❖ 500,000 New customers connected to electricity (REREC)
- ❖ 827 new transformers installed (REREC)
- ❖ 185 solar systems in public institutions

#### *Programme II: Power Generation*

9. The programme is composed of two sub-programmes of Geothermal Generation and Nuclear Power Generation. The programme plays a critical role in enhancing the power capacity. The increased energy availability has a direct impact on the accessibility, reliability and affordability of power.

10. The programme is proposed to have a ceiling of Kshs. 13,734 Million of which Recurrent is Kshs. 2,268 Million and Development is Kshs. 11, 466 Million. In total, this represents an increase of 13% (Kshs 3.34 Billion) down from Kshs 10,393 Million in the current FY. The Key Output under the programme include:

- ❖ 15 Geothermal wells drilled (GDC)
- ❖ 230 MW of steam equivalent (cumulative)-GDC 20
- ❖ 20 Number of exploration wells drilled (Lamu Coal Plant)
- ❖ 40% completion of review of policies on Nuclear Infrastructure( NuPEA)
- ❖ 24 Number of public engagements forums held

#### *Program III: Alternative Energy Technologies*

11. The program is proposed to have a ceiling of Kshs. 2,893 Million a decrease of Kshs 573 Million reduction of by 6.6 % (up from Kshs. 3,466 Million). The program has only one sub-programme of Alternative Energy Technologies. Its key expected outputs include:

- ❖ 110,100 standalone solar home systems installed
- ❖ 400 domestic households biogas digesters constructed
- ❖ 55 solar Minigrids for community facilities
- ❖ Institutions connected with solar energy in –off grids areas.
- ❖ 20 solar/wind water pumping systems installed in community bore holes
- ❖ 100 hectares of hydro dams water catchment areas planted with trees

#### *Programme IV: General administration, planning and support services.*

12. The program is critical in ensuring efficient and effective administrative service delivery. The programme is proposed to have a ceiling of Kshs. 534 Million of which Recurrent is Kshs. 404 Million and Development is Kshs 130 Million. The key outputs for the program revolve around customer satisfaction, refurbishment of Kawi House (50% completion), development of procurement and work plans, four (4) Monitoring and Evaluation reports undertake etc.

## Vote 1193: State Department for Petroleum

13. The Department implements only one programme of Exploration and Distribution of Oil and Gas. The BPS proposed total ceilings of Kshs. 2,985 Million is set for FY 2021/22 indicating a net decrease of Kshs. 903 Million (23%) from the current Financial Year Estimates (Kshs. 3,888 Million). The proposed ceilings is composed of Kshs. 336 Million for Recurrent and Ksh. 2,649 Million for Development. The proposed decrease is in the development vote. Furthermore, deviation from the resource requirement indicated that the ceilings will account for only 80% of the resource requirements in the State Department.

**Table 2: State Dept. for Petroleum: Approved 2020/21 Estimates, Resource requirements & Proposed BPS Ceilings**

	Estimates 2020/21	Resource Requirement	2021 BPS Ceilings	Variance	% Variance
Exploration and Distribution of Oil and Gas	3,644	3,753	2,985	768	80%
<b>Total</b>	<b>3,644</b>	<b>3,753</b>	<b>2,985</b>	<b>768</b>	<b>80%</b>

Source: 2020 Sector Working Report and 2021 BPS.

## 3.2 Submission by State Departments

### 3.2.1 State Department for Energy

14. The review of the BPS FY 2021/22, indicated that the Recurrent ceiling increases by 12% from FY 2020/21 budget estimates this is due to a projected increase in Local Appropriation in Aid (AIA) collection. The development ceiling on the other hand, had an increase of 7%, is on account of increase in allocation of foreign Financing. However, it was noted that the Gok Development Exchequer has been declining over years.

**Table 3: Vote ceiling for FY 2021/22**

	FY 2020/21 Budget	Resource Requirements Budget for FY 2021/22	BPS Ceiling FY 2021/22	Variance
<b>Recurrent</b>	5,912	9,113	6,636	(2,477)
<b>Development</b>	66,581	155,356	71,412	(83,944)
<b>TOTAL</b>	<b>72,493</b>	<b>164,469</b>	<b>78,048</b>	<b>(86,421)</b>

Source: State Department for Energy

15. It was indicated that the primary focus for the State Department will be power generation and transmission and distribution. This is informed by the substantial allocation of the ceiling to these two programs i.e. 18% and 78% respectively. It was also noted that there are major shortfalls in the power transmission and distribution program, which could indicate lack of proper investment on evacuation of energy generated after successful completion of power generating projects.

**Table 4: Analysis by Program, (Kshs. Millions)**

Programs	Budget Estimates FY 2020/21	Requirements for FY 2021/22	Ceiling FY 2021/22	Variance
Power Generation	10,393	20,459	13,734	-6,725

Power Transmission & Distribution	58,149	139,343	60,887	-78,456
Alternative Energy Technologies	3,466	3,369	2,893	-476
General Admin., Planning & Support Services	484	1,298	534	-764
<b>Total</b>	<b>72,492</b>	<b>164,469</b>	<b>78,048</b>	<b>-86,421</b>

Source: State Department for Energy

### List of projects linked to the *Big Four Agenda* and their status

16. In the submission, the State Department provided the status of projects including those linked to the BIG Four agenda (annexed).

### List of stalled projects (if any)

17. In its submission the State Department indicated that it does not have any Stalled Projects

### List of new projects and confirmation of approval by the National Treasury.

18. In its submission the State Department indicated that it does not have any new projects. In its report on Project information, which include: - Status of projects (cost of the project, actual expenditure to date, remaining project cost to completion, proposed medium term allocations and source of financing); it was indicated that the projects under implementation have been running from 2014, through the medium term (see annexes).

### Underfunded Priority Projects

19. The submissions by the state department indicated that the short fall for priority projects amounts to Kshs. 36.3 Billion. This is because some of the capital projects being undertaken by the state department were allocated just a fraction of the resources that they will require.

**Table 5: The following projects will be underfunded in FY 2021/22 (Kshs. Millions)**

Project	Requirements FY 2021/22	Allocation FY 2021/22	Shortfall	Remarks
400 kV Loiyangalani-Suswa Transmission Line <sup>1</sup>	1,648	0	1,648	100% Complete. Requires provision for Pending Bill
400 kV Mombasa-Nairobi Transmission Line	1,747	0	1,640	100% Complete. Requires provision for Pending Bill
Naivasha Industrial Park	3,640	370	3,270	Requires GOK funding
Rural Electrification Scheme	7,000	1,000	6,000	Ongoing. To clear Outstanding pending bill owed to Kenya Power
Last mile connectivity	5,000	1,300	3,700	47% Complete. Requires additional GOK funding

<sup>1</sup> The project will not receive resources until the special audit report as recommended by the House is undertaken and tabled to the House.

Nairobi 220kV Ring-Kimuka ,Malaa SS, Athi River SS, Isinya SS	6,051	3,387	3,387	Requires Foreign funding
Gilgil Thika Konza 400Kv Technopolis complex	2,796	250	2,546	Require GOK funding for condition precedence of Loan project
Marsabit –Isiolo Transmission line	5,760	388	5,372	Require GOK funding for condition precedence for loan funding
Dongo Kundu SEZ	1,412	400	1,012	Requires Additional GOK funding and 2,633 Foreign funding
Electrification of Public Facilities	8,751	442	8,309	Requires additional funding for GOK to support Big Four Plan
<b>TOTAL</b>	<b>43,805</b>	<b>7,537</b>	<b>36,268</b>	

Source: State Department for Energy

### 3.2.2 State Department for Petroleum

In its submission, the State Department indicated that its proposed ceiling amounted to Kshs. 2,985 Million for FY 2021/22, indicating a net decrease of Kshs. 903 Million (23%) from the current FY Estimates of Kshs. 3,888 Million. The proposed ceilings is composed of Kshs. 336 Million for Recurrent vote and Kshs. 2,649 Million for Development vote. The State Department provided a detailed review of its Program, key outputs and targets which has been annexed to this report.

**Table 6: State Dept. for Petroleum: Approved 2020/21 Estimates, Resource requirements & Proposed BPS Ceilings**

	<b>Estimates 2020/21</b>	<b>Resource Requirement</b>	<b>2021 BPS Ceilings</b>	<b>Variance</b>
Exploration and Distribution of Oil and Gas	3,644	3,753	2,985	768
<b>Total</b>	<b>3,644</b>	<b>3,753</b>	<b>2,985</b>	<b>768</b>

Source: State Department for Petroleum.

#### **List of projects linked to the *Big Four Agenda* and their status;**

In the submission, the State Department indicated that it does not have any project directly linked to the BIG Four agenda but is implementing projects that are enablers to the BIG Four agenda

#### **List of stalled projects (if any)**

In its submission the State Department indicated that it does not have any Stalled Projects

#### **List of new projects and confirmation of approval by the National Treasury.**

In its submission the State Department indicated that it does not have any new projects. In its report on Project information, which include: - Status of projects (cost of the project, actual expenditure to date, remaining project cost to completion, proposed medium term allocations and source of financing); it was indicated that the projects under implementation have been running from 2014, through the medium term (see annexes).

## PART III

### 4.0 COMMITTEE OBSERVATIONS

Based on the written and oral submissions received from the Ministry of Energy and State Department of Petroleum, the Committee made the following observations under each THAT :-

#### A. State Department for Energy

1. The total ceiling allocations for the State Department in 2021 Budget Policy Statement is Kshs. 78,048. The Recurrent ceiling increase of 12% is as a result of increase in collection of Local Appropriation in Aid (AIA) while under Development vote the increase of 7% is an increase in allocation of foreign financing.
2. The programmes under the Ministry have been underfunded as follows- Power Generation by Kshs. 6.7 Billion; Power Transmission and Distribution's by Kshs. 78.5 Billion; Alternative Energy Technologies by Kshs. 476 Million and the General Administration, Planning and Support Services by Kshs. 764 Million.
3. The underfunded projects total a shortfall is Kshs. 33 Billion and includes - the Naivasha Industrial Park; Rural Electrification Scheme shortfall; Last mile Connectivity shortfall; Ring-Kimuka, Malaa SS, Athi River SS, Isinya SS; Gilgil Thika Konza 400KV, Technopolis complex; Marsabit -Isiolo Transmission line; Dongo Kundu SEZ; and Electrification of Public Facilities.
4. The Special Audit Report on Loiyangalani-Suswa Transmission Line as recommended by the House, is yet to be tabled for consideration by the relevant Committee.
5. There is increasing power generation currently at 3000 Mw without the corresponding demand which currently stands at approximately 1800 Mw. The deemed energy is also being incurred and is impacting negatively on cost of energy.
6. The Kenya Power / IPPs agreements are not tenable since this affects the energy generation mix and the cost of electricity.
7. On the Big Four Agenda, the Government's priorities are not clear since they funded under the budget estimates but then reduced during the supplementary estimates.
8. The energy subsidy for cheap connections provided by KPLC is proving untenable as the Government is not compensating KPLC appropriately, leading to its weak financial position.
9. There is no relief to electricity consumers owing to high power charges and requiring more consideration from EPRA to review the cost of power.
10. Ministry of Energy is undertaking projects and activities that can be done by its respective SAGAs under their purview.
11. There is inconsistency in provision of counter-part funding for key projects leading delayed or withdrawal of the foreign financing component.

#### B. State Department of Petroleum

1. The State Department of Petroleum procures LPG cylinders under the Petroleum Downstream, while the National Oil Corporation fills and distributes the cylinder.
2. The National Oil Corporation was incorporated to implement and maintain strategic petroleum products reserve to the industry standards, but this is not being undertaken.

## COMMITTEE RECOMMENDATIONS

The Committee recommends THAT;

### 4.1 Policy Recommendations

#### A. State Department for Energy

1. That both the ministry and the state department take into consideration impact of pending bills and other incidentals that might affect the ceiling allocation under the 2021 BPS during the finalization of the budget estimates in order to reduce impact on resource availability in the FY 2021/22;
2. The Special Audit Report on Loiyangalani-Suswa Transmission Line as resolved by the House is yet to be tabled. There is need to review the timelines for submission of Special Audit Reports to the House in-order to facilitate Committee decision-making i.e. within a financial year;
3. Given that electricity supply (currently at 3000 Mw) outstrip demand (approximately 1800 Mw), medium term resource allocation should focus on enhancing energy evacuation;
4. The Ministry should review the Independent Power Producers Agreements and cease further engagements that do not meet the USD 5 cent/Kilowatt requirement;
5. There need for consistency in resource allocation to the Big Four Agenda projects and enablers. The resources for Big Four Agenda should be ring-fenced within the medium term;
6. The National Treasury should settle all energy subsidy costs owed to KPLC within the financial year that they occur in order not to jeopardize KPLC financial position;
7. Energy Power Regulatory Authority (EPRA) should review the lifeline charges of electricity quarterly in order to lower the cost of power;
8. The State Department of Energy should divest itself of projects and activities, expertise that can be undertaken by its respective SAGAs, in order to increase efficiency of service delivery; and,
9. Counterpart funding for projects should be ring-fenced within a given financial year in order to safeguard access to foreign financing and prevent delay of completion of projects.

### 5.2 Financial recommendations for consideration;

The committee noted that there is need to increase resource allocation to the key government projects indicated below:

Project	Requirements FY 2021/22	Allocation FY 2021/22	Shortfall	Remarks
Naivasha Industrial Park	3,640	370	3,270	Requires GOK funding
Rural Electrification Scheme	7,000	1,000	6,000	Ongoing. To clear Outstanding pending bill owed to Kenya Power
Last mile connectivity	5,000	1,300	3,700	47% Complete. Requires additional GOK funding
Nairobi 220kV Ring-Kimuka ,Malaa SS, Athi River SS, Isinya SS	6,051	3,387	3,387	Requires Foreign funding

Project	Requirements FY 2021/22	Allocation FY 2021/22	Shortfall	Remarks
Gilgil Thika Konza 400Kv Technopolis complex	2,796	250	2,546	Require GOK funding for condition precedence of Loan project
Marsabit –Isiolo Transmission line	5,760	388	5,372	Require GOK funding for condition precedence for loan funding
Dongo Kundu SEZ	1,412	400	1,012	Requires Additional GOK funding and 2,633 Foreign funding
Electrification of Public Facilities	8,751	442	8,309	Requires additional funding for GOK to support Big Four Plan
<b>TOTAL</b>	<b>40,410</b>	<b>7,537</b>	<b>33,596</b>	

### Conclusion

The committee adopts the resource allocation to the state departments under its purview without any changes and therefore:

- a) **For State Department for Energy** - The proposed expenditure ceilings and program allocation totaling Kshs 78 Billion, which is broken down as Kshs. 71.4 Billion for development and Kshs 6.6 Billion for recurrent, and as provided in the 2021 Budget Policy Statement, be approved.
- b) **For State Department for Petroleum** - The proposed expenditure ceilings and program allocation totaling Kshs 2.985 Billion, which is broken down as Kshs. 2.649 billion for development and Kshs 336 Million for recurrent, and as provided in the 2020/21 Budget Policy Statement be approved.

## ANNEXES

### Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change/ Non. Financial Recommendation for Supplementary	Financial Recommendation (If any)
1.	The Special Audit Report on Loiyangalani-Suswa Transmission Line as recommended by the House has yet to be tabled for consideration by the relevant Committee for recommendations on way forward.	The Special Audit Report on Loiyangalani-Suswa Transmission Line as resolved by the House is yet to be tabled. There is need to review the timelines for submission of Special Audit Reports to the House in-order to facilitate Committee decision-making i.e. within a financial year;	-
2.	There is increasing power generation currently at 3000 Mw without the corresponding demand which currently stands at approximately 1800 Mw. The deemed energy is being paid which is impacting negatively on cost of power.	Given that electricity supply (currently at 3000 Mw) outstrip demand (approximately 1800 Mw), medium term resource allocation should focus on enhancing energy evacuation;	-
3.	The Kenya Power / IPPs agreements are not tenable since this affects the energy generation mix and the cost of electricity.	The Ministry should review the Independent Power Producers Agreements and cease further engagements that does not meet the USD 5 cent/Kilowatt requirement;	-
4.	On the Big Four Agenda, the Government's priorities are not clear since they fund and then reduce expenditure	There need to be consistency in resource allocation to the Big Four Agenda projects and enablers. The resources for Big Four Agenda should be ring-fenced within the medium term;	-
5.	The energy subsidy for cheap connections provided by KPLC is proving untenable as the Government is not	The National Treasury should settle all energy subsidy costs owed to KPLC within the financial the year that they occur in order not to jeopardize KPLC financial position;	-

S/No.	Observation	Recommended Policy Change/ Non. Financial Recommendation for Supplementary	Financial Recommendation (If any)
	compensating KPLC leading to its weak financial position.		
6.	There is no relief to electricity consumers owing to high power charges and requiring more consideration from EPRA to review the cost of power.	Energy Power Regulatory Authority (EPRA) should review the lifeline charges of electricity quarterly in order to lower the cost of power ;	-
7.	Ministry of Energy is undertaking projects and activities that can be done by its respective SAGAs under their purview.	The State Department of Energy should divest itself of projects and activities, expertise that can be undertaken by its respective SAGAs, in order to increase efficiency of service delivery.	-
8.	There is inconsistency in provision of counter-part funding for key projects leading delayed or withdrawal of the foreign financing component.	Counterpart funding for projects should be ring-fenced within a given financial year in order to safeguard access to foreign financing and prevent delay of completion of projects	-

### Annex 1: Mini Schedule indicating the final ceilings per program

#### Vote 1152: State Department for Energy

Program	FY 2021/22 BPS Ceiling			Committee Amendments			Final BPS Ceiling		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
General Administration Planning & Support Services	404.00	130	534	-	-	-	404	130	534
Power Generation	2,268	11,466	13,734	-	-	-	2,268	11,466	13,734
Power transmission & Distribution	3,743	57,144	60,887	-	-	-	3,743	57,144	60,887

Alternative Energy Technologies	221	2,672	2,893	-	-	-	221	2,672	2,893
<b>Total Budget</b>	<b>6,636</b>	<b>71,412</b>	<b>78,048</b>	-	-	-	<b>6,636</b>	<b>71,412</b>	<b>78,048</b>

**Vote 1193: State Department for Petroleum**

Program	FY 2021/22 BPS Ceiling			Committee Amendments			Final BPS Ceiling		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Exploration & Distribution of Oil & Gas	336	2,649	2,985	-	-	-	336	2,649	2,985
<b>Total Budget</b>	<b>336</b>	<b>2,649</b>	<b>2,985</b>	-	-	-	<b>336</b>	<b>2,649</b>	<b>2,985</b>

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT  
2021/22 AND THE MEDIUM TERM FOR:**

**VOTE 1108: MINISTRY OF ENVIRONMENT AND FORESTRY**

**VOTE 1107: MINISTRY OF WATER & SANITATION AND IRRIGATION**

**VOTE 1203: STATE DEPARTMENT FOR WILDLIFE**

**VOTE 1119: STATE DEPARTMENT FOR MINING**

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**February, 2021**

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## **1.0 PREFACE**

### **1.1 Introduction**

1. The report details the consideration of the 2021 Budget Policy Statement for the sector oversighted by the Departmental Committee on Environment and Natural Resources. The report is intended to inform the Budget and Appropriations Committee on the sector's programme objectives, resource ceilings for FY 2021/22, salient issues in the sector, the concerns of the MDAs in the sector as captured in their submissions to the Committee, and finally, the Committee's observations and recommendations regarding the 2021 BPS.

### **1.2 Mandate of the Committee**

1. The Departmental Committee on Environment and Natural Resources is established under the National Assembly Standing Orders No. 216 (1). The mandate of the Committee is elaborated under the National Assembly Standing Orders, No. 216(5). Which includes, among others, to **“investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments”**. This particular mandate entails budget scrutiny and approval and the Budget Policy Statement is the first step in fulfilling this mandate.
2. The subject matter of the Departmental Committee on Environment and Natural Resources is stated in the Second Schedule of the National Assembly Standing Orders No. 216 (f) and it includes: climate change, environment management and conservation, forestry, water resource management, wildlife, mining and natural resources, pollution and waste management.
3. In executing its mandate, the Committee oversees the following Government Ministries and Departments namely: The Ministry of Environment and Forestry (Vote 1108); the Ministry of Water, Sanitation and Irrigation (Vote 1107); the State Department for Wildlife (Vote 1203); and the State Department for Mining (Vote 1119).

### **1.3 Committee Membership**

4. The Committee comprises the following members:

**Chairperson**

The Hon. Kareke Mbiuki, M.P., CBS  
MP for Maara Constituency

**Jubilee Party**

**Vice-Chairperson**

The Hon. Sophia Abdi Noor, M.P.  
MP for Ijaara Constituency

**Party of Development and Reforms (PDR)**

The Hon. David Kangogo Bowen, M.P.  
MP for Marakwet East Constituency  
**Jubilee Party**

The Hon. Francis Chachu Ganya, M.P.  
MP for North Horr Constituency  
**Frontier Alliance Party (FAP)**

The Hon. Ali Wario Guyo, M.P.  
MP for Garsen Constituency  
**Wiper Party**

The Hon. Benard Masaka Shinali, M.P.  
MP for Ikolomani Constituency  
**Jubilee Party**

The Hon. George Macharia Kariuki, M.P.,  
MP for Ndia Constituency  
**Jubilee Party**

The Hon. Charity K. Chepkwony, M.P.  
MP for Njoro Constituency  
**Jubilee Party**

The Hon. Simon Ng'ang'a King'ara, M.P.  
MP for Ruiru Constituency  
**Jubilee Party**

The Hon. Peter Kimari Kihara, M. P.  
MP for Mathioya Constituency  
**Jubilee Party**

The Hon. Benjamin Dalu Tayari, MP.  
MP for Kinango Constituency

**Orange Democratic Movement (ODM)**

The Hon. Charles Ong'ondo Were, M.P.  
MP for Kasipul Constituency

**Orange Democratic Movement (ODM)**

The Hon. Nasri Sahal Ibrahim, M.P.  
MP - Nominated

**Forum for Restoration of Democracy-K**

The Hon. Rozaah Buyu. M.P.  
MP for Kisumu County

**Orange Democratic Movement (ODM)**

The Hon. Said Hiribae, M.P.  
MP for Galole Constituency

**Forum for Restoration of Democracy- K**

The Hon. Hassan Oda Hulufu, M.P.  
MP for Isiolo North Constituency  
**Kenya Patriots' Party (KPP)**

The Hon. Amin Deddy Mohamed Ali, M.P.  
MP for Laikipia East Constituency  
**Jubilee Party**

The Hon. Rehema Hassan, M.P.  
Tana River County

**Maendeleo Chap Chap Party (MCC)**

The Hon. (Eng.) Paul M. Nzengu, M.P.  
MP for Mwingi North Constituency  
**Wiper Party**

**1.4 Committee Secretariat**

Ms. Esther Nginyo  
**Second Clerk Assistant**  
**Lead Clerk**

Mr. Dennis Mogare Ogechi  
**Second Clerk Assistant**

Mr. Fredrick Muthengi  
**Chief Fiscal Analyst**

Ms. Lynette Otieno  
**Legal Counsel I**

Mr. Eugene Apaa  
**Research Officer**

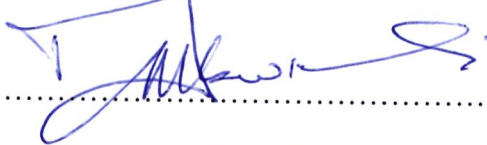
### 1.5 Overview on the Examination of the Budget Policy Statement 2021

6. The Budget Policy Statement was tabled in the House on Thursday, 11<sup>th</sup> February, 2021 and consequently committed to the Departmental Committees, pursuant to Standing Order 232 (4), for consideration. The Committee held five (5) Sittings from Monday 21<sup>st</sup> February, 2021 to Wednesday 23<sup>rd</sup> February, 2021 to deliberate on the Budget Policy Statement with the Parliamentary Budget Office, the Ministry of Environment and Forestry; the Ministry of Water, Sanitation and Irrigation; State Department for Wildlife; and the State Department for Mining. It also considered and adopted this report during the said sittings.

### 1.6 Acknowledgement

7. The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate which enabled it to complete the consideration of the BPS within the stipulated period. Equally, the Committee appreciates the various MDAs that appeared before it and made their submissions regarding the 2021 BPS. Further, the Committee records its appreciation of the services rendered by the staff of the National Assembly attached to it, which ensured timely compilation of this report.
8. Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Environment and Natural Resources, to present this Report to the Budget and Appropriation Committee pursuant to the provisions of section 25 of the Public Finance Management Act (PFM Act) and Standing Order 232 (4).

SIGNED .....



**HON. KAREKE MBIUKI, MP., CBS.**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND  
NATURAL RESOURCES)**

DATE .....

26<sup>th</sup> FEB 2021

## 2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE BPS 2021

10. The BPS highlights the following policies for the Environment and Natural Resources sector:

- a) The sector's projected total resource requirements amounts to Kshs 175.2 Billion, Kshs 221.1 Billion and Kshs 281.0 Billion in the financial years 2021/22, 2022/23 and 2023/24 financial years respectively. However, the resource allocation stands at Kshs. 107,107 Billion, Kshs. 121,817 Billion and Kshs. 130,535 Billion.
- b) The Environment Management and Protection subsector requires additional resources under this Programme during the MTEF period to implement the Green Economy Strategy and Plan (GESIP) and National Climate Change Action Plan (NCCAP) 2018 - 2022, which are geared towards a low carbon development pathway for climate change mitigation and adaptation.
- c) To improve the provision of meteorological information and services the Kenya Meteorological Department (KMD) will work on improving capacity in data observation systems and networks. Establishment of new meteorological observatories, automatic weather and climate monitoring stations, installation of Airport weather observing systems in major airports and a new generation weather surveillance radar system and installation of digital equipment, installation of integrated meteorological display system to improve data processing.
- d) Forests and Water Towers Conservation: During the MTEF period the Programme targets to achieve the 10% tree cover, implantation of the Natural Mangroves Master Plan, and operationalize the Forest conservation and Management Trust Fund. Other activities include securing, protecting and rehabilitation of the water towers, and promoting bamboo for conservation and investment. Other activities include construction and equipping greenhouses and resource centers to produce quality tree seeds for distribution to meet 10% forest cover by 2022.
- e) The BPS commits to develop policies and programmes on conservation and management of forests, wildlife resources, conservation of catchment areas, management of water resources, and climate change. In addition, issuance of first sovereign Green Bond to finance public projects that are green (climate friendly) are ongoing.
- f) Over the medium term, the Government will prioritize the implementation of environmental conservation programs including tree planting and afforestation, water harvesting, smart agriculture, investments in green energy (micro-hydro, solar, biomass) construction of mini dams, water pans and rehabilitation of existing dams and water pans.
- g) The 2021 BPS commits priorities in the medium term to include investment in programmes in environment conservation such as tree planting and afforestation, investment in green energy, rehabilitation of water dams and water pans. In particular, efforts will be towards conservation of water catchment areas, water harvesting and storage in all public institutions, conservation of Cherengany, Mau and Ewaso Ng'iro riverine.

11. The MDAs in the sector, the key programmes they implement, the respective program objectives and the proposed BPS sector ceilings (in Kshs in millions) for each vote are captured in the table below:

	Programmes	Objectives	Total Resource Allocation 2021/22
<b>a) Environment and Forestry Sub-sector</b>			<b>16,077.3</b>
1	Environment Management and Protection	To sustainably manage and conserve environment	3,440.2
2	General Administration, Planning and Support Services	To provide policy and legal framework for efficient and effective management of the environment	421.0
3	Meteorological Services	To provide reliable weather and climate information for decision making	1,435.0
4	Forests and Water Towers Conservation	To sustainably manage, conserve and protect forests and water towers	10,781.2
6	Resource Surveys and Remote Sensing	To Generate Geo-spatial data and information for sustainable development	0.0
<b>b) Water &amp; Sanitation and Irrigation Sub Sector</b>			<b>76,141.0</b>
6	General Administration, Planning and Support Services	To promote good governance in the management of water resources and irrigation programs	861.0
7	Water Resources Management	To increase availability of safe and adequate water resources	16,741.0
8	Water Storage and Flood Control	To increase per capita water storage capacity for domestic, industrial and other uses	38,941.0
9	Water and Sewerage Infrastructure Development	To enhance accessibility of water and sewerage services	9,699.0
10	Irrigation and Land Reclamation	To increase agricultural productivity through irrigation and drainage services	8,259.0
11	Water Harvesting and Storage for Irrigation	To increase reliability of irrigation water and build resilience for communities against droughts	1,640.0
<b>c) Mining Sub-sector</b>			<b>882.4</b>
12	General Administration, Planning and Support Services	To provide policy and legal framework and efficient and effective support services for management of mineral and geo-information data	275.0
13	Mineral Resources Management	To effectively manage licensing and concession, promote minerals value addition and marketing	419.2
14	Geological Surveys & Geo information Management	To provide geo-scientific data to prospective investors, research institutions, planners and infrastructure developers.	188.2
<b>d) Wildlife Sub-sector</b>			<b>9,736.0</b>
15	Wildlife Conservation and Management	To sustainably conserve and manage Kenya's wildlife	9,736.0
<b>Total ENR Sector Allocations</b>			<b>102,836.7</b>

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 STATE DEPARTMENT FOR MINING

12. The Principal Secretary for Petroleum and Mining, Mr. Andrew N. Kamau, CBS appeared before the Committee on Monday 22<sup>nd</sup> February, 2021 and briefed it as follows.
13. The broad mandate of the department is geological mapping and mineral exploration as provided in the Mining Act, 2016.
14. The State Department was allocated by the SWG **Ksh 910 M** comprised of **Ksh 629 M** recurrent and **Ksh 281 M** development budget. However, the BPS 2021 has set the gross ceilings at **Ksh 882 M** comprising of **Ksh 629 M** recurrent and **Ksh 253 M** development budget. There exists a variance between the SWG allocation and the BPS ceiling amounting to **Ksh 28 M**. The same is tabulated below:

Description	FY 2021/22 requirements (Ksh M)	FY 2021/22 BPS Ceilings (Ksh M)	FY 2021/22 Budget Shortfall (Ksh M)
Net recurrent	1077	529	(548)
Recurrent AIA	100	100	0
Development	793	253	(540)
Gross Budget	<b>1970</b>	<b>882</b>	<b>1088</b>

15. The consolidation of ICT related expenditure under the Ministry responsible for ICT has affected the acquisition of specialized mining equipment thus affecting project implementation.

#### 3.2 STATE DEPARTMENT FOR WILDLIFE

16. The Principal Secretary for Wildlife, Prof Fred Segor, appeared before the Committee on Monday 22<sup>nd</sup> February, 2021 and briefed it as follows.
17. The State Department oversees three agencies namely: Kenya Wildlife Service, Wildlife Research and Training Institute and Wildlife Conservation Trust Fund (being currently operationalized). It also collaborates with the Wildlife Clubs of Kenya.
18. The subsector requires Ksh 23,532M, Ksh 24,913 and Ksh. 24,329M for the FY 2021/22, 2022/23, 2023/24 respectively up from 10,801M in the FY 2020/21. Out of the requirements Ksh. 16,391M, Ksh. 16,875M, and Ksh. 16,407M is recurrent budget. Whereas Ksh. 7,141M, Ksh. 8,038M and Ksh. 7,922M is capital budget.
19. The subsector has been allocated Ksh. 9,682M, Ksh. 10,907M and Ksh. 9,016M comprising of: Recurrent Ksh. 9,103M, Ksh. 10,210M, and Ksh. 8,272M and Capital Ksh. 578M, Ksh.697M and Ksh. 744M for the MTEF period.

20. The department identified the following challenges and proposed the indicated recommendations:

- a) Managing the impacts of Covid 19 pandemic on revenue generation from park fees. Recommendation: provide **Ksh. 3.2 Billion** in the medium term to cater for shortfall and operationalize the Wildlife Conservation Trust Fund.
- b) Uncoordinated wildlife research to support decision making. Recommendation: Operationalize the wildlife research and training institute and undertake registration by NACOSTI.
- c) Managing the effects of climate change in protected areas like folding, wild fires etc. Recommendation: Operationalization of the WRTI to ensure adoption of science-based solutions in wildlife conservation and funding support to protected area management plans.
- d) Short fall in counterpart funding for donor projects that may lead to pending bills and delayed project completion. Recommendation: provide funding shortfall in AFD project – **Ksh. 79 Million**.
- e) Human Wildlife Conflicts Insurance Scheme, increase in legal suits due to delayed compensation. Recommendation: provide funding for pending bills and provide funding for the Insurance Scheme for HWC compensation.

### 3.3 MINISTRY OF ENVIRONMENT AND FORESTRY

21. The Principal Secretary for Environment and Forestry, Dr. Chris Kiptoo, appeared before the Committee on Monday 22nd February, 2021 and briefed it as follows.

22. The agencies under the Ministry include: Kenya Forest Service (KFS); National Environmental Management Authority (NEMA); Kenya Forest Research Institute (KEFRI); Kenya Water Towers Agency (KWTA); National Environmental Trust Fund (Net Fund); National Environment Complaints Committee (NECC); and National Environment Tribunal (NET).

23. The programs under the Ministry include: Environment Management and Protection; Meteorological Services; Forests and Water Towers Conservation and Management; General Administration, Planning and Support Services; and Remote Sensing and Resource Survey.

24. The Recurrent Vote FY 2021/22 – 2023/24 is as tabulated below:

Environment and Forestry Sub- Sector RECURRENT REQUIREMENTS VS ALLOCATION (Kshs Millions)						
Economic Classification	Requirement			Allocation		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Gross	16,567	18,681	20,500	10,530	10,530	10,595
AIA	1,310	1,314	1,310	1,268	1,268	1,268
NET	15,257	17,367	19,190	9,222	9,262	9,327
Compensation to Employees	1,420	1,441	1,492	1,330	1,355	1,404
Transfers, Grants & Subscription	14,527	16,558	17,520	8,898	8,858	8,858
Other Recurrent	620	682	1,488	302	317	333

25. The development vote FY 2021/22 to 2023/24 is as tabulated below:

Description	Requirement			Allocation		
	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
Gross	19,005	23,513	25,372	5,547	8,339	10,353
GOK	15,528	18,463	18,714	2,196	4,988	6,939
Loans	656	1,376	2,354	656	656	656
Grants	2,821	3674	4304	2,695	2,695	2,758

26. The key priority areas not funded in the BPS FY 2021/2022 include: Uptake of seeds, seedling production and planting and maintenance towards achievement of 10% tree cover by 2022 (**1.5 Billion**); Securing and protection of water towers under threat from human encroachment (**300 Million**); Development of forest research technologies to increase seed production (**100 Million**); Undertaking inspections and enforcement of environmental laws and regulations (**500 Million**); Maintenance of meteorological instruments and equipment, buildings and other infrastructure (**300Million**); Implementation of NCCAP, wetlands protection, natural mangrove master plan and forest taskforce and national Assembly recommendations on forest sector reforms (**1 Billion**).

### 3.4 MINISTRY OF WATER, SANITATION AND IRRIGATION

27. The Principal Secretary for the Ministry of Water, Sanitation and Irrigation, Mr. Joseph W. Irungu, appeared before the Committee on Wednesday 24<sup>th</sup> February, 2021 and briefed it as follows.

28. The Ministry will be running six (6) programmes during the financial year 2021/22 and the medium term including: General Administration, Planning and Support Services; Water Resources Management; Water Storage and Flood Control; Water and Sewerage Infrastructure Development; Irrigation and Land Reclamation; and Water Harvesting and Storage for Irrigation.

29. BPS for FY 2021/22 allocates funding to the Ministry as tabulated below. Compared to the Sector ceiling allocations, the Development budget has gone down by **Kshs 3 Billion**.

Details	Sector Allocation FY 2021/22	Draft BPS Allocation FY 2021/22	Variance
	Kshs. Million	Kshs. Million	Kshs. Million
Recurrent	6,394	6,394	0
Development	72,747	69,747	3,000

30. Requirements not accommodated within Ministry's ceiling include:

- Resettlement Action Plan(RAP) requirement of **Ksh.7.3Billion**: The following projects RAP remain outstanding; Karimenu II Dam Kshs. 1.3 Billion, Nzoia Cluster Kshs. 200m, Northern Collector Pipeline Kshs. 1.2 Billion Ruiru II Dam Kshs. 1.7 Billion, Soin Koru Kshs. 1.6 Billion and Mwache Dam and Nzoia Irrigation Project- Kshs. 1.3 Billion.
- Outstanding GoK Project Works requirements; Thiba Dam - **Kshs. 3 Billion**, Northern Collector-**1.5Billion**.
- Last Mile Water Connectivity – Funds for Last Mile Water and Sewerage Connectivity to increase water and sewerage coverage - **Kshs. 2.0 Billion** (Medium term period 2021/22-2023/24)

- d) Newly created SAGA (**Ksh. 250M**)-1. North Rift Valley Water Works Development Agency - Additional Development Kshs. 100m to implement the projects within the area of their jurisdiction 2. Regional Center for Ground Water Training Education require Recurrent of Kshs. 50 million & Development of Kshs. 100 million.
31. Recurrent Budget Shortfalls for SAGAs include:
- a) Water Regulators (WRA) – This Agency has annual P.E requirement of Kshs.850M yet their total Recurrent budget is Kshs.894M comprising of GoK.294M and AIA.600M. The Annual AIA collection average Kshs. 372m The projected deficit is **KShs. 200Million**
  - b) Lake Victoria South and Lake Victoria North WWDAs - the Recurrent allocation of Kshs.98M and Kshs. 108M cannot cover their PE. The shortfall for the other recurrent expenditures is about **KShs. 134M** for LVSWWDA and **Kshs. 29M** for LVNWWDA
  - c) Newly created North Rift Valley WWDA and Regional Centre on Groundwater Resources are hiring staff and will need an allocation of **KShs. 366Million** up from the current KShs. 90 Million.
32. There is inadequate funding to the Ministry Headquarters for the following key priority areas:
- a) Annual events: World Water Day, Nile Day, World Water Week, Kenya Sanitation Conference, Kenya Dam week and Mara Day The budgetary requirement is **Kshs. 200 Million.**
  - b) The Ministry requires **Kshs. 1 Billion** for development and implementation of sanitation masterplan and fast-tracking implementation of sanitation management projects.
  - c) Ministry requires **Kshs 100Million** to undertake the following Water Sector Institutions Reforms: Capacity building on Water Act 2016 across Water Institutions and Sector stakeholders; Rolling out of e-water web portal; Operationalizing of Water Appeals Board; Development of Water Sector Regulations. Operationalizing the Irrigation Act, 2019 requires an additional **Kshs. 100million.**

## **4.0 COMMITTEE OBSERVATIONS**

The Committee made the following observations:

### **4.1 State Department for Mining**

33. The mining sub-sector has the potential for self-sustenance through royalties and other fees if well-coordinated. The sector continues to be grossly underfunded, hence affecting its potential in contributing to the economy.
34. Kenya is strewn with numerous varied mineral deposits where artisanal mining is largely practiced. There should be formalization of these mining to minimize haphazard operations that lead to conflicts among local communities.
35. The Kenyan mining sub sector is largely under-explored with only less than 15% having been geologically mapped. This hinders the sector's potential to contribute to the GDP and employment creation. The sub-sector currently contributes less than 1% of Kenya's GDP but has potential capacity to contribute 4% to 10%.<sup>1</sup>
36. Lack of accessibility to updated Geological and mineral data and inadequate data and information on natural resources slows the potential investments in the sector.

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

37. The Wildlife sub-sector has been disrupted by COVID-19 pandemic especially on revenue collection from wildlife enterprises and wildlife sanctuaries.
38. Human-Wildlife Conflicts continue to be a major challenge in the sub-sector. They not only disrupt the lives and livelihoods of host communities, but also endanger the very existence and survival of the wildlife.

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

38. Use of wood fuel as a source of energy leads to negative impacts on climate change and land degradation. This is a great threat to forest cover and the afforestation programme.
39. The National Environmental Management Authority (NEMA) has faced chronic under-funding over recent the years leading to chronic operating deficits. This has hampered optimal operation and delivery of its mandate.
40. The Kenya Forest Service's (KFS) mature tree plantations were wasting away due to the moratorium on logging while the sub-sector faced acute funding deficits.
41. Kenya Meteorological Department is critical in providing accurate weather, climate, air quality information and tsunami Warnings. The Department is domiciled under the Ministry of Environment and Forestry. Due to increase in the world population, and extension of settlements and life supporting activities, the department requires enhancement in capacity to provide better services to mitigate disaster risk, and support productive capacities of life supporting activities.

### **4.4 Ministry of Water, Sanitation and Irrigation**

42. Despite huge allocations in the water sub-sector and the government policy to provide water for all by 2030, access to clean and safe water for socio-economic development remains a challenge. Further, going with the current trends, the 2030 target seems a mirage.

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<sup>1</sup> Kenya Mining Investment Handbook, 2016

43. The water sector is home to several semi-autonomous government agencies which continue to drain resources as a result of overhead costs and other administrative costs.
44. The water, sanitation and irrigation subsector is heavily reliant on development partners' budget support.

## 5.0 COMMITTEE RECOMMENDATIONS

44. Having received, scrutinized, and deliberated on the submissions from the various State Departments and the contents of the Budget Policy Statement for the FY 2021/22, the Committee recommends the following:

### 5.1 POLICY RECOMMENDATIONS

#### *5.1.1 State Department for Mining*

45. The National Treasury should double the allocation of Development Projects to **Kshs. 506 Million** in the Mining sector, to enhance its capacity in contributing to the economy through mineral resources.
46. The Department should endeavor to fully operationalize the provisions of the Mining Act, 2016 within the 2021/22 FY especially with respect to royalties and benefit sharing to ensure the sub-sector is not only self-sustaining but also beneficial to host communities.
47. The Department should conclude the formalization of artisanal mining operations in the country to minimize haphazard operations that lead to conflicts among local communities.
48. The Department, in conjunction with relevant government agencies, should fast-track the National Airborne Geophysical Survey project and establishment of a Geological Data Bank in order update geological and mineral data to foster the potential of the sub-sector to contribute to the GDP and employment creation.

#### *5.1.2 State Department for Wildlife*

48. The National Treasury should provide Kshs. **3.2 Billion** in the medium term to cater for shortfall occasioned by Covid-19 related revenue collection shocks and operationalize the Wildlife Conservation Trust Fund.
49. The State Department should, within the 2021/22 FY initiate a comprehensive implementation of the Wildlife Policy by spearheading the establishment of a national strategy for mitigating human wildlife conflict; mainstream human-wildlife conflict into county spatial planning processes; support the development and implementation of ecosystem-based management plans for key wildlife landscapes; build capacity of local communities to manage problem animals; establish and maintain a human wildlife conflict database; establish a sustainable financing scheme for compensating against wildlife-caused deaths, injuries and damage to property; and promote human wildlife co-existence.

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

49. The National Treasury should consider further tax exemptions for all equipment meant to provide clean energy sources like solar, biogas in order to discourage use of wood fuel which has negative impacts on climate change and land degradation and forest cover.
50. The National Treasury should foster NEMA's resource mobilization through the re-introduction of EIA fees which would enhance the collection of AIA to meet operational deficits.
51. The Kenya Forest Service (KFS) should consider lifting the moratorium on forest logging within the 2021/22 FY in order to harvest mature resources which would help raise much needed revenues. Further, the KFS should withdraw from commercial plantations and

gradually convert the 134,000 hectares of commercial plantation into natural forest by restoring the cleared land with indigenous trees.

52. The Ministry of Environment and Forestry should fast-track the policy document and legislative framework to establish the Kenya Meteorological Department as a full-fledged SAGA for effectiveness and efficiency in its service delivery.

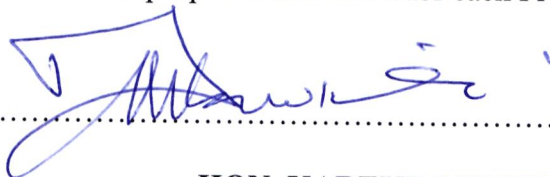
#### **5.1.4 Ministry of Water, Sanitation and Irrigation**

50. The Ministry should fast-track completion of ongoing projects within the 2021/22 FY, where feasible, before embarking on new ones to ensure actual supply of water to Kenyans instead of having multiple ongoing projects that hardly meet water supply expectations.
51. The Department should endeavor, within the medium term to rationalize the numerous semi-autonomous government agencies in the water sub-sector which drain resources through overhead and other administrative costs.

### **5.2 FINANCIAL RECOMMENDATIONS**

52. Under the State Department of Mining, the proposed ceilings of **Kshs 629 M** for Recurrent and **Kshs 253 M** for Development outlays be approved, and in-line with the various proposed allocation for each Programme under the Department. Further, the National Treasury should burst the ceiling by providing **Kshs. 253 Million** Development budget in the 2021/22 FY to cater for full operationalization the provisions of the Mining Act, 2016 within the 2021/22 FY and the formalization of artisanal mining operations in the country.
52. Under the State Department for Wildlife, the proposed ceilings of **Kshs. 9,103 M** for Recurrent and **Kshs. 578 M** for Development outlays be approved, and in-line with the various proposed allocation for each Programme under the Department. However, the National Treasury should burst the ceiling by providing **Kshs. 3.2 Billion** in the medium term to cater for shortfall occasioned by Covid-19 related revenue collection shocks and operationalize the Wildlife Conservation Trust Fund.
53. Under the Ministry of Environment and Forestry, the proposed ceilings of **Kshs. 10,530 M** for Recurrent and **Kshs. 5,547 M** for Development outlays be approved, and in-line with the various proposed allocation for each Programme under the Ministry.
54. Under the Ministry of Water, Sanitation and Irrigation, the proposed ceilings of **Kshs. 6.394 Billion** for Recurrent and **Kshs. 69.747 Billion** for Development outlays be approved, and in-line with the various proposed allocation for each Programme under the Ministry.

SIGNED .....



**HON. KAREKE MBIUKI, CBS MP.**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND  
NATURAL RESOURCES)**

DATE .....

26<sup>TH</sup> Feb 2021.



**REPUBLIC OF KENYA**

**THE NATIONAL ASSEMBLY  
TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING**

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**REPORT ON THE CONSIDERATION OF THE 2021 BUDGET POLICY STATEMENT  
FOR THE FOLLOWING SPENDING AGENCIES:-**

The National Treasury

State Department for Planning

State Department for Devolution

Office of the Controller of Budget

Commission on Revenue Allocation

Salaries and Remuneration Commission

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**February, 2021**



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## PART I

### 1 PREFACE

#### 1.1 Introduction

1. The principal purpose of the Budget Policy Statement is the provision of an avenue for engagement between the executive and the legislature to deliberate and agree on the policy and fiscal framework underpinning the budget in the medium term. It is anticipated that the budget for the ongoing policies is indicated and also a costing of any policy shift to indicate the amount of resources the new policies will require for successful implementation. The legislature is therefore required to scrutinize this document and upon approval, it lays the foundation for the Budget Estimates for the upcoming fiscal year and the medium term.
2. The Budget Policy Statement is published in accordance with Section 25 of the Public Finance Management Act, 2012. In preparing the Budget Policy Statement, the National Treasury is required to set out the broad strategic priorities and policy goals that will guide the National Government and county governments in preparing their budgets both for the following financial year and over the medium term. The National Treasury is required to include the following in the Budget Policy Statement:-
  - i.) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
  - ii.) The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
  - iii.) The proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicative transfers to county governments; and
  - iv.) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.
3. The submission and processing of the BPS by the National Assembly is anchored in Standing Order number 232. The Standing Order requires among other things the Budget Policy Statement (BPS) to indicate total resources to be allocated to individual programmes and projects within a sector and indicate the outputs expected from each such programme or project during the period.
4. The National Assembly Standing Orders assigns the Departmental Committee on Finance and National Planning the mandate to consider matters in relation to *public finance, monetary policies, public debt, financial institutions(excluding those in security exchange), investment and divestiture policies, pricing policies, banking, insurance, population, revenue policies, national planning, and development.*
5. In that regard, the Committee is mandated to scrutinize policy highlights and spending plans as contained in the BPS 2021 on the following votes under its purview:-
  - i. Vote 1071: The National Treasury
  - ii. Vote 1034: State Department for Planning
  - iii. Vote 1032: State Department for Devolution
  - iv. Vote 2121: Office of the Controller of Budget
  - v. Vote 2061: Commission on Revenue Allocation
  - vi. Vote 2081: Salaries and Remuneration Commission

## 1.2 Mandate of the Committee

6. The Departmental Committee on Finance & National Planning is one of the fifteen Departmental Committees of the National Assembly established under **Standing Order 216** whose mandates pursuant to the **Standing Order 216 (5)** are as follows:-
  - i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
  - ii. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
  - iii. To study and review all the legislation referred to it;
  - iv. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
  - v. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
  - vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
  - vii. To examine treaties, agreements and conventions;
  - viii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
  - ix. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
  - x. To examine any questions raised by Members on a matter within its mandate.
  
7. In executing its mandate, the Committee oversees the following government Ministries and departments:-
  - i. The National Treasury
  - ii. State Department for Planning
  - iii. State Department for Devolution
  - iv. Office of the Controller of Budget
  - v. Commission on Revenue Allocation
  - vi. Salaries and Remuneration Commission

### 1.3 Committee Membership

8. The Departmental Committee on Finance and National Planning was reconstituted by the House in July, 2020 and comprises of the following members:-

#### **Chairperson**

Hon. Gladys Wanga, CBS, MP  
MP for Homabay County

#### **ODM Party**

#### **Vice-Chairperson**

Hon. Isaac W. Ndirangu  
MP for Roysambu Constituency

#### **Jubilee Party**

#### **Members**

Hon. Jimmy O. Angwenyi, MGH, MP  
MP for Kitutu Chache North Constituency

#### **Jubilee Party**

Hon. Christopher Omulele, CBS, MP  
MP for Luanda Constituency

#### **ODM Party**

Hon. Shakeel Shabbir Ahmed, CBS, MP  
MP for Kisumu East Constituency

#### **Independent Member**

Hon. Daniel Nanok, MP  
MP for Turkana West Constituency

#### **Jubilee Party**

Hon. (Dr.) Christine Ombaka, MP  
MP for Siaya County

#### **ODM Party**

Hon. Andrew Okuome, MP  
MP for Karachuonyo Constituency

#### **ODM Party**

Hon. David Mboni, MP  
MP for Kitui Rural Constituency

#### **CCU Party**

Hon. Francis Kimani, MP  
MP for Molo Constituency

#### **Jubilee Party**

Hon. Joseph Oyula, MP  
MP for Butula Constituency

#### **ODM Party**

Hon. Joshua Kandie, MP  
MP for Baringo Central Constituency

#### **MCC Party**

Hon. Stanley Muthama, MP  
Member for Lamu West Constituency

#### **Jubilee Party**

Hon. Edith Nyenze, MP  
MP for Kitui West Constituency

#### **WDM-K**

Hon. Catherine Waruguru, MP  
MP for Laikipia County

#### **Jubilee Party**

Hon. James Mwangi, MP  
MP for Tetu Constituency

#### **Jubilee Party**

Hon. (Prof.) Mohamud Mohamed, MP  
MP for Wajir South Constituency

#### **Jubilee Party**

Hon. Peter Lochakapong, MP  
MP for Sigor Constituency

#### **Jubilee Party**

Hon. Qalicha Gufu Wario, MP  
MP for Moyale Constituency

#### **Jubilee Party**

#### **1.4 Committee Secretariat**

9. The Committee is facilitated by the following secretariat:-

Ms. Leah W. Mwaura  
**Senior Clerk Assistant/Head of Secretariat**

Ms. Jennifer Ndeto  
**Principal Legal Counsel I**

Ms. Laureen Wesonga  
**Clerk Assistant II**

Mr. Josephat Motonu  
**Senior Fiscal Analyst**

Mr. Chelang'a Maiyo  
**Research Officer**

Mr. Yacoub Ahmed  
**Media Relations Officer III**

Mr. John Njoro  
**Serjeant-At-Arms**

Ms. Christine Maeri  
**Audio Officer**

Mr. Vitalis Augo  
**Office Assistant**

Ms. Jeruto Kosgey  
**Intern**

### **1.5 Overview on the Examination of the 2021 Budget Policy Statement**

10. The 2021 Budget Policy Statement was tabled in the House on Thursday, 11<sup>th</sup> February, 2021 and thereafter referred to Departmental Committees for consideration. The BPS is published in accordance with section 25 of the Public Finance Management Act, 2012. In this case therefore, the 2021 BPS refers to 2019/20 period as the immediate fiscal year after the current 2020/21 and 2021/22 and 2022/23 being the three-year Medium Term Expenditure Framework (MTEF).
11. Parliament is required to scrutinize the BPS and the programmes that the various spending agencies are undertaking with a view of establishing whether the resources being requested for relate to specific outputs that will lead to results as intended and as provided in the Big Four Agenda.
12. Upon a brief from the Parliamentary Budget Office, the Committee called for meetings with the Ministries, Departments and Government Agencies that it oversees to consider their BPS. The Committee held a total of four sittings to consider the BPS.

### **1.6 Acknowledgement**

13. The Committee is grateful to the Offices of the Speaker and Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its mandate in considering the policy document setting the stage for the preparation and submission of the Annual Estimates for the FY 2021/22.
14. I also wish to express my appreciation to the Honorable Members of the Committee, the Committee Secretariat, the National Treasury, the State Department for Planning, the State Department for Devolution, Office of the Controller of Budget, Commission on Revenue Allocation and Salaries and Remuneration Commission for the useful contributions they made towards the preparation and production of this report.
15. On behalf of the Committee and Pursuant to Standing Order 232 (5) it is now my duty to present the Committee's report to the Budget and Appropriations Committee.

**HON. GLADYS WANGA, CBS, MP**  
**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING**

## PART II

### 2 BROAD OVERVIEW OF POLICIES CONTAINED IN THE 2021 BPS 2021

16. The Committee noted that policies and targets for MDAs under its oversight have remained relatively similar. As such there are no new policies save for some interventions under the proposed post COVID-19 Economic Recovery Strategies which shall be implemented by various agencies so as to put the economy on recovery and sustained growth trajectory. Also, two programmes have been shifted from the State Department for Transport to the National Treasury. These programmes are the rail transport (programme 0203000) and maritime transport (programme 0204000)
17. Some of the overall policies include: the government's continued expenditure prioritization and enhanced revenue mobilization efforts in order to achieve the fiscal consolidation path of reducing the fiscal deficit from the current 8.7% to 3.6% of the GDP in the medium term; enhancement of efficiency in project cycle through the Public Investment Management (PIM) Unit at the National Treasury; among others.
18. Specific policies include: rolling out of the post COVID-19 Economic Recovery Strategy (ERS); continued implementation of the "Big 4" Agenda; creation of a conducive business environment by maintaining macroeconomic stability; continued investment in infrastructure to foster competitiveness; continued investment in social sector; facilitation of county governments to strengthen their service delivery systems; implementation of structural reforms to create efficiency in service delivery; among others.

#### **Key programmes being implemented by specific MDA oversight by the Committee**

19. The National Treasury will implement the following programmes:-
  - i. General Administration, Planning and Support Services whose objective is to enhance institutional and human resource capacity for quality delivery of services;
  - ii. Public Financial Management whose objective is to increase the reliability, stability and soundness of the financial sector;
  - iii. Economic and Financial Policy Formulation and Management whose objective is to ensure stable macroeconomic environment;
  - iv. Market Competition whose objective is to promote and sustain competition;
  - v. Rail Transport; and
  - vi. Marine Transport.
20. State Department for Planning will implement the following programmes:-
  - i. Economic policy and national planning with the objective of strengthening the linkage between planning, policy formulation and budgeting at all levels of government;
  - ii. National Statistical Information Services which will enhance evidence based decision making for socioeconomic development;
  - iii. Monitoring and Evaluation Systems which will improve tracking of implementation of development policies, strategies, and programmes and projects;
  - iv. Integrated Regional Development whose objective is to promote equitable and sustainable basin based development and land utilization; and
  - v. General Administration, Planning and Support Services whose objective is to enhance efficient and effective service delivery in programmes implementation.

21. The State Department for Devolution will implement the following programmes:-
  - i. Devolution support services in order to facilitate effective implementation of the devolved system of government;
  - ii. Management of Intergovernmental Relations so as to ensure harmonious intergovernmental relations at national and county levels; and
  - iii. General Administration, Planning and Support Services in order to provide efficient administrative services that would ensure effective execution of technical mandates of the state department.
22. The Office of the Controller of Budget will implement the programme on control and management of public finances with the objective of promoting prudent public financial management by authorizing withdrawals from public funds and reporting on budget implementation to National and County Governments through Parliament and county assemblies.
23. The Commission on Revenue Allocation will implement the programme on Inter-Government Revenue and Financial Matters which will ensure equitable vertical and horizontal sharing of resources; promote good financial management; enhance revenue collection by both levels of government; and narrow marginalization gap.
24. The Salaries and Remuneration Commission will implement the programme on Salaries and Benefits Management in the Public Service with the aim of ensuring a dynamic and harmonized competitive remuneration structure in the public service that rewards productivity, attracts and retains required skills; is transparent and also fiscally sustainable.

**Proposed sector ceilings for each vote**

25. The BPS proposes the following ceilings for the MDAs oversighted by the Committee:-
  - i. The National Treasury: **KSh. 183,764.4 million;**
  - ii. State Department for Planning: **KSh. 45,812 million;**
  - iii. State Department for Devolution: **KSh. 2,647.7 million;**
  - iv. Office of the Controller of Budget: **KSh. 639.3 million;**
  - v. Commission on Revenue Allocation: **KSh. 383.6 million; and**
  - vi. Salaries and Remuneration Commission: **KSh. 621.4 million.**

### 3 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

The MDAs submitted as follows when they appeared before the Committee:-

#### The National Treasury

26. The National Treasury's proposed budget for the FY 2021/22 is **KSh. 183,764.4 million** made up of KSh. 85,925.1 million and KSh. 97,839.3 million for recurrent and development respectively. The budget will fund the following programmes:-

- i. Programme 071700: General Administration, Planning and Support Services – **KSh. 83,822 million;**
- ii. Programme 071800: Public Financial Management – **KSh. 40,825.3 million;**
- iii. Programme 071900: Economic and Financial Policy Formulation and Management – **KSh. 1,608.4 million;**
- iv. Programme 072000: Market Competition and Creation of Enabling Business Environment – **KSh. 376 million;**
- v. Programme 0740000: Government Clearing Services – **KSh. 56.2 million;**
- vi. Programme 0203000: Rail transport – **KSh. 32,798.5 million;** and
- vii. Programme 0204000: Maritime Transport – **KSh. 24,278 million.**

#### State Department for Planning

27. The State Department for Planning's proposed budget for FY 2021/22 is **KSh. 45,912 million** against a funding need of KSh. 65,302 million hence a shortfall of KSh. 19,490 million. The State Department requires additional funding of **KSh. 22,899.85 million** to fund the following:-

#### Recurrent Expenditure – KSh. 2,275.65 million

- i. **KSh. 42.30 million** for the Headquarter to cater for the shortfall in personnel emoluments of Economist II who are to be deployed in the National County Planning Offices;
- ii. **KSh. 169.31 million** for KIPPRA to cater for recruitment of new staff and replacing staff who have exited through natural attrition;
- iii. **KSh. 21.60 million** for NCPD to cater for personnel emolument shortfall and provision of gratuity for officers whose contracts are ending within FY 2021/22;
- iv. **KSh. 31.60 million** for VDS to cater for gratuity for officers whose contracts are ending within FY 2021/22;
- v. **KSh. 41.84 million** for NEPAD/APRM Kenya Secretariat to cater for recruitment of 2 directors, public relations manager and accountant I;
- vi. **KSh. 100 million** for KNBS to cater for personnel emoluments shortfall;
- vii. **KSh. 50 million** for macro for setting up a technical secretariat to support the President in executing his role as the President in the Office of the 9<sup>th</sup> ACP Summit;
- viii. **KSh. 200 million** for National Government County Planning Offices to cater for the shortfall in operationalization of the 47 National Government County Planning Offices;
- ix. **KSh. 114 million** for Social Governance to develop a Knowledge Management Framework for Kenya as directed by the NDITC;
- x. **KSh. 30 million** for Social Governance to re-engineer CPPMUs in ministries and departments to effectively undertake the National Sectoral Planning Function as well as promote continuous engagement between the State Department and CPPMU;
- xi. **KSh. 100 million** for NEPAD/APRM for cascading APRM to the counties and undertaking a targeted review of the President as per his commitment to AU;

- xii. **KSh. 15 million** for NEPAD/APRM to support the Office of the High Representative for Infrastructure Development in Africa;
- xiii. **KSh. 10 million** for NEPAD/APRM to undertake capacity building and skills development for nurses and midwives during the COVID-19 Pandemic in collaboration with Moi University and UNFPA;
- xiv. **KSh. 1,050 million** for KNBS to cater for PfR for Kenya statistical programme where World Bank has committed to fund Phase II of the project;
- xv. **KSh. 100 million** for VDS to cater for Monitoring and Evaluation of flagship projects and communication of their progress to Kenyans; and
- xvi. **KSh. 200 million** for NCPD Secretariat to implement the 17 commitments made by the President during the ICPD 25.

**Development Expenditure – KSh. 20,624.20 million**

- i. **KSh. 128.2 million** for National Economic Planning and International Partnerships Programme for preparing the Fourth MTP of Kenya Vision 2030 and the 28 sector plans;
- ii. **KSh. 80 million** for Economic Empowerment Programme for conducting the 6<sup>th</sup> Participatory Poverty Assessment (PPA) to provide qualitative data on the impact of the various policies, strategies, programmes and projects aimed at reducing poverty and improving welfare of Kenyans;
- iii. **KSh. 25 million** for Economic Empowerment Programme for developing the 9<sup>th</sup> Kenya National Human Development Report with a focus on providing an opportunity to fast track sustainable Human Development in Kenya;
- iv. **KSh. 30 million** for National Integrated Monitoring and Evaluation System to roll out E-Nimes to MDAs and counties, publishing of APR II, Norms and Standards and Big 4 Agenda Report;
- v. **KSh. 15 million** for Social Policy and Research Programme for rolling out the electronic Social Intelligence Reporting (e-SIR) tool for gathering data and information for monitoring the delivery and status of public social services;
- vi. **KSh. 1,389 million** for Kenya Statistical Programme for Results for PfR for Kenya Statistical Programme where World Bank has committed to fund Phase II of the project;
- vii. **KSh. 133 million** for KNBS & SDGs Directorate to undertake a survey on the socio-economic impact of COVID-19 on the livelihoods of Kenya Households. The survey result will help in understanding the impact of pandemic on government programmes such as UHC and realization of the SDGs;
- viii. **KSh. 63 million** for KIPPRA to implement the Young Professionals Programme which develops capacities in public policy research and analysis;
- ix. **KSh. 100 million** for NCPD to implement the 17 commitments made by the President during ICPD 25; and
- x. **KSh. 18,691 million** for NG-CDF to cater for CDF arrears for FY 2019/20 and prior years.

### State Department for Devolution

28. The State Department for Devolution's proposed budget for FY 2021/22 is **KSh. 2,647.7 million** against a resource requirement of KSh. 11,679 million. They requested for additional funding of **KSh. 8,131.8 million** to cater for the following:-

#### Recurrent expenditure – KSh. 2,251.8 million

- i. **KSh. 87.1 million** for rent to cater for leasing of office space for Ministry HQ officers who were temporarily housed by other State Departments;
- ii. **KSh. 36.8 million** for purchase/lease of vehicles i.e. one vehicle for CAS and three vehicles for field services;
- iii. **KSh. 25.4 million** for training expenses;
- iv. **KSh. 1,621.6 million** for emergency relief funds;
- v. **KSh. 60 million** for operationalization of National Social Security Assistance Program;
- vi. **KSh. 300 million** for coordination of valuation and transfer of land and other equipment of the defunct local authorities and national government (devolved functions);
- vii. **KSh. 17.8 million** for IGRTC to cater for salaries as advised by SRC;
- viii. **KSh. 25 million** for IGRTC to cater for the finalization of the identification, verification and validation of assets and liabilities of 14 devolved functions in 21 counties;
- ix. **KSh. 38 million** for IGRTC to cater for identification, verification and validation of assets and liabilities of 156 state corporations and SAGAs; and
- x. **KSh. 40 million** for CoG for operationalization of Maarifa Center and the 12 sector committees, 5% annual rent growth as per the lease, repair and maintenance costs of motor vehicles and assets.

#### Development Expenditure – KSh. 5,880 million

- i. **KSh. 1,280 million** for capacity building and technical assistance to fulfill mandate as per various Acts; and
- ii. **KSh. 4,600 million** for capacity building and technical assistance (conditional grants Level II (P for R))

### Office of the Controller of Budget

29. The Office of the Controller of Budget's proposed budget for FY 2021/22 is **KSh. 639 million** against a resource requirement of KSh. 835 million hence a variance of KSh. 196 million.

### Commission on Revenue Allocation

30. The Commission on Revenue Allocation's proposed budget for FY 2021/22 is **KSh. 383.6 million** against a resource requirement of KSh. 546.6 million. They requested for additional funding of **KSh. 162 million** to cater for:-

- i. **KSh. 31 million** for assessment of county government performance;
- ii. **KSh. 17 million** for financing and financial management for counties and comprehensive study on Own Source Revenue;
- iii. **KSh. 20 million** for masterplan de-marginalisation/GIS Mapping/3<sup>rd</sup> Policy identifying marginalized areas;
- iv. **KSh. 22 million** for purchase of motor vehicles;
- v. **KSh. 15 million** for mortgage and car loan schemes; and
- vi. **KSh. 57 million** for insurance, ICT equipment and other O & M items.

### **Salaries and Remuneration Commission**

31. The Salaries and Remuneration Commission's proposed budget for FY 2021/22 is **KSh. 621.4 million** against a resource need of KSh. 891.9 million hence a gap of KSh. 270.5 million. The Commission requested for additional **KSh. 145.7 million** to cater for the following:-

- i. **KSh. 21.34 million** for domestic travel and subsistence and other transportation costs;
- ii. **KSh. 9.4 million** for foreign travel and subsistence and other transportation costs;
- iii. **KSh. 39.82 million** for training expenses;
- iv. **KSh. 13.04 million** for hospitality supplies and services;
- v. **KSh. 8.71 million** for other operating expenses;
- vi. **KSh. 7 million** for legal dues/fees, arbitration and compensation payments;
- vii. **KSh. 5.5 million** for routine maintenance – other assets; and
- viii. **KSh. 40.93 million** for purchase of office furniture and general equipment.

## PART III

### 4 COMMITTEE OBSERVATIONS

Having examined the BPS 2020, for all the spending agencies under its purview, the Committee makes the following observations and recommendations:-

#### **The National Treasury (TNT)**

32. The Budget Policy Statement projects the total revenue in FY 2021/22 at KSh. 2,033.9 billion (16.4% of the GDP). Ordinary Revenue is projected at KSh. 1,775.6 billion (14.3% of the GDP) compared to KSh. 1,594.0 billion (14.3% of the GDP) projected in the current financial year, 2020/21. This, coupled with increased expenditure pressures would potentially exacerbate the challenge of keeping fiscal deficit in check. This would occasion liquidity problems which may also strain vertical sharing of resources between the two levels of government, ultimately causing debt sustainability problems. Again, some of the recently reversed tax incentives have a significant implication on the performance of the economy.
33. Treasury was overoptimistic in their revenue projection and this may open room for more borrowing.
34. The National Treasury should identify more creative ways of raising revenue such as divestiture of the state-owned enterprises who continue to be funded from the exchequer.
35. Two new programmes have been shifted from the State Department for Transport to the National Treasury i.e. Rail Transport and Marine Transport. It is hoped that during the Estimates for FY 2021/22, the programmes targets and Key Performance Indicators would be shifted here as well to allow effective oversight.
36. Implementation of Equalization Fund was stopped around 2016 when the Statutory Instrument that was implementing the Fund was nullified by the High Court. Establishing another instrument seems to be taking unprecedentedly long. There is a risk of the Fund lapsing without achieving its intended objective.

#### **State Department for Devolution**

37. The ceiling for the programme on Devolution Support for Results should be enhanced since the roll-out of phase 2 is expected to start in November, 2021.
38. The budget for provision of relief food should be moved to this State Department so as to ensure swift response during food shortages since some populace depend on this food not as an emergency but a common occurrence for them.

#### **The Office of the Controller of Budget**

39. The Controller of Budget is required, by law, to report to Parliament and the legislative assemblies in county governments, the budget implementation status. Nevertheless, the report ought to contain both the financial and the non-financial performance. The reporting on the quarterly achievement of targets and key performance indicators would facilitate effective oversight of the budget by the legislatures in both levels of government.

**The Commission on Revenue Allocation.**

40. The Commission on Revenue Allocation in conjunction with other relevant stakeholders should spearhead the ascertainment of revenue potential in all the counties. This should be the basis of Own Source Revenue projections by county governments so as to ensure realistic revenue forecasting.

**Salaries and Remuneration Commission**

41. Despite the Commission's budget being increased, the wage bill sustainability remains a challenge.

## **5 COMMITTEE RECOMMENDATIONS**

### **5.1 Policy Recommendations**

#### **The National Treasury**

42. Reduce the projected revenue from the current KSh. 1.775 trillion to the current financial year level at KSh. 1.594 trillion, in view of the reduced base which has already been affected by the revenue underperformance in the first half of the current financial year. This would ensure realistic revenue projection which has an implication on fiscal deficit and division of revenue.
43. The National Treasury should ensure immediate implementation of the Equalization Fund by expediting the process of publishing the requisite Statutory Instrument. The outstanding balances should be factored in the Estimates for the FY 2021/22 budget.

#### **State Department for Devolution**

44. The ceiling for the programme on Devolution Support for Results should be enhanced by about KSh. 4.6 billion since negotiations for roll-out of phase 2 are on-going.
45. The budget for provision of relief food should be moved to the State Department of Devolution so as to ensure swift response during food shortages since some populace depend on this food not as an emergency but as a common occurrence.

#### **The Office of the Controller of Budget**

46. The ceiling for the Office should be enhanced by KSh. 50 million so as to facilitate Budget Implementation reporting to Parliament and the legislative assemblies in county governments, to contain both the financial and the non-financial performance. The reporting on the quarterly achievement of targets and key performance indicators would facilitate effective oversight of the budget by the legislatures in both levels of government.

#### **The Commission on Revenue Allocation.**

47. To ensure realistic revenue projections by the County Governments, the Commission's ceiling should be enhanced by KSh. 83 million so as to facilitate the establishment of revenue potential in all the counties and development of the 3<sup>rd</sup> Policy on Marginalisation.

## 5.2 Financial recommendations/Proposed reallocations

### i. Proposed reductions of the proposed ceilings

Vote	Programme/Area/item	Proposed Reduction (Millions)	Justification
1071: National Treasury	071800: Public Financial Management	7,660.14	The funds will cater for the increases in the following MDA's:- i. Commission on Revenue Allocation – KSh. 83 million; ii. Office of the Controller of Budget – KSh. 50 million; ii. State Department for Devolution – KSh. 5,779.6; and iv. State Department for Planning – KSh. 1,747.54

### ii. Proposed increments on the proposed ceilings

Vote	Programme/Area/item	Proposed Increases (Millions)	Justification
<b>COMMISSION ON REVENUE ALLOCATION</b>			
2061	Assessment of county government performance	31	To enable the Commission to discharge its mandate optimally.
	Financing and financial management for counties and comprehensive study on Own Source Revenue	17	
	Masterplan de-marginalisation/GIS Mapping/3 <sup>rd</sup> Policy identifying marginalized areas	20	
	Mortgages and car loan schemes	15	
	<b>TOTAL</b>		<b>83</b>
<b>CONTROLLER OF BUDGET</b>			
2121	Raise the ceiling	50	To facilitate Budget implementation reporting to Parliament and the legislative assemblies in county governments, to contain both the financial and the non-financial performance.

**STATE DEPARTMENT FOR DEVOLUTION**

**Recurrent Expenditure**

1032	Purchase/lease of vehicles	<b>36.8</b>	To fund critically underfunded areas.
	Relief food	<b>1,000</b>	
	Operationalization of National Social Security Assistance Programme	<b>60</b>	
	IGRTC to cater for salaries as advised by SRC	<b>17.8</b>	
	IGRTC to cater for the finalization of the identification, verification and validation of assets and liabilities of 14 devolved functions in 21 counties	<b>25</b>	
	CoG for operationalization of Maarifa Centre and the 12 sector committees, 5% annual rent growth as per the lease, repair and maintenance costs of motor vehicles and assets	<b>40</b>	
<b>TOTAL</b>		<b>1,179.6</b>	

**Development Expenditure**

1032	Capacity building and technical assistance (conditional grants Level II (P for R))	<b>4,600</b>	To enable Implementation of Phase 2 of the programme.
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**STATE DEPARTMENT FOR PLANNING**

**Recurrent Expenditure**

1034	Headquarters to cater for the shortfall in personnel emoluments of Economist II who are to be deployed in the National County Planning Offices	<b>42.3</b>	To cater for critically underfunded areas.
	KIPPRA to cater for recruitment of new staff and replacing staff who have exited through natural attrition	<b>100</b>	
	NCPD to cater for personnel emolument shortfall and provision of gratuity for officers whose contracts are ending within FY 2021/21	<b>21.6</b>	

Vision Delivery Secretariat to cater for gratuity for officers whose contracts are ending within FY 2021/22	<b>31.6</b>
NEPAD/APRM Kenya Secretariat to cater for recruitment of 2 directors, public relations manager and accountant I	<b>41.84</b>
KNBS to cater for personnel emoluments shortfall	<b>100</b>
Macro for setting up a technical secretariat to support the President in executing his role as the President in the Office of the 9 <sup>th</sup> ACP Summit	<b>50</b>
Social Governance to develop a Knowledge Management Framework for Kenya as directed by NDITC	<b>114</b>
Social Governance to re-engineer CPPMUs in ministries and departments to effectively undertake the National Sectoral Planning Function as well as promote continuous engagement between the State Department and CPPMU	<b>30</b>
NEPAD/APRM for cascading APRM to the counties and undertaking a targeted review of the President as per his commitment to AU	<b>100</b>
NEPAD/APRM to support the Office of the High Representative for Infrastructure Development in Africa	<b>15</b>
NEPAD/APRM to undertake capacity building and skills development for nurses and midwives during the COVID-19 Pandemic in collaboration with Moi University and UNFPA	<b>10</b>

	KNBS to cater for PfR for Kenya Statistical Programme where World Bank has committed to fund Phase II of the project	<b>600</b>	
	Vision Delivery Secretariat for Monitoring and Evaluation of flagship projects and communication of their progress to Kenyans	<b>50</b>	
	NCPD secretariat to implement the 17 commitments made by the President during the ICPD 25	<b>100</b>	
<b>Development Expenditure</b>			
1034	0706010000: National Economic Planning and International Partnerships Programme for preparing the Fourth MTP of Kenya Vision 2030 and the 28 sector plans	<b>128.2</b>	The additional funds will be used for economic planning, research and payment of NG-CDF arrears.
	1072100700: Economic Empowerment Programme for conducting the 6 <sup>th</sup> Participatory Poverty Assessment (PPA)	<b>80</b>	
	1072100700: Economic Empowerment Programme for developing the 9 <sup>th</sup> Kenya National Human Development Report with a focus on providing an opportunity to fast track sustainable Human Development in Kenya	<b>25</b>	
	0708010000: National Integrated Monitoring and Evaluation System roll out to MDAs and counties, publishing of APR II, Norms and Standards and Big Four Agenda Report	<b>30</b>	

	1072101200: Social policy and Research Programme for rolling out the electronic Social Reporting (e-SIR) tool for gathering data and information for monitoring the delivery and status of public social services	<b>15</b>	
	1072101200: KIPPRA to implement the Young Professionals Programme which develops capacities in public policy research and analysis	<b>63</b>	
	NG-CDF arrears for FY 2019/20 and prior years	<b>18,691</b>	
<b>TOTAL</b>			<b>20,438.54</b>
<b>GRAND TOTAL</b>			<b>24,301.14</b>

**iii. Critically underfunded areas**

<b>Vote</b>	<b>Programme/Area/item</b>	<b>Proposed increase (millions)</b>	<b>Justification</b>
1034: State Department for Planning	NG-CDF	<b>18,691</b>	To pay for the arrears for FY 2019/20 and prior years.

### 5.3 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change/Non-Financial Recommendation for Supplementary	Financial Recommendation (If any)
1.	<p><b>The National Treasury</b></p> <p>The Budget Policy Statement projects the total revenue in FY 2021/22 at KSh. 2,033.9 billion (16.4% of the GDP). Ordinary Revenue is projected at KSh. 1,775.6 billion (14.3% of the GDP) compared to KSh. 1,594.0 billion (14.3% of the GDP) projected in the current financial year, 2020/21. This, coupled with increased expenditure pressures would potentially exacerbate the challenge of keeping fiscal deficit in check. This would occasion liquidity problems which may also strain vertical sharing of resources between the two levels of government, ultimately causing debt sustainability problems. Again, some of the recently reversed tax incentives have a significant implication on the performance of the economy.</p>	<p>Reduce the projected revenue from the current KSh. 1.775 trillion to the current financial year level at KSh. 1.594 trillion, in view of the reduced base which has already been affected by the revenue underperformance in the first half of the current financial year. This would ensure realistic revenue projection which has an implication on fiscal deficit and division of revenue.</p>	
2.	<p>Implementation of Equalization Fund was stopped around 2016 when the Statutory Instrument that was implementing the Fund was nullified by the High Court. Establishing another instrument seems to be taking unprecedentedly long. There is a risk of the Fund lapsing without achieving its intended</p>	<p>The National Treasury should ensure immediate implementation of the Equalization Fund by expediting the process of publishing the requisite Statutory Instrument. The outstanding balances should be factored in</p>	

	objective.	the Estimates for the FY 2021/22 budget.	
3.	The ceiling for the programme on Devolution Support for Results should be enhanced since the roll-out of phase 2 is expected to start in November, 2021.	The ceiling for the programme on Devolution Support for Results should be enhanced by about KSh. 4.6 billion since negotiations for roll-out of phase 2 are on-going.	<b>KSh. 4,600 million</b>
4.	The budget for provision of relief food should be moved to this State Department so as to ensure swift response during food shortages since some populace depend on this food not as an emergency but a common occurrence for them.	The budget for provision of relief food should be moved to this State Department so as to ensure swift response during food shortages since some populace depend on this food not as an emergency but a common occurrence for them.	<b>KSh. 1,000 million</b>
5.	The Controller of Budget is required, by law, to report to Parliament and the legislative assemblies in county governments, the budget implementation status. Nevertheless, the report ought to contain both the financial and the non-financial performance. The reporting on the quarterly achievement of targets and key performance indicators would facilitate effective oversight of the budget by the legislatures in both levels of government.	The ceiling for the Office should be enhanced by KSh. 50 million so as to facilitate Budget Implementation reporting to Parliament and the legislative assemblies in county governments, to contain both the financial and the non-financial performance. The reporting on the quarterly achievement of targets and key performance indicators would facilitate effective oversight of the budget by the legislatures in both levels of government.	<b>KSh. 50 million</b>

6.	The Commission on Revenue Allocation in conjunction with other relevant stakeholders should spearhead the ascertainment of revenue potential in all the counties. This should be the basis of Own Source Revenue projections by county governments so as to ensure realistic revenue forecasting.	To ensure realistic revenue projections by the County Governments, the Commission's ceiling should be enhanced by KSh. 83 million so as to facilitate the establishment of revenue potential in all the counties and development of the 3 <sup>rd</sup> Policy on Marginalisation.	<b>KSh. 83 million</b>
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SIGNED:..... DATE.....



26<sup>th</sup> February 2021

**HON. GLADYS WANGA, CBS, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING)**

## Proposed Annexures

### Annex 1: Mini Schedule indicating the final ceilings per programme

Vote	Programme	Draft Ceilings (As tabled)			Committee Amendments			Final ceilings		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
2081: Salaries and Remuneration Commission	Salaries and Benefits Management in the Public Service	621.4	-	621.4	-	-	-	621.4	-	621.4
2061: Commission on Revenue Allocation	Inter-Governmental Revenue and Financial Matters	387	-	387	83	-	83	470	-	470
2121: Office of the Controller of Budget	Control and Management of Public Finances	639	-	639	50	-	50	689	-	689
1032: State Department for Devolution	Devolution Support Services, General Administration, Planning and Support Services and Special Initiatives	1,384	1,264	2,648	1,180	4,600	5,770	2,564	5,864	8,428
1034: State Department for Planning	Economic policy and National Planning, National Statistical Information Services, Monitoring and Evaluation Systems and				1,406	19,032	20438			66,350

	General administration, Planning and support Services									
1071: National Treasury	071800: Public Financial Management	6,252	34,573	40,825	-	(7,660)	(7,660)	6,252	26,913	<b>33,165</b>

Annex 2: PBO brief on the BPS/Supplementary Budget 1 for 2020/21

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON HEALTH**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT 2021  
FOR THE MINISTRY OF HEALTH**

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## **PART I**

### **1.0 PREFACE**

### **1.1 INTRODUCTION**

1. On behalf of the Departmental Committee on Health and pursuant to Standing Order 207(6), it is my pleasant privilege and honour to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the Budget Policy Statement for 2021 and the Medium Term.
2. The report results from the examination of the Budget Policy Statement 2021 by the Committee for the Agencies under the purview of the Departmental Committee on Health and consultative meetings with the Ministry of Health.

### **1.2 THE MANDATE OF THE COMMITTEE**

3. The Departmental Committee on Health is established under Standing Order 216 and mandated to consider all matters relating to the health Sector. The Committee covers the Ministry of Health alongside its Semi-Autonomous Government Agencies (SAGA's) in terms of budget oversight. The SAGA's are:
  - i Kenya National Hospital (KNH);
  - ii Moi Teaching and Referral Hospital (MTRH)
  - iii Kenyatta University Teaching, Research and Referral Hospital (KUTRRH)
  - iv Kenya Medical Training College (KMTC)
  - v Kenya Medical Supplies Agency (KEMSA)
  - vi Kenya Medical Research Institute (KEMRI)
  - vii National Aids Control Council (NACC)
  - viii National Hospital Insurance Fund (NHIF)
  - ix Kenya Nuclear Regulatory Authority (KENRA)

### 1.3 COMMITTEE MEMBERSHIP

#### **Chairperson**

Hon. Sabina Chege, MP  
Murang'a County  
**Jubilee Party**

#### **Vice-Chairperson**

Hon. Joshua Kutuny, MP  
Cherangan'y Constituency  
**Jubilee Party**

#### **Members**

Hon. (Dr.) Eseli Simiyu, MP  
Tongaren Constituency  
**Ford Kenya Party**

Hon. Gideon Ochanda, MP  
Bondo Constituency  
**ODM Party**

Hon. (Dr.) James Nyikal, MP  
Seme Constituency  
**ODM Party**

Hon. Alfred Agoi Masadia,  
MPSabatia Constituency  
**ANC Party**

Hon. (Dr.) James K, Murgor, MP  
Keiyo North Constituency  
**Jubilee Party**

Hon. Muriuki Njagagua, MP  
Mbeere North Constituency  
**Jubilee Party**

Hon. (Dr.) Mohamed D. Duale, MP  
Daadab Constituency  
**KANU Party**

Hon. Beatrice Adagala, MP  
Vihiga County  
**ANC Party**

Hon. James G Wamacukuru  
Kabete Constituency  
**Jubilee Party**

Hon. Prof. Mohamud Sheikh, MP  
Wajir South  
**Jubilee Party**

Hon. Sarah Puleta Korere, MP  
Laikipia North Constituency  
**Jubilee Party**

Hon. Capt. Ruweida Mohamed, MP  
Lamu County  
**Jubilee Party**

Hon. Kipsengeret Koros, MP  
Sigowet-Soin Constituency  
**Independent Party**

Hon. Martin Peters Owino,  
MPNdhiwa Constituency  
**ODM Party**

Hon. Joyce Ekai Emanikor, MP  
Turkana County  
**Jubilee Party**

Hon. Said Hirabe, MP  
Galole Constituency  
**Ford Kenya Party**

Hon. Tongoyo Gabriel Koshal, MP  
Narok West Constituency  
**CCM Party**

## **1.4 COMMITTEE SECRETARIAT**

4. The following members of the Secretariat support the Committee;

- |                               |   |                        |
|-------------------------------|---|------------------------|
| 1. Mr Benjamin Magut          | - | Senior Clerk Assistant |
| 2. Mr Muyodi Meldaki Emmanuel | - | Clerk Assistant II     |
| 3. Ms Christine Odhiambo      | - | Legal Counsel I        |
| 4. Mr Eric Kanyi              | - | Fiscal Analyst         |
| 5. Mr Ahmed Yakub             | - | Media Officer          |
| 6. Nimrod Ochieng             | - | Audio Officer          |

## **1.5 OVERVIEW OF THE EXAMINATION OF THE BUDGET POLICY STATEMENT 2021**

5. On Thursday, 14<sup>th</sup> February 2021, the Budget Policy Statement (BPS) for 2021 was tabled in the House pursuant to the provisions of Standing Order 232 of the National Assembly and Section 25(2) of the Public Finance Management Act, 2012.
6. Standing Order 232(4) provides that the Departmental Committee deliberate on the Budget Policy Statement according to its mandate and make recommendations to the Budget and Appropriations Committee. Thus, pursuant to the provisions of Standing Order No 232(4), the BPS was referred to the Committee for consideration and subsequent reporting to the Budget and Appropriations Committee.
7. Following the tabling of the BPS, the Departmental Committee on Health was briefed on the contents of the BPS 2021 and thereafter retreated to hold consultative meetings with the Ministry of Health.
8. In considering the Budget Policy, the Committee held a total of five sittings. The Committee deliberated on the Health sector policy issues in the budget policy statement 2021 and the proposed resource ceilings for the next MTEF period and subsequently adopted the report.

## **1.6 ACKNOWLEDGEMENT**

9. The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the Budget Policy Statement 2021.
10. On behalf of the Departmental Committee on Health and pursuant to Standing Order 207(6), it is my pleasant privilege and honour to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the Budget Policy Statement 2021 for the Ministry of Health.

**HON. SABINA CHEGE, MP**

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON HEALTH)**

## PART II

### 2.0 OVERVIEW OF THE HEALTH POLICIES CONTAINED IN THE BPS 2021

**Mr Chairman,**

11. In the last three years, the health sector priorities have been towards supporting the achievement of the UHC as part of the big four agenda unveiled in 2018. The government goal under the UHC agenda is to ensure that all Kenyans have access to quality health care.
12. The various policies outlined in the BPS 2021 seem to be a build-up for support towards the 100% UHC agenda initiated in 2018. However, there seem to be inconsistencies between priorities outlined in the BPS 2021 and policies outlined between 2018 and 2020.
13. For instance, in terms of delivery of UHC which is a key goal in the sector, the BPS 2021 has laid more emphasis on social insurance as the primary delivery tool, unlike in the BPS 2020 which was a combination of social insurance and strengthening primary health systems through the provision of HPT's in health facilities.
14. The following are the priority areas outlined in the BPS 2021 in relation to the UHC program:
  - Fast-tracking NHIF reforms and transform it into a national social health insurer;
  - Establishment of a mandatory UHC scheme to be managed by NHIF and regulated by the Ministry of Health and act as the national scheme for all persons resident in Kenya, notwithstanding one's social status;
  - Adopting the Essential Health Benefits Package at the cost of Kshs 6,000 per household per annum enables Kenyans to access an essential set of health services at a much lower cost. The package is envisaged to cover several areas including outpatient and inpatient services, communicable and non-communicable disease management, maternity, dialysis, radiology, mental health, minor and major surgery, substance abuse rehabilitation, emergency services and cancer treatment, among others;

- Provision of health insurance covers initially for one million households who are vulnerable and unable to meet even that low-cost premium. The identification of these one million indigent households is undertaken by the Ministry of Health and the Ministry of Labour and Social Protection;
  - Fostering partnerships with the County Governments to realize the goals of UHC.
  - The rolled out of one single national scheme that achieves equity and efficiency through effective cross-subsidization across the poor and rich and across the sick and healthy. This is expected to be achieved by consolidating all the state-sponsored schemes into the UHC scheme (HISP OVC, Elderly, PWD, Linda Mama, Edu-Afya) into the UHC insurance scheme,
  - The UHC fund establishes seamless operations of the UHC agenda and that the UHC fund regulations are being drafted.
15. The other key priorities outlined in the BPS 2021 that is a continuity from the priorities outlined earlier are:
- Improvement of maternal, newborn and child health services; reduce malaria-related mortality in Kenya;
  - Enhance early diagnosis and management options for cancer and renal diseases through the recently launched oncology centre at Kenyatta University Teaching, Research and Referral Hospital.
  - Prioritize cancer treatment services by establishing ten (10) cancer centres across the country to manage the cancer burden.
  - Focus on the mental illness that has increasingly caused serious national distress and anguish across the country. This will be done by establishing an ultra-modern National Mental Health Hospital by elevating Mathari National Teaching and Referral Hospital as a semi-autonomous specialized hospital.

**a) Health Sector proposed ceilings for 2021/22**

16. The sector plans to continue implementing the existing five programmes in the 2021/22 financial year given that policy prioritization in 2021 and over the medium term fits well within the five programmes. The proposed allocation to the sector is Kshs 112.5 Billion. The allocation is expected to increase to Kshs 115.2 Billion in 2023/24.

Table 5 gives the proposed budget ceilings (recurrent and development) for the financial year 2021/22 and the projections within the medium term broken down to various programmes being implemented by the Ministry.

**Table 5:** Proposed resource ceilings (Kshs Millions)

Programmes	2021/22 Ceiling		
	Recc	Dev	Total
Preventive, Promotive and RMNCAH	4,149	14,884	19,033
National Referral and specialized services	35,774	11,475	47,249
Health Research and Development	9,684	588	10,272
General Administration and Planning	7,617	1,060	8,677
Health Policy, Standards and Regulations	7,835	19,506	27,341
<b>Total</b>	<b>65,059</b>	<b>47,513</b>	<b>112,572</b>

17. The sector's key priority programme is the National referral and specialized services with an allocation of Kshs 47.2 Billion (42% of the MOH proposed ceiling). This programme relates to the financing of National referral facilities in the country which is a key national government function.
18. The other priority programme is the health policy standards and regulations with a proposed allocation of Kshs 27.3 Billion. This is the programme that is directly in charge of the implementation of the UHC and other social protection programmes such as HISP and Linda Mama programme.
19. The preventive and promotive health programme has also been prioritized with a proposed ceiling of Kshs 19 Billion. The programme funds interventions on communicable and non-communicable diseases. The key areas are funding vaccines and immunization, HIV Malaria, TB and cancer interventions among other interventions.

### **3.0 SUBMISSIONS BY MINISTRY OF HEALTH**

20. The Ministry of Health appeared before the Committee and took the Committee through the Budget Policy Statement 2021 and the Health sector's policies. The Committee was taken through the following areas:

- a) Overview of recent developments;
- b) Overview of the Covid-19 Status in the country
- c) Overview of Universal Health Coverage and implementation
- d) Health sector programme performance overview FY 2017/18 – 2019/20;
- e) Medium-term priorities and financial plan for the MTEF period 2021/22-2023/24;
- f) Health sector conditional grants;
- g) Policy interventions; and
- h) The critical funding gaps in the Ministry, among other issues;

21. Since the confirmation of the first positive COVID-19 case in the country in mid-March 2020, there has been a concerted effort to have a multi-sectoral response approach to the pandemic. The Ministry in collaboration with Parliament, county governments and various development partners implemented interventions geared towards responding to the pandemic. These included among others:

- a) Support to counties to prioritize quarantine and isolation facilities;
- b) Provision of PPEs to frontline health workers as well as benefits based on the availability of funds;
- c) Strengthening of health systems through equipping medical facilities;
- d) Recruitment of additional health workers temporarily to increase the response capacity.

22. In preparation to vaccinate Kenyans, the Ministry has finalized the “National COVID-19 Deployment and Vaccination Plan” to provide the country with a roadmap regarding the COVID-19 vaccination programme scheduled for rollout in Q3&Q4 of this financial year.
23. The Ministry aims to vaccinate at least 30% of the population in three phases covering Q3&4 of FY 2020/21 to the end of FY 2022/23 with a focus on health care workers, critical workers in priority sectors (e.g. security, education and tourism/hospitality), elderly persons and persons with comorbidities as a matter of priority.
24. The total budget required to implement this activity is Kshs.34.02 billion. GAVI through COVID-19 Vaccine Global Access (COVAX) Facility will provide in-kind support equivalent to Kshs.19.71 billion by procuring vaccines and injection devices to vaccinate 20% of the population (approx. 11 million people). The GoK is expected to provide budgetary resources totalling Kshs.14.31 billion to vaccinate an additional 10% of the population (approx. 4.9 million people) and all other related operational costs.
25. On UHC, Kenya has made progress towards universal health coverage (UHC) by undertaking various Health Systems reforms. The reforms target the Kenyan health system's eight building blocks described in the Kenya Health policy 2014 – 2030. The policy also takes into cognizance the important role the Primary Health Care approach plays in attaining UHC. These Reforms consist of:
  - a) Expanding financial coverage through a health insurance-based mechanism;
  - b) Enhancing the capacity of strategic purchasers of health services; and
  - c) Ensure adequate coverage of health services through an emphasis on primary healthcare (PHC).
26. The implementation of the UHC agenda is in four phases:-
  - a) The first phase was the one year, 4-county pilot of free services in all Government Health facilities through input-based financing from December 2018.

- b) The second phase of the UHC Implementation was from January to June 2020, focused on health systems strengthening through input-based financing, mainly health products and human resources for health in all 47 counties.
  - c) From July 2020 to June 2021, the third phase included a blended approach through mixed input and output-based financing. The UHC scheme (an output-based mechanism) has access to a defined health benefit package through an insurance-based tool with full premium subsidies for identified poor and vulnerable (indigents). This has necessitated for a targeted identification and registration of beneficiaries by the County Governments with a total of one (1) Million Households put under this scheme in the first year.
  - d) The fourth phase envisions a full transition to the UHC Scheme, which will be nested within NHIF, expanding the insurance mechanism's coverage.
27. The Ministry has noted that there has been a deliberate increase in budget allocations towards the health sector to improve service delivery and infrastructural development. The sector allocations for the period under review was Kshs 78.36 billion, Kshs 85.14 billion and Kshs 119.29 billion in FY 2017/18, 2018/19 and 2019/20 respectively.
28. The actual expenditure for the period was Kshs. 54.6 billion, Kshs. 74.5 billion and Kshs. 107.3 billion for the FY 2017/18, 2018/19 and 2019/20 respectively. An analysis of the sector budget expenditures shows an increase in absorption rate at 70%, 88% and 91% per cent for the FY 2017/18, 2018/19 and 2019/20 respectively.
29. Some of the key non-financial achievements witnessed by the Ministry include :
- a) HIV and AIDS prevalence rate decreased from 5.6% to 4.8%. The number of people on ART increased from 1,054,884 in 2017/18 to 1,093,331 in 2018/19 and 1,138,674 in 2019/20 while the proportion of HIV pregnant and breastfeeding women who received maternal Highly Active Antiretroviral Therapy (HAART) remained stable at over 90% translating to a reduction in mother to child transmission of HIV; from 14% in 2013 to 10.8% in 2019. Youth adolescent Programmes through peer-to-peer engagement reached 8,300,000 young people, while 10,131,843 condoms were distributed outside non-health settings. These efforts reduced new HIV infection from 77,648 to 52,767 and 41,416 infections in 2016, 2018 and 2020.
  - b) Through the “Linda Mama” programme, the sector improved skilled birth attendance from 62 % in 2018/19 to 75 % in 2019/2020. The proportion of married women using a modern contraception method increased from 53% to 62 % in 2018/19 and 2019/2020

respectively, while immunization coverage increased from 76% in 2018/19 to 82% in 2019/20.

- c) As part of the International Health Regulations to contain the COVID-19 pandemic, the sector increased diagnostic capacity for COVID-19 Pandemic in twelve counties. Simultaneously, 24,282 complete Personal Protective Equipment (PPEs) were distributed, 7,411 Isolation beds and 319 ICU beds were set up across 47 counties to contribute to UHC and medical tourism achievement beyond the COVID-19 pandemic.
- d) The sector continued to implement the Health Act 2017 by operationalising the Ministry's organisation structure and created the Director-General's office, the Kenya Health Professions Oversight Authority (KHPOA) and Kenya Health Human Resource Advisory Council (KHHRAC).

30. However, the sector also experienced some challenges that include;

- a) Inadequate and imbalanced human resource distribution for health remained a serious impediment to service delivery in the sector.
- b) The dilapidated health infrastructure, obsolete equipment and inadequate funding for research and development remained a big issue in the sector. Lack of sufficient HPT and vaccines stock out during the year occasioned by delay in tax exemptions has affected the importation of Health Commodities, hence impeding the sector plans and priorities.
- c) Regarding the medium-term priorities and financial plan for the MTEF period 2021/22-2023/24, the Ministry has dedicated the energy, time and resources in the implementation of the Big Four and emphasis on the foundations that have been put in place during the First and Second Medium Terms Plans.

31. The Ministry will also continue to focus on implementing UHC, strategic health programmes and response to COVID-19 Pandemic. In tackling COVID-19, the Ministry will require funding for tests kits, lab reagents, PPEs and COVID-19 Vaccines deployment.

32. The National Treasury proposes that the four existing conditional allocations funded from the National Government's revenue share be disbursed to the counties as part of the equitable revenue share on health sector conditional grants. This will affect two conditional grants in the MoH budget, namely;

- i. Grant to Level V Hospitals.
- ii. Compensation for user fees forgone.

33. The BPS has proposed a resource allocation of Kshs.119.855 billion comprising of Kshs.70.686 billion for recurrent and Kshs.49.169 billion for development. But the total Health Sector Resource requirement in the FY2021/22 is Kshs.195.7 billion comprising of Kshs.113.3 billion in recurrent and Kshs. 82.5 billion in development. This leaves a funding gap of Kshs.75.8billion, which will negatively impact the delivery of health service.
34. Due to the fiscal pressure in the economy, the Ministry appreciates that all planned programmes may not be fully funded. However, other priority areas are critical for the Ministry to undertake its core mandate that are underfunded. This problem is further compounded by declining donor support on strategic commodities. To this end, the Ministry request for additional funding in the following areas;
- i. Kenyatta University Teaching Research and Referral Hospital - **Kshs.2.752 billion** for Personnel Emoluments (Kshs.1 billion) and operational costs (Kshs.1.752 billion) to support full operationalization of the hospital.
  - ii. Mathari National Teaching and Referral Hospital- **Kshs.2.251 billion** for Personnel Emoluments (Kshs.601 million) and Kshs.1.65 billion for infrastructural development.
  - iii. Moi Teaching and Referral Hospital - **Kshs.1.676 billion** for Personnel Emoluments.
  - iv. Kenyatta National Hospital- **Kshs.5.754 billion** for Personnel Emoluments.
  - v. COVID-19 Vaccines- **Kshs.4.53 billion** for procurement of vaccines and related costs. To avail COVID-19 vaccines to 30% of the population including frontline health workers and vulnerable persons due to age and co-morbidities, i.e. cancer, high blood pressure, diabetes, HIV amongst others. The government will continue to partner with other stakeholders in compacting the pandemic.
  - vi. Procurement of HIV Drugs, Laboratory Reagents and Medical Supplies- **Kshs 8.3 billion.**
35. That the Ministry in delivering on its core mandate, and in effort to streamline service delivery, the Ministry is in the process of reviewing the following Acts: NHIF Act - to incorporate UHC fund submitted to Parliament, Pharmacy and Poison Act Cap 244 - to separate practice in Pharmacy practice Bill and create KFDA, Public Health Act cap 242- Update and align to Health Act, Medical Laboratory Technicians and Technologists Act of 1999, Malaria Prevention Act cap 246, The Dangerous Drug Act Cap. 245, The Mental Health Act Cap, 248, The Food, Drugs and Chemical Substances Act Cap 254, The Anatomy

Act cap 249, The Human Tissue Act Cap 252, The Tobacco Control Act of 2007, Public Health Act.

36. The Ministry is also developing the following Bills: Kenya Food Drugs Administration Bill, Traditional and Alternative Medicine Practice Bill, Kenya National Blood Transfusions and Organ transplant services bill, Environmental Health Bill, Pharmacy Practice Bill, Maternal and Neonatal Health Bill and Reproductive health bill. There are also private Members Bills that require the Ministry of Health, and they include Community Health Service Bill, National Blood transfusion service Bill, Mental health Bill and Access to service Bill.

## PART III

### 4.0 COMMITTEE OBSERVATIONS

37. The Committee made the following observations during the scrutiny of the BPS 2021:

- i That there is a policy shift where conditional grants meant for level 5 hospitals and the user foregone fees are being converted into equitable share. This implies that the counties will not be obliged to support these areas. Though the Committee supports this policy, the question that arises is whether the areas of interventions supported by the grant have been fully addressed and whether a mechanism has been put in place between the national government and the county governments for a smooth transition.
- ii That there is no mention in the BPS 2021 regarding the acquisition and availability of vaccines for COVID 19 and whether it is one of the government priorities in 2021/22 and over the medium term as part of COVID 19 interventions. Further, no resources have been provided for the acquisition of vaccines.
- iii That there is no policy or investment towards alternative medicine solutions in response against the COVID 19. There is a need to invest in research and policy formulation on the use of alternative (herbal) medicine as a complement to conventional drugs in dealing with COVID 19 and other diseases. This is a key component of the natural products initiative outlined in vision 2030. The initiative advocates for investment in building capacity for value addition to the enormous biodiversity in the country estimated to have high medicinal, cosmetic and nutritional value.
- iv That since 2018, the Ministry has prioritized legal, structural and administrative reforms at NHIF to transform it into a social health insurer for smooth implementation of UHC. However, since 2018 when the UHC agenda was introduced, no tangible reforms have been undertaken in this critical institution as envisaged.
- v That there is a change in UHC policy as the flagship programme moves to phase 4 of implementation, where the emphasis will be on the provision of social insurance rather than strengthening primary health systems previously done through the provision of HPTs.
- vi The government policy towards marshalling up resources towards UHC should consider bringing on board the contributory pension schemes to provide medical scheme through the NHIF platform to cover the post-retirement period. This will expand the pool of resources available for UHC;

- vii The government plans to transform the Mathare referral hospital into a modern facility for mental health as the government prioritizes mental health. However, there are no resources directed towards this goal to ensure that the hospital facilities are upgraded.
- viii That the issue of salaries shortfalls in National Referral Hospitals keeps cropping during the consideration of both supplementary budgets and the budget policy statement. The issue of salaries is a sensitive matter in the health sector and should be adequately provided through proper planning.
- ix That postgraduate trainees (registrars) in referral hospitals are being paid by the county governments while offering services to the referral facilities. Further, the counties cannot employ/recruit new doctors to replace the registrars seconded to the referral facilities, affecting health services provision at the county level.
- x That the Ministry of Health has a pending bill amounting to Kshs 1 Billion emanating from a court award, the Ministry undertook to pay this pending in this financial year so that the suppliers can waive the interest accrued. However, the Ministry has no allocated funds in the current financial year to settle this pending bill, and it is crucial it is prioritized in the next financial year to save the Ministry unnecessary litigations and penalties.

## **5.0 COMMITTEE RECOMMENDATIONS**

### **38. Policy Recommendations**

- i That within the next sixty (60) days, the Ministry of Health submits to the National Assembly a report enumerating the progress made in undertaking reforms in the NHIF to transform it into a social health insurer for smooth implementation of UHC.
- ii That the Ministry of Health should consider bringing on board the contributory pension schemes in terms of providing medical scheme through the NHIF platform to cover the post-retirement period to expand the pool of resources available for UHC;
- iii That the Ministry of Health re-organizes its budget and ensure that personnel emoluments requirements for the referral hospitals are fully provided for and given priority in the 2021/22 financial year to avert industrial action.
- iv That the Ministry of Health invests in research and policy formulation on the use of alternative (herbal) medicine to complement conventional drugs in dealing with COVID 19 and other diseases in line with vision 2030. Vision 2030 advocates for investment in building capacity for value addition to the enormous biodiversity in the country which has medicinal, cosmetic and nutritional value.
- v That in the financial year 2021/22, all national referral facilities should make provision for personnel emoluments costs for registrars seconded to their facilities and county governments should be allowed to replace these doctors temporarily during the period of secondment.
- vi Within the next six months, the Ministry of Health submits to the National Assembly a framework for supporting health services provision at the county level through targeted interventions.

### 39. Financial recommendations

The Committee noted the following critical areas that have financial gaps and request the Budget and Appropriation Committee to review the Ministry of Health ceiling by **Kshs 17.6 Billion** to cater for these critical areas:

Programme	Area/Item	Recommendation	Justification
National Referral and specialized services	Kenyatta University hospital current grants	Kshs 1 billion (recurrent)	To cater for personnel emoluments shortfalls and to avert industrial action by the Health workers in the National Health facilities.
	Mathare Referral Hospital	Kshs 600 million (recurrent)	
	Moi Teaching and Referral Hospital	Kshs 1.7 Billion (recurrent)	
	Kenyatta National Hospital	Kshs 5.8 Billion (recurrent)	
Preventive and promotive	Acquisition of COVID 19 vaccines	Kshs 4.5 Billion (development)	The government is relying on development partners support on this project and there is no GOK support towards acquisition of the vaccines
	Procurement of HIV drugs	Kshs 4 Billion (Development)	To support the government as the country transition towards self-reliance on the management of HIV
General Administration	Payment of pending bill arising from a court award	Kshs 1 Billion (recurrent)	The Ministry undertook to pay this pending in this financial year so that the suppliers are able to waive the interest accrued as agreed by the Ministry. However, the Ministry was not allocated funds in the current financial year to settle this pending bill and it is important it is prioritized in the next financial year to save the Ministry unnecessary litigations and penalties.

SIGNED..... DATE.....

HON. SABINA W. CHEGE, MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON HEALTH)

**MINUTES OF THE FIFTH (5<sup>TH</sup>) SITTING OF THE DEPARTMENTAL COMMITTEE ON HEALTH HELD IN THE COMMITTEE ROOM 2, CONTINENTAL HOUSE ON WEDNESDAY 24<sup>TH</sup> FEBRUARY, 2021 AT 10.00 AM**

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**PRESENT**

1. **The Hon. Sabina Chege, MP** - Chairperson
2. **The Hon. Joshua Kutuny, MP** - Vice-Chairperson
3. The Hon. Dr James Nyikal, MP
4. The Hon. Dr Mohamed Dahir Duale, MP
5. The Hon. Dr James Kipkosgei Murgor, MP
6. The Hon. Muriuki Njagagua, MP
7. The Hon. Prof Mohamud Sheikh Mohamed, MP
8. The Hon. Martin Peters Owino, MP
9. The Hon. Dr Gideon Ochanda, MP

**ABSENT WITH APOLOGY**

1. The Hon. Dr Eseli Simiyu, MP
2. The Hon. Alfred Agoi Masadia, MP
3. The Hon. Joyce Akai Emanikor, MP
4. The Hon. Tongoyo Gabriel Koshal, MP
5. The Hon. Said Hiribae, MP
6. The Hon. Kipsengeret Koros, MP
7. The Hon. Beatrice Adagala, MP
8. The Hon. (Capt) Ruweida Mohammed, MP
9. The Hon James Githua Kamau Wamacukuru, MP
10. The Hon. Sarah Paulata Korere, MP

**IN ATTENDANCE**

**NATIONAL ASSEMBLY SECRETARIAT**

- |                   |   |                        |
|-------------------|---|------------------------|
| 1. Benjamin Magut | - | Senior Clerk Assistant |
| 2. Eric Kanyi     | - | Fiscal Analyst         |
| 3. Nimrod Ochieng | - | Audio Officer          |

**MIN. NO.NA/DC.H/2021/15:**

**PRELIMINARIES**

The Clerk welcomed the Members present and called the meeting to order at 10.07 AM.

**MIN.NO.NA/DC.H/2021/16:**

**CONSIDERATION AND ADOPTION OF THE  
REPORTS ON THE SUPPLEMENTARY BUDGET  
ESTIMATES I FOR FY 2020/2021AND BUDGET  
POLICY STATEMENT 2020/21**

The Committee considered and adopted the report on the Budget Policy Statement 2020/21 and the report on Supplementary Budget Estimates I for FY 2020/21 after being proposed by Hon. Martin Peters Owino, MP and seconded by Hon. Dr Gideon Ochanda, MP.

The Committee made the following observations and recommendations:

**SUPPLEMENTARY BUDGET ESTIMATES I FOR FY 2020/2021**

**COMMITTEE OBSERVATIONS**

The Committee made the following observations during the review and scrutiny of the 2020/21 supplementary Estimates:

- i.) That there is a general reduction in the recurrent allocation especially among the SAGA's on account of austerity measures. The Committee is concerned that the reductions even though are on account of austerity measures, may have implications in the Agencies' effective functioning. The reductions have also affected the salaries component of the SAGA's despite this expenditure item being non-discretionary.
- ii.) The Committee observed that KMTC in the 2020/21 financial year had budgeted Kshs 800 million to cater for other recurrent expenditures. However, in their submission, they have a deficit of Kshs 200 Million on personnel emoluments.
- iii.) That new projects with a total allocation of Kshs 162 Million have been introduced in the supplementary budget. The explanation given is that these were projects from budget public hearings and have been transferred from the National Treasury to the Ministry of Health to implement. Ironically the allocations to other ongoing projects within the Ministry have been reduced. This means that no new allocation has been transferred from the National Treasury to fund the budget hearings projects. Rather, the reduction of the allocations to ongoing projects within the Ministry has been reallocated to these public hearings projects. The

National Treasury failed to demonstrate why the new projects are being prioritized over the ongoing projects.

- iv.) That the allocation towards the UHC one of the big four agenda has been reduced by Kshs 10 Billion. It is an expectation that the implementation of the UHC will augment efforts towards dealing with the COVID 19 pandemic hence this reduction has no justification. The Committee also notes that Kshs 6 Billion out of the Kshs 10 Billion for UHC rollout is meant to provide insurance subsidy to poor households through NHIF. This allocation has been entirely reduced even though the Ministry is at the tail end of registering the initial 1 million indigent households. This means the provision of insurance targeting 1 million indigent households under UHC is set for a delay if the proposed reduction of Kshs 6 Billion is effected.
- v.) That despite the minimal overall reduction of Kshs 2 Billion in the Ministry of Health development allocation, finer details indicate that the GOK development funding has reduced by Kshs 13 Billion, adversely affecting most projects including the response against the COVID 19, which the development partners primarily support. The over-reliance on donor support in critical areas within the health sector puts the country at a grave risk given development partners' erratic nature.
- vi.) That the GOK allocation to the Ministry of Health has been reduced yet the Ministry has no funds for the acquisition of COVID 19 vaccines, which needs to be the government's priority in responding to the COVID 19 pandemic rather than waiting for development partners' support.
- vii.) That Kshs 500 million has been provided for insurance cover for health workers in 22 counties. The Committee believes that each county government should put measures to take care of its health workers and national government resources should not be provided to cater to county function selectively. The Committee also observes that the other 25 counties may also cease providing insurance for their health workers and wait for national government support.
- viii.) That the allocation towards family planning Commodities has been reduced by Kshs 503 Million. This is a key programme that plays a critical role in population

control in the country, and if left unchecked, it will be out of control in the next few years, hence creating more social challenges.

- ix.) The Committee observes that there has been an upsurge in the establishment of KMTTC campuses in the recent past, which put a serious strain on the teaching resources available to support quality learning in these institutions.
- x.) The Committee observed that the National Treasury had reduced the counterpart funding relating to the provision of HIV drugs. This is against the National Treasury guidelines to MDA's on the preparation of the supplementary estimates. The guidelines indicate that counterpart funding is exempted from the budget cuts.
- xi.) The Committee observed that the Ministry of Health has pending bills totalling Kshs 384 Million, which accrued from the last financial year (2019/20) and which it had prioritized for payment in FY 2020/21. The Committee notes that the proposed budget reductions will result in non-payment of pending bills totaling Kshs 89.8 Million.

### **COMMITTEE RECOMMENDATIONS**

The Committee having received submissions from the Ministry of Health and having lengthy and insightful deliberations on the proposed supplementary budget, made the following recommendations: -

#### **(a) Financial recommendations**

- i) The Committee rejects the proposed reductions in the areas highlighted below and recommends reinstating the allocations:

<b>Programme</b>	<b>Head/Item</b>	<b>Amount to be reinstated</b>	<b>Justification</b>
Health Policy,	The rollout of Universal Health Coverage	Kshs 6 Billion (development)	This allocation is meant to provide insurance cover to 1 Million indigent households under the UHC at the cost of Kshs 6,000 annually. So far, 600,000 households have been identified in 33 counties, while the rest will be completed by the end of March 2021. This allocation must be

Programme	Head/Item	Amount to be reinstated	Justification
planning and Standards			reinstated for the programme to be implemented.
	Infrastructure support to Kigumo Hospital	Kshs 150 Million (Development)	Procurements has already been undertaken for this project and it is also a presidential directive project.
Preventive and promotive health	National Aids Control Council (NACC) current grants	Kshs 248 Million (recurrent)	NACC has no internal revenues and any reductions in their grants will result in salaries shortfalls
	Special global funds HIV grant – GOK counterpart funding	Kshs 360 Million (development)	The reduction is against the guidelines given by the National Treasury that counterpart funding have been exempted from the budget cuts
Research and Development	Kenya Medical Research Institute (KEMRI) current grants	Kshs 300 million (recurrent)	The proposed reduction has resulted in salaries deficiency in this critical institution which is spearheading the development of COVID 19 vaccines among other medical research
General Administration	Headquarters	Kshs 90 Million	To cater for payment of pending bills

i The Committee makes the following reallocations

**a) Reductions**

Programme	Area/Item	Recommendation	Justification
Health policy planning standards and regulations	Procurement of PPE's	Reduce Kshs 400 Million (development)	The Committee agreed with the Ministry to allocate the Kshs 400 Million to Kenya University Referral hospital to cater for salaries shortfalls and other operational costs
Preventive	Kenya COVID 19	Reduce Kshs	The Committee is of the view that the

<b>Programme</b>	<b>Area/Item</b>	<b>Recommendation</b>	<b>Justification</b>
and promotive health	emergency response	500 Million (recurrent)	national government should not fund this allocation which is meant for insurance for health workers in 22 counties

**b) Increments**

<b>Programme</b>	<b>Area/Item</b>	<b>Recommendation</b>	<b>Justification</b>
National Referral and specialized services	Kenyatta University hospital current grants	Increase by Kshs 400 Million (recurrent)	The allocation is to cater for personnel emoluments shortfalls and other operational costs, given that this hospital plays a vital role in the COVID 19 response.
Preventive and promotive health	Procurement of family planning commodities	Increase by Kshs 200 Million (Development)	To cater for the purchase of family planning and reproductive health commodities
Research and development	Infrastructure support to KMTC's	Increase Kshs 300 Million (Development)	To support the existing KMTC's campuses with the requisite facilities.

- ii) That the various SAGA's within the Ministry and specifically the KMTC through their respective Boards to immediately re-organize their budgets to prioritize non-discretionary expenditures such as personnel emoluments to support the government rationalization of budget efforts.
- iii) That Kshs 850 Million for the COVID-19 Health Emergency Response Project (C-HERP) supported by the World Bank be included in the 2020/21 budget, which the Ministry indicated was an oversight by the National Treasury.
- iv) That the Budget Committee considers allocating additional resources to the following areas:

Programme	Area/Item	Recommendation	Justification
National Referral and specialized services	Kenyatta University hospital current grants	Kshs 800 Million (recurrent)	To cater for personnel emoluments shortfalls and other operational costs.
Preventive and promotive health	Procurement of HIV/AIDS drugs	Kshs 90 Million (development)	For payment of taxes demanded by the government on the USAID consignment undertaken by CHEMONICS
	Salary requirement for COVID 19 specialists for six months	Kshs 1.3 Billion (recurrent)	To pay salaries for the remaining six months for the frontline health workers engaged in the response against the COVID 19 pandemic.

## THE BUDGET POLICY STATEMENT 2020/21

### COMMITTEE OBSERVATIONS

The Committee made the following observations during the scrutiny of the BPS 2021:

- i That there is a policy shift where conditional grants meant for level 5 hospitals and the user foregone fees are being converted into equitable share. This implies that the counties will not be obliged to support these areas. Though the Committee supports this policy, the question that arises is whether the areas of interventions supported by the grant have been fully addressed and whether a mechanism has been put in place between the national government and the county governments for a smooth transition.
- ii That there is no mention in the BPS 2021 regarding the acquisition and availability of vaccines for COVID 19 and whether it is one of the government priorities in 2021/22 and over the medium term as part of COVID 19 interventions. Further, no resources have been provided for the acquisition of vaccines.
- iii That there is no policy or investment towards alternative medicine solutions in response against the COVID 19. There is a need to invest in research and policy formulation on the use of alternative (herbal) medicine as a complement to conventional drugs in dealing with COVID 19 and other diseases. This is a key

component of the natural products initiative outlined in vision 2030. The initiative advocates for investment in building capacity for value addition to the enormous biodiversity in the country estimated to have high medicinal, cosmetic and nutritional value.

- iv That since 2018, the Ministry has prioritized legal, structural and administrative reforms at NHIF to transform it into a social health insurer for smooth implementation of UHC. However, since 2018 when the UHC agenda was introduced, no tangible reforms have been undertaken in this critical institution as envisaged.
- v That there is a change in UHC policy as the flagship programme moves to phase 4 of implementation, where the emphasis will be on the provision of social insurance rather than strengthening primary health systems previously done through the provision of HPTs.
- vi The government policy towards marshalling up resources towards UHC should consider bringing on board the contributory pension schemes to provide medical scheme through the NHIF platform to cover the post-retirement period. This will expand the pool of resources available for UHC;
- vii The government plans to transform the Mathare referral hospital into a modern facility for mental health as the government prioritizes mental health. However, there are no resources directed towards this goal to ensure that the hospital facilities are upgraded.
- viii That the issue of salaries shortfalls in National Referral Hospitals keeps cropping during the consideration of both supplementary budgets and the budget policy statement. The issue of salaries is a sensitive matter in the health sector and should be adequately provided through proper planning.
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- x That the Ministry of Health has a pending bill amounting to Kshs 1 Billion emanating from a court award, the Ministry undertook to pay this pending in this financial year so that the suppliers can waive the interest accrued. However, the Ministry has no allocated funds in the current financial year to settle this pending bill, and it is crucial it is prioritized in the next financial year to save the Ministry unnecessary litigations and penalties.

## **COMMITTEE RECOMMENDATIONS**

### **Policy Recommendations**

- i That within the next sixty (60) days, the Ministry of Health submits to the National Assembly a report enumerating the progress made in undertaking reforms in the NHIF to transform it into a social health insurer for smooth implementation of UHC.
- ii That the Ministry of Health should consider bringing on board the contributory pension schemes in terms of providing medical scheme through the NHIF platform to cover the post-retirement period to expand the pool of resources available for UHC;
- iii That the Ministry of Health re-organizes its budget and ensure that personnel emoluments requirements for the referral hospitals are fully provided for and given priority in the 2021/22 financial year to avert industrial action.
- iv That the Ministry of Health invests in research and policy formulation on the use of alternative (herbal) medicine to complement conventional drugs in dealing with COVID 19 and other diseases in line with vision 2030. Vision 2030 advocates for investment in building capacity for value addition to the enormous biodiversity in the country which has medicinal, cosmetic and nutritional value.
- v That in the financial year 2021/22, all national referral facilities should make provision for personnel emoluments costs for registrars seconded to their facilities and county governments should be allowed to replace these doctors temporarily during the period of secondment.
- vi Within the next six months, the Ministry of Health submits to the National Assembly a framework for supporting health services provision at the county level through targeted interventions.

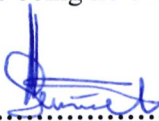
**Financial recommendations**

The Committee noted the following critical areas that have financial gaps and request the Budget and Appropriation Committee to review the Ministry of Health ceiling by **Kshs 17.6 Billion** to cater for these critical areas:

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General Administration	Payment of pending bill arising from a court award	Kshs 1 Billion (recurrent)	The Ministry undertook to pay this pending in this financial year so that the suppliers are able to waive the interest accrued as agreed by the Ministry. However, the Ministry was not allocated funds in the current financial year to settle this pending bill and it is important it is prioritized in the next financial year to save the Ministry unnecessary litigations and penalties.

**MIN. NO.NA/DC.H/2021/17: ADJOURNMENT**

There being no other business, the meeting adjourned at 1.04 PM.

Sign.  ..... Date.....

**(Chairperson)**

BPS

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

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TWELTH PARLIAMENT

FIFTH SESSION- 2021

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THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

REPORT

ON THE BUDGET POLICY STATEMENT FOR THE FY 2021/22 FOR THE AGENCIES  
UNDER GOVERNANCE, JUSTICE, LAW AND ORDER

CLERK'S CHAMBERS  
DIRECTORATE OF DEPARTMENTAL COMMITTEES  
PARLIAMENT BUILDINGS  
NAIROBI

FEBRUARY, 2021

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## **CHAIRPERSON'S FOREWORD**

The Budget Policy Statement for the F/Y 2020/21 was tabled in the House on Thursday, 11<sup>th</sup> February, 2021 and subsequently referred to the relevant Departmental Committees for consideration, the Departmental Committee on Justice and legal Affairs being one of them.

The Second Schedule of the National Assembly Standing Orders assigns the Departmental Committee on Justice and Legal Affairs the mandate to consider matters related to Constitutional affairs; the administration of law and Justice, including the Judiciary, public prosecutions, elections, ethics, integrity and anti-corruption; and human rights.

Following the referral of the Budget Policy Statement to the Departmental Committees, the Departmental Committee on Justice and Legal Affairs was briefed by the Parliamentary Budget Office on the contents of the Budget policy Statement with regard to the Governance, Justice, Law and Order sector. Thereafter, the Committee engaged the relevant stakeholders and met with the Accounting Officers of the various agencies under the purview of the Committee and reviewed their ceilings as proposed under the Budget Policy Statement for the FY 2021/22.

Emanating from those discussions and reviews, the Committee made several observations as contained in section 3 of the Report. Subsequently, the Committee made several recommendations also as contained in section 3 of the Report.

The Committee wishes to record its appreciation to the Offices of the Speaker and Clerk for the services rendered in facilitating the Committee in executing its mandate.

On behalf of the Committee, it is my singular duty and honour to forward the Committee report to the Budget and Appropriations Committee for consideration.

**HON. CLEMENT MUTURI KIGANO, M.P.**

## **1. PREFACE**

### **1.1. INTRODUCTION**

This is the Committee's report on its consideration of the 2021 Budget Policy Statement in accordance with Section 25(2) of the Public Finance Management Act, 2012 and the National Assembly Standing Order 232. The Departmental Committee on Justice and Legal Affairs held meetings with the Departments and Agencies under its purview to scrutinize the 2021 Budget Policy Statement on 22nd February, 2021 in Trademark Hotel, Kiambu County. The Committee then consolidated its recommendations for submission to the Budget Committee pursuant to the provision of Standing Order 232(5).

### **1.2. ESTABLISHMENT AND MANDATE OF THE COMMITTEE**

The Departmental Committee on Justice and Legal Affairs derives its mandate from Standing Order No. 216(5) which provides for the functions of Departmental Committees as follows-

- (a) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
- (b) Study the programme and policy objectives of ministries and departments and the effectiveness of their implementation;
- (c) Study and review all legislation referred to it;
- (d) Study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
- (e) Investigate and enquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;
- (f) Vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments)
- (g) Examine treaties, agreements and conventions;
- (h) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;

- (i) Consider reports of Commissions and Independent Offices submitted to the House pursuant to provisions of Article 254 of the Constitution; and
- (j) Examine any questions raised by Members on a matter within its mandate.

The Second Schedule of the Standing Orders on Departmental Committees further outlines the Subjects of the Committee, as follows-

- a. Constitutional affairs;
- b. The administration of law and Justice
- c. The Judiciary;
- d. Public prosecutions;
- e. Elections;
- f. Ethics, integrity and anti-corruption; and
- g. Human rights.

### **1.3. COMMITTEE MEMBERSHIP**

The Committee was constituted on Thursday, 14th December, 2017 and comprises the following Honourable Members-

#### **Chairperson**

Hon. Clement Muturi Kigano, M.P.

**Kangema Constituency**

**Jubilee Party**

#### **Vice Chairperson**

Hon. (Dr.) Paul Otiende Amollo, M.P.

**Rarieda Constituency**

**ODM - Party**

Hon. John Olago Aluoch, M.P.

**Kisumu West Constituency**

**FORD-Kenya**

Hon. George Peter Kaluma, M.P.

**Homa Bay Town Constituency**

**ODM-Party**

Hon. Roselinda Soipan Tuyu, M.P.

**Narok County**

**Jubilee Party**

Hon. Junet Sheikh Mohammed, M.P.

**Suna East Constituency**

**ODM-Party**

Hon. Emmanuel Wangwe, M.P.

**Navakholo Constituency**

Hon. W. Kamoti Mwamkale, M.P.

**Rabai Constituency**

**Jubilee-Party**

Hon. Josephine Naisula Lesuuda, M.P.  
**Samburu West Constituency**  
**KANU-Party**

Hon. Jennifer Shamalla, M.P.  
**Nominated MP**  
**Jubilee Party**

Hon. Anthony Oluoch M.P.  
**Mathare Constituency**  
**ODM-Party**

Hon. George Gitonga Murugara, M.P.  
**Tharaka Constituency**  
**Democratic Party (DP)**

Hon. John Kiarie Waweru, M.P.  
**Dagoretti South Constituency**  
**Jubilee-Party**

Hon. Adan Haji Yussuf, M.P.  
**Mandera West Constituency**  
**Economic Freedom Party**

**ODM-Party**

Hon. Zuleikha Hassan, M.P.  
**Kwale County**  
**ODM-Party**

Hon. Robert Gichimu Githinji, M.P.  
**Gichugu Constituency**  
**Jubilee-Party**

Hon. John Munene Wambugu, M.P.  
**Kirinyaga Central**  
**Jubilee -Party**

Hon. Anthony Githiaka Kiai, M.P.  
**Mukurueni Constituency**  
**Jubilee-Party**

Hon. Japheth Mutai, M.P.  
**Bureti Constituency**  
**Jubilee-Party**

**1.4. COMMITTEE SECRETARIAT**

The Committee secretariat comprises the following staff-

Mr. Abenayo Wasike  
**Principal Clerk Assistant**  
**Lead Clerk**

Mr. Denis Abisai  
**Principal Legal Counsel I**

Ms. Halima Hussein  
**Clerk Assistant II**

Mr. Ahmed Hassan Odhowa  
**Principal Research Officer**

Mr. Omar Abdirahim  
**Fiscal Analyst III**

Ms. Roselyne Ndegi  
**Serjeant-at-Arms I**

Mr. Joseph Okongo  
**Media Liaison Officer**

## **1.5. COMMITMENT OF THE BUDGET ESTIMATES TO DEPARTMENTAL COMMITTEES**

The Budget policy statement FY 2021/22 was tabled in the House by the Majority Leader on Thursday 11<sup>th</sup> February, 2021 and thereafter referred to the various Departmental Committees for consideration and subsequently the Departmental Committees are required to submit reports to the Budget and Appropriations Committee.

## **1.6. COMMITTEE'S EXAMINATION OF THE BUDGET ESTIMATES FY 2020/2021**

The Committee held six (6) sittings examining the estimates. The first sitting took place on 23<sup>rd</sup> February, 2020 at 10:00am where the Committee discussed the estimates with the Parliamentary Budget Office before interacting with the State agencies. The committee held subsequent sittings where the Committee met with the officials from the state agencies that include; the Judiciary and Judicial Service Commission, the Ethics and Anti-Corruption Commission (EACC), Kenya National Commission on Human Rights (KNCHR) , the Independent Electoral and Boundaries Commission (IEBC), the Office of the Attorney General and Department of Justice (OAG&DOJ), Kenya Law Reform Commission (KLRC), the Commission on Administration of Justice (CAJ), Office of the Registrar of Political Parties (ORPP), Witness Protection Agency and the Office of the Directorate of Public Prosecution (ODPP).

The Committee's examination of the Budget Policy Statement for FY 2021/2022 was based on a report of the Parliamentary Budget Office on the same and submissions from the spending agencies under the committee purview which is captured in the report. In addition the committee received submissions from agencies that are under the purview of the committee which are annexed to the report.

## **1.7. ACKNOWLEDGEMENT**

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2021/22 Budget Policy Statement.

Finally, I wish to express my appreciation to the Honourable Members of the Committee who made useful contributions towards the preparation and production of this report.

It is my pleasant duty and privilege, on behalf of the Departmental Committee on Justice and Legal Affairs to submit its Report on the scrutiny of the FY 2021/22 Budget Policy Statement.



Signed.....26<sup>th</sup> Day of Feb 2021.....Date.....

HON. MUTURI KIGANO, M.P.

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

Otiende Amollo

Vice Chair

## PART 2

### **2. BACKGROUND**

The 2021 Budget Policy Statement was prepared at a time when the country is recovering from the adverse effects of the outbreak of the corona virus and its containment measures which have not only disrupted the normal lives and livelihoods but also the businesses and the economic activities of the country. As a result, our economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter in 2020. The economy is therefore estimated to slow down to a growth of around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP). In terms of fiscal years, economic growth is projected to grow by 3.5 percent in FY 2020/21 and further to 6.2 percent over the medium term.

The Governance, Justice Law and Order Sector plays an important role in creating a favorable environment for economic, social and political development in line with the Third Medium Term Plan (2018 – 2022), and is a huge contributor towards the achievement of Kenya's Vision 2030 political pillar.

#### **2.1. OVERVIEW AND PURPOSE OF BUDGET POLICY STATEMENT (BPS)**

The Budget Policy Statement is published in accordance with Section 25 of the Public Finance Management Act, 2012. In preparing the Budget Policy Statement, the National Treasury is required to set out the broad strategic priorities and policy goals that will guide the national government and county governments in preparing their budgets both for the following financial year and over the medium term.

The National Treasury is required to include the following in the Budget Policy Statement:-An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts; The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term; The proposed expenditure limits for the national

government, including those of Parliament and the Judiciary and indicative transfers to county governments; The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.

The National Treasury, while processing the Budget Policy Statement (BPS), is also required to seek and take into account the views of the Commission of Revenue on Allocation, the County Governments, the Controller of Budget, the Parliamentary Service Commission, the Judicial Service Commission, the Public and any other interested parties or groups.

The submission and processing of the Budget Policy Statement (BPS) by the National Assembly is anchored in Standing Order No 232. The Standing order requires among other things the budget policy statement (BPS) to indicate total resources to be allocated to individual programmes within a sector and indicate the outputs expected from each such Programme.

Upon tabled in the National Assembly the BPS is committed to Departmental Committees in the National Assembly for scrutiny of the Votes under their purview and makes policy recommendations to the Budget & Appropriations Committee which compiles a final report for approval by the National Assembly.

## **2.2.MANDATE AND SPENDING AGENCIES UNDER THE PURVIEW OF THE COMMITTEE**

In accordance with the Second Schedule of the National Assembly Standing Orders, the Committee is mandated to oversee all matters pertaining to Constitutional affairs, the administration of law and justice, including the Judiciary, public prosecutions, elections, ethics, integrity and anti-corruption and human rights. In executing its mandate, the Committee oversees the following agencies;

- i. State Law Office & Department of Justice
- ii. The Judiciary

- iii. Ethics & Anti-Corruption Commission
- iv. Office of the Director of Public Prosecutions
- v. Office of the Registrar of Political Parties
- vi. Witness Protection Agency
- vii. Kenya National Commission on Human Rights
- viii. Independent Electoral & Boundaries Commission
- ix. Judicial Service Commission
- x. Commission on Administrative Justice

The legislative scrutiny of the BPS promotes good governance, fiscal transparency and accountability, and is expected to facilitate effective allocation and mobilization of resources and ensure that fiscal policies are unbiased and effectively implemented. It also ascertains the legitimacy of transactions completed and their compliance with established norms, regulations and statutes; the scrutiny ensures that all allocations are as per the provisions, appropriate acts and financial regulations.

### **2.3.HIGHLIGHTS OF THE 2021 BUDGET POLICY STATEMENT**

The theme for the BPS 2021 and the medium term is *“Building Back Better: Strategy for Resilient and Sustainable Economic Recovery”*. as noted above, the BPS is submitted against a backdrop of ravaged economy from the COVID-19 pandemic. The policy measures outlined in the 2021 Budget Policy Statement aims at stimulating economic recovery. It will build on the gains made under the Economic Stimulus Programme, the Government will roll out the Post Covid-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impacts of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory.

The 2021 BPS, articulates measures that will stimulate growth, promote job creation, reduce poverty, protect the vulnerable groups and businesses. To achieve these, the Government will roll out the Post-Covid-19 Economic Recovery Strategy, harnessing the implementation of the “Big Four” Agenda for job creation; foster a secure and conducive

business environment by maintaining macroeconomic stability, enhancing security and improving business regulations among others.

The policies in the BPS have also been anchored on the Medium-Term Plan III of the Vision 2030 as prioritized in the “Big Four” Agenda. The focus of the policies is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and industrial recovery. In this respect, the Government will strengthen implementation of programmes and measures that ensure a more inclusive growth, foster macroeconomic stability, and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).

### Overall Fiscal Framework

The BPS 2021 and the medium-term projects revenue collection including Appropriation-in-Aid (A.i.A) to increase to Kshs 1,985.2 billion (15.9 percent of GDP) up from the estimated Kshs 1,829.2 billion (16.4 percent of GDP) in the FY 2020/21. While the Government expenditure as a share of GDP for FY 2021/22 is projected to decline to 23.7 percent, the overall nominal expenditure and net lending is projected at Kshs 2,968.9 billion from the estimated Kshs 2,878.1 billion (25.9 percent of GDP) in the FY 2020/21 budget. The expenditures comprise of recurrent of Kshs 1,975.2 billion (15.8 percent of GDP) and development of Kshs 611.0 billion (4.9 percent of GDP).

**Table 1: Summary of Proposed MTEF allocations (Kshs Millions)**

S/No.	Details	2021/22 BPS Ceiling	Percentage Share	Projections	
				2022/23	2023/24
1.	National Government	1,950,377.7	64.6	2,047,387.2	2,171,405.9
2.	Executive	1,894,576.8	62.8	1,989,844.9	2,112,557.9
3.	Parliament	37,882.7	1.3	38,535.7	39,207.6
4.	Judiciary	17,918.3	0.6	19,006.7	19,640.5
5.	CFS	697,623.5	23.1	796,892.9	863,577.0
6.	County Government	370,000.0	12.3	370,000.0	375,000.0
7.	<b>Total</b>	<b>3,018,001.3</b>	<b>100</b>	<b>3,214,280.2</b>	<b>3,409,983.0</b>

Source: The National Treasury

#### **2.4. GJLOS SECTOR: POLICIES AND PRIORITIES ESPOUSED IN THE 2020 BPS**

The Sector plays a key role in establishing and maintaining a favorable environment for economic, social and political development of the country as envisaged in the Kenya Vision 2030. Among the key functions of the sector is provision of Security and Enhancement of National Values and Ethics, which are enablers for Macro-Economic Performance.

Key outputs planned in the FY2021/22 – 2023/24 MTEF period include: conducting the general elections; maintenance of security, law and order; enhancement of access to justice; promotion of the rule of law; advise and representation of the Government in International and domestic courts; provision of legal training and administration of Advocates Training Programme examinations; provision of public legal services; combating corruption; enforcing human rights and gender equality; ensuring free, fair and credible elections; and promotion of competitive politics and democracy.

The Government remains committed in eliminating corruption which inhibit Kenya's economic growth and development through loss of funds. In this respect, the Government has stepped its efforts in the fight against corruption through implementing a raft of measures that strengthens accountability at all stages of the public finance management cycle.

Moreover, in recognition of the critical role played by institutions mandated to fight corruption, the Government has progressively increased allocations to these institutions such as the Office of the Director of Public Prosecutions, the Office of the Auditor General, the Ethics and Anti-Corruption Commission, the Assets Recovery Agency, the Criminal Investigations Services and the Financial Reporting Centre. This is to enable them to work seamless together in developing and promoting standards and best practices in ethics and anti-corruption which will increase efficiency in the fight against corruption as well as recovery of the corruptly acquired assets.

To enhance access to justice, the Government expanded physical infrastructure including establishment of mobile courts, automation of court processes and digitization of judicial

systems, adoption of virtual courts, entrenchment of alternative dispute resolution initiatives such as mediation, arbitration and traditional justice systems, clearance of case backlog and improvement in case management in courts.

## 2.5. APPROVED ALLOCATIONS FY 2020/21 AND BUDGET CEILING FOR FY 2021/22

The proposed budgetary ceiling for the spending agencies in FY 2021/22 is Kshs 46.8 billion composed of Kshs 44.1 billion (94.2%) as recurrent expenditure and Ksh 2.8 billion (5.8%) as development expenditure. In comparison, the agencies were allocated Kshs 36.2 billion in FY 2020/21 out of which Kshs 33.0 billion (88.0%) was spent on recurrent expenditure and Kshs 3.2 billion (12%) as development expenditure. The significant increase in allocation in the FY 2020/21 is on account of enhanced budgetary allocation for the Independent Electoral and Boundaries Commission whose budget was increased from Kshs 4.5 billion to Kshs 14.5 billion.

It is also notable that the budgetary requirements for the department for FY 2021/22 is Kshs 89.1 billion comprised of Kshs 79.7 billion for recurrent expenditure and Kshs 9.4 billion for development expenditure. The shortfall resulting from the allocation is Kshs 42.2 billion.

**Table 2: Resource Requirements versus Proposed Ceiling FY 2020/21 (Kshs millions)**

Sector/ Vote/Programme Details	Resource Requirement 2021/22			Approved allocation 2020/21			2021/22 Ceiling			% variation
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	
1252 State Law Office & Dept. of Justice	6,281.1	454.5	6,735.6	4,603.9	185.0	4,788.9	4,977.5	123.5	5,101	26.1%
1261 The Judiciary	28,300	7,100	35,400	14,722.4	2701.0	17,423.4	15,003	2,333.4	17,336.5	50.8%
Judicial Service Commission	1,381	-	1,381	576.4	-	576.4	581.8	-	581.8	58.3%
1271 Ethics & Anti-Corruption Commission	5,501.8	971.4	6,473.2	3,072.2	40.8	3,113.0	3,258.5	64.9	3,323.4	51.9%
1291 Office of the Director of Public	4452.0	503.5	4,955.5	2,957	129	3,086.0	3,125.3	145.1	3,270.4	37.7%

Prosecutions										
1311 Office of Registrar of Political Parties	5568.9	-	5,568.9	1,345.8	-	1,345.8	1,346.5	-	1,346.5	75.8%
1321 Witness Protection Agency	631.9	-	631.9	472.8	-	472.8	487.9	-	487.9	25.2%
201 Kenya National Commission on Human Rights	600.1	-	600.1	400.7	-	400.7	407.9	-	407.9	32%
203 Independent Electoral & Boundaries Commission	25,772.1	350.0	26,122.1	4322.9	150	4472.9	14,385.9	78.5	14,464.4	44.9%
2131 Commission on Administrative Justice	1,200.2	-	1200.2	494.7	-	494.7	527.9	-	527.9	56%
<b>TOTALS</b>	<b>79,689.1</b>	<b>9,379.4</b>	<b>89,068.5</b>	<b>32,968.8</b>	<b>3,205.8</b>	<b>36,174.6</b>	<b>44,102.2</b>	<b>2,745.4</b>	<b>46,847.7</b>	<b>41%</b>

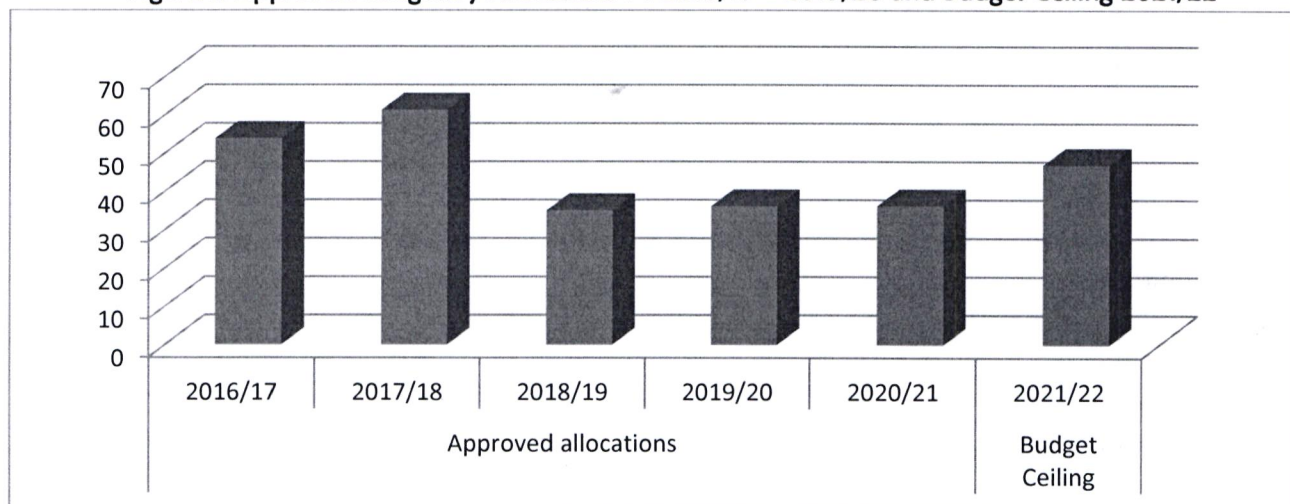
*Source: BPS 2021 and 2020 Sector Report*

Agencies that have registered an increase in their budgets include the following; the Independent Electoral and Boundaries Commission - Kshs 10 billion, State Law Office and Department of Justice - Kshs 312.1 million, Office of the Director of Public Prosecution - Kshs 184.4 million, Witness Protection Agency – Kshs 15.1 million, Kenya National Human Right Commission - Kshs 7 million. However, the budget of judiciary has been reduced slightly by Kshs 86.9 million.

The significant increase in the budgetary allocation for the Independent Electoral and Boundaries Commission of Kshs 10 billion is largely meant to finance the costs that may arise out of the proposed constitutional amendments

Figure 1 shows that the highest budgetary allocations (both current and capital) were made during the 2017/18 financial year as a result of election preparations. The budget reduced in FY 2018/19 and thereafter maintains a steady increase as we approach the 2022 election period. The Judiciary usually takes up the largest portion of the overall budget but as the 2022 election approaches this would be shared out between the Judiciary and IEBC.

Figure 1: Approved Budgetary Allocations FY 2016/17 – 2019/20 and Budget Ceiling 2021/22



Source: 2020 Sector Report

An analysis of the trends in absorption of the budget allocated for the different agencies shows there has been a gradual increase in the average absorption rate steadily rising from 87.2% in FY 2016/17 to 95.5% in FY 2019/20. In the FY 2019/20, The State Law Office & Dep't of Justice and the office of the Registrar of Political Parties have recorded the lowest and highest absorption rates at 93.8% and 100% respectively.

Table 3: Expenditure Performance FY 2016/17 – 2019/20 – Kshs billions

ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION												
Vote & Vote Details	Approved Allocation				Actual Expenditure				Absorption			
	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20
1252 State Law Office & Dep't of Justice	4.9	4.9	4.8	4.8	4.0	3.9	4.3	4.5	81.95 %	79.92 %	89.5 %	93.8 %
1261 The Judiciary	17.1	14.3	16.3	17.0	15.3	12.7	15.4	16.2	89.44 %	89.1 %	94.4 %	95.3 %
1271 Ethics & Anti-Corruption Commission	3.5	4.3	3.2	3.1	3.4	4.3	3.2	3.0	98.55 %	99.49 %	100%	96.8 %
1291 Office of the Director of Public Prosecutions	2.2	2.0	3.0	3.3	1.8	1.9	2.2	3.1	81.74 %	95.66 %	73%	94%

ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION												
Vote & Vote Details	Approved Allocation				Actual Expenditure				Absorption			
	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20	2016/17	2017/18	2018/19	2019/20
1311 Office of the Registrar of Political Parties	0.83	0.81	1.1	1.2	0.64	0.75	1.0	1.2	77.24%	93%	90.9%	100%
1321 Witness Protection Agency	0.39	0.44	0.43	0.48	0.36	0.41	0.41	0.47	93.42%	93.18%	95.3%	98%
201 Kenya National Commission on Human Rights	0.42	0.40	0.36	0.39	0.41	0.39	0.35	0.39	98.22%	97.66%	97.2%	100%
203 Independent Electoral & Boundaries Commission	2.4	33.4	4.9	4.8	20.2	28.8	4.6	4.6	85.38%	86.17%	93.8%	96%
205 Judicial Service Commission	0.45	0.28	0.41	0.50	0.43	0.2	0.38	0.48	95.78%	73%	92.6%	96%
2131 Commission on Administrative Justice	0.45	0.41	0.49	0.54	0.42	0.39	0.47	0.52	89.4%	93.96%	95.9%	96.3%
<b>Total</b>	<b>53.8</b>	<b>61.2</b>	<b>35.0</b>	<b>36.1</b>	<b>47.0</b>	<b>53.8</b>	<b>32.3</b>	<b>34.5%</b>	<b>87.2%</b>	<b>87.8%</b>	<b>92.2%</b>	<b>95.5%</b>

Source: 2020 Sector Report

## 2.6. REVIEW OF NON-FINANCIAL INDICATORS FOR JUDICIARY

### I. Ongoing Projects - Constructions and Rehabilitations

In reviewing the performance of the non-indicators of the sector, the analysis has focused mainly on the ongoing projects of the Judiciary. Presently, there are seventy six (76) projects that are ongoing out of which twenty six (26) projects are funded under the World Bank loan while the remaining Fifty (50) projects are funded under the exchequer. In the FY 2020/21, the Judiciary has been allocated Kshs 906 million for the JPIP projects and Kshs 1.8 billion for the G.O.K funded projects.

The JPIP projects total estimated cost is Kshs 5.9 billion. The actual cumulative expenditure for the projects as at 31st March, 2020 stands at Kshs 2.7 billion bringing the total outstanding project cost to Kshs 3.2 billion as at 31st March, 2020. The projects were allocated additional Kshs 906 million in FY 2020/21 therefore reducing outstanding cost of the project substantially.

**Table 4: Judicial Performance Improvements Projects – Kshs millions**

Key Projects	Total Cost	Actual Expenditure	Outstanding Balance	Status	Allocation 2020/21
Mombasa Law Courts	445.2	182.6	262.9	55%	42.5
Makueni Law Courts	410.1	119.1	291.0	63%	44.6
Kapenguria Law Courts	400.8	92.0	308.9	56%	40.4
OI-Kalau Law Courts	399.3	48.4	350.9	30%	124.0
Kajiado Law Courts	398.4	112.1	286.3	70%	25.4
Others	3,875.9	2,177.4	1,698.1	-	629.1
<b>Total</b>	<b>5,929.7</b>	<b>2,731.6</b>	<b>3,198.1</b>	-	<b>906.0</b>

Source: Budget estimates 2020/21, National Treasury

The costs of the G.O.K funded projects that are ongoing are estimated to be Kshs 6.6 billion. The actual cumulative expenditure for the projects as at 31st March, 2020 stands at Kshs 1.2 billion bringing the total outstanding project cost to Kshs 8.9 billion as at 31st March, 2020. In FY 2020/21, the projects were allocated Kshs 1.8 billion. The average completion rate for the projects stands at 65%. Once completed, these courts are expected to provide adequate infrastructure that will improve physical access to courts and reduce the distance travelled in search of justice.

**Table 5: G.O.K Funded Projects – Kshs millions**

Key Projects	Total Cost	Actual Expenditure	Outstanding Balance	Status	Allocation 2020/21
Marsabit Law Courts	370.2	30.1	340.1	22%	85.0
Homabay Law Courts	367.3	26.3	341.0	32%	97.8
Kabarnet Law Courts	366.8	21.2	345.6	15%	52.2
Mbita Law Courts	148.3	45.2	103.1	46%	66.3
Habasweini Law Courts	143.2	10.0	133.2	7%	44.2
Others	5,228.1	1,105.8	1,627.4	-	1,449.5
<b>Total</b>	<b>6,623.9</b>	<b>1,238.6</b>	<b>2,890.4</b>	-	<b>1,795</b>

Source: Budget estimates 2020/21, National Treasury

## II. New Projects - Constructions and Refurbishments

In the FY 2020/21, the judiciary in its efforts to enhance access to court services is initiating construction of a Court of Appeal complex in Nairobi and three (3) new High Court buildings in Kisii, Eldoret and Meru counties. The estimated cost of the court of appeal complex is Kshs 1.6 billion while the High Court buildings will each cost Kshs 650 million. In the FY 2020/21, the approved budget for the construction of the Court of Appeal Complex is Kshs 100 million while the allocation for the construction of the high court building is Kshs 120 million.

**Table 6: New Projects - Constructions – Kshs millions**

Key Projects	Total Cost	Actual Expenditure	Outstanding Balance	Allocation 2020/21
Court of Appeal Complex	1,600.0	-	-	100.0
Kisii Law Courts	650.0	-	-	40.0
Eldoret Law Courts	650.0	-	-	40.0
Meru Law Courts	650.0	-	-	40.0
<b>Total</b>	<b>3,650.0</b>	-	-	<b>220.0</b>

Source: Budget Estimates 2020/21, National Treasury

### III. ICT Hardware and Infrastructure Development

The fourth pillar of the Judiciary Transformation Framework (JTF) (2012-2016) identified ICT as a key result area that would facilitate speedier trials and enhance administrative efficiency.

The Judiciary Digital Strategy covers five broad areas. These are Judicial Operations Support Systems, Court Management Systems, Enterprise Resource Planning, Document and Archive Management, and ICT Infrastructure. The programmes aim to automate all functions of the institution by 2021.

The total estimated cost of the project is Kshs 2.5 billion. In FY 2019/20, the project was allocated Kshs 400 million and an additional Kshs 460 million was allocated in FY 2020/21. The Judiciary plans to install 5 High Courts stations with automated e-filing and proceedings system and 30 courts with automated e-filing system.

### **3. OBSERVATIONS AND RECOMMENDATIONS BY THE COMMITTEE ON THE BUDGET POLICY STATEMENT**

#### **3.1.1. Judiciary and Judicial Service Commission**

##### **Observations**

- a) The Judiciary resource requirement in the FY 2021/2022 is Kshs 35.4 billion comprised of Kshs 28.3 billion for recurrent expenditure and Kshs 7.1 billion for development expenditure. However, the department was allocated Kshs. 17.3 billion comprised of Kshs 15.0 billion for recurrent expenditure and Kshs 2.3 billion for development expenditure leading to a shortfall of Kshs 18.1 billion which translates to 51.1% of the total resource requirement for the FY 2021/22.
- b) The funding under the development vote of Kshs 2.3 billion comprising of Kshs 738.4 million for the World Bank funded projects and Kshs 1.6 billion for the G.O.K funded projects. A list of the Judiciary ongoing project is annexed to the report.
- c) The committee has observed that the Judiciary's budget has stagnated at around Kshs 17 billion. However, the needs and the size of the institution has grown. In particular, the court of appeal stations have been decentralized to 6 region, high court stations have increased from 31 to 43, magistrates and Kadhis Courts have increased from 119 in 2015 to 142 in 2021 and mobile courts have increased from 52 to 60.
- d) The challenges faced by the Judiciary include insufficient financial resources, limitations of the IFMIS operations that disrupt implementation of planned activities, delays in release of exchequer and delays in processing title documents for lands belonging to the Judiciary.
- e) The Committee has also observed that in the 1<sup>st</sup> half of the year, over 204,733 cases were filled and 184,736 cases were resolved meaning the cases filled out number the cases resolved. This likely to worsen the backlog of cases in the country.
- f) Judicial Service Commission was allocated Kshs 582 million against a resource requirement of Kshs 1,381 million in the Financial Year 2021/22. The following are

the key unfunded areas; implementation of the approved organizational structure for the commission – Kshs 57 million, recruitment for the Judiciary and the tribunals – Kshs 30 million, infrastructure improvement at the Commission – Kshs 65 million, and Judiciary training institute – Kshs 150 million.

### **Policy Recommendations**

- a) The Committee recommends the National Treasury to operationalize Judiciary Fund in light of the fact that parliament has already enacted the relevant legislation.
- b) The Committee urges the National Treasury to stick with the cash plans submitted by the various departments and upload budgets on time and more importantly find lasting solutions to the challenges associated with IFMIS to enable the department to implement their budgets fully.

### **Financial Recommendations**

- a) The committee recommends an additional allocation of Kshs 500 million in FY 2020/21 to facilitate the expansion of court constructions across the country.
- b) The Committee recommends an additional allocation of Kshs 400 million to Judiciary to support its ICT department
- c) The Committee further recommends an additional allocation Kshs 302 million to the Judicial Service Commission for implementation of the approved organizational structure for the Commission – Kshs 57 million, recruitment for the Judiciary and the tribunals – Kshs 30 million, infrastructure improvement at the Commission – Kshs 65 million, and Judiciary training institute – Kshs 150 million.

### **3.1.2. Office of the Attorney General and Department of Justice**

#### **Observations**

- a) In the FY 2021/22, the office resource requirement is 6.7 billion composed of Kshs 6.3 billion for recurrent expenditure and Kshs 455 billion for development expenditure. However, the proposed ceiling for the department is Kshs 5.1 billion composed of Kshs 4.98 billion for recurrent expenditure and Kshs 0.12 billion for development expenditure.

- b) The shortfall will affect the following areas; development of government legal documentation center – Kshs 110 million, acquisition of office space – Kshs 2.5 billion, conducting investigations into complaints against Advocates – Kshs 7 million, operationalization of the Business Registration Services – Kshs 178 million among other projects.
- c) The Committee further observed that there are suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, the awards against the government pending payment stand at approximately Kshs 150 billion and they are ranging from awards to victims of torture as well as business litigants against the State.
- d) However, there have been positive steps taken in addressing the pending court awards through an inter-ministerial Committee chaired by the Solicitor General to address this perennial challenge and the recommendations of the committee is awaiting cabinet consideration

#### **Financial Recommendations**

- a) The committee recommends the approval of the Commission's proposed budget ceiling of Kshs 5.1 billion for FY 2021/22 as submitted by the National Treasury.

#### **3.1.3. Independent Electoral and Boundaries Commission**

##### **Observations**

- a) The Commission resource requirement for the FY 2021/22 is estimated to be Kshs 26.1 billion comprised of Kshs 4.7 billion for normal operations and Kshs 21.5 billion for the 2022 general elections. However the commission was allocated Kshs. 14.6 billion comprised of Kshs 2.6 billion for personnel emoluments, operations and maintenance – Kshs 1.8 billion, General elections – Kshs 10 billion and Development of Kshs 87 billion.
- b) The following key areas are underfunded; Proposed Uchaguzi Centre (Kshs. 2.5 billion), preparation for the general elections – Kshs 10 billion and Kshs 3.1 billion to cater for pending bills for suppliers goods and services including legal fees.
- c) The committee noted with concern the commission has pending bills amounting to Kshs 3.1 billion of which non legal suppliers account for Kshs 1.1 billion and

Kshs 2.0 billion account for legal fees. The committee stressed the need for the Commission to engage in-house lawyers to undertake some of the petitions.

- d) The committee noted there is need for the commission to undertake continuous voter registration to guarantee the citizens their right to participate in electoral processes.

#### **Financial Recommendations**

- a) The committee recommends the approval of the Commission's proposed budget ceiling of Kshs 14.5 billion for FY 2021/22 as submitted by the National Treasury.
- b) The committee recommends an additional allocation of Kshs 1.5 billion for the construction of the proposed Uchaguzi centre
- c) The Committee further recommends the Commission in close collaboration with the National Treasury to undertake thorough scrutiny and audit of the all the pending bills particularly the bills owed to the suppliers and settle them expeditiously. The committee is cognizant of the fact that the commission is likely to engage the same suppliers when procuring for the next election.

#### **3.1.4. Commission for Administrative Justice**

##### **Observations**

- a) The Committee noted that the Commission's proposed ceiling for FY 2021/22 is Kshs 527.9 million out of which Kshs 334.1 million is for personal emolument and Kshs 193.8 million is for operations and maintenance against a resource requirement of Kshs 1.2 billion.
- b) The Committee further observed that the Commission's budgetary shortfall will affect the following critical areas; recruitment of additional staff - Kshs 50 million, public education and awareness Kshs 10 million, Establishment of two county offices - Kshs 20 million, Access to information activities - Kshs 20 million, procurement of motor vehicles - Kshs 50 million, staff mortgage and car loan scheme – Kshs 25 million, monitoring and evaluation – Kshs 10 million, and African ombudsman & mediators association activities – Kshs 10 million.

- c) The committee stressed the need for the commission to create awareness on its mandate particularly in ensuring the citizen right to quality service both at the national and county level of government is not compromised.

#### **Financial Recommendations**

- D) The Committee recommends an additional of Kshs 110 million for the following key areas; ; Recruitment of additional staff - Kshs 50 million, African ombudsman & mediators association activities – Kshs 10 million, public education and awareness Kshs 10 million, Establishment of two county offices - Kshs 20 million, and Access to information activities – Kshs 20 million.

#### **3.1.5. Witness Protection Agency**

##### **Observations**

- a) In the FY 2020/21, the agency's proposed budget ceiling is Kshs 487.9 million against a resource requirement of Kshs 631.9 million. The committee further observed that the witness protection programme which is the main mandate of the agency has consistently been unfunded despite the agency's critical role in the protection of witnesses in crucial cases. This has hampered the office ability to protect the witnesses under the programme.
- b) The committee further acknowledges the critical role the office plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses and further noted that the office has played crucial role in the prosecution of complex corruption and terrorism related cases in the recent past.

##### **Financial Recommendations**

- a) The committee recommends increase in the agency's proposed ceiling by Kshs 98.2 million to cater for the following; Director/ Chief Executive Officer Gratuity – Kshs 11.5 million, witness protection programme – Kshs 56.7 million, and Kshs 30 million to operationalize the staff Housing mortgage scheme.

#### **3.1.6. Kenya Human Right Commission**

##### **Observations**

- a) The Commission was allocated a budget ceiling of Kshs. 407.9 million in the FY 2021/22 against a resource requirement of Kshs. 600.1 million by the National Treasury. This leaves a resource gap of about Kshs. 192.1 million.
- b) The committee further observed that the commission has critical areas that are underfunded. In particular the commission fleet has aged attracting high maintenance cost and therefore the commission needs to acquire new field vehicles, inadequate office space and lack of screening rooms for commission's witnesses

### **Financial Recommendations**

- a) The Committee recommends an additional allocation of Kshs 192.1 million to the Commission's proposed budget ceiling for FY 2020/21 to cater for the following key areas; Internet connections; Printing of the annual report on the state of human rights in the country; Staff training on continuous professional education in the respective areas of expertise; Staff airtime; Motor vehicle fuel; Routine maintenance of office furniture, equipment and computers; and Office telephone and staff airtime.

#### **3.1.7. Ethics and Anti-Corruption Commission** **Observations**

- a) In the FY 2021/22 the Commission resource requirement is 7.5 billion comprising of Kshs 5.5 billion for recurrent expenditure and Kshs 2.0 billion for development expenditure. However, the proposed budget ceiling for the Commission is Kshs 3.113 billion comprised of esented a budget of Kshs. 5.7 billion but was allocated Kshs. 3.3 billion comprised of Kshs 3.26 billion for recurrent expenditure and Kshs. 0.072 billion for development expenditure. The shortfall is likely to impact the commission's ability to effectively discharge its prescribed mandate. In particular, the commission has a shortfall in the following key areas; personnel emolument – Kshs 106 million, operations and maintenance – Kshs – 360 million, refurbishment and extension of EACC Headquarters – Kshs 295 million and automation of EACC business processes – 580 million.

- b) The committee observed that the commission plays a critical role in the Big Four Agenda since it will be useful in abetting corruption as the government undertakes the big four projects.
- c) The committee also observed there is need for the commission to devolve to all counties to aid against the rampant that has been witnessed at the county level so as to aid against the misuse of devolved funds.

#### **Financial Recommendations**

- a) The Committee recommends an additional of Kshs 106 million for replacement of staff who have exited the Commission to address the acute staff shortage currently experienced by the Commission as well as promotion of existing staff.

#### **3.1.8. Office of the Director of Public Prosecution**

##### **Observations**

- a) The Office of Director of Public Prosecutions budgetary requirement in FY 2020/21 is Kshs. 4.95 billion against an allocation of Kshs 3.28 leading a deficit of Kshs 1.67 billion. The allocation is comprised of Kshs 3.125 billion for recurrent expenditure and Kshs 157 million for development expenditure.
- b) The Office requires an additional allocation of Kshs. 1.1billion to adequately fund the following key areas;
  - i) Funding for the ongoing anti-corruption and counter terrorism initiatives – Kshs 300 million
  - ii) ICT networking and implementation of a case management system – Kshs 100 million
  - iii) Operationalization of the Prosecutors Training Institute – Kshs 200 million
  - iv) Witness facilitation – Kshs 50 million
  - v) Medical insurance for new staff – Kshs 50 million
  - vi) Additional provision for staff housing and car loan scheme – Kshs 100 million
  - vii) Construction of Prosecution Training Institute – Kshs 300 million
- c) The committee further observed that the Office is a key player towards improving the national security, strengthening good governance and fight against corruption and requires increase in resource allocation to enable the Office execute its mandate

## **Financial Recommendations**

- a) The Committee recommends an additional allocation of **Kshs 300 million** comprised of Kshs 50 million for provision of medical insurance for new staff, Kshs 150 million to operationalize the established Prosecutors Training Institute – and Kshs 100 million for provision of staff housing and mortgage scheme.

### **3.1.9. Registrar of Political Parties**

#### **Observations**

- a) The Office had requested Kshs. 5.6 billion out of which Kshs 965.6 million was to cater for the Agency's operations, Kshs 4.5 billion for the political parties fund and Kshs 103.2 million for the Political Parties Liaison Committee.
- b) The 2021 Budget policy statement has proposed a budget ceiling of Kshs 1.35 billion in FY 2021/22, out of which Kshs 356.2 million will cater for the Office Operations, Kshs 975.3 million for the Political Parties Fund and Kshs 14.99 million for Political Parties Liaison Committee.
- c) Further the committee has observed that the allocation to the Political Parties Fund is not in compliance with the provision of the 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.
- d) The Committee has also observed that the Office of the Registrar of Political Parties is frequently enjoined in matters filed in courts and in the Political Parties Dispute Tribunal (PPDT) arising from intra and inters political parties' wrangles. This affects the office in terms of legal fees and time used in defending cases.
- e) The office has requested an additional of Kshs 677.7 million to cater for the following unfunded areas; recruitment of new staff – Kshs 39.4 million, establishment of 5 county offices – Kshs 28 million, monitoring campaigns and party primaries – Kshs 155.3 million, Training of ORPP staff – Kshs 63 million, training of political party officials on general election matters – Kshs 85 million, political parties agents training – Kshs 105 million and printing and advertising services – Kshs 25.6 million

## Financial Recommendations

- b) The Committee recommends an additional of Kshs 227.4 million to cater for the following unfunded areas; recruitment of new staff – Kshs 39.4 million, establishment of 5 county offices – Kshs 28 million, monitoring campaigns and party primaries – Kshs 50 million, Training of ORPP staff – Kshs 20 million, training of political party officials on general election matters – Kshs 30 million, political parties agents training – Kshs 50 million and printing and advertising services – Kshs 10 million

### ANNEX 1: Mini Schedule indicating the final ceilings per programme

Vote	Programme	Approved Estimate			Committee Amendments			Final ceilings		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Judiciary	Dispensation of Justice	15,003.0	2,333.4	17,336.4	-	900	900	15,003.0	3,233.4	18,236.4
Judicial Service Commission	General administration, planning and support services	581.8	-	581.8	302	-	302	883.8	-	883.4
State law office and department of justice	Legal services	2455.2	-	2,455.2	-	-	-	2455.2	-	2,455.2
	General administration planning and support services	706.1	65	771.1	-	-	-	706.1	65	771.1
	Governance, Legal training and constitutional affairs	1816.2	58.5	1874.7	-	-	-	1816.2	58.5	1874.7
Ethics and anti-corruption commission	Ethics and anti-corruption	3,258.5	64.9	3323.4	106	-	106	3,364.5	64.9	3,429.4
Independent electoral and boundaries commission	Management of electoral process	4063.3	150	4472.9	-	1500	1500	4063.3	1650	5,713.3
	Delimitation of electoral boundaries	259.5	-	259.5	-	-	-	259.5	-	295.5
Kenya National Commission on Human Right	Protection and Promotion of Human rights	407.9	-	407.9	192.1	-	192.1	600	-	600
Commission on	Promotion of administrative	527.9	-	527.9	100	-	100	627.9	-	627.9

Administrative Justice	justice									
Office of the Registrar of Political Parties	Registration and regulation of political parties and administration of the political parties fund	1,346.5	-	1,346.5	227.4	-	227.4	1,601.9	-	1,601.9
Witness Protection Agency	Witness Protection	487.9	-	487.9	98.2	-	98.2	586.1	-	586.1
Office of the Director of Public Prosecution	Public prosecution services	3,125	157	3,282	150	150	300	3,275	307	3,582

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL SECURITY**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT 2021/22  
AND THE MEDIUM TERM FOR STATE DEPARTMENTS FOR LABOUR, SOCIAL  
PROTECTION, YOUTH, GENDER, DEVELOPMENT OF ARID AND SEMI ARID LANDS  
AND THE NATIONAL GENDER AND EQUALITY COMMISSION**

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# PART I

## 1.0 PREFACE

### 1.1 Introduction

1. This is a report on consideration of the 2021 Budget Policy Statement and Medium-term plan for the Government Ministries and State Agencies under the Purview of the Departmental Committee on Labour and Social Welfare thereafter forward the recommendations to the Budget and Appropriation Committee.
2. The theme for the BPS 2021 and the medium term is “*Building Back Better: Strategy for Resilient and Sustainable Economic Recovery*”. The BPS was submitted against a backdrop of ravaged economy from the COVID-19 pandemic. The policy measures outlined in the 2021 Budget Policy Statement aims at stimulating economic recovery. It will build on the gains made under the Economic Stimulus Programme, the Government will roll out the Post Covid-19 Economic Recovery Strategy (ERS) which will mitigate the adverse impacts of the Pandemic on the economy and further re-position the economy on a steady and sustainable growth trajectory.
3. The 2021 BPS, articulates measures that will stimulate growth, promote job creation, reduce poverty, protect the vulnerable groups and businesses. To achieve these, the Government will roll out the Post-Covid-19 Economic Recovery Strategy, harnessing the implementation of the “Big Four” Agenda for job creation, foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security, and improving business regulations, among others.
4. The policies in the BPS have also been anchored on the Medium-Term Plan III of the Vision 2030 as prioritized in the “Big Four” Agenda. The focus of the policies is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses, and industrial recovery.
5. In this respect, the Government will strengthen implementation of programmes and measures that ensure a more inclusive growth, foster macroeconomic stability, and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).

## 1.2 Mandate of the Committee

6. The Committee on Labour and Social Welfare is one of the Departmental Committees of the National Assembly established under Standing Order 216 and mandated:
  - i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments.
  - ii. **To study the programme and policy objectives of ministries and departments and the effectiveness of the implementation.**
  - iii. To study and review all legislation referred to it.
  - iv. To study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives.
  - v. To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary and as may be referred to them by the House.
  - vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments); and
  - vii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.
7. The Committee is mandated to consider the following subjects: -
  - i. Labour,
  - ii. Labour relations,
  - iii. Manpower or Human Resource Planning,
  - iv. Gender,
  - v. Youth,
  - vi. Social Welfare and Security,
  - vii. Children`s Welfare,
  - viii. Persons Living with Disabilities.
8. In executing its mandate, the Committee oversees the following government Ministries, departments and or agencies, namely:
  - i. The State Department for Labour
  - ii. The State Department for Social Protection
  - iii. The State Department for Gender
  - iv. The State Department for Youth
  - v. The State Department for Arid and Semi-Arid Lands
  - vi. National Gender and Equality Commission

### 1.3 Committee Membership

9. The Committee comprises of the following members -

The Hon. Peter Mwathi, MP (**Chairperson**)

M.P for Limuru Constituency

**Jubilee Party**

The Hon. Gideon Koske Kimutai, M.P (**Vice Chairperson**)

M.P for Chepalungu Constituency

**Chama Cha Mashinani (CCM)**

The Hon. James Onyango Koyoo, MP

M.P for Muhoroni Constituency

**Orange Democratic Movement (ODM)**

The Hon. Janet Marania Teyiaa, MP

M.P for Kajaiido County

**Jubilee Party**

The Hon. Nelson Koech, MP

M.P for Belgut Constituency

**Jubilee Party**

The Hon. Ronald Kiprotich Tunoi, MP

M.P for Bomet Central

**Jubilee Party**

The Hon. Moses Malulu Injendi, MP

M.P for Malava Constituency

**Jubilee Party**

The Hon. Tom Odege, MP

M.P for Nyatike Constituency

**Orange Democratic Movement (ODM)**

The Hon. Rose Museo, MP

M.P for Makueni County

**Wiper Democratic Movement (WDM)**

The Hon. Caleb Amisi, MP

M.P for Saboti Constituency

**Orange Democratic Movement (ODM)**

The Hon. Omboko Milemba, MP

M.P for Emuhaya Constituency

**Amani National Congress Party (ANC)**

The Hon. Charles Kanyi Njagua, MP

M.P for Starehe Constituency

**Jubilee Party**

The Hon. Fabian Kyule Muli, MP

M.P for Kangundo Constituency

**Muungano Party**

The Hon. Abdi Mude Ibrahim, MP

M.P for Lafey Constituency

**Economic Freedom Party (EFP)**

The Hon. Titus Mukhwana Khamala, MP

M.P for Lurambi Constituency

**Amani National Congress Party (ANC)**

The Hon. Safia Sheikh Adan, MP

M.P for Marsabit County

**Jubilee Party**

The Hon. Ole Sankok David, MP

Nominated M.P

**Jubilee Party**

The Hon. Wilson Sossion, MP

Nominated M.P

**Orange Democratic Movement (ODM)**

The Hon. Gideon Keter, MP

Nominated M.P

**Jubilee Party**

## 1.4 Committee Secretariat

Mr. Adan Gindicha  
**Senior Clerk Assistant/ Head of Secretariat**

Mr. John Mugoma  
**Clerk Assistant II**

Ms. Doreen Karani  
**Legal Counsel**

Ms. Fiona Musili  
**Research Officer**

Mr. Adan Ahmed Abdi

**Fiscal Analyst**

## 1.5 Overview on the Examination of the Budget Policy Statement 2021

10. The 2020 Budget Policy Statement (BPS) was laid on the Floor of the House on Thursday, 11<sup>th</sup> February 2021, by the Majority Leader pursuant to the provisions of the Standing Order No. 232 of the National Assembly and Section 25 of the Public Finance Management Act (2012). Further, pursuant to the provisions of Standing Order No 232 (4), the BPS was subsequently committed to each Departmental Committees for review, scrutiny and approval.
11. According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'. The Departmental Committee is to deliberate on the Budget Policy Statement according to its mandate and make recommendations to the Budget and Appropriations Committee.
12. In considering the 2021 Budget Policy Statement and the Medium-Term Plan for the government Ministries and State Agencies and Departments under its purview, the Committee held a total of Seven (7) sittings. The committee received a comprehensive brief from the Parliamentary Budget office regarding the most critical issues on the 2021 BPS. The Committee also received both oral and written submissions from the MDAs which were critical in consideration of the Budget Policy Statement for FY 2020/21.

## 1.6 Acknowledgement

13. The Committee is thankful to the office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded during its Sittings. Further, the Committee is also thankful to the MDAs and the secretariat for the provision of the necessary information needed in processing of the Budget Policy Statement 2021. Therefore, on behalf of the Committee, and pursuant to Standing Order 199(6) it is my pleasant duty and privilege, to submit this Report on the 2021 Budget Policy Statement and Medium-term Plan for the State Departments of Labour, Social Protection, Youth Affairs, Development of Arid and Semi -Arid Lands, and Gender Affairs as well as that of the National Gender and Equality Commission.

  
HON. PETER MWATHI, MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE)

26/02/2021

## PART II

### 2.0. BROAD OVERVIEW OF POLICIES CONTAINED IN THE BPS 2021

#### 2.1 Key Policies Underpinning 2021/22 and Medium Term Budget Estimates

Program/ Policy Area	MDA	Programme	Some of the Key Outputs	Targets		Allocation (Ksh. Million)	
				Achieved 2019/20	Proposed 2021/22	Actual 2019/20	2021/22 BPS Ceiling
Continued support to households with Cash Transfers	State Department for Social Protection	National Safety Net Programme	No. of households with older persons supported with cash transfers	766,424	1,183,000	28,724	29,263
Continue to allocate funds to women enterprise fund	State Department for Gender	Community development	Vulnerable students accessing bursaries and community groups supported	252,707	320,800	1,495	2,130
Sustainable Development of Northern Kenya and Other Arid Lands	State Department for the Development of ASAL	Accelerated ASALs Development	No. of beneficiary households under regular hunger safety net programme	100,538	125,850	646	646

#### 2.2 Programmes to be implemented in the MTEF period 2021/22-2023/24 including the proposed allocations/outputs and Performance indicators

15. The medium-term expenditure framework for 2021/22 – 2023/24 ensures resource allocation based on prioritized Programmes aligned to the MTP III and the Big Four Agenda. It also focuses

on strategic policy initiatives of Government to accelerate growth, employment creation and poverty reduction.

16. In this regard, the identified Programmes for implementation under the **State Department for Labour** for 2021/2022 and the medium-term are:

- i. **Promotion of the best labour practice**, with a proposed allocation of **Ksh.778 Million** of which **Ksh.691.1 Million** is recurrent expenditure while **Ksh.87 Million** is for development expenditure. Key performance indicators and outputs under this Programme for the FY 2021/22 include; 80 % of labour disputes to be resolved, 6,750 work place inspections to be carried out, 11 wage councils to be established and operationalized, establish 19 child labour free zones and secure 2100 employment opportunities through the labour attaché offices in Qatar, UAE and Saudi Arabia.

However, it's important to note that the State department did not achieve similar targets set in the financial year 2019/20. For example, the state department did not establish a single wage Council despite setting a target of five. Similarly, the state department only managed to secure 378 employment opportunities despite having a target of 1400 opportunities.

- ii. **Manpower Development, Employment and Productivity Management**, with a proposed allocation of **Ksh. 4.1 billion** of which **Ksh. 1.61 billion** is recurrent expenditure while **Ksh.2.49 billion** is for development expenditure. Some of the Key performance indicators and outputs under this Programme for the FY 2021/21 are; 450,000 log-ins into the Kenya Labour Management Information System, place 34,000 trainees on industrial attachment, 87,000 job seekers placed in gainful employment locally and abroad. The National industrial Training Authority does not envisage training and certifying youths with job skills both in the coming financial year and the medium-term.
- iii. **General Administration & Support Services**: has a proposed allocation of **Ksh. 446.5 million** which is fully recurrent expenditure.

17. The identified Programmes for implementation under the **State Department for Social protection** for 2021/2022 are:

- i. **Social Development and Children Services**- This Programme has a proposed allocation of **Ksh.3.8 billion** of which **Ksh. 3.5 billion** is for recurrent expenditure while **Ksh.217 Million** is for development expenditure. Some of the key performance indicators and outputs scheduled for the FY 2021/22 include registration of 50,000 SHGs, CBOs, groups with training of 55,000 members of SHGs, CBOs, SDCs, CSAC and BWCs groups, 2,500 groups linked to various MFIs and non-State actors, 800 PWDs trained in Vocational Rehabilitation skills 4,000 persons with albinism supported with sunscreen lotion and 20,000 children supported with psychological support.
- ii. **National Safety Net Programme**: This Programme has a proposed allocation of **Ksh.29.2 billion** of which **Ksh.26.4 billion** is for recurrent expenditure while **Ksh. 2.8 Billion** is for development expenditure. Some of the key performance indicators and outputs scheduled for the FY 2021/22 include 1,183,000 households with older persons supported with cash transfers, 540,500 households with OVCs supported with cash transfers, 94,000 households with PWSDs supported with cash transfers. The State

department did not reach out to all of the targeted persons under the three categories in the financial year 2019/20.

- iii. **General Administration & Support Services:** has a proposed allocation of **Ksh.205.7 million** which is fully recurrent expenditure.

18. The identified Programmes for implementation under the **State Department for Gender** for FY 2021/2022 are:

- i. **Community Development:** This Programme has a proposed allocation of **Ksh. 2.13 billion for development expenditure**. Key performance indicators and outputs of the Programme include; 26,800 students benefiting from Bursary and Scholarships, 3000 groups supported through grants for socio-economic development, 1,000 groups funded for value addition initiatives and 290,00 beneficiaries in country-wide projects. This is a reduction from 751,800 set in the financial year 2020/21.
- ii. **Gender Empowerment Programme:** This Programme has a proposed allocation of **Ksh.917.1 billion** out of which **Ksh.723.1 billion** is for recurrent expenditure while **Ksh.194 million** is for development expenditure. Key performance indicators and outputs of the Programme include 5000 men engaged in the campaign on prevention and response to GBV, Ksh.550 million disbursed to Youth, Women and PWDs Groups under the UWEZO fund, 3.2 billion disbursed to 14,000 women entrepreneurs under WEF.
- iii. **General Administration & Support Services:** has a proposed allocation of **Ksh.307.2 million** which is fully recurrent expenditure.

19. The identified Programmes for implementation under the State Department for **Development of the ASAL** for the FY 2021/2022 are: **Accelerated ASAL development:** The Programme has a proposed allocation of **Ksh.10.06 billion** of which **Ksh1.0 billion** is recurrent expenditure while **Ksh.9.0 billion** is for development expenditure. Some of the outputs for the Programme include; 301 school facilities constructed, renovated, equipped and in operation, 150,000 people supported through cash or food for cash, 125,850 households under regular program, 60,000 families under emergency scale up during drought.

20. Under the **State Department for Youth Affairs** for the FY 2021/22, **the Youth Empowerment Programme**, has a proposed allocation of **Ksh.14.46 billion** of which **Ksh.10.6 billion** is recurrent expenditure while **Ksh.3.8 billion** is for development expenditure. Key performance indicators and outputs of the Programme FY 2021/2022: 30,000 youths to be recruited into the service next financial year and the medium term. That is three times the number that was recruited in the financial year 2020/21. The number of youths targeted for mentored in entrepreneurship, leadership and national values is 11,000 for the financial year 2021/22 further increasing to 14,500 and 17,500 over the medium-term.

### 2.3 Proposed sector ceilings for each vote

21. The resource ceilings for State departments under the purview of the committees in 2021/22 is **Kshs 66.4 billion** against a resource requirement of **Kshs 114.7 billion** implying a resource shortfall of **Kshs. 48.2 billion**.

DETAILS	2020/21 ESTIMATE	2021/22			
		RESOURCE REQUIREMENT	BPS CEILING S	DEVIATION FROM RESOURCE REQUIREMENT	% DEVIATION FROM RESOURCE REQUIREMENT
<b>1184: STATE DEPARTMENT FOR LABOUR</b>					
Promotion of Best labour Practices	776	1,907.44	778.1	-1,216.34	-64%
Manpower Development, Employment and Productivity Management	3,978.90	5,378.90	4,112.50	-1,266.40	-24%
Policy, Planning and General Administrative Services	453.9	927.1	416.5	-240.37	-26%
<b>Total Vote for 1184</b>	<b>5,208.80</b>	<b>8,213.44</b>	<b>5,250.10</b>	<b>-2,723.11</b>	<b>-33%</b>
<b>1185: STATE DEPARTMENT FOR SOCIAL PROTECTION</b>					
Social Development and Children Services	3,637.40	10,017.65	3,803.50	-4,015.36	-51%
National Safety Net Programme	29,761.80	49,593.70	29,263.60	-20,307.30	-33%
Policy, Planning and General Administrative Services	205.3	334.22	205.7	-128.52	-32%
<b>Total Vote for 1185</b>	<b>33,604.50</b>	<b>59,945.57</b>	<b>33,295.60</b>	<b>-24,451.18</b>	<b>-41%</b>
<b>1212: STATE DEPARTMENT FOR GENDER</b>					
Community Development	2,130.00	2,557	2,130.00	-100	-4%
Gender empowerment	934.8	4,144	917.1	-3,410.40	-71%

General Administration and Planning	287.2	338	307.2	-422.6	-57%
<b>Total Vote for 1212</b>	<b>3,352</b>	<b>7,793.00</b>	<b>3,354</b>	<b>-3,933.00</b>	<b>-50%</b>
<b>1035: STATE DEPARTMENT FOR THE DEVELOPMENT OF THE ASAL</b>					
Accelerated ASALs Development	9,804.70	14,937.80	10,065.70	-4,872.10	-33%
<b>1214 STATE DEPARTMENT FOR YOUTH AFFAIRS</b>					
Youth Empowerment	13,846	32,846	14,466	-18,380	-55%
<b>GRAND TOTAL</b>	<b>65,816.0</b>	<b>114,768.37</b>	<b>66,488.7</b>	<b>-48,279</b>	<b>-42%</b>

## 3.1 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

### 3.1 STATE DEPARTMENT FOR LABOUR

22. As per the Draft Budget 2021/22 submitted to the Sector Working Group the State Department was allocated Kshs. 5.34 Billion (which include Kshs. 2.75 Billion under Recurrent and Kshs. 2.59 Billion under Development) against a requirement of Kshs. 8.06 Billion, hence a variance of **Kshs. 2.72 Billion**. On the Development allocation, Donor Component accounts for **Kshs. 2.39 Billion (89%)**. The list of interventions and proposed budgetary requirements for 2021/22 FY is as outlined below:

- (i) Labour Migration Management -**Kshs. 150 Million**
- (ii) Hosting of the African Regional Labour Administration Centre (ARLAC) Meeting, October 2021 –**Kshs 25 Million**
- (iii) Capacity Building of the Office of the Registrar of Trade Unions (RTU) to enhance better engagement with the Stakeholders –**Kshs. 50 Million**
- (iv) Procurement of Motor Vehicles -**Kshs. 35 Million**
- (v) Enhancement of Field/County And Foreign Stations For Effective Service Delivery –**Kshs. 150 Million**

23. **List of on-going projects that are above 85% complete and the funds required to complete the project**

- (i) Construction of a modern Employment Office in Eldoret- **Kshs. 900,000**
- (ii) Construction of the Occupational Safety and Health (OSH) Institute- Phase 1- **Kshs. 170, 941, 053**
- (iii) Construction of National Employment Promotion Centre Kabete- **Kshs.163,640,000**
- (iv) Rehabilitation of Safety House- **Kshs.18,118,947**
- (v) Upgrading of Kisumu Industrial Training Centre (KITC) - **Kshs. 328, 600, 000**

### 3.2 STATE DEPARTMENT FOR SOCIAL PROTECTION

24. **Resource requirement vs allocations for 2021/2022-2023/2024**

Economic Classification	Approved Original Estimates	Resource Requirement (KSh. Millions)			Allocation (KShs. Millions)		
	2020/21	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
<b>Gross</b>	31,056.25	55,120.14	55,303.95	55,698.55	31,115.63	30,193.47	30,257.50
AIA	42	60	60	60	42	42	42
NET	31,014.25	55,060.14	55,243.95	55,638.55	31,073.63	30,151.47	30,215.50
Compensation Employees to	1,434.075	1,470.612	1,515.334	1,558.67	1,470.612	1,515.334	1,558.67
Transfers	28,637.05	47,993.49	48,128.49	48,462.44	28,637.10	27,647.62	27,658.41

Other Recurrent	919.28	5,562.75	5,709.15	5,745.94	921.11	923.16	931.47
Utilities	49.7	49.7	49.7	49.7	49.7	49.7	49.7
Rents	16.15	35.1	36.153	37.238	35.1	36.153	37.238
Gratuity	0	2.01	21.55	22.01	2.01	21.55	22.01

## 25. Critical programmes not adequately funded

- a) The present allocation to the three Cash Transfer Programmes in Direct Cash Transfers and PSP Commissions is KShs. 25 billion to 1.223 million beneficiaries. There exists a deficit of KShs. 4.70 billion.
- b) With the PSP Commissions for FY2021-2022 remaining at 298 million, the deficit is KShs. 600 Million.
- c) The present allocation for Field Services Operations is KShs. 27 Million, leaving a gap of KShs. 400 Million.
- d) The subsector would also require an additional KShs. 250 Million for operations in order to develop and implement the programme.
- e) The planned Enrolment of 397,000 New Beneficiaries under OPCT, CT-OVC and PwSD-CT will require KShs. 9.528 billion with the requisite PSP Commissions being KShs. 286 Million.
- f) The sub sector requires additional KShs. 15.764 billion for the Cash Transfer programmes
- g) NCPWD requires the additional KShs. 59 million for the National Development Fund for Persons with Disabilities (NDFPWD) which has affected education assistance, infrastructure & equipment, groups supported for income generating activities and PWDs supported under AGPO programme.
- h) The Council also has a shortfall of the O&M allocation of KShs. 103M.
- i) Autism and other developmental disabilities programmerequiresKShs. 100M to support 10,000 persons with Autism.
- j) The SFRTF requires additional KShs. 74 Million for implementation of its programmes which entails rescue, rehabilitation, re-integration and resocialization. The Street persons have increased due the current prevailing situation.
- k) The subsector requires KShs. 600M for the field services which was erroneously devolved to the County Government together with their operations funds in 2014/15 FY .
- l) Social Risk Management (SRM) will be funded through the Financially Locally Led Climate Action Program under the National Treasury at a cost of 310M USD. This program will require counterpart funding of KShs. 300M for the FY 2020/21. Social assessment is a critical requirement for implementation of all World Bank projects.
- m) The Subsector requires KShs. 37.8 million for the Implementation of Volunteerism Policy.
- n) The Presidential Bursary Scheme offers assistance to Orphans and Vulnerable Children (OVCs) by paying school fees in boarding secondary schools. The programme has been allocated a total of KShs. 400 million against a requirement of KShs. 897 million.
- o) As at 2020, there are 1500 victims of human trafficking in various shelters whose requirement is KShs. 263.2 Millions. The Fund has been allocated 20 million in FY 2021/22 thus creating a shortfall of 243.2. This will in turn affect the maintenance and repatriation of the victims.
- p) CWSK requires KShs. 1.715 billion for implementation of five priority projects (integrated child and family centres). They are emergency rescue centres for children to provide COVID-19 social distancing.
- q) NCCS requires additional KShs. 203.5 million for operationalization which include recruitment of staff, strengthened AACs, rent and office equipment.

### 3.3 STATE DEPARTMENT FOR YOUTH AFFAIRS

26. During the MTEF Financial Year 2021/22, the State Department Resource Requirement amounted to **Khs.2,700,000,000.00** for the Recurrent Expenditure and **Kshs.6,869,000,000.00**, for Development Vote respectively. The State Department has been Appropriated **Kshs.1,404,740,000.00** for Recurrent Expenditure and **Kshs.2,987,520,000.00**, for Development Expenditure over the same period. These Accounts only for **45 %** of the Amounts requested.

#### 27. Emerging issues, constraints and challenges due to low allocation-

- (i) Post COVID-19 Youth Development Stimulus Package-**Kshs.600, 000, 000.00**
- (ii) Funding for Programs(Purchase of Motor Vehicles for Field Offices, ISO Certification, Several Mandatory Management Surveys, Training for Promotional Courses, Monitoring and Evaluation of Ministerial Projects)- **Kshs.456, 000,000.00**
- (iii) Youth Empowerment Centres (YEC)-**Kshs 2, 000,000,000.00.**
- (iv) The International Youth Day (IYD)- **Kshs.70, 000,000.00**

### 3.4 STATE DEPARTMENT FOR GENDER

28. The State Departments' total gross budget requirement for FY 2021/22 amounted to Kshs billion against a proposed allocation of Kshs.3.3 billion resulting to resource gap of **Kshs billion**. The Recurrent resource requirement for FY 2021/22 was Kshs.2.8 billion against an allocation of Kshs. 1 billion (inclusive of AIA of Kshs.135million to be collected by WEF) resulting to a resource gap of Kshs.1.8 billion. The Development resource requirement for FY 2021/22 was Kshs.4.2 billion against an allocation of Kshs. 2.3 billion resulting to resource gap of Kshs.1.9 billion.State Department for Gender to cater for the resource gap- **Kshs. 3.7 Billion** for FY 2021/22.

### 3.5 NATIONAL YOUTH SERVICE

29. The proposed budget allocation for NYS for 2021/2022 FY is thus **KShs. 9.2B and 945M** for Recurrent and Development Budget respectively.

Vote	Baseline 2020/2021(KShs)	Proposed Estimates 2021/2022(KShs)
<b>Recurrent</b>	9,243,026,300	9,244,320,000
<b>Development</b>	942,000,000	945,600,000
<b>Gross Total</b>	<b>10,185,026,300.00</b>	<b>10,189,920,000</b>

#### 30. Key Underfunded Areas in the Recurrent Budgetary Proposal

S/no	Item	Requirement (KShs)	Allocation (KShs)	Resource Gap (KShs)
1.	Personnel Emolument	3,993,884,646	1,198,481,000	2,795,403,646
2.	Food and Ration	4,810,830,750	2,704,111,199	2,106,719,551
3.	Trainee Allowance	1,714,658,400	1,631,712,800	2,945,600

S/no	Item	Requirement (KShs)	Allocation (KShs)	Resource Gap (KShs)
4.	Supplies for Production	706,385,200	418,599,000	287,786,200
5.	Monthly Issues	622,071,048	228,514,685	393,556,363
6.	Enterprise Development	1,864,834,000	-	1,864,834,000

- 31. Personnel Emoluments** budget allocation of **KShs. 1.2B** is based on the staff establishment for NYS as a Department in the Ministry. NYS was however transformed into a State Corporation in December, 2018 by the NYS Act, 2018 and subsequently categorized under Training and Research Institution, Category 4 A by the State Corporations Advisory Committee (SCAC). This has implications on the organizational and salary structure of the NYS necessitating a review of the budget to accommodate the changes. For the Service to operate optimally, we need to transition all staff into the Category 4A State Corporation and, urgently employ additional 2,295 Privates, 401 lecturers and 247 technical instructors among other critical staff since, NYS is currently operating using staff seconded from other Ministries, Departments and Agencies (MDAs) due to acute understaffing. It is worth mentioning that the last employment of Privates was carried out in 2010. This requires **KShs. 3.9B** thus a resource gap of **KShs. 2.8B** under this category.
- 32.** Under the Food and Ration category, NYS currently has a total strength of 58,042 Service men and service women and, is expected to recruit another 3,000 and 10,000 in the current and 2021/22 FYs respectively. This brings the total strength to 68,042 SM/W with about 4,000 expected to graduate within the same time period. Each Service Man or Woman is expected to consume **KShs. 275 per day** worth of Food and Ration totaling to **KShs. 4.8B**. This is against an allocation of **KShs. 2.7B** leaving a deficit of **KShs. 2.1B**.
- 33.** The requirements for Trainee Allowance are based on the total projected number of SM/W in 2021/2022FY of 68,042. Each Service Men and Women receives a monthly allowance of **KShs. 2,100** translating to **KShs 1.7B** leaving a shortfall of **KShs. 2.9M**. Trainee allowance (like salary) is an entitlement payable monthly to Service Men & Women.
- 34.** The requirements for Supplies for Production amounts to **KShs. 706M** comprising of cost of materials and accessories for Textile and Garment Technology Institute (TGTI) of **KShs. 552M** and, other commercial and enterprise activities including but not limited to automation of mineral water bottling plant, accessories for bakery production, installation of green houses for certified potato seeds production and expansion of hay production amounting to **Ksh153M**.
- 35.** Monthly Issues is an entitlement for servicemen and women. They include bar soap, sanitary towels, shoe polish, detergents, disinfectant and tissue paper. Requirements for Monthly Issues are based on the projected NYS servicemen and women strength of 68,042 for 2021/2022 FY amounting to **KShs.622M** against a requirement of **KShs. 228M** hence a shortfall of **KShs.393M**. Table 5 below gives a breakdown of Monthly Issues Requirements per servicemen and women.

36. Implementation of Commercial and Enterprise activities detailed in the NYS Strategic Plan aims at increasing revenue generation hence sustainability of the Service. This requires seed capital of **KShs 9.1B** spread over the five-year implementation period. During 2021/2022 FY, NYS made a request for **KShs 1.9B** which was not funded. NYS request for **KShs. 2B** in 2019/2020 and **KShs 1.9B** in 2020/2021 FY were equally not funded. This has caused delays in the implementation of commercialization activities necessitating NYS's continued over reliance on exchequer funding.
37. Resource requirement for development amounted to **KShs 4.1B** against an allocation of **KShs. 945M** leaving a shortfall of **KShs. 3.2B**.

S/no	Item	Requirement FY 2021/22	Allocation FY 2021/22	Resource Gap
1.	Construction of Buildings and Other Infrastructure	812,070,000	50,000,000	762,070,000
2.	Vocational Training and Research	3,327,144,100	895,600,000	2,431,544,100
<b>Total</b>		<b>4,139,214,100</b>	<b>945,600,000</b>	<b>3,193,614,100</b>

38. NYS requires a total of **KShs. 812M** to complete the ongoing projects in under the **Construction of Buildings and Other Infrastructure**. Allocation for same is **KShs. 50M** leaving a deficit of **KShs. 762M**. Further, details under this category is provided in section 2.4 of this presentation.
39. Resource requirement for **Vocational Training and Research** is therefore **KShs. 3.3B**. This is against an allocation of **KShs. 895M** hence a shortfall of **KShs. 2.4B**. Table 8 details the MoE TVT training costs per Service Men and Women for the 2021/2022 FY.
40. NYS has only one project namely; Construction of Buildings and other Infrastructure initiated on 1<sup>st</sup> July, 2015 at an initial cost was **KShs. 1.7B**. Overall project completion status as at 30<sup>th</sup> June, 2020 was 44% with a cumulative expenditure of **KShs. 728.58M**. To bring the project to completion, NYS requires **KShs. 957M**. Of these, NYS requested for **KShs. 812M** for 2021/2022 FY and the balance of **KShs.145M** in 2022/2023FY. During MTEF, NYS was only allocated **KShs. 50M** leaving a deficit of **KShs. 762M**.
41. His Excellency the President directed all Accounting Officers to pay and settle all pending payments that did not have audit queries. The matter of historical pending bills for the National Youth Service (NYS) has remained unsolved for five consecutive years i.e. from financial year 2013/14 to 2017/18. This is due to various reasons including poor documentation and record keeping as evidenced by missing LPOs, LSOs, Certificates, contracts, and minutes of various Procurement Committees. This has led to occasions where payments to suppliers are stopped to allow for verification and authentication of payment vouchers while in some instances payment vouchers were confiscated by the Director of Criminal Investigations (DCI) and Ethics and Anti-Corruption (EACC) for investigations.

42. A first multi-agency verification committee verified all vouchers and claims and recommended for payment of vouchers amounting to **KShs. 3.5B** which was funded which met all the criteria as provided by the PFM Act 2012, and PPO Act, 2015. In addition, in 2019/2020 FY, NYS was provided with additional **KShs. 6B** to cater for part of historical pending bills. However, there were other claims and vouchers that were not recommended for payment for not meeting the set criteria.
43. The second Multi agency Committee therefore verified and recommended payment of vouchers and claims including those held by EACC and DCI worth **KShs. 15,578,137,713.75** that met the two criteria above.

### **3.6. STATE DEPARTMENT FOR DEVELOPMENT OF ARID AND SEMI-ARID LANDS**

44. In the F/Y 2021/2022, the State Department has been allocated **Kshs. 1,029.5 million** and **Kshs 9,036.23** million in the Recurrent budget and development budget respectively against resource requirements of **Kshs1,371.89 million** and **Kshs. 13,565.99** million for the recurrent and Development budget respectively.
45. Out of a total resource requirement of Kshs 14,937.88 million, the Department has been allocated total budget of **Kshs 10,065.73** million, which translates to a total deficit of **Kshs 4,872.15 million**.
46. List of unfunded priorities
- (i) Cross-Border Peace Initiatives: Kenya and Ethiopia- **Kshs. 1259 million**
  - (ii) Towards Ending Drought Emergencies Eco System based on Adaptation in Kenya's Arid and Semi- Arid Rangelands (TWENDE)- **Kshs.202.65 million**
  - (iii) Stabilization and Recovery of Communities affected by Violent Extremism, Conflict and Disasters in Kenya- **Kshs. 204.55 million**
  - (iv) Building Effective, Accountable Mechanisms for Climate Resilience in Kenya- **Kshs.231.30 million**
  - (v) Cross-Border Peace Initiatives: Kenya and Uganda- **Kshs. 1400 million**
  - (vi) Response and Coordination against Drought and Desertification- **Kshs. 136 million**
  - (vii) ASAL Conference- **Kshs. 50 million**
  - (viii) Development Project supervision costs- **Kshs. 70 million**

### **3.7. NATIONAL GENDER AND EQUALITY COMMISSION**

47. The National Gender and Equality Commission was allocated **Kshs. 436.05 million** as follows:
- (i) Personnel Emoluments (PE) - **Kshs.250.12 million**
  - (ii) Utilities- **Kshs. 3.5 million**
  - (iii) Rent- **Kshs. 46.6 million**
  - (iv) Insurance- **Kshs. 36.2 million**
  - (v) Contracted Cleaning Services -**Kshs. 1.5 million**
  - (vi) Gratuity -**Kshs. 7 million**
  - (vii) Other Operational Costs- **Kshs. 75.13 million**

(viii) Support to County Operations- **Kshs. 1 million**

(ix) Programmatic Activities- **Kshs. 15 million**

**48.** The Commission requires an allocation of **Kshs. 579.2M** with **Kshs. 35.5M** as special fund to conduct two essential audits (compliance of political parties and General Elections process with principles of gender equality and freedom from discrimination, and an audit of cash transfers) and immediate applications of NGEK rules and regulations through public hearings and public education.

## **PART III**

### **4.0 COMMITTEE OBSERVATIONS**

#### **4.1 State Department for Labour**

1. Despite its critical role in the promotion of foreign employment and creation of opportunities for the youth as a way of combating unemployment, the State Department continues to receive inadequate funding. This has delayed the signing of Bilateral Labour Agreements with several countries including Jordan, Kuwait, Oman and Bahrain.

In addition, the State Department is not able to explore other labour markets such as Canada, the United Kingdom and Australia. With remittances having overtaken tradition foreign exchange earners such as tea and coffee to become the leading source, with proper resourcing and aggressive promotion, Kenya has the potential of creating thousands of jobs abroad for its citizens. The International Labour Organization, places Kenya at third in place in the continent after Nigeria and Ghana in terms remittance recipient countries.

2. The Office of the Registrar of Trade Unions which has the mandate of inspecting books of accounts of Trade Unions and overseeing the management of Trade Unions has only **one** technical staff making it ineffective.
3. No resources have been allocated for the establishment of the Occupational Disease Fund which was conceived as a response to the COVID 19 Pandemic. This is meant to protect workers directly affected through death or disability by occupational accidents and diseases.

#### **4.2 State Department for Social Protection**

1. The deficit of Kshs. 4.7 billion for the National Safety Net Program has not been addressed meaning that thousands of potential beneficiaries especially under the Cash Transfer for the Elderly will miss out on the stipend for another financial year. Due to this shortfall, the Ministry has not been able to enroll close to 400,000 new beneficiaries and replacements to those who might have exited because of natural attrition.
2. The National Safety Net Program covering the Cash Transfers for the Elderly, Orphans and Vulnerable Children and Persons with Severe Disabilities in addition to the Hunger Safety Net Program continue to operate without a substantive Act of Parliament. The State Department has not yet operationalized The Social Assistance Act, 2013.
3. Education assistance, infrastructure and equipment, and support to initiate income generating activities for Persons Living with Disabilities under the State Department has been jeopardized as a result of inadequate resource allocation.

4. Five priority projects under the Child Welfare Society of Kenya have remained unfunded throughout the current Financial Year. Some of the projects were nearing completion. These centers were to serve as emergency rescue centers for children. The centers are in Bungoma, Joska, Nanyuki, Isiolo and Muranga.

#### **4.3 State Department for Youth Affairs**

1. Due to the COVID-19 Pandemic, most of the youth owned enterprises were adversely affected. These businesses are mostly in entertainment, outside catering, events organization, horticulture and poultry keeping. This has further worsened the unemployment situation in the country.
2. Youth Empowerment Center were conceived as focal point infrastructure for implementation of Kenya Youth Development Policy. Despite the important role these centers play by providing a platform for the youth to access one stop shop for labour market information, business opportunities, ICT services, counselling, and entertainment, only 70 out of the targeted 290 have been operationalized.

#### **4.4 State Department for Gender**

1. The eradication of FGM Policy which was recently adopted by the National Assembly needs to resource for the Anti-FGM Board to create awareness through both mainstream and Social Media and community dialogues.

#### **4.5 National Gender and Equality Commission**

1. The Commission remains centralized in Nairobi with presence in only 4 other counties. This compromises its ability to fully perform its role as a National Commission.

#### **4.6 State Department for Housing- Kazi Mtaani Program**

1. Kazi Mtaani Program has created temporary employment for over 278,736 youth as at 31<sup>st</sup> January 2021 in 1160 informal settlements spread across the entire country. The program has provided a mechanism for the Government to provide social protection for workers through an inclusive programme.

#### **4.7 State Department for Public Service: (NYS)**

1. The National Youth has over **Kshs 15. 5 billion** shillings of historical pending Bills. This is a huge amount of money which if pumped into the economy could have positive ripple effects and spur growth. Cases have reported of suppliers who have been driven into abject poverty through non- payment of these Bills.

## 5.0 COMMITTEE RECOMMENDATIONS

### 5.1 Policy Recommendations

- i) The State Department for Labour should develop policy guidelines towards the promotion of foreign employment as a Panacea to the problem of youth unemployment. New frontiers should be explored to secure professional and technical jobs for Kenyans in ICT, banking, accounting, medical fields etc. in Australia, Canada and Europe. The State Department should fast track the development of both the Labour Migration Policy and the proposed Labour Migration management Bill.
- ii) The State Department for Labour should within the current Financial Year develop the policy guidelines towards the establishment of the Occupational Disease Fund. The policy should outline the role of each of the Social partners which includes the Government, the workers, and the employers.
- iii) The State Department for Social Protection should fast track the ongoing effort to develop the policy and legal framework for the operation of the National Safety Net Program.
- iv) The State Department for Housing and Urban Development should develop a comprehensive policy to guide the National Hygiene Program, *Kazi Mtaani*, to ensure the youth participating in the program transition to either the existing affirmative action initiatives such as Youth Fund, Uwezo Fund and Women Fund, or access training opportunities to attain self-reliance.
- v) The *Kazi Mtaani* Program must be revamped through a policy framework that seeks for a meaningful output while at the same time providing the daily wages to reduce the vulnerability of the targeted youth. This includes providing labour services in key government initiatives such as the attainment of food security, manufacturing and housing projects.

### 5.2 Financial Recommendations

The Committee further recommends that the House approves: -

1. The proposed expenditure ceiling of **Kshs. 1,029.50 million** for current budget and **Ksh. 9,036.20 million** for capital budget for the State Department of ASAL.
2. The proposed expenditure ceiling of **Kshs. 2,750.60 million** for current budget and **Kshs 2,586.50 million** for the State Department for Labour.
3. The proposed expenditure ceiling of **Kshs. 30,236.10 million** for current budget and **Kshs 3,036.60 million** for the State Department for Social Protection.

4. The proposed expenditure ceiling of **Kshs. 1,030.30 million** for current budget and **Kshs 2,324 million** for the State Department for Gender.
5. The proposed expenditure ceiling of **Kshs. 1429.3 million** for current budget and **Kshs 2,928.50 million** for the State Department for Youth Affairs.
6. The proposed expenditure ceiling of **Kshs. 9,244.30 million** for current budget and **Kshs 945.6 million** for the State Department for Public Service (National Youth Service).
7. The proposed expenditure ceiling of **Kshs. 435.8 million** for current budget for the National Gender and Equality Commission.

Votes	Proposed Allocation 2021/22		
	Recurrent	Development	Total
State Department for ASAL	1,029.50	9,036.20	10,065.70
State Department for labour	2,750.60	2,586.50	5,337.10
State Department for Social Protection	30,236.10	3,036.60	33,272.70
State Department for Gender	1,030.30	2,324	3,354.30
State Department for Youth Affairs	1429.3	2,928.50	4,357.80
National Gender and Equality Commission	435.8	0	435.80
State Department for Public Service (National Youth Service )	9,244.30	945.6	10,189.90
<b>Total Allocation</b>	<b>46,155.90</b>	<b>20,857.40</b>	<b>67,013.30</b>

## 6.0 SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

S/No.	Observation	Recommended Policy Change	Financial Recommendation (If any)
1.	There is delayed signing of Bilateral Labour Agreements with several countries including Jordan, Kuwait, Oman and Bahrain due to inadequate funds to the State department of Labour.		The National Treasury should allocate a budget of Kshs 50 million for the State Department Labour to undertake this critical activity.
2.	The Office of the Registrar of Trade Unions which has the mandate of inspecting books of accounts of Trade Unions and overseeing the management of Trade Unions has only <b>one</b> technical staff making it ineffective.		The National Treasury should allocate a budget of Kshs 20 million for the State Department of Labour to operationalize the working of the office.

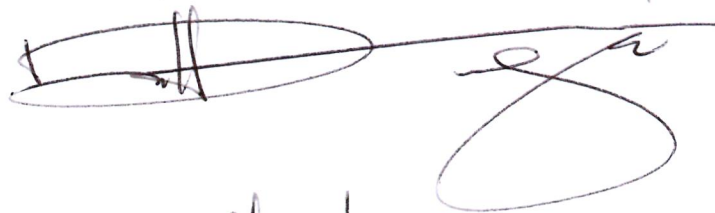
<p>3. No resources have been allocated for the establishment of the Occupational Disease Fund which was conceived as a response to the COVID 19 Pandemic.</p>	<p>The National Treasury should allocate a seed capital of Kshs 50 million for the operationalization of the Fund.</p>
<p>4. Deficits in the National Safety Net Program has not been addressed meaning that thousands of potential beneficiaries especially under the Cash Transfer for the Elderly will miss out on the stipend for another financial year.</p>	<p>The National Treasury should allocate Kshs 4.7 billion in the coming FY in order to benefit 400,000 new beneficiaries.</p>
<p>5. The National Safety Net Program covering the Cash Transfers for the Elderly, Orphans and Vulnerable Children and Persons with Severe Disabilities in addition to the Hunger Safety Net Program continue to operate without a substantive Act of Parliament.</p>	<p>The State Department of Social Protection to operationalized the Social Assistance Act, 2013.</p>
<p>6. Education assistance, infrastructure and equipment, and support to initiate income generating activities for Persons Living with Disabilities under the State Department for Social Protection has been jeopardized as a result of inadequate resource allocation</p>	<p>The National Treasury should enhance the budget for the National Council of Persons leaving with disability by Ksh150M in the coming FY 2021/22.</p>

7.	The eradication of FGM Policy which was recently adopted by the National Assembly needs resource for the Anti-FGM Board to create awareness through both mainstream and Social Media and community dialogues	Immediate operationalization of the policy.	The National Treasury should enhance the budget for the Anti-FGM Board by Ksh 30M the coming FY 2021/22 and the medium-term.
8.	The National Gender and Equality Commission remains centralized in Nairobi with presence in only 4 other counties. This compromises its ability to fully perform its role as a National Commission.		The National Treasury should avail funds to the tune of Kshs 100M to NGECE for the Agency to have a national presence.
9.	Kazi Mtaani Program has created temporary employment for over 278,736 youth as at 31 <sup>st</sup> January 2021 in 1160 informal settlements spread across the entire country. The program has provided a mechanism for the Government to provide social protection for workers through an inclusive programme.	The government should explore a mechanism of mainstreaming Kazi mitaani program with the big four agenda.	The National Treasury should explore ways of sustaining the program until the economy bounces back from the shocks of COVID-19.
10.	The National Youth Service has over Kshs 15.5 billion shillings of historical pending Bills. This is a huge amount of money which if pumped into the economy could have positive ripple effects and spur growth. Cases have reported of suppliers who have been driven into abject poverty		The National Treasury together with the Service should come up with a plan to reduce this pending balance by 2021/22 financial year.

through non- payment of these Bills.

Vote	Program	Draft Ceilings 2021/2022			Committee Amendment			Final ceiling 2021/2022		
		Rec urre nt	Devel opme nt	Tota l	Rec urre nt	Devel opme nt	T ota l	Rec urre nt	Devel opme nt	Total
State Department for Labour	Promotion of Best labour Practices	691. 10	87.00	778. 10	-	-	-	691. 10	87.00	778.10
	Manpower Developme nt, Employme nt and Productivit y Manage ment	1,61 2.90	2,499. 50	4,11 2.40	-	-	-	1,61 2.90	2,499. 50	4,112.40
	Policy, Planning and General Administra tive Services	446. 50		446. 50	-	-	-	446. 50		446.50
	<b>Total</b>	<b>2,75 0.50</b>	<b>2,586. 50</b>	<b>5,33 7.00</b>	-	-	-	<b>2,75 0.50</b>	<b>2,586. 50</b>	<b>5,337.00</b>
State Department for Social Protection	Social Development and Children Services	3,58 6.20	217.3 0	3,80 3.50	-	-	-	3,58 6.20	217.3 0	3,803.50
	National Safety Net Programme	26,4 44.3 0	2,819. 30	29,2 63.6 0	-	-	-	26,4 44.3 0	2,819. 30	29,263.6 0
	Policy, Planning and General Administrativ e Services	205. 70		205. 70	-	-	-	205. 70		205.70
	<b>Toatal</b>	<b>30,2 36.2 0</b>	<b>3,036. 60</b>	<b>33,2 72.8 0</b>	-	-	-	<b>30,2 36.2 0</b>	<b>3,036. 60</b>	<b>33,272.8 0</b>
State Department for Gender	Community Development		2,130. 00	2,13 0.00	-	-	-		2,130. 00	2,130.00
	Gender empowermen t	2,13 0.00	2,130. 00	4,26 0.00	-	-	-	2,13 0.00	2,130. 00	4,260.00
	General Administratio n and Planning	307. 20		307. 20	-	-	-	307. 20		307.20

Vote	Program	Draft Ceilings 2021/2022			Committee Amendment			Final ceiling 2021/2022		
		Rec urre nt	Devel opme nt	Tota l	Rec urre nt	Devel opme nt	T ota l	Rec urre nt	Devel opme nt	Total
	<b>Total</b>	<b>2,43 7.20</b>	<b>4,260. 00</b>	<b>6,69 7.20</b>	-	-	-	<b>2,43 7.20</b>	<b>4,260. 00</b>	<b>6,697.20</b>
State Department for Youth Affairs	Youth Empowerme nt	<b>1,42 9.30</b>	<b>2,928. 50</b>	<b>4,35 7.80</b>	-	-	-	<b>1,42 9.30</b>	<b>2,928. 50</b>	<b>4,357.80</b>
State Department for the development of the ASAL	Accelerated ASALs Development	<b>1,02 9.50</b>	<b>9,036. 20</b>	<b>10,0 65.7 0</b>	-	-	-	<b>1,02 9.50</b>	<b>9,036. 20</b>	<b>10,065.7 0</b>
National Gender and Equality Commission	Promotion of Gender equality and freedom from discriminatio n	<b>435. 80</b>		<b>435. 80</b>	-	-	-	<b>435. 80</b>		<b>435.80</b>
State Department for Public Service (National Youth Service )	National Youth Service	<b>9,24 4.30</b>	<b>945.6 0</b>	<b>10,1 89.9 0</b>	-	-	-	<b>9,24 4.30</b>	<b>945.6 0</b>	<b>10,189.9 0</b>
	<b>Grand Total Allocatio n</b>	<b>47,5 62.8 0</b>	<b>22,79 3.40</b>	<b>70,3 56.2 0</b>	-	-	-	<b>47,5 62.8 0</b>	<b>22,79 3.40</b>	<b>70,356.2 0</b>



26/02/2021

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON LANDS**

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**REPORT ON THE CONSIDERATION OF THE 2021 BUDGET POLICY STATEMENT  
(BPS) AND THE MEDIUM TERM FOR THE MINISTRY OF LANDS AND PHYSICAL  
PLANNING - VOTE 1112 AND THE NATIONAL LAND COMMISSION - VOTE 2021**

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NAIROBI**

**FEBRUARY, 2021**

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## **1.0 PREFACE**

### **1.1 Introduction**

1. This is the report of the Departmental Committee on Lands on its consideration of the 2021 Budget Policy Statement. The report contains an overview of the Budget Policy Statement for the agencies under the purview of the Committee, the deliberations between the Committee and the Cabinet Secretary Ministry of Lands & Physical Planning and the Chairperson, National Lands Commission. the observations and recommendations of the Committee to the Budget and Appropriations Committee.

### **1.2 Mandate of the Committee**

2. The functions and mandate as outlined in the Standing Orders are;
  - i. Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations, and estimates of the assigned ministries and departments;
  - ii. Study the Programs and policy objectives of Ministries and Departments and effectiveness of the implementation;
  - iii. Study and review all legislation referred to it;
  - iv. Study, assess and analyze the relative success of the Ministries and Departments as measured by the results obtained as compared with their stated objectives;
  - v. Investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary, and as they may be referred to them by the House;
  - vi. Vet and report on all appointments where the Constitution or any Law requires the National Assembly to approve, except those under Standing Order 204(Committee on Appointments); and
  - vii. Make reports and recommendations to the House as often as possible, including recommendations on proposed legislation.

The Committee oversees the Ministry of Lands & Physical Planning (Vote 1112) and the National Land Commission (Vote 2021)

3. The Committee oversees:
  - i. The Ministry of Lands and Physical Planning Vote 1112; and
  - ii. The National Land Commission Vote 2021

### 1.3 Committee Membership

4. The Committee comprises:

#### **Chairperson**

Hon. Dr. Rachael Nyamai, CBS, MP

**MP for Kitui South Constituency**

**Jubilee Party**

#### **Vice Chairperson**

Hon. Khatib Mwashetani, MP

**MP for Lunga Lunga Constituency**

**Jubilee Party**

Hon. Benjamin Washiali, CBS, MP

Member for Mumias East  
Constituency

**Jubilee Party**

Hon George Risa Sunkuyia, MP

Member for Kajiado West  
Constituency

**Jubilee Party**

Hon Joshua Kutuny Serem, MP

Member for Cherangany Constituency

**Jubilee Party**

Hon. John Muchiri Nyaga, MP

Member for Manyatta Constituency

**Jubilee Party**

Hon. Mishi Mboko, MP

Member for Likoni Constituency

**Orange Democratic Movement  
(ODM)**

Hon. Josphat Gichunge Kabeabea, MP

Member for Tigania East Constituency

**Party of National Unity (PNU)**

Hon. Omar Mwinyi, MP

Member for Chagamwe Constituency

**Orange Democratic Movement  
(ODM)**

Hon. Lilian Tomitom, MP

Member for West Pokot County

**Jubilee Party**

Hon. Ahmed Kolosh, MP

Member for Wajir West Constituency

**Jubilee Party**

Hon. Owen Yaa Baya, MP

Member for Kilifi North Constituency

**Orange Democratic Movement  
(ODM)**

Hon. Ali Mbogo, MP  
Member for Kisauni Constituency  
**Wiper Democratic Movement  
(WDM)**

Hon. Babu Owino, MP  
Member for Embakasi East  
Constituency  
**Orange Democratic Movement  
(ODM)**

Hon. Caleb Kipkemei Kositany, MP  
Member for Soy Constituency  
**Jubilee Party**

Hon George Aladwa, MP  
Member for Makadara Constituency  
**Orange Democratic Movement  
(ODM)**

Hon. Patrick Munene Ntwiga, MP  
Member for Chuka/Igambangombe  
Constituency  
**Jubilee Party**

Hon. Samuel Kinuthia Gachobe, MP  
Member for Subukia Constituency  
**Jubilee Party**

Hon. Teddy Mwambire, MP  
Member for Ganze Constituency  
**Orange Democratic Movement  
(ODM)**

#### **1.4 Committee Secretariat**

5. The Committee secretariat comprises-

**Lead Clerk**

Mr. Leonard Machira

**Senior Clerk Assistant**

Mr. Ahmad Guliye

**Second Clerk Assistant**

Dr. Kefa Omoti

**Principal Research Officer**

Mr. Joseph Okongo

**Media Relations Officer**

Ms. Jemimah Waigwa

**Legal Counsel I**

Mr. Adan Abdi

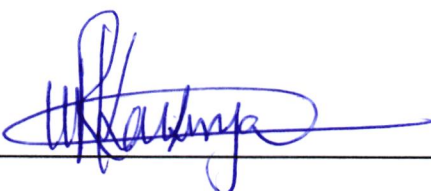
**Fiscal Analyst III**

## **1.5 Overview on the Examination of the 2021 Budget Policy Statement (BPS)**

5. The Committee commenced deliberations on the 2021 Budget Policy Statement (BPS) on Tuesday 16<sup>th</sup> February 2021 after it was tabled on the floor of the House on Thursday 11<sup>th</sup> February 2021 in accordance with the provisions of Standing Order No. 232. The Standing Order requires, among other things, the BPS to indicate total resources to be allocated to individual programs and projects within a sector and indicate the outputs expected from each such program or project during the period.
6. Further, Standing Orders 232 (5), provides that upon being laid in the House, the BPS stands committed to the relevant Departmental Committee for deliberation and recommendations to the Budget and Appropriations Committee.
7. The second schedule of the Standing Orders for the National Assembly mandates the Departmental Committee on Lands, to consider matters relating to Lands and Settlement. It is according to this provision that the Committee scrutinized the Budget Policy Statement for the Ministry of Lands & Physical Planning Vote 1112 and the National Land Commission Vote 2021 for the Financial Year 2021.
8. The Committee held four meetings to deliberate on the Budget Policy Statement. The Committee was briefed by the Parliamentary Budget office. Further, the Committee met with the Chief Administrative Secretary, Ministry of Lands & Physical Planning who was accompanied by the Principal Secretaries State Department for Lands and Physical Planning. The Committee also held a meeting with the Chairperson, National Land Commission. The two Agencies tabled their submissions in respect of the 2021 Budget Policy Statement. The Committee adopted this report on Thursday 25<sup>th</sup> February 2021.

## 1.6 Acknowledgement

9. The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members of the Committee and the Secretariat for their dedication and useful expertise and insights during the consideration of the Budget Policy Statement FY 2020/2021.
  
10. On behalf of the Departmental Committee on Lands and pursuant to provisions Standing Order 243 it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the 2021 Budget Policy Statement for the Ministry of lands and Physical Planning- vote 1112 and the National Land Commission - vote 2021.

Sign  Date 25-02-21

**Hon. Dr. Rachael Kaki Nyamai, CBS, MP**  
**Chairperson, Departmental Committee on Lands**

## **2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE 2021 BUDGET POLICY STATEMENT (BPS)**

11. The main objective of the government in the 2021 Budget Policy Statement (BPS) towards the land sub-sector is the realization that land as a factor of production is critical to the economic, social, political, and cultural development.
12. Secure access to land, sustainable land use planning and equitable distribution of land remain immensely important for food security, employment creation and the socio-economic development of the country. As a key enabler for the attainment of the Big four agenda, the land sub-sector is expected to contribute to the post COVID economic strategy. Under the Ministry of Lands and Physical Planning, and the National Land Commission the government policies enshrined in the 2021 BPS sets out to achieve the following:
  - i. Improving access to land as a factor of production by continuing with the National Land Titling Program.
  - ii. Continue addressing historical land injustices.
  - iii. Digitization of all land records across the country.
  - iv. Continue developing the National Land Information Management System (NLIMs).
  - v. Formulation of Sectional Properties Bill.
  - vi. Continue strengthening the implementation of National Spatial Plan and National Land Use Policy.
  - vii. Construction and renovation of more land offices.
  - viii. Digitization of land records.
  - ix. Enhance land survey by developing topographical and thematic maps and geo-referencing land parcels.
  - x. Developing a policy framework for public land management strategy.
  - xi. Fast track the implementation of the public land information management system (PLIM).
13. A further review of the policy priorities underpinning the implementation of the budget 2021/22 indicates that issuance of title deeds; digitization and construction of registries will be core to the ministries achievement of its goals.
14. The National Land Commission will spearhead the development of guidelines for the implementation of a new policy of leasing idle arable land for purposes of food and nutrition security.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

#### 3.1 The Ministry of Lands and Physical Planning

15. The Committee held a meeting with the Ministry of Lands and Physical Planning represented by the Principal Secretary for Lands and the Principal Secretary for Physical Planning on Tuesday, 23<sup>rd</sup> February, 2021.
16. **Recurrent allocation:** The Committee was informed that the Ministry had made a bid for a recurrent budget of Kshs. 3,657 but had been allocated a ceiling of Kshs2,928 in the 2021/2022 Financial Year . This would lead to a short fall; of Kshs. 1,079 million in four (5) key areas as indicated in the following table 1:

**Table:1: Shortfall in the recurrent budget for the Ministry of Lands and Physical Planning 2021/2022 Financial Year**

1	Approved recruitment at entry & promotion of technical staff	198 Million
2	Casuals for digitization project	108 Million
3	Operations and maintenance in County Land and Physical Planning Offices	87 Million
4	Monthly Internet subscription payments in county Land and Physical Planning Offices	336 million
	<b>Total</b>	<b>729 Million</b>

**Source: Submissions by the Ministry of Lands and Physical Planning**

17. **Development ceiling:** The Ministry had made a bid of Kshs. 5,712 million in development budget but was allocated a ceiling of 2,674 in the 2021/2022 financial year. The allocation is set to rise to Kshs. 3,460 in the 2022/2023 Financial Year. This would lead to a shortfall of Ksh. 3,038 million.
18. The shortfall would affect the following projects:
- i. Processing and Registration of Title deeds Kshs. 520million
  - ii. Digitisation of land Offices Kshs. 280million
  - iii. Development of the National Land Value Index Kshs. 59.6 million
  - iv. Construction of Land Offices kshs. 220 million
  - v. Renovation of Land Offices Kshs. 22 million
  - vi. Geo-referencing of land parcels Kshs. 75 million
  - vii. Development of Geo- Spatial Data Kshs. 105 million
  - viii. Surveying, and Maintenance of National and International Boundaries Kshs. 180 million

- ix. National Physical Planning Kshs. 1950 million
- x. Settlement of the landless Kshs. 191 million
- xi. Development of Hydrographic Database Kshs. 120 million
- xii. Infrastructure Improvements in Kenya Institute of Survey and Mapping Kshs. 125 million

19. The key targets for the 2020/2021 Financial Year and those earmarked for implementation by the Ministry in the 2021/2022 Financial Year include were as indicated in table 2.

**Table 2: Ministry of Lands and Physical Planning output and Key Performance indicators:**

Key Outputs	Key Performance Indicators	Target		
		2020/21	2021/22	2022/23
<b>Programme: Land Policy and Planning</b>				
<b>Outcome: Improved land management for sustainable development</b>				
<b>Priority No.1: National Titling</b>				
1. Title deeds	Number of title deeds issued	450,000	450,000	450,000
2. National Land Value Index	Number of counties covered	8	4	10
3. National and International boundaries	Number of kilometers of national and international boundaries surveyed and maintained	151	0	170
	Number of geodetic control pillars established	240	100	280
	Number of Continuous Operating Reference Station (CORS) Installed	20	0	10
4. Land parcels geo-reference	Number of land parcels geo-referenced	60,000	40,000	60,000
5. Hydrographic survey data	Number of maritime maps developed	10	3	30
6. Settlement of squatter households	Number of squatters settled	10,000	9,000	13,000
	Percentage (%) of database of landless household profiled	20	40	100
	Percentage (%) of National Inventory on Land Uses developed	40	45	65
Digitalised Land offices	Number of land offices digitalised	1	20	26
<b>Priority No.3: Decentralisation of land services</b>				

1. Constructed New Land offices	Number of land offices constructed	4	1	4
2. Renovated Land offices	Number of land offices renovated	35	4	8
3. New land registries established	Number of land registries established	5	5	5
<b>Priority No.4: Legal, policy and institutional reforms</b>				
Land Laws and Policies	Number of laws reviewed	2	3	3
	Number of policies developed/ reviewed	2	1	-

**Source: Presentation by the Ministry of Lands and Physical Planning**

20. **New projects:** The Committee was also informed that the Ministry does not have stalled projects or new projects.

21. **Projects Linked to the Big Four Agenda and Status:** The status of projects linked to the Big Four Agenda was reported as indicated in the table 3:

Project Name	Approved Original Estimates		2021/22		2022/23		2023/24	
	2020/21		GOK	Donor	GO K	Donor	GO K	Donor
	GOK	Donor						
<b>Ksh. Millions</b>								
Processing and Registration of Title Deeds	1,561	0	1,480	0	1,561	0	1,481	0
Digitilisation of Land Registries	520	0	920	0	920	0	600	0
<b>Total</b>	<b>2,081</b>	<b>0</b>	<b>2,400</b>	<b>0</b>	<b>2,481</b>	<b>0</b>	<b>2,081</b>	<b>0</b>

**Source: Submissions by the Ministry of Lands and Physical Planning**

22. **State Department of Physical Planning:** The Committee was informed that the Ministry had been reorganized to create two State Departments; the State Department for Lands and the State Department for Physical Planning. Accordingly, a Principal Secretary for the State Department of Physical Planning was appointed. For effective delivery of the Physical and Land Use Planning function under the State Department of Physical Planning, the Ministry has proposed an additional two key programmes namely the National Sectoral Spatial Programme (NSSP) and

the County Spatial Support Programme (CSSP). How the state Department of Physical Planning had not been allocated a separate vote and required Kshs to implement the two programmes.

### 3.2 The National Land Commission

23. The Committee held a meeting with the Chairperson, accompanied by five Commissioners, the Ag. Chief Executive Officer and several Commission officials on Tuesday, 23<sup>rd</sup> February, 2021. The Chairperson informed the Committee that the Commission made a Budget resource requirements bid of **Kshs 5,853 million** during the sector working group meetings. The request was made up of Recurrent Budget **Kshs 4,113.3 million** and Development budget **Kshs 1,740 million**. However the Commission was allocated Kshs **1,437.2 million** for the recurrent budget. The Commission was not allocated any funds under the development budget.
24. Shortfall affected the following planned projects and activities in the FY 2021/22 were as indicated in table 4.

**Table 4 Areas Affected by the Resources Allocation shortfalls in budget 2021/22:**

No.	Item	Requirement (Ksh.Millions)	Allocation (Ksh.Millions)	Shortfall (Ksh.Millions)	Remarks
1	Final survey and vesting	600	0	(600)	The security of tenure for land acquired for government flagship projects remains in private hands
2	Development of Inventories for Public Land	550	0	(550)	Fulfilment of the statutory requirements is impeded

3	Formalization & Regularization of Informal Urban Settlements	200	0	(200)	To create state guaranteed security of tenure for the individual settlers, as well as raise revenue for the national and county governments in terms of stand premium, land rent and land rates.
4	State of Land Use Planning Baseline Study	250	0	(250)	The baseline study is useful basis for annual reports on status of land use planning throughout Kenya
5	Land conflicts and dispute resolution	140	0	(140)	Land conflicts are complex and pose a challenge to the formal justice system
6	Commissioners' Motor Vehicles	150	0	(150)	The useful life of the current vehicles has diminished
7	Motor vehicles for county offices	52	0	(52)	Undertaking field engagements in 42 county coordination units is a big challenge.
8	Other operations & maintenance	238	0	(238)	These include assorted suppliers and other operational costs for the Commission
<b>Total</b>		<b>2,180</b>		<b>(2,180)</b>	

Source: Submissions by the National Land Commission

25. On the Recurrent Vote, the following activities were affected by the resource allocation shortfalls:

- Vesting of compulsory acquired land will not be undertaken
- Development of a public land inventory impeded
- The Commission may not effectively process most of the inherited and ongoing over 8,000 land cases across the country.
- Execution of leases (issuance of ground reports)
- Day to day running of the forty-seven (47) County Coordination Offices
- Procurement of vehicles for the Counties
- Staff training and capacity building.

26. **Pending Bills.** The Commission had settled pending bills save for **Kshs 24.3 million** being lawyers' fees and merchants bills.

27. **Projects linked to the big four:** The Commission was implementing one project namely PLIM under the Big 4 National Agenda. PLIM is the collection of the public land inventory and public land information system. The Public land inventory envisioned as a comprehensive public land data base from which the public land is created. LIS provides the tools for the management of public land by automating all public land management workflows. The project is funded through the ICT Ministry development budget.

28. **New projects:** The Committee was informed that the Commission was awaiting the National Treasury approval of the New Capital projects for implementation as listed projects in table 5.

**Table 5: National Land Commission New Capital projects**

	<b>Project Name</b>	<b>Required amount (Kshs millions)</b>	<b>Justification</b>
I	Final survey and vesting of compulsorily acquired land as per Sec 118 & 121 of the Land Act 2012	600	Final Survey and Vesting is critical to the Big Four agenda since it helps to define specifically where the land acquired falls and secures it, in support of projects that fall in armpit of each agenda.
ii	Security of tenure for Public Institutions Land, and Inventory of Public Land and Natural Resources	550	There is a lot of untitled public land and by enabling security of tenure, this will aid in provision of land for food production, Low cost affordable housing projects eg in Homa Bay

			Security of tenure informs sustainable development in Natural Resources eg Blue Economy for food security.
iii	Formalization of allocations and Regularization of Informal Urban Settlements in Kenya.	200	The GoK is able to collect revenue and reduce poverty, conflict and advance lively hoods.
Iv	State of Land use Planning Baseline study	250	It will provide accurate information on land use planning for all the counties which is useful for directing/guiding GoK projects It is also going to act as a catalyst to the county governments to prepare land use plans to control the growth of urban areas to secure land for food production. By monitoring planning in the whole Country land will be secured for the Big Four initiative like Manufacturing, food production, Housing
V	Land Dispute Resolution Management at National and County levels as per article 67 (2) (d, e, f), article 68 (c)(v), article 252 (1) of Constitution.	140	This facilitates recovery of irregularly allocated public land thus securing public land for Manufacturing, Food security, affordable Housing. It will reduce land disputes and conflicts thus enabling food security.

<b>Total development Budget Requirements FY 2021/22</b>	<b>1,740</b>	
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**Source: Submissions by the National Land Commission**

## **4.0 COMMITTEE OBSERVATIONS**

### **Ministry of Lands and Physical Planning**

1. The newly created State Department for Physical Planning had not been allocated a separate vote and continued to operate with a budget of Kshs 60 million under the Physical Planning sub-programme against a resource requirement Kshs 1,950 million in the 2021/2022 Financial year. Therefore, the State Department needs to have a vote and budgetary allocation to facilitate oversight of physical planning in the country through the implementation of the proposed National Sectoral Spatial Programme (NSSP) and the County Spatial Support Programme (CSSP).
2. The Ministry of Lands and Physical Planning had not concluded the development of a land index in all the 47 Counties pursuant to the Land Value Act 2021 and reported that the project was only 37% complete. Thus, leading to the government to continue incurring huge cost in the acquisition of land for the development of infrastructural projects.
3. Although the Ministry of Lands and Physical Planning had registered a revenue collection of Kshs 6.7 billion against Kshs. 6.6 billion in the first half of the 2020/2021 FY. This was mainly from stamp duty collection while other revenue sources continued to register low figures partly due the covid pandemic and the manual revenue collection system used by the Ministry that is highly susceptible to leakages.
4. The Ministry of Lands and Physical Planning has not prioritized the Settlement of the Land project as demonstrated by an allocation of Ksh 180 million in the 2020/2021 and Kshs. 240 million in the 2021/2022 FY. However, the said project was allocated Kshs. 600 million in the Supplementary Estimates for the 2019/2020 Financial Year and was set to receive an additional Kshs. 700 million in the 2020/2021 FY This has made the implementation of the project unpredictable.
5. The Ministry's policies and procedures in the resettlement of the landless have not provided a solution to multiple allocation of land to individuals. Multiple allocation of land to individual beneficiaries can be largely attributed to weaknesses in capturing the data of beneficiaries.
6. The digitization process at the ministry which is key to the unlocking of critical sector services is not implemented on time with only Nairobi County Set for rollout in March 2021

**National Land Commission**

7. The National Land Commission has not been allocated any budget for the development vote and needs to pursue an alternative financing mechanism such as Public Private Partnerships to supplement the increasing budget gap.
  
8. The National Land Commission had not vested public land compulsorily acquired for government infrastructure projects due to inadequate funds making the acquired land susceptible to grabbing.

## **5.0 COMMITTEE RECOMMENDATIONS**

### **5.1 Policy Recommendations**

1. The Cabinet Secretary, Ministry of Lands and Physical Planning should develop a Land value index in the 18 Counties to reduce the cost of acquisition of land by the Government for the development of infrastructural projects by July 2022.
2. The Cabinet Secretary, Ministry of Lands and Physical Planning should complete the development of an integrated digital revenue collection system by July 1<sup>st</sup> 2021 to eliminate revenue collection leakages and ensure that the Ministry meets its revenue collection targets.
3. The Ministry of Lands and Physical Planning should develop a data bank of all Settlement Scheme beneficiaries to ensure that each beneficiary is only allocated one parcel of land on a “one parcel one person” basis to address multiple allocation of land to squatters.
4. The National Land Commission should pursue an alternative financing mechanism such as Public Private Partnerships to supplement the increasing budget gap.
5. The acquiring entities should avail vesting funds to the National Land Commission to facilitate the vesting of compulsorily acquired land by the Government.

### **5.2 Financial Recommendations**

The Committee recommends further that the House approves: -

1. The proposed expenditure ceiling of Kshs. 2,928.4 million for current budget and Ksh. 2,411.7 million for capital budget for the Ministry of Lands and Physical Planning - vote 1112.
2. The proposed expenditure ceiling of Kshs. 1,437.2 million for current budget for the National Lands Commission - vote 2021.

### **Other Recommendations**

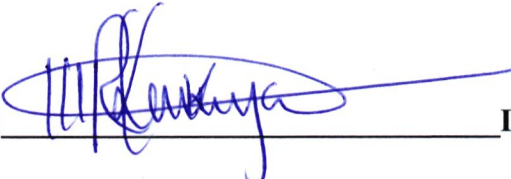
1. The National Treasury should allocate a vote and a budget of Kshs 1,950 million in the 2021/2022 Financial Year to the State Department of Physical Planning to facilitate the implementation of the proposed National Sectoral Spatial Programme (NSSP) and the County Spatial Support Programme (CSSP).

2. The Ministry of Lands and Physical Planning should prioritize and allocate Kshs 940 million for the Settlement of the Landless project in the 2021/2022 Financial Year to facilitate pending acquisition of land for the settlement of the landless such as the land belonging to the Taita Taveta Teachers Investment Company in Kisauni Constituency.
3. The National Treasury should allocate a total of Kshs. 600 million to the National Land Commission to facilitate vesting of public land compulsorily acquired for government infrastructure projects.

### 5.3 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change	Financial Recommendation (If any)
1.	The State Department of Physical Planning needs to have a vote and budgetary allocation to facilitate oversight of physical planning in the country		The National Treasury should allocate a vote and a budget of Kshs 1,950 million for the State Department of Physical Planning
2.	The National Land Commission had not been allocated any budget for the development vote		The National Land Commission should pursue an alternative financing mechanism such as Public Private Partnerships to supplement the increasing budget gap
3.	The Ministry of Lands and Physical Planning has not prioritized Settlement of the Land project as demonstrated by an allocation of Ksh 180 million in the 2020/2021 FY and Kshs. 240 million in the 2021/2022 FY. However, the said project was allocated Kshs. 600 million in the Supplementary Estimates for the 2019/2020 Financial Year and was set to receive an additional Kshs. 700 million in the 2020/2021 FY		The Ministry of Lands and Physical Planning should prioritize and allocate Kshs. 960 million for the Settlement of the Landless project in the 2021/2022 Financial Year to ensure predictability in the implementation of the project
4.	The Ministry's policies and procedures in the resettlement of	The Ministry of Lands and Physical Planning	

	the landless have not provided a solution to multiple allocation of land to individual beneficiaries. Multiple allocation of land to individual beneficiaries can be largely attributed to weaknesses in capturing the data of beneficiaries	should develop a data bank of all Settlement Scheme beneficiaries ensure that each beneficiary is only allocated one parcel of land on a “one parcel one person” basis to address multiple allocation of land to squatters	
5.	The National Land Commission had not vested public land compulsorily acquired for government infrastructure projects due to inadequate funds making the acquired land susceptible to grabbing.	The acquiring entities should avail vesting funds to the National Land Commission to facilitate the vesting of compulsorily acquired land	The National Treasury should allocate the National Land Commission a total Kshs.600 million to facilitate the vesting of land previously compulsorily acquired by the government for public project
6.	The manual revenue collection system used by the Ministry of Lands and Physical Planning that is highly susceptible to leakages.	The Cabinet Secretary, Ministry of Lands and Physical Planning should complete the development of an integrated digital revenue collection system by July 1 <sup>st</sup> 2021 to eliminate revenue collection leakages and ensure that the Ministry meets its revenue collection targets.	

Sign  Date 25-02-21

**Hon. Dr. Rachael Kaki Nyamai, CBS, MP**  
**Chairperson, Departmental Committee on Lands**

### Schedule I

Vote	Program	Draft Ceilings 2021/2022			Committee Amendment			Final ceiling 2021/2022		
		Recurrent	Development	Total	Recurrent	Development	Total	Recurrent	Development	Total
Ministry of Lands and Physical Planning	Land Policy and Planning	2,928.40	2,411.70	5,340.10	0.00	0.00	0.00	2,928.40	2,411.70	5,340.10
National Lands Commission	Land Administration and Management	1,437.20	0.00	1,437.20	0.00	0.00	0.00	1,437.20	0.00	1,437.20



**REPUBLIC OF KENYA**

**THE NATIONAL ASSEMBLY**

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**TWELFTH PARLIAMENT – FIFTH SESSION**

**THE DEPARTMENTAL COMMITTEE**

**ON**

**SPORTS, CULTURE AND TOURISM**

**REPORT ON THE CONSIDERATION OF THE 2021 BUDGET POLICY STATEMENT  
FOR THE FOLLOWING SPENDING AGENCIES:**

Vote 1202 – State Department of Tourism  
Vote 1132 - State Department for Sports Development  
Vote 1133 - State Department for Heritage

**DIRECTORATE OF DEPARTMENTAL COMMITTEES**

**CLERKS CHAMBERS**

**PARLIAMENT BUILDINGS**

**NAIROBI**

**FEBRUARY 2021**

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## 1. Preface

### 1.1 Introduction

1. This is the Committee's report on its consideration of the 2021 Budget Policy Statement in accordance with Section 25(2) of the Public Finance Management Act, 2012 and the National Assembly Standing Order 232. The Departmental Committee on Sports, Culture and Heritage held meetings with the Ministries, Departments and Agencies under its purview to scrutinize the 2021 Budget Policy Statement on 22<sup>nd</sup> February, 2021 in Windsor Hotel, Kiambu County. The Committee then consolidated its recommendations for submission to the Budget Committee pursuant to the provision of Standing Order 232(5).

### 1.2 Mandate of the Committee

2. The Departmental Committee on Sports, Culture and Tourism is one of the fifteen departmental committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:
  - (a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
  - (b) Study the programme and policy objectives of ministries and departments and the effectiveness of the implementation.
  - (c) study and review all legislation referred to it;
  - (d) study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
  - (e) investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary and as may be referred to them by the House;
  - (f) vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (*Committee on Appointments*); and
  - (g) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.
3. The Committee is charged with the following subject matter as provided for in the Second Schedule of the National Assembly Standing Orders No. 216 (M): - Sports, culture, language, arts, national heritage, betting and lotteries, tourism promotion and management.
4. The Departmental Committee on Sports, Culture and Tourism oversees the following Ministries/Departments/Agencies:
  - i. State Department for Sports Development
  - ii. State Department for Heritage
  - iii. State Department for Tourism

### 1.3 Committee Membership

5. The Committee on Sports, Culture and Tourism comprises of the following Members:

**Hon. Patrick Makau Kingóla, M.P – Chairperson**

Mavoko Constituency

**Wiper Democratic Party**

**Hon. (Dr.) Korei Ole Lemein, M.P - Vice Chairperson**

Narok South Constituency

**Jubilee Party**

Hon. Christopher Omulele, M.P

Luanda Constituency

**Orange Democratic Movement Party**

Hon. Lydia Haika Mnene Mizighi, M.P

Taita Taveta County

**Jubilee Party**

Hon. Beatrice Kones, M.P

Bomet East Constituency

**Jubilee Party**

Hon. Jane Jepkorir Kiptoo Chebaibai, M.P

Elgeyo Marakwet County

**Jubilee Party**

Hon. Cyprian Kubai Iringo, M.P

Igembe Central Constituency

**Jubilee Party**

Hon. Rehema Dida Jaldesa, M.P

Isiolo County

**Jubilee Party**

Hon. Jones Mlolwa, M.P

Voi Constituency

**Orange Democratic Movement Party**

Hon. Sylvanus Maritim, M.P

Ainamoi Constituency

**Jubilee Party**

Hon. Daniel Wanyama Sitati, M.P

Webuye West Constituency

**Jubilee Party**

Hon. Jane Kihara, M.P

Naivasha Constituency

**Jubilee Party**

Hon. Florence Chepngtich, M.P

Kericho County

**Jubilee Party**

Hon. Charles Ngusya Nguna, M.P

Mwingi West Constituency

**Wiper Democratic Party**

Hon. (Prof.) Jacqueline Oduol, M.P

Nominated

**Orange Democratic Movement Party**

Hon. Titus Mukhwana Khamala, M.P

Lurambi Constituency

**Amani National Congress**

Hon. (Dr.) Tecla Chebet Tum, M.P

Nandi County

**Jubilee Party**

Hon. Mohammed Garane, M.P

Lagdera Constituency

**KANU Party**

Hon. Jeremiah Lomurukai, M.P

Loima Constituency

**Orange Democratic Movement Party**

#### 1.4 Committee Secretariat

6. The Committee secretariat comprises of:

Mr. Samuel Kalama  
Senior Clerk Assistant  
**Lead Clerk**

Mr. Fredrick Otieno  
**Second Clerk Assistant**

Ms. Emma Essendi  
**Legal Counsel I**

Mr. Vitus Okech  
**Research officer III**

Mr. Omar Abdirahim  
**Fiscal Analyst III**

#### 1.5 Overview of the examination of the Budget Policy Statement

7. The Budget Policy Statement was submitted to the National Assembly pursuant to Section 25(2) of the Public Finance Management Act, 2012 and the National Assembly Standing Order 232 and subsequently tabled on the floor of the House on 11<sup>th</sup> February, 2021. Consequently, the estimates were committed to the relevant Departmental Committees for consideration and make recommendations to the Budget and Appropriations Committee pursuant to Standing Order 232(5).
8. The Committee held a total of five (5) consultative meetings; these were preceded by a briefing by the Parliamentary Budget Office. The Committee held meetings with the spending agencies under its purview on 22<sup>nd</sup> February, 2012 at Windsor Hotel, Kiambu County.

#### 1.6 Acknowledgement

9. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. I wish to also express my appreciation to the Honourable Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules and the useful contributions they made towards the preparation and production of this report. I also thank the Secretariat for their overwhelming support to the Committee.
10. Finally, the Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2021 Budget Policy Statement.
11. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Sport, Culture and Tourism, to submit its Report on the scrutiny of the 2021 Budget Policy Statement.

Signature: ..... Date: 26/2/21

(THE HON. PATRICK MAKAU KINGÓLA, M.P.)

**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND  
TOURISM**

## PART II

### 2. BROAD OVERVIEW OF THE 2020/2021 BUDGET POLICY STATEMENT

12. The government has identified Sports, culture and heritage as the cornerstone of our tourism transformation strategy. In order to revive and transform the tourism sector, it intends to integrate the promotion of sports, culture and arts into its tourism transformation strategy in order to position the sector as a key driver of inclusive growth and employment creation.
13. To stimulate recovery of the tourism sector, the Government is scaling up efforts to promote aggressive post Covid-19 tourism marketing and providing support for hotel refurbishment through soft loans to be channeled through the Tourism Finance Corporation. This will continue to provide an enabling environment for the sector to thrive in addition to marketing Kenya as a preferred tourism destination.
14. In addition, the Government in partnership with other key stakeholders, will, among other measures: continue supporting the development and performance of music, drama, and dance; exhibition of works of art and crafts; and fostered discussions of matters of literacy, historical, scientific, and education importance.
15. In the 2021/22-2023/24 Medium Term Expenditure Framework (MTEF) period, the Sector's main focus will be to implement policies, programmes and projects outlined in the Third Medium Term Plan 2018-2022 of the Kenyan Vision 2030 and contribute to the achievement of the "Big Four" agenda. The key programmes for implementation include: Sports promotion; The Arts and Culture development; and transforming the tourism sector.

#### 2.1 State Department for Sports - Vote 1132

16. The budget allocated to the department during the period under review was Kshs Kshs 4,831.7 million in FY 2017/18, Kshs 11,279.8 million in FY 2018/19 and Kshs 14,962 million. Thus cumulatively, the budget approved for the three-year period was Kshs 31,073.5 million while total expenditure for period was Kshs 19,865.2 million which represents an absorption rate of 63.9%.
17. The State Department is implementing Sports Programme with three sub-programmes namely; Sports Training and Competitions, Development and management of Sport Facilities, General Administration Planning and Support Services. Under the programmes, the State Department has prioritized the following
  - i.) **Seven (7) Regional Stadia** – the project estimated cost is **Kshs 2.3 billion** and was commenced in July, 2016 and was planned to be completed in 2020. To date the project total expenditure stands at **Kshs 989 million**.
  - ii.) **The construction works of the Kenya Academy of Sports Phase I** – the project is composed of a hostel building, construction of a gate house, one rugby pitch, two soccer pitches and two basketball courts. The project estimated cost is Kshs 4.9 billion and was commenced in March 2013 and is set to be completed in December, 2022.
  - iii.) Flagship Projects Sports Stadia Projects being undertaken by the State Department for Sports as the client are schedule for completion by June 2021 as per the directives. The four Sports Stadia Projects are; Jamhuri Posta Grounds-

Nairobi, Kirigiti Stadium- Kiambu, Wang'uru Stadium-Kirinyaga and Jomo Kenyatta Stadium-Kisumu.

18. The proposed budget ceiling for the State Department in FY 2021/22 is **Kshs 16,483.2 million** comprised of **Kshs 1,338.6 million** for recurrent expenditure and **Kshs 15,144.6 million** for development expenditure. The State Department allocation has increased by Kshs 1,086.1 million in FY 2021/21 comprised of Kshs 97.1 million for recurrent expenditure and Kshs. 989 million for development expenditure representing a percentage growth of 7.8% and 7.0% respectively.

## 2.2 State Department for Culture and Heritage - Vote 1133

19. The State Department has four major programmes and their subprogrammes as indicated in the table below:

**Table 2:**

	<b>PROGRAMME</b>	<b>SUB PROGRAMMES</b>
1	Culture	Conservation of heritage
		Public records and Archives management
		Public Records and Information Management
		Development and promotion of Culture
2	The Arts	Performing and Visual Arts
		Promotion of Kenyan Music and dance
3	Library services	Library services
4	General administration, planning and support services	General Administration and Support Services

20. The proposed ceiling for the state department for Culture and Heritage is **Kshs 2,803.8 million**. Out of this amount, **Kshs 2,749.2 million** is for recurrent expenditure while **Kshs 54.6 million** is for development expenditure. In comparison, the department was allocated **Kshs 2,722.8 million** in FY 2020/21 comprised of **Kshs 2,679.7 million** for recurrent expenditure and **Kshs 43.1 million** for development expenditure. This represents an increase of **Kshs 81 million** in budgetary provision.
21. The department's increase in budgetary provision in FY 2021/22 is due to increase in recurrent expenditure of **Kshs 69.5 million** and **Kshs 11.5 million** in development expenditure.

## 2.3 State Department for Tourism- Vote 1202

22. The State Department is implementing one programme; Tourism Development and Promotion with four sub-programmes namely; Tourism Promotion and Marketing, Niche Tourism Product Development and Diversification, Tourism Infrastructure Development and Tourism Training and Capacity Building.
23. In the financial year 2021/22, the State Department has been allocated **Kshs 9,094.0 million** which is composed of **Kshs 8,594.0 million** for recurrent expenditure while **Kshs 500.0** is for development expenditure. The amount allocated is significantly lower than the department's resource requirement of Kshs 23,484.7 million comprised of Kshs 10,746.2 million for recurrent expenditure and Kshs 12,738.5 million for development expenditure leading to a shortfall of Kshs 14,390.7 million. The shortfall will affect

significantly the department's development budget which has a variation of Kshs 12,238.5 million (96.1%) when compared to its resource requirements.

### 3. SUBMISSIONS BY MINISTRIES AND STATE DEPARTMENTS

#### 3.1 State Department for Sports - Vote 1132

24. The proposed budget ceiling for the department in FY 2021/22 is **Kshs 16,483.2 million** comprised of **Kshs 1,338.6 million** for recurrent expenditure and **Kshs 15,144.6 million** for development expenditure. The department allocation has increased by Kshs 1,086.1 million in FY 2020/21 comprised of Kshs 97.1 million for recurrent expenditure and Kshs 989 million for development expenditure representing a percentage growth 7.8% and 7.0% respectively.
25. The significant budgetary allocation under the development vote is due to the projected Appropriation in Aid (AIA) of Kshs 14,000 million for Sport, Arts, and Social Development Fund. It is important to note that the funds will be shared as per the provisions of the Public Finance Management (Sports, Arts and Social Development Fund) Regulations, 2018.
26. It is also notable that the budgetary requirements of the state department for the FY 2021/22 is Kshs 27,958.5 million comprised of Kshs 8,038.5 million for recurrent expenditure and Kshs 19,920 million for development expenditure. However, the department was allocated Kshs 16,483.2 million comprised of Kshs 1,338.6 for recurrent expenditure and Kshs 15,144.6 million for development expenditure leading to a variation of Kshs 4,775.4 million.
27. It is also observed that there seems to be no policy shift in the department budget priorities and that the department intends to continue funding the ongoing projects. In the 2020/21 – 2022/23 MTEF period, the sector intends to host and participate in national, regional and international sports competitions; continue developing and upgrading sports infrastructure (national and regional stadia); complete the construction of National Tennis Centre in partnership with World Tennis Federation, establish 37 satellite academies, train 370 technical sports personnel, enroll 10,000 youths for training to develop their talents and complete the construction of phase 1 of the Kenya Academy of Sports Complex.

#### 3.2 State Department for Culture and Heritage - Vote 1133

28. During the medium-term period 2017/18 – 2019/20, the state department approved budget was Kshs 3,200 million, Kshs 3,199 million and Kshs 3,420.7 against an actual expenditure of Kshs 2,997.1 million, Kshs 3,100.7 million and Kshs 2,585.6 million for financial years 2017/18, 2018/19 and 2019/20 respectively. This translates to an absorption rate of 93.6%, 96.9% and 86.2% for the period under review.
29. The proposed ceiling for the State Department for Culture and Heritage is **Kshs 2,803.8 million**. Out of this amount, **Kshs 2,749.2 million** is for recurrent expenditure while **Kshs 54.6 million** is for development expenditure. In comparison, the department was allocated **Kshs 2,722.8 million** in FY 2020/21 comprised of **Kshs 2,679.7 million** for recurrent expenditure and **Kshs 43.1 million** for development expenditure. This represents an increase of **Kshs 81 million** in budgetary provision.
30. The State Department's increase in budgetary provision in FY 2021/22 is due to increase in recurrent expenditure of **Kshs 69.5 million** and **Kshs 11.5 million** in development expenditure.

31. The gross recurrent requirement for the State Department over the medium term was Ksh.4, 618.27M, Ksh.4, 887.24M, and Ksh5,172.06 for FY 2021-22, 2022-23 and 2023-24, the allocation over the same period was Ksh.2, 676.99M, Ksh.2, 729.65M and Ksh.2, 810.74M. This shows a total underfunding of Ksh. 1,941.28M, Ksh.2, 157.59M and Ksh. 2,361.32M over the Medium term.

32. The following are the notable differences under both the recurrent and development

### Recurrent Allocation

*Table 3-Recurrent analysis of Sector Allocation Vs BPS allocation for FY 2021/22*

Code	Programme	Requirements Ksh. Million	Sector Allocation Ksh. Million	BPS allocation Ksh. Million	Difference Ksh. Million
0902000	Culture/ Heritage	2957.04	1651.7	1699.6	+ 47.8
0903000	The Arts	543.78	139.9	142.2	+2.3
0904000	Library Services	872.12	751.2	773.3	+22.1
0905000	General Administration	233.33	134.1	134.11	0
	<b>Total</b>	<b>4618.27</b>	<b>2676.9</b>	<b>2,749.2</b>	<b>+72.2</b>

33. Under development, the sector allocation vs the BPS allocation is as detailed in the table below;

### Development Allocation

*Table 4- Development analysis of Sector Allocation Vs BPS allocation for FY 2021/22*

Code	Programme	Requirements Ksh. Million	Sector Allocation Ksh. Million	BPS allocation Ksh. Million	Difference Ksh. Million
0902000	Culture/ Heritage	1505.8	49.50	43.6	-5.9
0903000	The Arts	1050.0	-	-	-
0904000	Library Services	43.6	11.0	11.0	-
0905000	General Administration		-	-	-
0902000	Total	2599.4	60.5	54.6	-5.9

34. The development budget has been decreased by an amount of **Ksh. 5.9Million** under the Culture/ heritage programme.

35. The State Department has the following Critically underfunded areas:

**Table 5:**

DEPARTMENTS	REQUIREMENT FY 2021/22	ALLOCATED IN THE BPS	DEFICIT	REMARKS
National Archives	76.84	0	76.84	This will cater for field offices which are greatly underfunded and further to this we are recruiting additional staff who will need to be facilitated to implement the department's mandate. There is obsolete equipment that require replacement and going digital
PPMC	130.09	0	130.9	Nurturing of youth Talent; project
Culture and Arts	243	0	243	<ul style="list-style-type: none"> <li>❖ Implementation of the traditional knowledge and cultural expression Act 2016</li> <li>❖ Participating in regional and international Cultural activities</li> </ul>
Records	44.53	0	44.53	For networking of government registries.
Library Services	46.16	0	46.16	Funding for development of the National Policy on Libraries and the library Bill.
Ushanga Initiative	387	0	387	<ul style="list-style-type: none"> <li>❖ Training 2,500 women across seven counties; Turkana, West Pokot, Baringo, Samburu, Marsabit, Narok and Kajiado</li> <li>❖ Equip women with raw materials pulled from a wide range of fine cut and processed leather.</li> <li>❖ Prioritize and undertake Trade marking, patenting and Geographic mapping of key products across the seven counties.</li> </ul>
General administrative services	103.21	0	103.21	The state department has relocated to KNLs building and requires funding for payment for rent, purchase of Vehicles, Furnishing and minor alterations, Operations and maintenance
Language Policy	24	0	24	Implementation of the Language policy including development of Kiswahili Policy on the Kiswahili act,
Heroes Council	50	0	50	<ul style="list-style-type: none"> <li>➤ The board is already in place</li> <li>➤ For normal operations of the board, and salaries an allowance for staff</li> <li>➤ Development of the organizational structure</li> </ul>
National Museums of Kenya	247.85	47.85	200	This is mainly for the annual salary increment Phase IV of SRC implemented
IPR	178	0	178	<p>This is for research on Natural products. For research on snake bites and other vaccines</p> <p>KES 100M required for COVID-19 testing services at Institute of Primate Research for preparing the Kenyan Olympics team in the 2021/22 FY and other international sports activities</p>
KCC	29.63	2.3	27.33	Employment of managerial staff, and Annual salary increment

DEPARTMENTS	REQUIREMENT FY 2021/22	ALLOCATED IN THE BPS	DEFICIT	REMARKS
KNLS	64	22.1	41.9	Implementation of job evaluation phase 4, To cater for annual salary increment <ul style="list-style-type: none"> <li>❖ Change in medical cover from NHIF to commercial insurance.</li> <li>❖ Opening the library complex will lead to increase in cleaning &amp; security services, water &amp; electricity bills.</li> <li>❖ They will also need to buy more books,</li> </ul>
<b>Total</b>	<b>1,424.31</b>	<b>72.2</b>	<b>1,352.87</b>	

### 3.3 State Department for Tourism- Vote 1202

36. During the period under review, the state department had a budgetary allocation of Kshs 3,689 million, Kshs 5,214.2 million and Kshs 9,649.2 million for the FY 2017/18, FY 2018/19 and Kshs FY 2019/20 respectively. The actual expenditures during the same period amounted to Kshs 3,014 million, Kshs 4,343 million and Kshs 6,666.2 million respectively. This represents an absorption rate of 81.7%, 80.6% and 69.1% for FY 2017/18, FY 2018/19 and FY 2019/20 respectively indicating a downward trend in absorption of funds.
37. In the financial year 2021/22, the department has been allocated **Kshs 9,094.0 million** which is composed of **Kshs 8,594.0 million** for recurrent expenditure while **Kshs 500.0** is for development expenditure. The amount allocated is significantly lower than the Department's resource requirement of Kshs. 23,484.7 million comprised of Kshs. 10,746.2 million for recurrent expenditure and Kshs. 12,738.5 million for development expenditure leading to a shortfall of Kshs. 14,390.7 million. The shortfall will affect significantly the Department's development budget which has a variation of Kshs. 12,238.5 million (96.1%) when compared to its resource requirements.
38. The sector's priorities during the medium-term period are to increase tourist arrivals and earnings to 0.615 million, increase tourists earning from Kshs 32.7 billion in 2020 to Kshs 49.1 billion, enhance domestic tourism by increasing bed occupancy from 0.96 million in 2020 to 1.45 million in 2021, attain a completion rate of 80% on the construction of Ronald Ngala Utalii College, and increase the collection of tourism fund levy from 0.8 million in 2020 to 1.6 billion in 2021.

#### 4. COMMITTEE OBSERVATIONS

##### 4.1 State Department for Sports

1. The proposed budget ceiling for the department in FY 2021/22 is **Kshs 16,483.2 million** comprised of **Kshs 1,338.6 million** for recurrent expenditure and **Kshs 15,144.6 million** for development expenditure. The department allocation has increased by Kshs 1,086.1 million in FY 2021/22 comprised of **Kshs 97.1 million** for recurrent expenditure and **Kshs 989 million** for development expenditure representing a percentage growth 7.8% and 7.0% respectively.
2. In FY 2020/21, the projected estimate for the Sports, Arts and Social Development is 15,000 million. This translates to a growth of 7% from its projected estimate of Kshs 14,000 million for FY 2020/21. It is also observed that the department development budget heavily relies on the proceeds of the fund and therefore this exposes the department to risks emanating from factors that affect the performance of the fund.
3. The Committee has also observed that the completion of some regional stadia such as Wote and Kamariny Stadiums are lagging behind mainly due to inability by the contractor to meet his obligation. The department has sought the opinion of the Attorney General on the cancellation of their contracts in order for the agency to engage a competent contractor to complete the works.
4. The Department intends to establish thirty (30) satellite academies in the FY 2021/22. The department has informed the Committee that the construction will be done in phases of ten (10) projects subject to availability of funds; and
5. There has been increasing number of athletes that have been banned from international competitions due the use of prohibited substances. The department has not been able to address the issue due to difficulties and delays in the timely detection of the prohibited substances and advanced methods of doping resulting from technological advancements. However, it is expected that the newly Anti-doping Act, 2020 will address some of this challenge.

##### 4.2 State Department of Culture and Heritage

6. The proposed ceiling for the State Department for Culture and Heritage is **Kshs 2,803.8 million**. Out of this amount, **Kshs 2,749.2 million** is for recurrent expenditure while **Kshs 54.6 million** is for development expenditure. In comparison, the department was allocated **Kshs 2,722.8 million** in FY 2020/21 comprised of **Kshs 2,679.7 million** for recurrent expenditure and **Kshs 43.1 million** for development expenditure. This represents an increase of **Kshs 81 million** in budgetary provision. The department's increase in budgetary provision in FY 2021/22 is due to increase in recurrent expenditure of **Kshs 69.5 million** and **Kshs 11.5 million** in development expenditure.
7. The Committee has also the National Museums of Kenya (NMK) is charged with the mandate of maintenance of monuments. The maintenance of monuments has challenges such as limited funding and vandalism by the football fanatics' i.e Tom Mboya monument. In

addition, the funds allocated in FY 2020/21 for rehabilitation and upgrade of Maralal Kenyatta House and the Lokitaung Memorial has been slashed by 50% and this is likely to delay further the restoration of the Museums.

8. In addition, the Committee has also observed that the department is faced by inadequate Human capital due to slow pace in succession management coupled with ageing workforce. For instance, seventy percent of the National Archives employees are retiring with the regional offices such as Kisumu offices operating on skeleton staff yet the government has no plans to recruit new staff and manage the passage of skills and knowledge.
9. The Committee has also observed that the department is entitled to not more than 20% of the Sports, Arts and Social Development Fund yet the country's historical monuments are in dilapidated situation due to lack of proper maintenance and adequate funding for the agencies mandated to take care of the historical sites. However, the challenge has been due to lack of proper funding from the Sports Fund.

#### **4.3 State Department for Tourism**

10. In the financial year 2021/22, the department has been allocated **Kshs 9,094.0 million** which is composed of **Kshs 8,594.0 million** for recurrent expenditure while **Kshs 500.0** is for development expenditure. The amount allocated is significantly lower than the Department's resource requirement of Kshs. 23,484.7 million comprised of Kshs. 10,746.2 million for recurrent expenditure and Kshs. 12,738.5 million for development expenditure leading to a shortfall of Kshs. 14,390.7 million. The shortfall will affect significantly the Department's development budget which has a variation of Kshs. 12,238.5 million (96.1%) when compared to its resource requirements.
11. Tourism Promotion Fund – In the FY 2019/20, the Department collected Kshs 2.0 billion and a further Kshs 2.4 billion is projected to be collected in FY 2020/21. However, there have been ambiguities on the utilization of the funds in the fund and the projects funded and their status.
12. Construction of Ronald Ngala Utalii College (TF) – the project was commenced in FY 2013/14 and the estimated project was **Kshs 4,923 million**. The actual expenditure of the project as at 31<sup>st</sup> of December 2018 was **Kshs 2,803 million** and the outstanding project cost was Kshs 2,120 million. The project was allocated an additional Kshs 385 million in FY 2019/20 and a further **Kshs 100 million** in FY 2020/21. However, given the substantial resources committed to the project thus far, it is important that the department fast-tracks the completion of the project in order for the government to realize value for funds already incurred.
13. The Committee has also observed that the Countries all over the world are focusing on improving and revamping their tourism infrastructure during this period in preparation for post COVID 19 recovery. In particular, the Committee felt there is need for the government to revamp and modernize the Kenya Utalii College as part of its post COVID 19 strategy because of its vital role in the sector. Therefore, the committee felt there is need for increasing the ceiling of the department to address these emerging challenges.

## 5. RECOMMENDATIONS

### 5.1 Policy Recommendations

- i. The Committee recommends that the state department of sports should engage the services of the National Youth Services to Fast-track the completion of some regional stadia such as Wote and Kamariny Stadiums which are lagging behind mainly due to inability by the contractor to meet his obligation. The department has seek the opinion of the Attorney General on the cancellation of their contracts in order for the agency to engage the national youth service to complete the works.
- ii. The Committee has also observed that the Countries all over the world are focusing on improving and revamping their tourism infrastructure during this period in preparation for post COVID 19 recovery. In particular, the Committee felt there is need for the government to revamp and modernize the Kenya Utalii College as part of its post COVID 19 strategy because of its vital role in the sector. Therefore, the committee felt there is need for increasing the ceiling of the department to address these emerging challenges.
- iii. The Committee has also observed that the state department for culture and Heritage is faced with inadequate Human capital due to slow pace in succession management coupled with ageing workforce particularly in the Kenya National Archives. For instance, seventy percent of the National Archives employees are retiring with the regional offices such as Kisumu offices operating on skeleton staff yet the government has no plans to recruit new staff and manage the passage of skills and knowledge. Therefore the public service commission should undertake some urgent measures to ensure the passage of skills and knowledge is managed in that docket.

### 5.2 Financial Recommendations/ Proposed reallocations

#### i. Proposed increments on the proposed ceilings

Vote	Programme/Area/item	Proposed Increases (Millions)	Justification
State department for Sports	Sports	600	Increase the proposed ceiling for the programme of Sports by Kshs 600 million to finance the construction of the regional stadia to complement the proceeds from the sports, arts and social development fund for the construction of regional stadia.

State department for Culture and Heritage	Culture	300	The Committee recommends increasing the budget ceiling for the Department in FY 202/22 to allow the department recruits additional staff for Kenya National Archives. The agency is faced with inadequate Human capital due to slow pace in succession management coupled with ageing workforce. For instance, seventy percent of the National Archives employees are retiring with the regional offices such as Kisumu offices operating on skeleton staff yet the government has no plans to recruit new staff and manage the passage of skills and knowledge
State department for Tourism	Tourism Promotion and Development	600	<ul style="list-style-type: none"> <li>- Increase the proposed ceiling of Kenya Utalii College for FY 2021/22 to enable the agency implement the following key development initiatives; Equipping the Individual Training Kitchen Block – Kshs 150 million, renovation of college Tuition Block – Kshs 100 million, renovation of student hostel – Kshs 100 million and modernization of ICT Infrastructure and Digital E-learning – Kshs 150 million</li> <li>- Increase the proposed Budget ceiling for the Ronald Ngala Utalii College so as to fast-track the project which has been ongoing since the FY 2013/14. This will allow the government to realize value for the monies already committed into the project.</li> </ul>

**Annex 1: Mini Schedule indicating the final ceilings per programme**

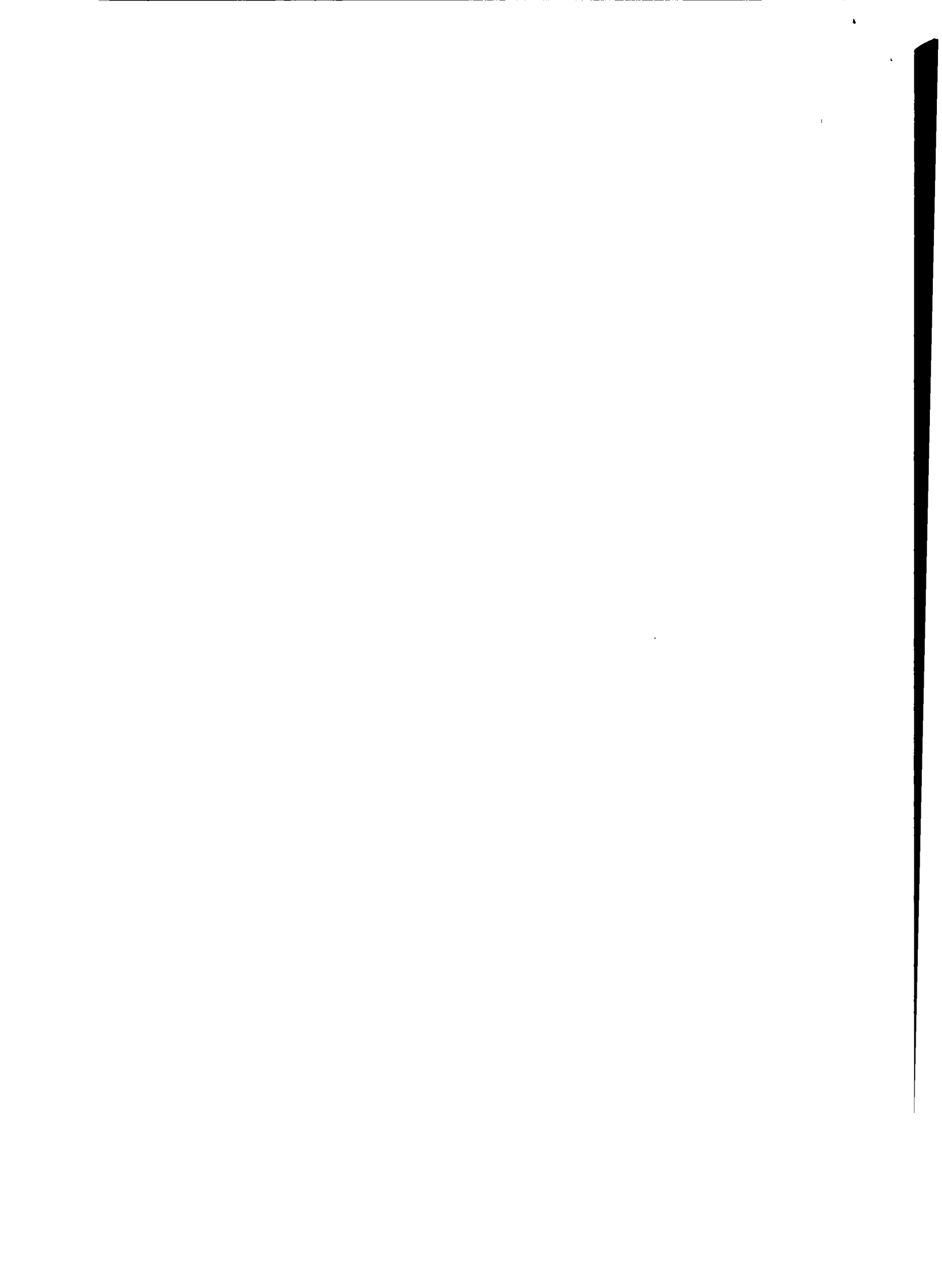
Vote	Programme	Draft Ceilings (As tabled)			Committee Amendments			Final ceilings		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
State department for Sports	Sports	1338.6	15,144.6	16483.2	-	600	600	1,338.6	15,744.6	17,083.2
State Department for Culture and Heritage	Culture	1699.6	43.6	1743.2	300	-	300	1999.6	43.6	2043.2
	Arts	142.2	-	142.2	-	-	-	142.2	-	142.2
	Library Services	773.3	11.0	784.3	-	-	-	773.3	11.0	784.3
State Department for Tourism		8,594	500	9,094.0	-	600	600	8,594	1,100	9,694

Annex 2: PBO brief on the proposed 2020/21 Budget Estimates

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List



**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES**

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**REPORT ON THE CONSIDERATION OF THE 2021 BUDGET POLICY STATEMENT  
FOR**

**Vote 1175-State Department for Industrialization**

**Vote 1173-State Department for Cooperatives**

**Vote 1174 -State Department for Trade and Enterprise Development**

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**The Directorate of Departmental Committees  
Clerk's Chambers  
Parliament Buildings  
NAIROBI**

**February, 2021**

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

The 2021 Budget Policy Statement (BPS) was submitted to the National Assembly on the 11<sup>th</sup> February, 2021 and tabled. This brief therefore provides an analysis of the budget policies and proposed resource ceilings for the agencies under the purview of the Departmental Committee on Trade, Industry and Cooperatives as captured under the BPS.

The BPS is prepared in accordance with Section 25 of the Public Finance Management Act, 2012 which requires the National Treasury to set out the broad strategic priorities and policy goals that will guide the national government and county governments in preparing their budgets both for the following financial year and over the medium term.

#### 1.2 Mandate of the Committee

The Departmental Committee on Trade, Industry and Cooperatives is one of the Departmental Committees of the National Assembly established under Standing Order 216 whose mandate pursuant to the Standing Order 216 (5) is as follows:

- a. *To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;*
- b. *To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;*
- c. *To study and review all the legislation referred to it;*
- d. *To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;*
- e. *To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*
- f. *To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);*
- g. *To examine treaties, agreements and conventions;*
- h. *To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
- i. *To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
- j. *To examine any questions raised by Members on a matter within its mandate. ,*

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to oversee: Trade, securities exchange, consumer protection, pricing policies, commerce, and industrialization including special economic zones, enterprise promotion and development

including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and co-operatives development.

In executing its mandate, the Committee oversees the Ministry of Industrialization, Trade and Enterprise Development and the State Department for Cooperatives.

### 1.3 Committee Membership

Hon. Adan Hajj Ali, MP, **Chairperson**  
MP for Mandera South Constituency  
**Jubilee Party**

Hon. Wangari Mwaniki, MP, **Vice Chairperson**  
MP for Kigumo Constituency  
**Jubilee Party**

Hon. William Cheptumo, MP  
MP for Baringo North Constituency  
**Jubilee Party**

Hon. Alois Musa Lentoimanga, MP  
MP for Samburu North Constituency  
**Jubilee Party**

Hon. Anab Mohamed Gure, MP  
MP for Garissa County  
**Jubilee Party**

Hon. Andrew Mwadime, MP  
MP for Mwatate Constituency  
**ODM Party**

Hon. Shariff Athman Ali, MP  
MP for Lamu East Constituency  
**Jubilee Party**

Hon. Daniel Maanzo, MP  
MP for Makueni Constituency  
**Wiper Party**

Hon. Fred Odhiambo Ouda, MP  
MP for Kisumu Central Constituency  
**ODM Party**

Hon. Christopher Nakuleu, MP  
MP for Turkana North Constituency  
**Jubilee Party**

Hon. Jones Mlolwa, MP  
MP for Voi Constituency  
**ODM Party**

Hon. Raymond Kipruto Moi, MP  
MP for Rongai Constituency  
**KANU**

Hon. Jared Okelo, MP  
MP for Nyando Constituency  
**ODM Party**

Hon. Gichimu Robert, MP  
MP for Gichugu Constituency  
**Jubilee Party**

Hon. Patrick Wainaina Jungle, MP  
MP for Thika Town Constituency  
**Independent Member**

Hon. Ayub Savula Angatia, MP  
MP for Lugari Constituency  
**ANC Party**

Nduati Joseph Ngugi, MP  
MP for Gatanga Constituency  
**Jubilee Party**

Hon. Wachira Rahab Mukami, MP  
MP for Nyeri County  
**Jubilee Party**

Hon. (Dr.) Wilberforce Oundo, Phd, MP  
MP for Funyula Constituency  
**ODM Party**

#### 1.4 Committee Secretariat

The Committee secretariat comprises:

- |      |                       |   |                             |                              |
|------|-----------------------|---|-----------------------------|------------------------------|
| i.   | Mr. Erick Nyambati    | - | Clerk Assistant II          | <b>(Head of Secretariat)</b> |
| ii.  | Ms. Nuri Kitei Nataan | - | Clerk Assistant II          |                              |
| iii. | Ms. Marlene Ayiro     | - | Senior Legal Counsel        |                              |
| iv.  | Mr. Chelang'a Maiyo   | - | Research Officer II         |                              |
| v.   | Mr. Joseph Ndirangu   | - | Fiscal Analyst II           |                              |
| vi.  | Mr. Yaqub Ahmed       | - | Media Relations Officer III |                              |

#### 1.5 Overview on the Examination of the 2021 Budget Policy Statement

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15<sup>th</sup> February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'.

The Budget Policy Statement was tabled before the House on Thursday 11<sup>th</sup> February, 2021 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

Following the tabling of the BPS, the Departmental Committee on Trade, Industry and Cooperatives held a briefing session with the Parliamentary Budget Office and subsequently held consultative five consultative meetings with the ministries and agencies under its docket and on which it exercises oversight.

On behalf of the Departmental Committee on Trade, Industry and Cooperatives and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Budget Policy Statement for the Ministries, State Departments and Agencies that falls under its purview.

#### 1.6 Acknowledgement

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also thanks the State Department for Industrialization, State Department for Trade & Enterprise Development and the State Department for Cooperatives for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee for active participation in the preparation of this report. It is therefore, my pleasant duty and privilege, to present this report.

HON. ADAN HAJI ALI, MP

**(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES)**

## PART II

### 2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN 2021 BPS

The theme for the 2021 BPS and the medium term is “*Building Back Better: Strategy for Resilient and Sustainable Economic Recovery*”. as noted above, the BPS is submitted against a backdrop of ravaged economy from the COVID-19 pandemic. the policy measures outlined in the 2021 Budget Policy Statement aims at stimulating economic recovery. It will build on the gains made under the Economic Stimulus Programme and further re-position the economy on a steady and sustainable growth trajectory.

The 2021 BPS, articulates measures that will stimulate growth, promote job creation, reduce poverty, protect the vulnerable groups and businesses. To achieve these, the Government will roll out the Post-Covid-19 Economic Recovery Strategy, harnessing the implementation of the “Big Four” Agenda for job creation, foster a secure and conducive business environment by maintaining macroeconomic stability, enhancing security and improving business regulations among others.

The policies in the BPS have also been anchored on the Medium-Term Plan III of the Vision 2030 as prioritized in the “Big Four” Agenda. The focus of the policies is to continue providing an enabling environment for economic recovery to safeguard livelihoods, jobs, businesses and industrial recovery. In this respect, the Government will strengthen implementation of programmes and measures that ensure a more inclusive growth, foster macroeconomic stability, and avail liquidity to the private sector including initiating innovative products to boost credit to Micro, Small and Medium Enterprises (MSMEs).

The key priorities targets to be achieved according to the 2021 BPS are indicated as follows;

- a) To expedite the implementation of the requisite reforms to improve Kenya’s ranking in the World Bank Ease of Doing Business to at least position 20 by 2022 from position 56 in 2019 and make Kenya the best country in the continent in terms of ease of doing business.
- b) On account of the Post-Covid-19 ERS will prioritize implementation of the following programme: MSME Credit Guarantee Scheme; MSMEs Capacity Building Programme; Finance Plus; 5K Initiative; and MSME ICT Platforms to improve productivity and competitiveness of MSMEs.
- c) To promote deeper and wider integration within the East African region and the African continent at large and to consolidate Kenya’s relationship with existing trade partners, while expanding her horizons to accommodate new partnership agreements
- d) To hasten the process of shifting the youth from wage earners to owners of capital through developing productive capabilities to necessitate their movement from rudimentary to complex operations. For example, the revival and modernization of RIVATEX as a producer of textiles and consumer of locally produced cotton in line with the Agricultural Transformation Strategy that obliges the growth of new strains of bio-technical cotton as a key area of opportunity for Kenyan farmers, was timely.
- e) To continue the fight against the illicit trade and contrabands through the Government’s Multi-Agency Team against illicit.
- f) To provide the necessary skills and expertise required to boost manufacturing activities like transforming the Kenya Industrial Training Institute (KITI) to make it a centre of excellence that provides quality programmes that resonate well with the evolving industries’ skills.

- g) To promote research technologies and innovations, by heavily investing in Kenya Industrial Research and Development Institute (KIRDI) with a leather laboratory at the KIRDI Kisumu already operationalized while quipping of food, natural products and energy laboratories at the facility is ongoing.
- h) Development of a National Trade Bill which is expected to harmonize business licensing countrywide
- i) To promote agriculture through structured trading by negotiating market access in international markets for produce such as avocado, miraa, horticultural products among others
- j) To restructure of the Kenya National Trading Corporation to improve the management of farm produce thus reducing middlemen, post-harvest losses and improve post-harvest handling.

The proposed resource ceilings to all the state departments under the purview Committee in FY 2021/22 is Ksh. 11,505.6 million, this is a reduction by Ksh. 1,258.3 million as compared with the approved budget of the current financial year. The FY 2021/22 ceiling of Ksh. 11.5 billion is against a resource requirement of Ksh. 38.9 billion.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

In considering the 2021 BPS, the Departmental Committee on Trade, Industry and Cooperatives held five consultative meetings with the Ministries and agencies under its docket and on which it exercises oversight.

#### 3.1 State Department for Industrialization

The Committee held a briefing meeting with a delegation from the State Department for Industrialization on 22<sup>nd</sup> February 2021. The PS submitted that: -

The State Department has three [3] Programmes and Six [6] Sub-Programmes as tabulated below.

**Table 1 Programmes and Sub-Programmes**

S/No.	Programme	Objective	Sub-programmes
1.	Promotion of Industrial Development and Investment	To create enabling environment to promote and facilitate industrial development through value addition and investment.	i) Industrial Development & Investments ii) Promotion of Industrial Training
2.	Standards and Business Incubation	To provide standards for industrial products and incubation services to support MSMEs.	iii) Standardization Metrology & Conformity Assessment iv) Industrial Research, Technology & Innovations v) Business Financing and Incubation for MSMEs
3.	General Administration, planning and support services	To provide efficient support service delivery.	vi) Administration Services

The resources requirement for implementation of programmes is **Kshs 21.6 billion** against a proposed allocation of **Kshs 7 billion**. The detailed analysis is provided in the following tables:

**Table 2 Recurrent Allocations for FY 2021/2022(Amount Kshs Million)**

ANAYSIS OF RECURRENT RESOURCE REQUIREMENTS VS ALLOCATION								
Description	Economic Classification	Approved 2020/21 Estimates	Requirement			Allocation		
			2021/2	2022/2	2023/2	2021/2	2022/2	2023/2
1175 Industrialization	Gross	2,851.87	4,484.57	4,849.35	5,385.25	2,963.78	3,017.45	3,062.77
	AIA	753.85	843.10	902.10	962.80	753.85	753.85	753.85

ANAYSIS OF RECURRENT RESOURCE REQUIREMENTS VS ALLOCATION								
Description	Economic	Approve	Requirement			Allocation		
	NET	2,098.02	3,641.47	3,947.25	4,422.45	2,209.93	2,263.60	2,308.92
	Compensation to Employees	422.05	485.18	499.74	514.73	405.39	417.49	430.21
	Transfers	2,105.18	3,292.52	3,363.74	3,494.92	2,236.76	2,263.41	2,279.30
	Other Recurrent	324.64	706.86	985.87	1,375.61	321.64	336.54	353.26

**Table 3 Development Resource Allocations for FY 2021/2022(Amount Kshs Million)**

ANAYSIS OF DEVELOPMENT RESOURCE REQUIREMENT VS ALLOCATION								
Description	Economic Classification	Approved 2020/21 Estimates	Requirement			Allocation		
			2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
1175 Industrialization	Gross	5,268.14	17,210.06	13,822.85	14,659.31	4,042.00	4,119.96	3,873.05
	GoK	2,378.14	14,905.06	12,622.85	13,416.31	2,230.00	2,919.96	2,990.05
	Loans	2,890.00	2,305.00	1,200.00	1,243.00	1,812.00	1,200.00	883.00
	Grants	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Local AIA	0.00	0.00	0.00	0.00	0.00	0.00	0.00

**Table 4 Detailed Recurrent Budgets Allocation for FY 2021/2022**

No.	RECUREENT	BASELINE 2020/2021	Requirements 2021 - 2022	Allocation 2021-2022	Shortfall
1.	Use of goods(Headquarters)	198.60	538.22	195.60	( 342.62)
2.	Personnel Emoluments - Headquarters	422.05	485.18	405.39	( 79.79)
3.	Numerical Machining Complex	148.06	242.34	184.06	(58.28)
4.	Kenya Investment Authority	228.51	287.94	228.51	(59.43)
5.	Export Processing Zones Authority	563.61	625.00	563.61	( 61.39)
6.	Special Economic Zones Authority	22.37	313.00	22.37	(290.63)
7.	Scrap Metal	11.75	265.00	12.13	(12.87)

No.	RECURRENT	BASELINE 2020/2021	Requirements 2021 - 2022	Allocation 2021-2022	Shortfall
8.	Kenya Accreditation Services	180.31	250.50	180.31	(70.19)
9.	Kenya Industrial Estates	392.34	559.35	392.34	(167.01)
10.	Kenya Industrial Research and Development Institute	558.23	749.40	653.43	(95.97)
11.	Kenya Industrial Training Institute	126.04	168.64	126.04	(42.60)
	<b>TOTAL</b>	<b>2,851.87</b>	<b>4,484.57</b>	<b>2,963.79</b>	<b>(1,280.78)</b>

**Table 5 Detailed Development Budget allocation for FY 2021/2022**

S/No.	Development Vote Name of Project	BASELINE 2020/2021	Requirements 2021-2022	Allocation 2021-2022	Shortfall
1.	Modernization of NMC Foundry Plant, Machining & Fabrication Workshop	118.30	800.00	88.00	(712.00)
2.	Development of Athi River Textile Hub	195.74	2,182.50	105.00	(2,077.50)
3.	Railway Sliding	100.00	85.00	50.00	(35.00)
4.	Kenya Investment Authority	-	25.00	10.00	(15.00)
5.	Special Economic Zones Authority-Naivasha	177.21	1,600.00	107.00	(1,493.00)
6.	Special Economic Zones Authority - Dondo Kundu	118.30	1,500.00	100.00	(1,400.00)
7.	Kenya Accreditation Services	-	150.00	-	(150.00)
8.	Provision of Credit to SMEs	712.15	1,700.00	658.00	(1,042.00)
9.	Construction of Industrial Research Laboratories – KIRDI South B	689.36	1,312.00	510.00	(802.00)
10.	Upgrading of Infrastructure at Kenya Industrial Training Institute	50.00	320.00	268.40	(51.60)
11.	Modernization of Rivatex Machinery Eldoret	128.35	521.65	233.00	(288.65)
12.	Modernization of Rivatex Machinery Eldoret-Donor	715.00	-	-	-
13.	Cotton Extension Subsidy - Rivatex	59.15	400.00	50.00	(350.00)
14.	Kenya Industry and Entrepreneurship Project (KIEP)	29.57	130.00	50.60	(79.40)
15.	Kenya Industry and Entrepreneurship Project (KIEP)-WB	1,375.00	1,312.00	1,312.00	-

S/No.	Development Vote Name of Project	BASELINE 2020/2021	Requirements 2021-2022	Allocation 2021-2022	Shortfall
16.	IDB Capital	800.00	500.00	500.00	-
	<b>Total</b>	<b>5,268.13</b>	<b>12,538.15</b>	<b>4,042.00</b>	<b>(8,496.15)</b>

### 3.2 State Department for Trade and Enterprise Development

The Committee held a briefing meeting with a delegation from the State Department for Trade and Enterprise Development on 22<sup>nd</sup> February 2021. The PS submitted that: -

In the Financial Year 2021/22 and the Medium Term, the Trade Sub Sector has a resource requirement of **Ksh.5,981.2 million, Ksh.7,673.5 million and Ksh.8,091.9 million** for recurrent expenditure for Financial Years 2021/22, 2022/23 and 2023/24 respectively. The Budget Policy Statement has allocated **Ksh.3,169.8 million, Ksh.2,445.9 million and Ksh.2,584.0 million** for recurrent expenditure for Financial Years 2021/22, 2022/23 and 2023/24 respectively.

The Capital Expenditure requirement for the same period is **Ksh.5,820.7 million, Ksh.5,395.80 million, Ksh.5,993.10 million** respectively against allocations of Capital Expenditure of **Ksh.1,252.10 million, Ksh.490.93 million and Ksh.507.05 million** for **Financial Years 2021/22, 2022/23 and 2023/24** respectively.

The table below shows the analysis between the resource requirement in the Sub Sector against the allocations in the Budget Policy Statement including the shortfall.

**Table 6 Resource Requirements VS Expenditure Financial Year 2021/2022 to 2023/24**

PROGRAMME: TRADE DEVELOPMENT AND PROMOTION	ITEM	BASELINE 2020/21 (KSHS MILLION)	RESOURCE REQUIREMENTS (KSH IN MILLION)			ALLOCATION (KSH IN MILLION)			SHORTFALL (KSHS MILLION)		
			2021/22	2022/23	2023/24	2021/22	2022/23	2023/24	2021/22	2022/23	2023/24
	Recurrent Expenditure	1,921.80	5,981.61	7,673.53	8,091.88	1,963.14	2,029.72	2,076.80	4,018.47	5,643.81	6,011.00
	Capital Expenditure	1,095.50	5,820.70	5,395.80	5,993.10	1,252.10	490.93	507.05	4,568.60	4,904.87	5,111.00
		<b>3,017.40</b>	<b>11,802.31</b>	<b>13,069.33</b>	<b>14,084.98</b>	<b>3,215.24</b>	<b>2,520.65</b>	<b>2,583.85</b>	<b>8,587.07</b>	<b>10,548.68</b>	<b>11,122.00</b>

A comparison between the current Financial Year and the proposed allocations in the Budget Policy Statement (BPS) show an increase of **Ksh.40.2 million** in recurrent which will go towards Personnel Emoluments (PE) while the increase in Capital Expenditure is **Ksh. 112.2 million** which is attributed to Kenya Youth Employment Opportunities Programme (KYEOP), a World Bank Funded Project.

In the MTEF period 2021/22-2023/24, the funding will be directed towards guidance of the negotiations for bilateral FTA between Kenya and the US as well as UK, enhancement of its Commercial Diplomacy agenda, enhancement of fair trade and consumer protection, promotion of domestic trade, operationalization of Kenya National Multi-Commodities Exchange Limited (KOMEX) trading platform and regional economic integration initiatives. The major outputs expected in the medium term are; increased exports earnings; increased commodities trading; increased inflow of investments into the country; reduced counterfeit goods; improved competitiveness of Kenyan goods; enhanced fair trade practices and consumer protection; and increased number of export markets and products.

### 3.3 State Department for Cooperative

The Committee held a briefing meeting with a delegation from the State Department for Trade and Enterprise Development on 22<sup>nd</sup> February 2021. The PS submitted that: -

The 2021 BPS is proposing to allocate the State Department Ksh. 1,567 million of which Ksh. 1,193 million is for recurrent expenditure and Ksh. 374 million is for development expenditure. The proposed allocation is thus a reduction of Ksh. 59 million from an allocation of Ksh. 1,626 million in FY 2020/21. It is important to note that the recurrent allocation is proposed to increase by Ksh 392 million while the development allocation is reducing by Ksh. 451 million.

The State Department implements one programme- Co-operative Development and Management, the 2021 BPS targets to promote cooperatives, review several pieces of legislations to realign co-operative legal framework with the National Co-operative Development Policy; promote good governance and accountability in co-operatives; continued modernization and expansion of New KCC; undertake coffee and textile industries reforms through co-operatives; strengthen housing co-operatives in construction of affordable houses; and support restructuring of transport co-operatives.

The State Department has been implementing its programmes, projects and strategies as shown below.

**Table 7 Summary of Key Result Areas, Strategic Objectives, Strategies and implementation Status**

Key Area	Result	Strategic Objectives	Strategies	Implementation Status
KRA 1: Policy, Legal, and Institutional reforms		To create an enabling policy, legal and institutional	Develop Co-operative Policies (National Co-operative Policy and Co-operative Financing	The National Co-operative Policy was finalized, approved by cabinet and forwarded to parliament as a Sessional Paper.

Key Area	Result	Strategic Objectives	Strategies	Implementation Status
		framework for rapid and sustainable growth of the co-operatives in Kenya	Policy	A Task Force to oversee its implementation was appointed by the Cabinet Secretary vide Gazette Notice No. 10699 dated 16 <sup>th</sup> December 2020. The task force has prepared its TORs, roadmap and budget is expected to present their final report by 19 <sup>th</sup> March 2021.
			Review of Co-operative Societies legislations	Review of Co-operative Societies Act and The Sacco Act has been initiated by the task force as per its mandate.
			Restructure key co-operative institutions KPCU, KFA, CAK, Primary co-operative, Co-operative unions, KNTC	KPCU was liquidated and New KPCU registered as a SAGA. Restructuring of KFA has been delayed by ongoing court cases. The task force has been mandated to undertake co-operative institutional reforms.
<b>KRA 2: Co-operative Production, Value Addition and Marketing</b>		To promote value addition, manufacturing, and market access by co-operatives	Strengthen the dairy value chain through co-operatives	The Department has provided funds for modernising NKCC's plants and machinery and for mopping up excess milk for conversion to milk powder in support of food security.
			Revitalization of coffee co-operatives	The 3 Billion Coffee Cherry Revolving Fund (CCRF) has been operationalised and disbursement to farmers has started. KENAO audit in 51 coffee societies and 16 coffee unions is ongoing. Consultancy firms were awarded contracts to conduct performance audits in 287 societies. 25 factories were digitized last FY 2019/20, and contract awarded for consultancy services to digitize/Automate 200 coffee factories through installation of Coffee Management Information System (coffeeMIS) in FY 2020/21 Contract for consultancy works to construct coffee drying beds, install solar

Key Area	Result	Strategic Objectives	Strategies	Implementation Status
				powered flood lights and solar security system in 25 selected coffee factories in Kenya has been awarded in December 2020 and is ongoing.
			Revive cotton value chain through co-operatives	Modernization of Luanda Union ginnery is ongoing. The programme will be extended to other ginneries in the remaining strategic Plan period.
<b>KRA 3: Co-operative Finance and Investment</b>		To enhance financial deepening and investments through co-operatives.	Support financial deepening and inclusion through co-operatives.	The State Department in collaboration with SASRA is implementing policies aimed at enhancing financial deepening and inclusion. This includes bringing about 300 non-deposit taking Saccos under SASRA.
<b>KRA 4: Co-operative Governance and Enforcement</b>		To entrench good governance and accountability within the co-operative sector.	Develop and implement guidelines, standards, and manuals on good corporate practices in the co-operative movement.	Ethic Commission for Co-operative Societies (ECCOs) has developed guidelines and manuals which are being implemented. These include Declaration of Income, Assets and Liabilities (DIALs) which are administered to co-operatives officials.
			Register viable co-operatives	Organised groups which request to be registered as co-operatives and meet the requirements are registered.
			Develop and implement MOUs with other law enforcement agencies.	The State Department has entered into an MoU with EACC to capacity build the it on prevention of corruption and unethical practices in co-operative societies.
<b>KRA 5: Co-operative Capacity Building</b>		To develop the capacity of co-operatives through training, education, research, and ICT adoption.	Promote adoption of ICT in co-operatives	The State Department is implementing the Co-operative Management Information System in order to improve service delivery to its clients. It is also supporting coffee co-operatives to acquire ICT equipment and Systems (Coffee MIS).

## Resource requirement

<b>Project/Program</b>	<b>Requirement FY 2021/22</b>	<b>Allocation FY 2021/22</b>	<b>Remarks</b>
Modernization of (New KCC)	500	50	The project is underfunded which might result in extending the implementation period.
New KCC Milk Powder Project	500	0	Lack of funding will impede New KCC's efforts to mop up excess milk, reduce wastage, ensure steady income to dairy farmers and enhance food security.
New KPCU	176.7	0	The funding gap will hamper New KPCU's efforts to kick-start milling and marketing Kenyan coffee and the successful administration of the Coffee Cherry Advance Revolving fund.
SASRA	244.1	0	The funds are required to operationalize non deposit taking SACCOs regulations and cater for the expanded mandate.
Implementation of National Co- operative Policy	60	0	Funds are required to implement the National Cooperative Policy and review the Co-operative Act, SACCO Act and the attendant regulations
KNTC	35	0	For Repackaging and Branding of Kenyan rice
Coffee Debt Waivers	644	0	Funds to waive coffee debts in Nyamira and Kisii Counties as per the Presidential executive Order.
<b>Total</b>	<b>2159.8</b>	<b>50</b>	

## PART III

### 4.0 COMMITTEE OBSERVATIONS

#### Cross Cutting Observations

The Committee noted that the General Economic and Commercial Affairs sector allocation in terms of the percentage share of total ministerial expenditures is very low (at 1.1%) even though it is expected to be the driver of the manufacturing pillar of the Big Four Agenda. This therefore implies that there is a resource allocation and priorities mismatch. It is worth noting that the manufacturing sector's contribution to GDP over the last five years has been on a downward trend. For example in 2013, the sector contributed 10.7 % to GDP but this has declined to 7.7% by 2019.

#### Vote 1175-State Department for Industrialization

- i. The committee notes that the state department receives around 0.4 % share of the total ministerial expenditure, the underfunding have direct impact on the full realization of the set programme priorities and will affect project completion. The State Department requires **Kshs 21.6 billion** to fund critical priorities and to ensure timely completion of ongoing programmes and projects.
- ii. The Committee observes that they are various agencies in the state department that have similar mandate and carry out closely related functions.

#### Vote 1174 -State Department for Trade and Enterprise Development

- i. The Committee notes that the state department continues to be highly underfunded, in this regard the State department for trade and enterprise development is a total sum of Kshs. 3,009.4 Million to implement 50 % of its mandate and functions.
- ii. The Committee observes that there is urgent need to review the Treaty Making and Ratification Act, 2012 to provide for an enhanced and full involvement of the National Assembly during the entire process of trade agreements negotiations.
- iii. The Committee observes that to increase efficiency and clarity in the development of key outputs as well as to align the budget to the State Department Strategic Plan, the State Department requires the following three budgetary programmes; General Administration, Support Services and Planning, International Trade Development and Promotion, and Domestic Trade and Enterprise Development.
- iv. The Committee observes that Kenya is unacceptably underrepresented in the foreign trade representation as there are no commercial representatives in key export markets. This hinders our country's ability to access foreign market. There is need therefore to restructure our foreign trade representation and adopt a model that is effective.
- v. The Committee notes that there are structural and administrative overlaps on the mandate between the Agriculture and Livestock Ministry and State Department of Trade need to be well defined to avoid functional overlaps. In this regard, the Agricultural ministry should

concentrate with agricultural production while the licensing of traders/ exporters and marketing should be left to be managed by the Trade State Department, this will enhance efficiency and reduce duplication of functions and thus lead to efficient utilization of the limited resources.

- vi. The Committee notes that there are structural and administrative challenges in regard to the allocation of resources to international trade functions whereas the function is now domiciled in the State Department of Trade as per the executive order, the budgetary resources are still been controlled at the Ministry of Foreign Affairs. There is need therefore for the regularization of the budgetary allocations to reflect the respective mandate.

**Vote 1173-State Department for Cooperatives**

- i. The Committee observes there is likelihood of duplication of functions and thus leading to wastage of public resources between the National and County Governments. For example, the development and management of cooperatives is devolved functions which continue to be funded by the National Government while County Governments are also funding the same functions.
- ii. The Committee notes that even though most of the functions for the State Department are devolved, there are critical ongoing programmes and projects require resources to a tune of Kshs. 2,159.8 million shillings to be completed.

## 5.0 RECOMMENDATIONS

### Policy Recommendations

- i. **That**, the Budget and Appropriations Committee to consider enhancing allocations to the General Economic and Commercial Sector to at least 3%, 3.5% and 4% of the total ministerial expenditure in FY's 2021/22, 2022/23, 2023/24 respectively and in particular for the State Departments of Industrialization and Trade and Enterprise Development.
- ii. **That**, the Budget and Appropriations Committee approves for the creation of the following programmes for the State Department of Trade; General Administration, Support Services and Planning, International Trade Promotion and Development, and Domestic Trade and Enterprise Development.
- iii. **That**, the Budget and Appropriations Committee amend the Budget Allocations for FY 2021/22 for the ministry of foreign affairs to transfer the international trade resources to the relevant state department of trade and enterprise development.
- iv. **That**, the State Department of Trade and Enterprise Development to restructure the external trade representation strategy and model of the country and submit the proposals to National Assembly by 15<sup>th</sup> April, 2021.
- v. **That**, for the urgent implementation of the report of the Presidential Taskforce on Parastatal Reforms be implemented and should inform the budgetary allocations for the parastatals in FY 2021/22.
- vi. **That**, an urgent evaluation lead by the Parliamentary Budget Office be done to find out the extent of implementation for devolved functions by the National Government, duplication and overlaps between and among ministries. The evaluation report should be submitted in the National Assembly by 30<sup>th</sup> March, 2021 and should inform the budget allocations to ministries.
- vii. **That**, the Medium Term Expenditure Framework process in regard to budget formulation requires urgent reforms to provide for a transparent mechanism and criteria for budgetary resources allocations among ministries.

**REPUBLIC OF KENYA**



**THE NATIONAL ASSEMBLY**

**TWELFTH PARLIAMENT – FIFTH SESSION**

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**DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING**

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**REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT FOR  
2021/22 AND THE MEDIUM TERM FOR THE FOLLOWING VOTES;**

- 1. State Department for Infrastructure**
- 2. State Department for Transport**
- 3. State Department for Shipping and Maritime**
- 4. State Department for Housing and Urban Development**
- 5. State Department for Public Works**

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## PART I

### 1.0 PREFACE

#### 1.1 Introduction

This is a report on the consideration of the Budget Policy Statement (BPS) 2021 by the Departmental Committee on Transport, Public Works and Housing submitted to Budget and Appropriations Committee on 26<sup>th</sup> February, 2021. The report is as a result of deliberations between the Committee and various State Departments under its purview.

The report contains the discussions, observations and recommendations of the Committee as regards to the proposed 2021 Budget Policy Statement for all the votes as well as programmes earmarked for implementation for the next financial year and over the medium term.

The report intends the Budget and Appropriations Committee to consider its observations and recommendations and make part of its final consolidated report to be tabled in the House.

#### 1.2 Mandate of the Committee

The Second Schedule of the National Assembly Standing Orders assigns the Departmental Committee on Transport, Public Works and Housing the mandate to oversee all matters pertaining transport, roads, public works, construction and maintenance of roads, rails and buildings, air, seaports and housing. In executing its mandate, the Committee oversees the following government State Departments and their respective SAGAs:

- i. The State Department for Infrastructure
- ii. The State Department for Transport
- iii. The State Department for Shipping and Maritime
- iv. The State Department for Housing, Urban Development
- v. The State Department for Public Works

It is from this perspective that the Committee is mandated to scrutinize the Budget Policy Statement (BPS 2021) for the Votes under the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works and as well as all the SAGAs under the Ministry. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

### 1.3 Committee Membership

#### **Chairperson**

Hon. David Pkosing, M.P.  
Member for Pokot South Constituency

#### **Jubilee Party**

#### **Vice-Chairperson**

Hon. Gathoni Wamuchomba, M.P.  
Member for Kiambu County

#### **Jubilee Party**

#### **Members**

Hon. Dominic Kipkoech Koskei, M.P.  
Member for Soitik Constituency

#### **Jubilee Party**

Hon. Peris Tobiko, M.P.  
Member for Kajiado East Constituency

#### **Jubilee Party**

Hon. Kulow Maalim Hassan, M.P.  
Member for Banisa Constituency

#### **Economic Freedom Party (EFP)**

Hon. Abdul Rahim Dawood, M.P.  
Member for North Imenti Constituency

#### **Jubilee Party**

Hon. Samuel Arama, M.P.  
Member for Nakuru Town West

#### **Jubilee Party**

Hon. Shadrack John Mose M.P.  
Member for Kitutu Masaba Constituency

#### **Jubilee Party**

Hon. Ali Wario Guyo M.P.  
Member for Garsen Constituency

#### **Jubilee Party**

Hon. Janet Wanyama Nangabo M.P.

Member for Trans- Nzoia Constituency  
**Jubilee Party**

Hon. Ahmed Bashane Gaal M.P.  
Member for Tarbaj Constituency  
**Peoples Democratic Party**

Hon. David Njuguna Kiaraho M.P.  
Member for Ol Kalou Constituency  
**Jubilee Party**

Hon. Johnson Many Naicca M.P.  
Member for Mumias West Constituency  
**Orange Democratic Movement Party**

Hon. Omar Mwinyi Shimbwa M.P.  
Member for Changamwe Constituency  
**Orange Democratic Movement Party**

Hon. Tom Mboya Odege M.P.  
Member for Nyatike Constituency  
**Orange Democratic Movement Party**

Hon. Ahmed Abdisalan Ibrahim M.P.  
Member for Wajir North Constituency  
**Orange Democratic Movement Party**

Hon. Gideon Mutemi Mulyungi M.P.  
Member for Mwingi Central Constituency

**Wiper Democratic Party**

Hon. George Aladwa Omwere M.P.

Member for Makadara Constituency

**Orange Democratic Movement Party**

Hon. Mercy Wanjiku Gakuya M.P.

Member for Kasarani Constituency

**Jubilee Party**

**1.4 Committee Secretariat**

Ms. Chelagat Tungo Aaron

**First Clerk Assistant**

**Head of Secretariat**

Mr. Ahmed Salim Abdalla

**Second Clerk Assistant**

Mr. Brian Ng'etich

**Audio Officer**

Mr. Ronald Walala

**Legal Counsel I**

Mr. Yezziel Jillo

**Serjeant at Arms**

Mr. Abdinasir Moge Yusuf

**Fiscal Analyst**

Ms. Winnie Kulei

**Research Officer III**

## **1.5 Overview on the Examination of the Budget Policy Statement 2021**

The Budget Policy Statement 2021/22 was tabled in the House on Thursday, 11<sup>th</sup> February, 2021 pursuant to section 25 of the PFM Act, 2012 as well as Standing Orders 232 of the National Assembly. It was thereafter referred to the various Departmental Committees for consideration and subsequently make recommendations to the Budget and Appropriations Committee.

On Wednesday, 17<sup>th</sup> February, 2021 the Committee was briefed by the Parliamentary Budget Office (PBO). This was aimed at informing Members of the Committee on the proposed budgetary ceilings and policy direction for the next financial year and over the medium term for the various State Departments falling within its purview. Thereafter the Committee held Six (6) meetings from Monday 22<sup>nd</sup> to Thursday, 25<sup>th</sup> February, 2021 to deliberate on the Budget Policy Statement 2021 with all Departments and Agencies under the Ministry of Transport, Infrastructure Housing, Urban Development & Public Works.

## **1.6 Acknowledgement**

The Committee is grateful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its Sittings. Equally, the Committee extends its gratitude to all members of the Committee, members of the secretariat and all the Departments led by their Cabinet Secretary and their respective principal secretaries.

On behalf of the Committee, it is therefore my pleasant duty and privilege, to present this report on scrutiny of the 2021/2022 Budget Policy Statement and Medium Term for the respective votes to the Budget and Appropriation Committee pursuant to provisions Section 25(2) of the Public Finance Management Act, 2012 and Standing Order 232 (5)

**HON. DAVID PKOSING, CBS, M.P**  
**CHAIRPERSON,**  
**DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING**

## PART II

### 2.0 BROAD OVERVIEW OF POLICIES CONTAINED IN THE BPS 2021

The 2021 BPS aims at fast tracking development of critical infrastructure in the country. In this regard, the subsector of transport is mandated to implement this major policy goal of the government through;

- i. Expansion of the road network
- ii. Expansion of the rail network through rehabilitation Metre Gauge Rail (MGR)
- iii. Decongestion of road traffic through Diesel Multiple Units(DMUs) and modernization of the Central Railway Station in Nairobi
- iv. Repairing, expansion and modernization of aviation facilities to maintain the country's competitive edge in the region.
- v. Provision of affordable Housing programme by prioritizing Social housing, mobilizing funds through National Housing Development Fund and fostering Public – Private Partnership to fund 500,000 units

To achieve the above policy goals, the sector implements various programmes/projects and activities through the following State Departments.

#### i. **State Department for Infrastructure:**

The state Department for Infrastructure has been allocated a ceiling of Kshs. **191,976 million** which is an increase from the Kshs. **189,553 million** allocated in the approved estimates of the Financial Year 2020/21. The State Department implements one programme, namely, Road Transport. The programme targets are;

- a. Construction of roads and bridges: **1,863 kms** of roads and 24 bridges
- b. Rehabilitation of Roads: **100 Kms** of roads will be rehabilitated
- c. Maintenance of Roads: 35,122 Kms of roads will be maintained
- d. Design of roads and bridges: 1,457 Kms of roads and 22 bridges to designed

It is noted from the proposed ceilings, the recurrent expenditure which is mainly from the fuel levy reduces from the Kshs. 64,934 million it was allocated in the financial year 2020/21 to Kshs. 57,170 million for the financial year 2021/2022. This may be explained by the assertion in the BPS 2021 that the share towards the County Governments will from part of the shareable revenue and not a conditional grant as it was previously.

It is also observed that the State Department for Infrastructure engages the Private sector through Public Private Partnership (PPP) arrangements to implement key projects among them JKIA – James Gichuru Express Way aimed at easing traffic to and from the Jomo Kenyatta International Airport (JKIA), and the planned Nairobi – Mau Summit dual carriageway.

ii. **State Department for Transport:**

The State Department for Transport has been allocated a ceiling of Kshs. **11,175** million which is drastic decrease from the approved Kshs. 4,755 million for 2020/21 financial year. The decrease may partly be explained by the transfer of rail and port functions to the National Treasury. The State Department implements the following three main programmes; **Marine Transport** which has been allocated a ceiling of Kshs. **1,468** million of which Kshs. 667 million is for recurrent expenditure and Kshs. 801 million for development expenditure; **Air Transport** with a ceiling of **Kshs. 8,979** million; and the General Administration, Planning and Support Services with a ceiling of Kshs. 351 million.

iii. **State Department for Shipping and Maritime:**

The State Department for shipping and Maritime has been allocated a ceiling of Kshs. 2,986 million. The ceilings are a slight increase from the Kshs. 2,517 million approved for the FY 2020/21. The State Department implements only one programme, namely shipping and Maritime Affairs. The programme targets the Following;

- a. 20 % completion of ship Yard construction in Kisumu
- b. 2000 Seafarers employed
- c. 50% completion of equipping the Seafarers Examination Centre
- d. 1000 students supported financially under Maritime Education and Training (MET) support Programme
- e. Kshs.75 million Financial support to MET Institutions
- f. 100% completion Digital Ship-waste discharge reporting System

iv. **State Department for Housing and Urban Development:**

The State Department has been granted a ceiling of Kshs. **13,188 million** in the 2021/22 BPS. It is also a reduction from the approved allocations of Kshs. 17,057 million. The State Department implements 3 programmes, namely; Housing Development and Human Settlement, Urban and metropolitan development and General administration planning and support services.

v. **State Department for Public Works:**

The State has been allocated a ceiling of Kshs. **4,239**million. The proposed ceiling is an increase from the Kshs. 3,499 million approved for the financial year 2020/21.

The State Department implements the following programmes: Government Buildings, Coastline infrastructure and Pedestrian access, Regulation and Development of Construction Industry; and general administration planning and support services.

### 3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

The Cabinet Secretary in charge of the Ministry appeared before the Committee on Monday 22<sup>nd</sup> February 2021 to give a general overview of the Budget Policy Statement and allowed the various State Departments to make their submissions in detail. In this regard, the various State Departments made presentations through the respective Principal Secretaries. The following is a summary of the submissions made by the various State Departments:

#### a) State Department for Infrastructure

The State Department for infrastructure informed the Committee through the Principal Secretary that it presented to the Energy, Infrastructure and ICT Sector a budget resource requirement of Kshs.425.6 billion for 2021/22 and was allocated Kshs.201.7 billion during sector engagements resulting into an expected budget shortfall of Kshs.224 billion.

The Principal Secretary further submitted that the allocations reduced, and that the Department has a proposed ceiling of Kshs. 191.97 billion in the proposed budget policy Statement (BPS 2021/22). The Committee was further informed that the recurrent ceiling is reducing because the share from the roads maintenance levy to county governments is now part of the shareable revenue and no longer a conditional transfer.

It was further submitted that the sub-sector continues to experience an increasing financing gap. The GOK shortfall in funding will negatively impact on road project implementation resulting into delayed project completion, interest and other claims, abandoned projects, expensive projects, reduced confidence in Government contracts, among other negative issues.

The State Department requested the National Assembly and The National Treasury to increase the net GoK ceiling for the in the BPS 2021/2022 by **Kshs.75 billion** and the same be financed through an Infrastructure Bond dedicated to Roads to enable the State Department to clear the outstanding bills declared as at 31<sup>st</sup> December, 2020. This request is based on the positive impact of the Infrastructure Bond that was raised in the last Financial Year, 2019/2020 in which the State Department got an additional allocation of **Kshs. 48 billion** and was able to clear all the principal bills on road works incurred up to 28<sup>th</sup> February, 2019.

#### b) State Department for Transport

The State Department informed the Committee that it has been allocated a ceiling of Kshs. 11,174 million comprising of Kshs. 9,468 million for recurrent expenditure and Kshs. 1,706 million for development expenditure in 2021/22 BPS. This was after the programmes of rail and marine were transferred to the National Treasury.

The State Department presented financing gaps arising from the subdued proposed ceilings in 2021/22 BPS as captured against the following projects;

- i. Mombasa International Airport Runway Slope Stability Emergency Works- Kshs. 1,267 million
- ii. Modernization of Jomo Kenyatta International Airport Terminal 1B,1C and1D- Kshs. 964 million
- iii. Other Airstrips & Airports – Kshs. 3,822 Million
- iv. Implementation of Kenya Transport Sector Support Project (KTSSP)- Kshs.480.2 million
- v. Transport Data Centre –Kshs.36 million

**c) State Department for Shipping and Maritime**

The State Department for Shipping and Maritime submitted that it requested for Kshs. 4.6 billion during the sector engagements but allocated a ceiling of Kshs. 2.9 billion in the proposed budget policy Statement. This affects planned key projects like advance firefighting, Survival Training Center and equipment for Port Operators.

**d) State Department for Housing and Urban Development**

The State Department for Housing and Urban Development made its presentation on the BPS 2021/22 through the PS and informed the Committee that the ceilings provided of Kshs. 13,188 million is far below the request of Kshs. 88,571 million. This, according to the State Department, will affect implementation of Key Programmes and projects including the affordable housing programme.

**e) State Department for Public Works**

The State Department informed the Committee that the difference in resource requirement (Kshs. 9,404 million) and the proposed ceilings (Kshs. 4,239 million) will adversely affect projects because their pending bills alone amount to Ksh. 458.9 Million. After paying them they will be left with Ksh. 668.9 Million, out of which Kshs. 150Million will go towards realization of the Big Four projects. The remaining balance of Kshs. 518.9million will be used to implement the Departments programmes.

## PART III

### 4.0 COMMITTEE OBSERVATIONS

After intensive consideration of the Budget Policy Statement for the financial year 2021/22 and over the medium term, the Committee made the following observations as captured under the following State Departments.

#### **a) State Department for Infrastructure**

- i.) The Committee observed that the projected share of the Roads Maintenance levy to the Counties will form part of the equal share and not as a conditional grant as it used to be. The Committee notes with concern that the Roads Maintenance levy is, by law, purposed for road maintenance and if it is transferred to the counties unconditionally as part of the equal share it may not be applied to the intended objective of maintaining county roads.
- ii.) The Committee observed that the State Department for Infrastructure has accumulated pending bills amounting to Kshs. 75 billion as at December 2020. This amount is projected to increase to Kshs. 85 billion by the end of the current financial year, and will have negative impact on the implementation of the proposed Budget Policy Statement ceilings for the 2021/22 financial year.
- iii.) The Committee observed that the State Department for Infrastructure engages the Private sector through Public Private Partnership (PPP) arrangements. The Committee notes that the Public Private Partnership engagements come with certain risks that include lack of adequate information on some large PPP projects.

#### **b) State Department for Transport**

- i.) The Committee noted that the financial health of the Standard Gauge Railway has always been a challenge where its operational cost is often settled through mid-year budget reviews. The project also accounts for accumulation of the largest pending bills always reported against a single project.

#### **c) State Department for Housing and Urban Development**

- i.) The Committee observed that despite there being a policy on provision of house allowances for police officers, there are ongoing projects under Provision of Housing Units for National Police Service and Prisons. The Committee further notes that there are areas under constant security threats that require special consideration by providing decent housing units for police officers serving in those areas.

## **5.0 COMMITTEE RECOMMENDATIONS**

### **5.1 Policy Recommendations**

#### **a) State Department for Infrastructure**

- i. The Committee recommends that the policy shift converting the legislated 15% share of the roads maintenance levy to the county governments be reversed and retained as a conditional grant.
- ii. The Committee recommends that, within seven days of adoption of this report, the National Treasury adjusts the ceilings for the State Department for Infrastructure to accommodate Kshs.75 billion to be financed through roads bond to be floated by the National Treasury before end of June, 2021.
- iii. That the National Treasury, by end of April every financial year, submits information on large Public Private Partnership (PPP) projects to Parliament.

#### **b) State Department for Transport**

- i. That the National Treasury provides adequate allocations to the Standard Gauge Railway project during the annual budget estimates to avoid the huge budgetary allocations during supplementary budgets, as is currently observed.

#### **c) State Department for Housing and Urban Development**

- i. That the National Treasury puts the Policy on Police housing into context and give consideration in allocating resources to ongoing projects and to provide for construction of good housing units in areas under constant security threats in the budget estimates for 2021/22.

## 5.2 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change	Financial Recommendation
1.	The Committee observed that the projected share of the Roads Maintenance levy to the Counties will form part of the equal share and not as a conditional grant as it used to be. The Committee notes with concern that the Roads Maintenance levy is, by law, purposed for road maintenance and if it is transferred to the counties unconditionally as part of the equal share it may not be applied to the intended objective of maintaining county roads.	That the policy shift converting the legislated 15% share of the roads maintenance levy to the county governments be reversed and retained as a conditional grant as it is currently.	-
2.	The Committee observed that the State Department for Infrastructure has accumulated pending bills amounting to Kshs. 75 billion as at December 2020. This amount is projected to increase to Kshs. 85 billion by the end of the current financial year, and will have negative impact on the implementation of the proposed Budget Policy Statement ceilings for the 2021/22 financial year.	That, within seven days of adoption of this report, the National Treasury adjusts the ceilings for the State Department for Infrastructure to accommodate Kshs.75 billion to be financed through roads bond to be floated by the National Treasury before end of June, 2021.	Ceiling be adjusted to Kshs 266,976 million comprising of Kshs. 57,170 million for current and Kshs. 209,806 million for Capital
3	The Committee observed that the State Department for Infrastructure engages the Private sector through Public Private Partnership (PPP) arrangements. The Committee notes that the Public Private Partnership engagements come with certain risks that include lack of adequate information on some large PPP projects.	That the National Treasury, by end of April every financial year, submits information on large Public Private Partnership (PPP) projects to Parliament.	-

4.	The committee noted that the financial health of the Standard gauge railway has always been a challenge where its operational cost is often settled through mid –year budget reviews. The project also accounts for accumulation of the largest pending bills always reported against a single project.	The National Treasury provides adequate allocations to the Standard Gauge Railway project during the annual budget estimates to avoid the huge budgetary allocations during supplementary budgets, as is currently observed.	
5	The Committee observed that despite there being a policy on provision of house allowances for police officers, there are ongoing projects under Provision of Housing Units for National Police Service and Prisons. The Committee further notes that there are areas under constant security threats that require special consideration by providing decent housing units for police officers serving in those areas.	That the National Treasury puts the Policy on Police housing into context and give consideration in allocating resources to ongoing projects and to provide for construction of good housing units in areas under constant security threats in the budget estimates for 2021/22.	
6	The Committee observed that the distribution of development projects across Departments hardly reflects the face of the country.	That all the State Departments under the purview of Transport Committee ensure that there is equity as much as possible in the distribution of projects starting with the 2021/22 annual estimates.	

SIGN  ..... Date 21/02/2021 .....

**HON. DAVID PKOSING, CBS, M.P**  
**CHAIRPERSON,**  
**DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING**

## Proposed Annexures

Annex 1: Mini Schedule indicating the final ceilings per programme

Vote	Programme	Draft Ceilings(As tabled)			Committee Amendments			Final ceilings		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
1091	Road Transport	57,170	134,806	191,976	-	75,000	75,000	57,170	209,806	266,976

Annex 2: PBO brief on the BPS/ Supplementary Budget 1 for 2020/21

Annex 3: MDA's submissions

Annex 4: Minutes of the Committee sittings

Annex 5: Adoption List