

Approved for tabling





Bat
SNA
3/3/2020.

REPUBLIC OF KENYA
KENYA NATIONAL ASSEMBLY

PARLIAMENT
OF KENYA
LIBRARY

TWELFTH PARLIAMENT – FOURTH SESSION

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

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

MARCH 2020

CHAIRPERSON'S FOREWORD

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

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

Mandate of the Committee

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

Other mandates of the Committee include the following:

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

Membership of the Committee

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

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

Parliamentary Budget Office

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

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

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

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

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

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

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

Acknowledgements

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

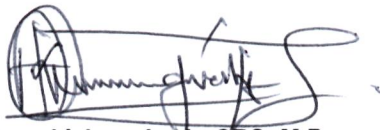
Departmental Committees and all the Members of Parliament who participated in the process, for their commitment to ensure that Parliament is able to live up to its mandate.

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

Mr. Speaker,

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

Signed

A handwritten signature in black ink, appearing to read 'Kimani Ichung'wah', written over a circular stamp or seal.

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

I. Introduction

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

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

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

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

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

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

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

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

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

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

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

19) Mr. Speaker, the committee notes with concern that key projects under the Big Four agenda appear to be implemented at a very slow pace and may therefore not be completed within the timeframe provided. For instance, under manufacturing the Common Effluent Treatment Plant at Kinanie Leather Park is only 30% complete although the BPS reports an expected 80% completion by end of 2019/20 and 100% completion by 2020/21. Similarly, the Dongo Kundu SEZ and Naivasha Industrial Park reported 3% and 4% completion respectively in 2018/19 and have an extraordinary target of 40% and 30% completion targets respectively for 2019/20. Similarly, in Agriculture, a number of irrigation projects appear to be off-track as they are still quite far from achieving the targeted acreage for irrigation purposes as well as the targeted amount of produce.

20) Mr. Speaker, under the Affordable Housing pillar, only 228 units of the indicated 500,000 affordable houses have been constructed and with only one notable investor, it is not clear if the project is adequately funded. Similarly, there is lack of clarity in the financing mode of the Universal Health Coverage pillar as well as the role of the NHIF in the provision of Universal Health Care. Furthermore, though it is indicated in the BPS that the government will forge a multisectoral collaboration with the counties, the framework of such a collaboration and how soon this will be implemented remains unclear.

21) Mr. Speaker, given the critical role that the Big Four Agenda is supposed to play in promoting economic growth, the National government should be more purposeful in its implementation of Big Four policies and programmes. This entails proper identification of Big Four projects, a detailed framework for implementation, adequate resource allocation as well as a clear monitoring and evaluation framework.

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

a. Expenditure Projections

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

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

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

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

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

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

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

b. Revenue Projections

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

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

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

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

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

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

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

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

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

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

VI. VERTICAL DIVISION OF REVENUE 2020/2021

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

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

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

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

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

VII. SUBMISSIONS FROM THE DEPARTMENTAL COMMITTEES

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

a. Agriculture, rural and urban development

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

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

b. Energy infrastructure and information communication and technology

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

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

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

c. General economic and commerce affairs

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

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

d. Health

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

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

e. Education

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

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

f. Governance justice law and Order

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

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

g. Public administration and international relations

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

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

h. Social protection culture and recreation

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

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

i. Environment protection water and natural resources

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

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

j. National Security

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

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

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

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

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

Policy Recommendations

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

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

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

Financial Recommendations

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

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

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

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

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

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

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

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

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

SCHEDULE ONE

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

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

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

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

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

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

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

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

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

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

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

VOTE	STATE DEPARTMENT	POLICY RECOMMENDATIONS
		<ol style="list-style-type: none"> 3. The resource allocation towards the leasing of vehicles for the security sector in 2020/21 ought to be domiciled in the user department as opposed to the National Treasury. This is to ensure the ceilings to state departments are realistic.
1072	State Department for planning	<ol style="list-style-type: none"> 1. The National Treasury through the Intergovernmental Forums should develop a framework of implementation for the stalled projects that were previously implemented through NG-CDF but now under the new Constitution fall within the mandate of the county governments.
2061	The Commission on Revenue allocation	<ol style="list-style-type: none"> 1. The Commission on Revenue Allocation in consultation with the Council of Governors and the Controller of Budget should develop either a legal framework or an administrative measure to ensure budgeting and implementation of the budgets deliver maximum benefits to the citizenry and as such, counties should be at the epicenter of economic growth. 2. The Commission should consider revenue performance in determining the allocation to county governments as opposed to basing its recommendations entirely on the set formulae or criteria as this may not factor in the realistic situation on the fiscal space. 3. Parliament should fast track the approval of the Third Generation Revenue Sharing criteria among County governments. The current formula has run its course in accordance with the law and therefore, a new one is due.
2071	Public Service Commission	<ol style="list-style-type: none"> 1. The Public Service Commission internship programme already established to be sustained and adequately funded. The Commission to ensure full compliance with the constitution in the implementation of the programme and in doing so to secure equity, regional and ethnic balance in recruitment of interns
2081	Salaries and Remuneration Commission	<ol style="list-style-type: none"> 1. The Salaries & Remuneration Commission should, in 2020/21, focus on analyzing and making recommendation on job productivity which will inform salaries harmonization, if need be. Job productivity encompasses among other things, the optimum staffing levels for each cadre and scheme of service in the public sector.

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE TWO: POLICY RECOMMENDATIONS BY DEPARTMENTAL COMMITTEES

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

SCHEDULE THREE: KEY OBSERVATIONS FROM THE DEPARTMENTAL COMMITTEES

A. Agriculture, rural and urban development

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

Policy recommendations

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

B. Energy infrastructure and information communication and technology

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

Policy recommendations.

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

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

C. General economic and commerce affairs

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

Policy recommendation

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

D. Health

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

Policy recommendations

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

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

E. Education

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

Policy recommendations

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

F. Governance justice law and Order

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

Policy Recommendations

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

G. Public administration and international relations

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

Policy Recommendations

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

H. Social protection culture and recreation

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

Policy Recommendations

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

I. Environment protection water and natural resources

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

Policy recommendations

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

J. National Security

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










Policy Recommendations







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




ADOPTION SCHEDULE

Members attendance list

Budget and Appropriations Committee: Date: 3rd / 03 / 2018 Time: 9.30 A.M Sitting: 1st

Name	Signature
1. Hon. Kimani Ichung'wah, CBS, M.P- Chairperson	
2. Hon. (CPA) Moses Lessonet, M.P- Vice Chairperson	
3. Hon. (CPA) John Mbadi, EGH, CBS, M.P.	
4. Hon. Richard Onyonka, M.P.	
5. Hon. Samwel Moroto, M.P.	
6. Hon. Millie Odhiambo, M.P.	
7. Hon. Twalib Bady, M.P.	
8. Hon. (Dr.) Gideon Ochanda, M.P.	
9. Hon. James Mwangi Gakuya, M.P.	
10. Hon. (Dr.) Makali Mulu, M.P.	

Name	Signature
11. Hon. Moses Kiarie Kuria, M.P.	
12. Hon. Benard Masaka Shinali, M.P.	
13. Hon. John Muchiri Nyaga, M.P.	
14. Hon. Jude Njomo, M.P.	
15. Hon. (Dr.) Korei Ole Lemein, M.P.	
16. Hon. Sarah Paulata Korere, M.P.	
17. Hon. Naisula Lesuuda, M.P.	
18. Hon. Sakwa Bunyasi, M.P.	
19. Hon. Danson Mwashako, M.P.	
20. Hon. Fatuma Gedi Ali, CBS, M.P.	
21. Hon. Florence C.K. Bore, M.P.	
22. Hon. James Gichuki Mugambi, M.P.	
23. Hon. (Dr.) John K. Mutunga, M.P.	

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

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

Committee Clerk

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

Director of Committee Services

MINUTES OF THE NINTH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 3RD MARCH 2020, AT SMALL DINING, NEW WING, MAIN PARLIAMENT BUILDING AT 9.00A.M.

PRESENT:

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. Millie Odhiambo, M.P.
- 5) Hon. (Dr.) Makali Mulu, M.P.
- 6) Hon. Samwel Moroto, M.P.
- 7) Hon. James Mwangi Gakuya, M.P.
- 8) Hon. Richard Onyonka, M.P.
- 9) Hon. (Dr.) Korei Ole Lemein, M.P.
- 10) Hon. (Dr.) Gideon Ochanda, M.P.
- 11) Hon. John Muchiri Nyaga, M.P.
- 12) Hon. Sakwa Bunyasi, M.P.
- 13) Hon. James Gichuki Mugambi, M.P.
- 14) Hon. Florence C. K. Bore, M.P.
- 15) Hon. Danson Mwashako, M.P.
- 16) Hon. Paul Abuor, M.P.
- 17) Hon. Qalicha Gufu Wario, M.P.
- 18) Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGY:

- 1) Hon. Moses Kiarie Kuria, M.P.
- 2) Hon. Bady Twalib Bady, M.P.
- 3) Hon. Sarah Korere, M.P.
- 4) Hon. Naisula Lesuuda, OGW, M.P.
- 5) Hon. Benard Masaka Shinali, M.P.
- 6) Hon. (Dr.) John K. Mutunga, M.P.
- 7) Hon. Fatuma Gedi Ali, CBS, M.P.
- 8) Hon. (Eng.) Mark Nyamita, M.P.
- 9) Hon. Jude Njomo, M.P.

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|----------------------|
| 1) Ms. Phyllis Makau, OGW | Director, PBO |
| 2) Mr. Robert Nyaga | Deputy Director, PBO |
| 3) Ms. Millicent Makina | Fiscal Analyst I |
| 4) Ms. Julie Mwithiga | Fiscal Analyst II |
| 5) Dr. Abel Nyagwachi | Fiscal Analyst III |

COMMITTEE SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1) Mr. Joseph Ndirangu | Fiscal Analyst II & Clerk |
| 2) Mr. James Chacha | Fiscal Analyst II |
| 3) Mr. Danson Kachumbo | Fiscal Analyst II |
| 4) Ms. NimordOchieng | Audio Officer |
| 5) Mr. Benard Omondi | Sergeant at Arms |
| 6) Mr. JoramBarasa | Office Assistant |

AGENDA

1. Preliminaries& Confirmation of Agenda
2. Confirmation of Previous Minutes
3. ***Discussion and Adoption of the Committee draft report on the 2020 Budget Policy Statement***
4. Any Other Business (A.O.B)

MIN.NO.NA/BAC/2020/32: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 9.30 a.m. Thereafter a prayer was said.

MIN.NO.NA/BAC/2020/33: CONFIRMATION OF THE PREVIOUS MINUTES

The committee confirmed and adopted minutes in the following manner:

- i. Minutes to the 4th sitting were proposed by Hon. James Mwangi Gakuya, M.P. and seconded by Hon. Danson Mwashako, M.P.*
- ii. Minutes to the 5th sitting were proposed by Hon. James Mwangi Gakuya, M.P. and seconded by Hon. Danson Mwashako, M.P.*
- iii. Minutes to the 6th sitting were proposed by Hon. (Dr.) MakaliMulu, M.P. and seconded by Hon. James Mwangi Gakuya, M.P.*
- iv. Minutes to the 7th sitting were proposed by Hon. (CPA) Moses Lessonet, M.P. and seconded by Hon. (Dr.) MakaliMulu, M.P.*
- v. Minutes to the 8th sitting were proposed by Hon. (Dr.) MakaliMulu, M.P. and seconded by Hon. (CPA) Moses Lessonet, M.P.*

MIN.NO.NA/BAC/2020/34: DISCUSSION AND ADOPTION OF THE COMMITTEE DRAFT REPORT ON THE 2020 BUDGET POLICY STATEMENT

The Chairperson welcomed the Parliamentary Budget Office to brief the Committee on the Draft Report. After deliberations, the Committee **ADOPTED** the report with the following recommendations:

A. Policy Recommendations

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

- i. That, before the Budget Estimates for 2020/2021 are submitted to the House, the National Treasury should resubmit the Macroeconomic and Fiscal Framework with adequate information on debt, clearly indicating the amount of concessional, semi concessional and commercial loans; as well as clearly outlining the country's borrowing strategy. This information should be accompanied by a list of specific projects that will benefit from these funds and realign what they submit to the MTDS*

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

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

Financial Recommendations

- 1) Finally, **Mr. Speaker**, the Committee requests that this House adopts this report and further resolves as follows:
 - I. **That** the ceilings of each arm of government for FY 2020/2021 be capped as follows:

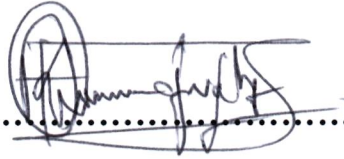
i. Parliament	– Kshs.39.14 billion
ii. Judiciary	– Kshs.19.05 billion
iii. Executive	– Kshs.1,778.13 billion
 - II. **That, Kshs. 3 billion** be allocated for strategic response to public initiatives
 - III. That, the financing gap of **Kshs. 7 billion** be funded through reprioritization and realignment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

- V. **That**, county governments be allocated **Kshs. 369.868** billion for FY 2020/2021 distributed as follows:
- a. County Government Equitable share of **Kshs. 316.5 billion**.
 - b. Conditional allocations from the national government's equitable share of revenue as follows:
 - i. Leasing of medical equipment **Kshs. 6.205 billion**
 - ii. Compensation for user fees foregone **Kshs. 900 million**
 - iii. Level 5 hospital **Kshs. 4.326 billion**
 - iv. Supplement for construction of county headquarters **Kshs. 300 million**
 - v. Rehabilitation of village polytechnics **Kshs. 2 billion**
 - vi. Allocation from Fuel Levy Fund (15% of collections) **Kshs. 9.433 billion**
 - vii. Allocation from loans and grants **Kshs. 30.204 billion**
 - c. Before finalization of the Division of Revenue Bill (DoRB), the transfer of functions of the Nairobi County to the National Government should be reflected in the allocations provided.
- VI. **That** the allocation to the Equalization Fund of **Kshs. 6.53 billion** be approved as provided in the Budget Policy Statement.
- VII. **That** once approved by this House these recommendations together with Schedule 1 attached **SHALL** form the basis of the 2020/2021 budget.

MIN.NO.NA/BAC/2020/35: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matters to consider, the meeting was adjourned at 11.30a.m. The next sitting will be communicated later.

SIGNED



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

03/03/2020

.....
DATE

MINUTES OF THE EIGHTH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON FRIDAY, 28TH FEBRUARY 2020, AT THE PAVILLION CONFERENCE ROOM, HILTON GARDEN INN HOTEL AT 2.00 P.M.

PRESENT:

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. Samwel Moroto, M.P.
- 5) Hon. (Dr.) Makali Mulu, M.P.
- 6) Hon. (Dr.) Gideon Ochanda, M.P.
- 7) Hon. Benard Masaka Shinali, M.P.
- 8) Hon. (Dr.) Korei Ole Lemein, M.P.
- 9) Hon. Florence C. K. Bore, M.P.
- 10) Hon. Qalicha Gufu Wario, MP

ABSENT WITH APOLOGY:

- 1) Hon. Millie Odhiambo, M.P.
- 2) Hon. Richard Onyonka, M.P.
- 3) Hon. James Mwangi Gakuya, M.P.
- 4) Hon. Moses Kiarie Kuria, M.P.
- 5) Hon. Jude Njomo, M.P.
- 6) Hon. Bady Twalib Bady, M.P.
- 7) Hon. Naisula Lesuuda, OGW, M.P.
- 8) Hon. Sakwa Bunyasi, M.P.
- 9) Hon. Danson Mwashako, M.P.
- 10) Hon. James Gichuki Mugambi, M.P.
- 11) Hon. Fatuma Gedi Ali, CBS, M.P.
- 12) Hon. Sarah Korere, M.P.
- 13) Hon. John Muchiri Nyaga, M.P.
- 14) Hon. Paul Abuor, M.P.
- 15) Hon. (Dr.) John K. Mutunga, M.P.
- 16) Hon. (Eng.) Mark Nyamita, M.P.
- 17) Hon. Wangari Mwaniki, M.P.

REPRESENTATIVES FROM THE NATIONAL TREASURY

1. Hon. Amb. UkurYataniKanacho – Cabinet Secretary, National Treasury & Planning
2. Mr. Stanley Kamau - Director General, Public Investments & Portfolio Management Directorate
3. Mr. Benardndungu - Director General Accounting Services & Quality Assurance
4. Mr. Albert Mwenda - Director General, Budget, Fiscal & Economic Affairs
5. Mr. Musa kathanje
6. Mr. Amos Gathecha
7. Mr. Samuel Kiiru
8. Ms. Miriam Musyoki
9. Mr. Fred Owegi
10. Mr. Daniel Ndolo
11. Mr. John Njera
12. Mr. Kennedy Ondieki
13. Ms. Isabella Kogei

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|-----------------------------|
| 1) Ms. Phyllis Makau, OGW | Director, PBO |
| 2) Mr. Martin Masinde | Senior Deputy Director, PBO |
| 3) Mr. Robert Nyaga | Deputy Director, PBO |
| 4) Ms. Millicent Makina | Fiscal Analyst I |
| 5) Ms. Julie Mwithiga | Fiscal Analyst II |
| 6) Dr. Abel Nyangwachi | Fiscal Analyst III |
| 7) Mr. Jonathan Lemurt | Fiscal Analyst III |

COMMITTEE SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1) Mr. James Chacha | Fiscal Analyst II & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst II & Clerk |
| 3) Ms. Nimrod Ochieng | Audio Officer |
| 4) Mr. Benard Omondi | Sergeant at Arms |
| 5) Mr. JoramBarasa | Office Assistant |

AGENDA

1. Preliminaries & Confirmation of Agenda
2. Considering the following:
 - i. Submissions from the National Treasury*
 - ii. Presentation by the Parliamentary Budget Office*
3. Any Other Business (A.O.B)

MIN.NO.NA/BAC/2020/28: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 2.00 P.M. This was followed by a prayer.

MIN.NO.NA/BAC/2020/29: SUBMISSIONS BY THE NATIONAL TREASURY ON THE 2020 BUDGET POLICY STATEMENT

The National Treasury made comments to the issues raised in the letter inviting them for the meeting and additional issues raised by the Committee during the meeting. On the fiscal framework and budget implementation the National Treasury noted as follows:

1. A review of the BPS indicated a fall in revenues and expenses; except for those of the Consolidated Fund Services which could take up to 45% of entire revenue to service debt.
2. That the implementation matrix provided, was based on allocations per sector and was thus to be amended by a matrix indicating allocation per project (Big Four Agenda) and respective status. Such a matrix will facilitate transparency.
3. Government will have to forego a number of revenue streams in order to enhance the role of the private sector in doing business.
4. Increase in taxes has affected manufacturing and investors have avoided the Kenyan market for neighboring countries and Kenya is becoming a net importer of mechanized equipment from the neighboring countries.
5. Despite registering sustained growth (maintained above average economic growth) it had not resulted in substantial increase in revenue growth. Policy therefore lies in strengthening Kenya Revenue Authority and setting timelines for reporting of AIA and increasing the AIA collection targets for each institution to increase collection.

On pending bills, it was indicated that the process of settling of pending bills had achieved significant progress and the following were the key points raised:

1. That the office of the Auditor General through a special audit determined that pending bills were worth Ksh. 88 billion and could affect the performance of the local market
2. Of this amount, Ksh. 51.2 billion were reported as payable while Ksh. 37.7 billion lacked sufficient documentations to support services provided and therefore not recommend for payment.
3. As at 25th February 2020, Ksh. 32.24 billion (62.9% of eligible pending bills) had been paid leaving a balance of 19.04 billion.
4. End of FY 2018/19 pending bills amounted to Ksh, 63.1 billion out of which 49.5 were categorized as historical or contested of bills under verification and those that were immediately payable amounted to Ksh. 13.65 billion.
5. 16 counties have fully paid their pending bills (Homa Bay, Kajiado, Kilifi, Kitui, Kwale, Laikipia, Nyamira etc.) and the rest ongoing (9 counties have payment plans such as Kisii, Muranga, Kakamega, Bungoma, Machakos etc.)
6. All MDAs were required to clear the eligible pending bills by 24th December 2019 and as such a total of Ksh. 12.49 billion had been paid constituting 94% of the total eligible pending bills leaving a balance of Ksh. 0.76 billion.
7. Role of the Controller of Budget (CoB) in ensuring that no county is allowed a percentage of the previous actual revenue. It was further indicated that CoB was constantly engaged and that the CoB is to refer to status of pending bills during disbursement of finances to county governments. It was also indicated that this arrangement had received the approval of governors who agreed to cooperate by giving payment plans including a list of payments since 2013/14 and that collaborate with IFMIS.
8. In order to prevent accumulation a review committee within the National Treasury was formed and the following measures were instituted to curtail growth of pending bills;
 - i. Stopping new commitments by 30th May of every financial year
 - ii. Ensuring that all planned expenditures in the budget through timely disbursements
 - iii. Continue the enforcement that pending bills be treated as a first charge
 - iv. Fast tracking the verification of historical /disputed pending bills
 - v. Implementation of sanctions by withholding funds

On financing the budget deficit and public debt it, was indicated that;

1. The Medium term debt strategy had assigned a low borrowing level that will allow private sector to borrow at cheaper rates
2. Within the deficit financing framework, commercial debt also included Ksh. 75 billion semi concessional borrowing. It was noted therefore that the deficit financing framework was not clear and that a clear fiscal framework was to be prepared and resubmitted to the committee clearly indicating the specifications for the instruments for borrowing
3. A framework borrowing for both county and national government had been developed and approved by the Cabinet and waiting tabling to Parliament.

On stalled projects, it was indicated that:

1. There are over Ksh. 1.0024 trillion worth of stalled projects around the country which is an indication of high unrealized development benefits
2. Therefore, in the FY 2020/21 priority will be given to ongoing and stalled projects and the NT through the Public Investment Management Department will initiate a review of all the stalled projects

On the Division of Revenue, it was indicated that;

1. Key stakeholders were in agreement across board that there is need to support resource mobilization and fiscal consolidation.
2. The creation of more fiscal space through fiscal consolidation will result if fall reduction in allocations to the CFS thus releasing more revenues to be shared equitably between county and all arms of government

On transfer of functions from Nairobi County, it was indicated that;

1. This policy initiative will require redrafting of the DoRB and amendments to the FY 2019/20 CARA and DoRA. In addition, more engagement will have to be carried out to receive input from all involved parties.

On the ceiling allocation to the JudicialService Commission and judiciary, it was indicated that;

1. Ksh. 1 billion would be required to meet stalled projects for the judiciary and addition to PSC to fast track completion of building
2. On the request by the Judicial Service Commission on allocation of resources to purchase the Judiciary Training Institute, it was indicated the budget could not accommodate this request. It was further indicated that despite the institute

being owned by Postbank which is government owned, it was indicated that the premises hosting the institution was purchased by shareholders savings and therefore cannot be transferred through government to government transfer without a financial allocation to that end.

On the duplication of functions within the government and with devolved governments, it was indicated that;

1. It was noted that there are substantial resources wasted in duplication of functions across ministries and county governments and that the National Treasury had under taken an analysis in FY 2019/20 budget, with guidelines to be developed later on.
2. An example was given of universities that are on the verge of collapse as they have been relying on allocations from the National Treasury to expand, instead of innovating and developing new streams of income. As such, they needed to rationalize their expenditure and repay the resources they owe to KRA, NSSF, suppliers etc.

MIN.NO.NA/BAC/2020/30: PRESENTATION BY THE PARLIAMENTARY BUDGET OFFICE

The presentation by the Parliamentary Budget office covered the following;

- 1) A presentation to the committee indicated the policy and resource recommendation to the committee by departmental committees and the committee made its decision.
- 2) The committee was reminded that the Judicial Service commission and Parliamentary Service Commission had requested amounts over 50% and 107% above their respective BPS Ceiling. The Priorities underpinning these resource requests was also presented.
- 3) The committee was informed that memoranda had been received from the International Budget Partnership – Kenya (IBP) and Kenya National Chamber of commerce and Industry (KNCCI) on the 2020 Budget Policy Statement. These submissions reviewed the BPS based on thematic areas such as; Public Participation, Contracting Fiscal space, County Equitable share of revenue, Public Debt, Need to put more efforts to raise more revenue, waiver of various licences to support SMEs etc.
- 4) On the county shareable revenue for the FY 2020/21 it was indicated that stakeholders had agreed on Kshs. 316.5 billion, which is 30 percent of the

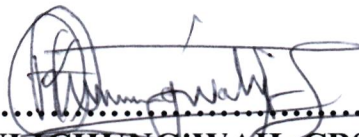
FY 2014/2015 audited accounts of Kshs. 1,038.035 billion. However, in using the latest audited accounts of FY 2016/2017 with revenue of Kshs. 1,357.698, the proportion of the proposed county equitable share drops to 23 percent of the total shareable revenue

- 5) The committee therefore agreed that policies for the report of the the FY 2020/21 should be based on broad categories such as; Fiscal policy, fiscal contraction and impact on development budget, pending bills, Big Four Agenda, Judicial Service Commission, Parliamentary Service Commission, vertical sharing of resource, conditional grants, Transfer of functions between national and county government and operationalization of the Sports Fund.

MIN.NO.NA/BAC/2020/31: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matters to consider, the meeting was adjourned at 5:00 P.M.

SIGNED



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

03/03/2020

.....
DATE

MINUTES OF THE SEVENTH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON FRIDAY, 28TH FEBRUARY 2020, AT HILTON GARDEN INN HOTEL, PAVILION CONFERENCE HALL AT 9.00 A.M.

PRESENT:

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. (Dr.) Makali Mulu, M.P.
- 5) Hon. (Dr.) Korei Ole Lemein, M.P.
- 6) Hon. (Dr.) Gideon Ochanda, M.P.
- 7) Hon. Samwel Moroto, M.P.
- 8) Hon. Benard Masaka Shinali, M.P.
- 9) Hon. Florence C. K. Bore, M.P.
- 10) Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGY:

- 1) Hon. Millie Odhiambo, M.P.
- 2) Hon. Moses Kiarie Kuria, M.P.
- 3) Hon. Bady Twalib Bady, M.P.
- 4) Hon. James Mwangi Gakuya, M.P.
- 5) Hon. Richard Onyonka, M.P.
- 6) Hon. Sakwa Bunyasi, M.P.
- 7) Hon. (Dr.) John K. Mutunga, M.P.
- 8) Hon. James Gichuki Mugambi, M.P.
- 9) Hon. Fatuma Gedi Ali, CBS, M.P.
- 10) Hon. Danson Mwashako, M.P.
- 11) Hon. (Eng.) Mark Nyamita, M.P.
- 12) Hon. Wangari Mwaniki, M.P.
- 13) Hon. Jude Njomo, M.P.
- 14) Hon. Sarah Korere, M.P.
- 15) Hon. Naisula Lesuuda, OGW, M.P.
- 16) Hon. John Muchiri Nyaga, M.P.
- 17) Hon. Paul Abuor, M.P.

THE AUDITOR GENERAL OFFICE

1. **Ms. Joyce Mbaabu** Deputy, Auditor General- Cooperate Affairs
2. Mr. Samuel Muchiri
3. Mr. Joesph Mathenge

THE COMMISSION ON REVENUE ALLOCATION

1. **Ms. Jane Kiringai** Chairperson
2. Ms. Irene Asienga Commissioner
3. Prof. Peter Kimuyu Commissioner
4. Ms. Linet Oyugi
5. Mr. James Katule

PARLIAMENTARY BUDGET OFFICE

- 1) Ms. Phyllis Makau, OGW Director, PBO
- 2) Mr. Martin Masinde Senior Deputy, PBO
- 3) Mr. Robert Nyaga Deputy Director, PBO
- 4) Ms. Millicent Makina Fiscal Analyst I
- 5) Dr. Abel Nyangwachi Fiscal Analyst III
- 6) Mr. Jonathan Lemurt Fiscal Analyst III

COMMITTEE SECRETARIAT

- 1) Mr. James Chacha Fiscal Analyst II & Clerk
- 2) Mr. Danson Kachumbo Fiscal Analyst II & Clerk
- 3) Ms. Nimord Ochieng Audio Officer
- 4) Mr. Benard Omondi Sergeant at Arms
- 5) Mr. Joram Barasa Office Assistant

AGENDA

1. Preliminaries & Confirmation of Agenda
2. *Meeting with the Auditor General to discuss the FY2020/21 Budget Ceilings for the Office as proposed in the 2020 Budget Policy Statement.*
3. *Meeting with the Commission on Revenue Allocation to discuss the vertical share as proposed in the 2020 Budget Policy Statement.*
4. Any Other Business (A.O.B)

MIN. NO. NA/BAC/2020/24: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 9.30 a.m. Thereafter a prayer was said.

MIN. NO. NA/BAC/2020/25: MEETING WITH THE AUDITOR GENERAL TO DISCUSS THE FY2020/21 BUDGET CEILINGS FOR THE OFFICE AS PROPOSED IN THE 2020 BUDGET POLICY STATEMENT.

The Chairperson welcome the Deputy Auditor General to make her presentation. During the presentation, the Committee was informed that the office has a client base of over 33,000 clients spread across the National and County governments. The audit is more focused on revenue collection and accounting by both Kenya Revenue Authority and the National Treasury as well as public debt Audit. In the FY 2020/21, the office has a resource requirement of Ksh. 8.9 billion against a budget allocation of Ksh. 5.58 billion.

Following the under provision of resources at the sector level, the office will face a budgetary deficit amounting to Ksh. 3.3 billion which will result into the following major underfunded areas:

1. **Personnel Emoluments- Kshs. 336 million:** The funds will cater for promotions, annual increments, replacements of staff and employer's contribution to pension schemes.
2. **Domestic Travelling: Kshs. 224 million:** To cater for the recent increase in staff numbers and the desire to increase more man hours on the ground to improve on the timelines.
3. **Purchase of Motor Vehicles: Kshs. 62.14 million:** The current fleet of vehicles is not sufficient enough in ensuring audits are carried out within the stipulated time periods. In addition, the office is phasing out the old fleet in order to reduce maintenance cost.

4. **Information and Communication Technology: Kshs. 857.89 million:** The Office appeals its ICT budget is reinstated which will facilitate the purchase of laptops and renewal of the Audit Management Softwares.
5. **Outsourcing of Audits: Kshs. 200 million:** This will assist the office in achieving its timelines and will be able to conduct special audits that may be assigned from time to time.
6. **Staff Mortgage Scheme: 428 million:** The office has been allocating a token amount into the scheme which is not enough to meet the huge demand of the facility. For FY 2020/21, the Office was allocated Kshs. 172 m against a budget of Kshs. 600 million occasioning a deficit of kshs. 428 million.

UNDER DEVELOPMENT EXPENDITURE:

The Office proposes the following:

Project Description	Proposed 2020/21 (Ksh. Million)	Allocated 2020/21 (Ksh. Million)	Deficit (Ksh. Million)	Minimum amount requested (Ksh. Million)
Equipping of OAG Data Centre	180	0	180	80
Construction of OAG Headquarter at Bishop Road	300	26.67	273.33	200
Construction of Embu Hub Office	196	60	136	136
Construction of Mombasa Hub Office	120	60	60	40
Construction of Eldoret Hub Office	40	0	40	40
Construction of Kakamega Hub Office	40	0	40	0
Construction of Kisumu Hub Office	80	0	80	40
Total	956	146.67	809.33	536

COMMITTEE DELIBERATIONS

1. The Committee noted with concern the duration taken to fill the position of the Auditor General. The committee observed that there was need to amend the law so that the recruitment process starts six months prior to the end of the term.
2. The Committee queried as to why the Auditor General was establishing new offices everywhere in the country. It was further observed that there was need to re-evaluate the strategy and prioritize finalizing projects which are 90 percent complete before embarking on new projects.

3. It was observed that the time taken to conduct audits should be based on the risk exposure. In addition, the Office needs to set up systems that will deter officers on the field from participating in corrupt related activities such as accepting bribes.

After the plenary session, the Chairperson thanked the Deputy Auditor General and welcomed the Chairperson of Commission on Revenue Allocation.

MIN. NO. NA/BAC/2020/26: MEETING WITH THE COMMISSION ON REVENUE ALLOCATION TO DISCUSS THE VERTICAL SHARE AS PROPOSED IN THE 2020 BUDGET POLICY STATEMENT

The Committee was informed that the CRA vertical recommendation for FY 2020/21 to county governments is Kshs. 321.74 billion; National Government is Kshs. 1,561.96 billion and Kshs. 5.77 billion for Equalization fund. The Commission further recommends a new grant of Ksh. 5 billion to be shared among five cities namely: Mombasa, Kisumu, Nakuru and Eldoret.

The Committee was informed that the Commission has urged the Department of Mining to prepare the regulations to operationalize the Mining Act 2016. Total royalties collected from 2017/18 to 2019/20 is KSh. 2,155, 458, 409. The regulations will ensure that counties and communities benefit from royalties.

The Commission informed that Committee that it seeks Ksh. 50 m to create structures for county borrowing and its undertaking the Credit Worthiness Initiative (CCI). As counties begin to borrow, the credit rating would form a good basis for evaluation by the National Assembly.

It was noted that counties have experienced challenges in raising own sources of revenue. The commission had conducted a revenue systems study in 14 counties and came up with the following findings:

- i. Only about 30 counties have automated their own source revenues
- ii. Counties Concentrated automation at the Headquarters
- iii. Several counties had not passed basic revenue legislation
- iv. Poor enforcement and revenue structures
- v. Infrastructure and connectivity challenges in some areas

The Committee was further informed that Counties Own Sources Revenues (OSR) Bill is in Parliament. The Council of Governors has raises some concerns and CRA is concerning a meeting between COG and the National Treasury to iron the issues.

As a result of a presidential directive informed on the Commission on Revenue Allocation work on Integrated County Revenue Management System both the National Treasury and Council governors are leading a process of developing a common system for all counties. It was further observed that there is no legislation to anchor the efforts and it is expected the National Assembly to facilitate a law for effective implementation.

On issues of fiscal responsibilities at county level, some counties have difficult to achieve 35 percent and 30 percent for Personnel Emolument and Development expenditure respectively. Going forward, the committee was informed that the policies that will drive revenue sharing in the medium term will be revenue administration and management, public debt and wage bill.

The Committee was further informed that National Government budget allocation to health, agriculture and water sectors continue to grow in the last six years despite these functions being devolved.

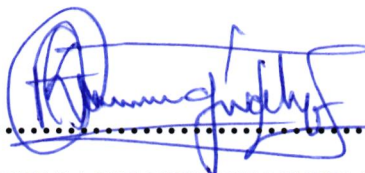
COMMITTEE DELIBERATIONS

1. The Committee noted that the National Government still undertakes devolved functions. In addition, County governments continue to undertake provision of security, school infrastructure and bursary schemes. It was recommended that institutions assigned the mandate by the constitution should provide the services only.
2. It was further observed that the economy is growing despite contracting revenues. This has led to increasing public debt.
3. The Committee further observed that there is need to formulate a new policy towards the funding of level 5 hospitals. It was observed that some county hospital have been upgraded to level 5 status however do not benefit from the conditional grant to level 5 hospitals.
4. The committee noted with concern that the new grant the CRA is proposing for 5 cities is not practical as it may encourage laziness in revenue collection.
5. The observed that due to the recent developments, where some functions of the Nairobi County were surrendered to National Government. There is need to amend the Division of Revenue Bill so as to reflect the spirit of the Constitution under Article 187.

MIN.NO.NA/BAC/2020/27: ANY OTHER BUSINESS & ADJOURNMENT

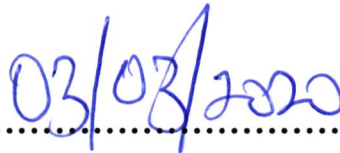
There being no other matters to consider, the meeting was adjourned at 3.05 p.m. The next sitting will be in the afternoon.

SIGNED



HON. KIMANI ICHUNG'WAH, CBS, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE



DATE

MINUTES OF THE 6TH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON THURSDAY, 27TH FEBRUARY 2020, AT THE MINI CHAMBER, COUNTY HALL, PARLIAMENT BUILDINGS, AT 10.00 A.M.

PRESENT:

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. Richard Onyonka, M.P.
- 5) Hon. James Mwangi Gakuya, M.P.
- 6) Hon. Jude Njomo, M.P.
- 7) Hon. (Dr.) Gideon Ochanda, M.P.
- 8) Hon. (Dr.) Makali Mulu, M.P.
- 9) Hon. Samwel Moroto, M.P.
- 10) Hon. (Dr.) Korei Ole Lemein, M.P.
- 11) Hon. Naisula Lesuuda, OGW, M.P.
- 12) Hon. Bady Twalib Bady, M.P.
- 13) Hon. Benard Masaka Shinali, M.P.
- 14) Hon. Sakwa Bunyasi, M.P.
- 15) Hon. James Gichuki Mugambi, M.P.
- 16) Hon. Florence C. K. Bore, M.P.
- 17) Hon. Fatuma Gedi Ali, CBS, M.P.
- 18) Hon. Danson Mwashako, M.P.
- 19) Hon. (Eng.) Mark Nyamita, M.P.
- 20) Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGY:

- 1) Hon. Millie Odhiambo, M.P.
- 2) Hon. Moses Kiarie Kuria, M.P.
- 3) Hon. Sarah Korere, M.P.
- 4) Hon. Wangari Mwaniki, M.P.
- 5) Hon. John Muchiri Nyaga, M.P.
- 6) Hon. Paul Abuor, M.P.
- 7) Hon. (Dr.) John K. Mutunga, M.P.

REPRESENTATIVES FROM THE PARLIAMENTARY SERVICE COMMISSION

- | | |
|-----------------------------------|----------------------------------|
| 1. Hon. Dr. Naomi Shaban, EGH, MP | Vice Chairperson, PSC |
| 2. Sen. Aaron Cheruiyot | Commissioner |
| 3. Hon. Samuel Chepkonga | Commissioner |
| 4. Hon. Benson Momanyi | Commissioner |
| 5. Mr. Jeremial Nyegenye | Clerk, Senate & PSC Secretary |
| 6. Mr. Michael Sialai | Clerk, National Assembly |
| 7. Mr. Clement Nyandiere | Director General, Joint Services |
| 8. Mr. Irungu Kigundu | Ag. Director Finance & Acc. |
| 9. Ms. Shedia Faryd | Director, Comm. Secretariat |
| 10. Ms. Veronica Kibati | |

REPRESENTATIVES FROM THE JUDICIAL SERVICE COMMISSION

- | | |
|---|-----------------------|
| 1. Hon. Justice David Maraga - Chief Justice / President of the Supreme Court | |
| 2. Hon. Mercy Deche | Vice Chairperson, JSC |
| 3. Hon. Patrick Gichohi | Commissioner |
| 4. Hon. Prof. Olive Mugenda | Commissioner |
| 5. Hon. Macharia Njeru | Commissioner |
| 6. Ms. Ann Amadi | Chief Registrar, JSC |
| 7. Ms. Frida Mokaya | |
| 8. Ms. Susan K. Oyatsi | |
| 9. Mr. John Ole Yambui | |
| 10. Mr. Edwin Murehi | |
| 11. Ms. Emmah Orua | |

PARLIAMENTARY BUDGET OFFICE

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

COMMITTEE SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1) Mr. Chacha Machege | Fiscal Analyst II & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst II & Clerk |
| 3) Mr. Benard Omondi | Sergeant at Arms |
| 4) Mr. Joram Barasa | Office Assistant |

AGENDA

1. Preliminaries & Confirmation of Agenda
2. Receiving Submissions from:
 - a) *Parliamentary Service Commission*
 - b) *Judicial Service Commission & Judiciary*
3. Any Other Business (A.O.B)

MIN. NO. NA/BAC/2020/20: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 10.00 A.M. then proceeded to offer prayer.

MIN. NO. NA/BAC/2020/21: SUBMISSIONS BY THE PARLIAMENTARY SERVICE COMMISSION ON THE 2020 BUDGET POLICY STATEMENT

- During the presentation it was indicated that FY 2020/2021 is a critical year as Parliament continues to implement its Strategic Plan (2019- 2030) that is anchored on the national economic blue print i.e. Vision 2030, and will be used in setting priorities, focus its human and financial resources on strengthening operations and systems. The ultimate mission is to facilitate Members of Parliament to effectively and efficiently discharge their constitutional mandate of, representation, legislation and oversight.

On the status of the absorption rate, it was indicated that;

1. For vote 2041, (Parliamentary Service Commission) the absorption rate for FY 2017/18 and FY 2018/19 were at 84% and 86%, respectively.
2. Development expenditures amounted to Ksh. 1,021 Million and KES. 1,168 Million for the FY 2017/2018 and FY 2018/2019, respectively. This translated to utilization rates of 47% and 71%, respectively. The low absorption was as a result of factors such as lack of exchequer release and late uploading of development budget on the IFMIS platform.
3. National Assembly Vote 2042 approved estimates for FY 2017/2018 and FY 2018/2019 were Ksh. 19.59 Billion and Ksh. 20.50 Billion respectively. The total Expenditure was KES 16.1 Billion in 2017/18 and Ksh. 18.5 Billion in 2018/19 representing an absorption rate of 82% and 90 % respectively. Non-absorption in

certain items of expenditure was due to litigation issues that are pending at the high court.

Status of Parliamentary Service Commission Projects

1. The PSC is implementing various projects in an endeavor to create a conducive environment for Members of Parliament. The projects are at various stages of completion and will require adequate resources to be completed. Status report was provided as follows:
 - i. Senate Chamber Project had been completed at a cost of Ksh. 150 million. The project objectives included creation of the Senate Chamber, offices for Leadership of the two Houses, New dining and kitchen and additional parking.
 - ii. On the office block it was indicated that it was at 54% completion stage
 - iii. Refurbishment of County House was to begin at an estimated cost of Ksh. 250 million
 - iv. Integrated Security Management System (ISMS) was ongoing at an estimated cost of Ksh. 1 billion
 - v. Purchase of Buildings for the Creation of a Parliamentary Square was on going with the aim to purchase at Imani House and Ufanisi House at an estimated cost of Ksh. 200 Million and Ksh. 220 Million, respectively.

On the financial resource requirement for Parliament for the FY 2020/2021, it was indicated that;

1. The PSC will continue to implement the new Strategic plan 2019-2030 in FY 2020/2021. As such, the projected resource for the medium term will be guided by the Seven (7) Strategic Pillars and Twenty-two (22) Strategic Objectives, indicated under the strategic plan.
2. The Parliamentary Service Commission (vote 2041) requires Ksh. 11.094 billion. This resource requirement includes an additional Ksh. 163.2 Million to adjust county operating expenses by 50% and Ksh. 41.7 Million to cater for nominated Senators operating expenses. It also includes a provision of Ksh. 2 Billion for the Senate Monitoring and Evaluation Program. This is to also finance activities such as a) Bills, Motions, Statements, Messages and Petitions, b) Capacity Building for Senators and Senate Committees, c) Improving on the working environment for Senators and staff – provision of essential working tools, among other activities.

3. The National Assembly (Vote 2042) requires Ksh. 28.29 billion. The resource requirement includes an additional Ksh. 1.2 Billion to adjust constituency operating expenses by 50%. It also includes Ksh. 24.9 Million to cater for nominated Members of the National Assembly operating expenses. This is to also finance activities such as; a) Bills, Motions, statements, Messages and Petitions, b) Institutionalization of Parliaments Participation in International forums and National events, c) Capacity Building for Members and Committees, d) Capacity Building for staff etc.
4. That the Parliamentary Joint Services (Vote 2043) requires a total allocation of Ksh. 14.88 billion being Ksh. 9.56 for recurrent and Ksh. 5.33 for development. The resource requirement includes an additional Ksh. 1 Billion for developing the Master Plan, Design and Development of the CPST and Ksh. 0.7 Billion for the ISMS Project.
5. The Parliamentary Service Commission will therefore require a total of Ksh. 54.3 Billion (against a BPS ceiling of Ksh. 36.2 Billion hence a financing gap of Ksh. 18.3 Billion) to implement its various programs and activities. The allocations will be as follows, Vote 2041 (Senate) – Ksh. 11.094 Billion, Vote 2042 (National Assembly) Ksh. 28.29 Billion, Vote 2043 (Parliamentary Joint Services) of Ksh. 14.88 Billion.
6. The Capital outlay will among other activities support:
 - i. Preparation and implementation of a master plan for the parliamentary square
 - ii. Acquisition of buildings - (Ufanisi House, Ukulima, Imani)
 - iii. Refurbishment of buildings among them the County House
 - iv. Completion of the multi-storey Office block
 - v. Office furniture for the Office Block
 - vi. Development of CPST Master plan and Design and Development of the center
 - vii. Installation of the Integrated Security Management System
 - viii. Automation of Parliamentary processes
 - ix. Enhanced allocation for nominated Members of Parliament
 - x. Administration of retired Speakers' benefits

Committee Deliberations

- 1) On the construction of the storey building, it was indicated that active/monthly supervision was being undertaken to ensure that the project completion rate

picked up and to guarantee on quality on the finishing. It was also indicated that the sample offices of eight floor had been completed.

- 2) The commission recommended the increase of resource allocation to constituency offices in order to enhance the dissemination of representation role of Parliament to the public. This would require by Ksh. 1.2 billion.
- 3) On CPST – it was indicated that the title deed for the 5-acre plot had been transferred to parliament for establishment of a training institution. Therefore, Ksh. 1 billion had been set aside to meet the expenses for masterplan, the consultancy fees and the first phase of the project.
- 4) It was indicated that the development of an effective CPST program will enable Parliament to leap frog and innovate on its functions. In addition, it could become a semi-autonomous agency and could generate AIA to supplement exchequer resource allocation for Parliament.
- 5) The commission aimed to establish a parliamentary garden to host high-level delegations.
- 6) The commission was reminded that during the processing of the BPS the focus should be on policies that will underpin its budget estimates for the next financial year. Without having a policies and not participating in sector working groups, then the medium term planning will be deviating from the overall government of cutting of expenditure.
- 7) On implementation of House resolution of employing additional technical staff, the committee was informed that because of the large turnout during the last recruitment process, the commission prioritized the purchase of an online recruitment system before advertising the positions. In the meantime, it was indicated that internal advertisements had undertaken and some of the shortages in the concerned departments addressed by qualified staff.
- 8) That the PSC needed to leverage more on ICT so that Members of Parliament can access all parliamentary resources, records and databases at the click of a button.
- 9) The commission indicated that they will take steps to address concerns of Members of Parliament who pay rent for offices outside precincts of parliament.

MIN. NO. NA/BAC/2020/22: SUBMISSIONS BY THE JUDICIAL SERVICE COMMISSION AND THE JUDICIARY ON THE 2020 BUDGET POLICY STATEMENT

- After a brief round of introductions, the Chief Justice, in his opening speech indicated that the Judiciary had made progress in clearance of pending court cases however this was slowed down by factors such as; lack of resources, over stretched judges, lack of court space or with poor amenities, manual operations etc.

The financing of the judicial services has therefore depended on low allocation of resources, partnerships e.g. with NGCDF, and donor funding. Similar to Parliament, the Judiciary will need the operationalization of the judiciary fund and establishment of their own resource sector in order to guarantee their independence. During the presentation the issues raised were as follows;

On public participation, it was indicated that;

1. On 13th February 2020, the Commission subjected its budget ceiling for FY 2020/2021 to public hearing at KICC. Key feedback was that the commission should consider appointment of special Judges to facilitate clearing of pending cases. In addition, the Commission also presented its budget totalling Ksh. 1,267 Million to the Justice & Legal Affairs Committee (JLAC) on 20th February, 2020.
2. On Financial & Non-Financial Budget policies for the FY2020/21, it was indicated that in framing the FY2020/21 budget the Commission had aligned its budget to the following policies:
 - i. Its constitutional mandate – Administration of Justice, recruitment of Judges, complaint management, Stakeholder engagement, training and policy development.
 - ii. The National Development Policies - Vision 2030 and the Big Four Agenda.
 - iii. Judicial Service Commission medium term strategy documents –Strategic plan including the Chief Justice’s Blue Print; Sustaining Judiciary Transformation (SJT), JSC/Judiciary Revised Organizational Structure

On targets achieved in FY 2018/2019, it was indicated that, among others, the following had been achieved;

1. Interviewed 127 applicants and recommended 41 Judges for appointment. The recruitment of additional Judges would help clear case backlog (one year and above) which stand at 373,585 and enhance efficiency in court processes.

2. Approved a revised organizational structure for JSC and the Judiciary to improve performance and ensure better service delivery.
3. 49 Magistrates were appointed and 87 staff recruited and deployed to serve in various court stations to strengthen the human resource capacity of in the Judiciary.
4. 23 tribunals were transited by the commission to the Judiciary and operationalised (Recruitments, Budgets and capacity building). These received and processed 161 complaints, 131 of which were heard and concluded representing 81% of the cases.
5. Received and processed a total of 46 disciplinary matters against judicial staff; 32 cases were heard and concluded. This represented 69.6% of the total cases.
6. Key policies among them Judiciary Fund Regulation, Code of conduct and ELC Bench book were approved by the commission which were aimed at improving efficiency and effectiveness in the administration of Justice
7. stakeholder engagement sessions with County Governors, LSK, National Assembly, SRC and KMJA and CUCs were held
8. 154 judges were trained on emerging issues on extractives industries, wildlife and environmental crime, election dispute resolutions (EDR) blue economy, plea bargaining rules, active case management (ACM) to enhance growth of jurisprudence. Other trainings conducted to enhance capacity building for judges included judgement writing, mediation, strategies for clearing case backlogs, criminal justice systems and death penalty cases management.
9. 580 magistrates and Kadhis were trained on various topics namely: Wildlife and environmental law, elections petitions handling, economic and organized crimes emerging issues, children and law, gender, anti-corruption, refugee law and judge craft.
10. 330 magistrates were also sensitized on matters regarding Environment and Land cases as well as Employment and Labor relations cases

On the projected outputs and targets FY 2020/21

1. Recruitment and Succession Planning; to enhance service delivery in the Judiciary, the Commission intends to recruit judges, magistrates and staff to clear the staffing shortfalls.
2. Complaints Management; the Commission will process 100% complaints and disciplinary cases reported against Judges, magistrates, Kadhis and staff to enhance transparency and accountability.
3. Automation of JSC operations; Implementation of JSC ICT architecture focused on e-recruitment, complaint management system, e-learning and research tools

4. Provision of adequate office and training Infrastructure for the Commission and the Judiciary Training Institute; more office space is to be provided for the commission to match the expanding requirements of the Commission and acquisition of land/premises for the training institute to help deliver on the Commission's constitutional mandate of capacity building.
 5. Capacity Building for the Judges, Magistrates, Kadhis and Staff; by training on emerging issues and new legislations to enhance performance
 6. Implementation of the JSC and Judiciary's reviewed Organization structure; more recruitment of staff to populate newly constructed courts with a view of improving efficiency and effectiveness of court operations
 7. Regular Engagements with members of the Public, national assembly, senate, LSK, KMJA, KRA, EACC, ODPP and KJSA among others to Cultivate and maintain a positive image of the Commission as well find solutions to common problems.
 8. Policy Development/Review; approve policies aimed at improving efficiency and effectiveness in the administration of justice including National Policy on Alternative Justice System(AJS)
- It was further noted that the commission faced challenges such as insufficient financial resources for Commission's operations, Inadequate Office space for JSC and lack of training facility for JTI. The recommendation therefore was to increase funding to JSC in FY 2020/21 by the amount required i.e. Ksh 1,267 Million and provide resources for land/office premises for JSC (Ksh. 150 Million) and the Judiciary Training (Ksh. 1.2 billion)

Presentation by the Judiciary, issues raised were as follows:

On the policies underpinning the budget estimates, it was indicated that;

1. The MTEF budget and expenditure estimates, were prepared with focus on achievement of the objectives of the Judiciary's CJ's blue print '*Sustaining Judiciary Transformation (SJT) 2017 – 2021*'.
2. The SJT targets improved quality service delivery through identified strategic interventions namely:
 - i. Access to Justice
 - ii. Clearance of Case Backlog
 - iii. Integrity, Fight Corruption and Re-Organization of Judiciary Complaints handling Mechanisms
 - iv. Restructuring and Strengthening the Office of Judiciary Ombudsman (OJO)
 - v. Judiciary Digital Strategy

vi. Leadership and Governance

On achievements in FY 2018/19, the following were raised;

1. *Courts established*

- Two High Court Divisions were established in Kisumu and Mombasa to deal with anti-corruption and Economic Crimes matters. In addition, the Admiralty Division was established in Mombasa to deal with maritime related matters. Two (2) new Magistrates Courts were established at Msambweni and Ruiru, and Four (4) additional mobile magistrate courts were established at Butula, Mutuati, Endau and Konoin bringing the total number of operational mobile courts to Sixty-one (61).

2. *Expeditious Delivery of justice*

- 484,349 matters were filed in courts across the country and 469,359 cases were resolved hence a Case Clearance Rate (CCR) of 96%. This is a remarkable improvement from 93% in the previous period given the substantial increase in the number of filed matters. The High Court undertook service weeks in 12 stations that had huge case backlog. A total of 7,472 cases that were more than 5 years old were resolved in the High Court.
- The Employment and Labour Relations Court (ELRC) conducted service weeks in Nairobi and Kisumu where 2,364 matters were concluded while the Environment and Land Court (ELC) conducted service weeks in seven (7) court stations where 1,133 cases were determined and as a result the case clearance rate for the court rise to a remarkable 158%.
- To strengthen human resource capacity, 49 magistrates were appointed and 87 staff were recruited and deployed to serve in various stations.

3. *Improved Access to Justice*

- Three Magistrate Court buildings at Nyando, Hamisi and Vihiga were completed. And refurbishment of various courts were carried out covering shelving of registries, installation of water tanks, construction of ablution blocks, customer care, waiting bays and solar system.
- Forodha House building is being renovated to create 11 court rooms, 18 chambers, segregated cells, three registries and 71 offices for the Anti-corruption and Economic Crimes Court, Environment and Land Court, and Employment and Labour Relations Court.
- Audio visual equipment was installed in three (3) courtrooms on a pilot basis to ease cost of accessing justice.

4. *Automation of Court Processes*

- As part of the digital strategy, an additional six (6) court stations were connected to the internet to bring the total to 128 (86%) court stations. This has eased connectivity and facilitated other services such as e-filing and Case Management System.
- Court recording and transcription equipment were installed in six courtrooms in the Commercial and Tax Division at the Milimani Commercial Courts. This equipment has reduced the time taken to type court proceedings and waiting time for the judgement.
- An electronic filing (E-filing) system was also implemented in the Commercial and Tax Division at the Milimani Commercial Court. This has reduced time taken to file cases from an average of five hours to about 30 minutes, besides eliminating the cost of transport to and from the court registries. The system automatically performs fee assessment and produces the fee invoice to be paid.
- An automated Principal Registry system was developed to aid in detection and aversion of multi-filing of Succession matters by checking Probate and Administration (P&A) Form 30 electronically.

5. *Simplifying Court Processes*

- Seventeen (17) courts had their registries refurbished to improve on the filing systems. This has enhanced efficiency in registry operations with improved file integrity and the ELRC launched a Registry Manual to simplify court procedures for enhanced access to services.

6. *Customer Satisfaction*

- The Judiciary established a mechanism to efficiently address and respond to customer complaints and queries. The customer satisfaction index improved from 64% in 2017 to 67% based on the survey conducted in 2019. The survey also identified areas that litigants and other respondents recommended for improvement.

On the absorption of the overall absorption rates, the following ratios were provided for the respective expenditure heads;

1. Compensation to Employees – 63.8%
2. Operations and Maintenance (O&M) – 56.6%
3. Construction of Building – 37%
4. Refurbishment of Buildings – 25%
5. Purchase of Specialised Plant, Equipment and Machinery (ICT) - 30%
6. Domestic Lending-Donor(JPIP) – 45%

On the Projected Outputs for FY 2020/21 and the Medium Term, the following were to be implemented;

1. On court operations (fast tracking of anti-corruption cases):
 - i. Recruitment of additional Judges and Magistrates
 - ii. Provision of file folders, stationery, court registers, furniture and equipment.
2. On enhancing delivery of justice
 - i. Court Annexed Mediation: Payment of Mediators, Creation of Registries to facilitate roll-out of the program across the country
 - ii. Service Weeks for Backlog Reduction as a rapid results initiative targeting to resolve all the cases aged 5 or more years.
 - iii. Pro bono facilitation to ease the cost of justice for the poor.
 - iv. Witness Expenses to ensure speedy conclusion of matters.
 - v. Entrenchment of Alternative Dispute Resolution (ADR) initiatives such as mediation, arbitration and traditional justice systems.
3. Improving access to justice
 - i. Establishment of COA at Nakuru, Eldoret and Meru
 - ii. Opening of new Magistrate courts stations at the constituency level
 - iii. Establishment of Mobile Courts in marginalized and far-flung areas
 - iv. Facilitation of Judges and Magistrates – purchase of motor vehicles and recruitment of additional court staff.
 - v. Small Claims Courts- Expeditious delivery of Justice
4. Human Resource capital
 - i. Recruitment of Judges and Magistrates and Tribunal members
 - ii. Implementation of the Judiciary organisation review report which is expected to enhance efficiency and effectiveness of service delivery. This will entail recruitment of Judicial staff to run the expanded Judiciary administrative structure and wide network of courts.
5. Court infrastructure
 - i. Provision of generators, power backups and fittings for court stations.
 - ii. Construction of new court buildings in Nairobi, Kisii, Eldoret and Meru
 - iii. Completion of construction for 34 ongoing court buildings which are at various stages of completion. These are: Garissa, Nanyuki, Siaya, Voi, Kapenguria, Isiolo, Nakuru, Maralal, Kwale, Wajir, Ol-Kalou, Kakamega, Mombasa, Makueni, Kajiado, Kibera, Mukurweini, Kangema, Homa Bay, Kabarnet, Marsabit, Narok, Mandera, Embu, Bomet, Othaya, Amagoro, Githongo, Kandara, Mbita, Habasweini, Butali, Port Victoria and Eldama Ravine.

On the proposed budget allocations for FY 2020/21, the following was presented;

Economic Classification	Budget (Ksh. M)	Requirements (Ksh. M)	Ceilings (Ksh. M)	Deficit (Ksh. M)
	2019/20	2020/21	2020/21	2020/21
Recurrent				
Gross	14,467	30,684	14,784	15,900
Development				
Gross	4,390	6,731	2,701	4,030
GOK	1,795	5,825	1,795	4,030
Loans	2,595	906	906	0
TOTAL	18,857	37,415	17,485	19,930

On unfunded priorities, the following projects were identified;

1. Personnel Emolument/Compensation of Employees- Kshs. 4 Billion
2. Court Operations
 - i. Fast racking of Anti-Corruption Cases : Kshs. 100 M for (Facilitation of Judges and Magistrates, enhancement of allocation for provision of file folders, stationery, registers and facilitation of the witness expenses to ensure speedy conclusion of matters).
 - ii. Court Annexed Mediation: Kshs. 200 M for payment of Mediators, Creation of Registries to facilitate rolling out of the program across the country
 - iii. Small Claims Court to expedite resolving of cases
 - iv. Service Weeks for Backlog Reduction: Kshs. 100 M for a Rapid Result Initiative with a target to resolve all the cases aged 5 or more years.
 - v. Automation of the Court process: Kshs. 1.2 B for automation of revenue collection, deposit management, digitization of court records and rolling out of Case Management systems in all Court stations
 - vi. Establishment of COA at Nakuru, Eldoret and Meru: Kshs. 300 M
 - vii. Opening of new Magistrate courts stations at the constituency level and establishment of Mobile Courts in Far flung areas: Kshs. 400 M
 - viii. Provision of Furniture and fittings: Kshs. 500 M in 43 High courts and 90 Magistrates
3. Medical Cover for the new Judges and Staff – Kshs. 400 M
4. Utilities for the newly constructed courts and the new Judges – Kshs. 20 M
5. Leasing of Printers – Kshs. 70 M
6. Guards and Cleaning Services – Kshs. 80 M

7. Mortgage for Judges, Judicial Officers and Staff – Kshs. 400 M
8. PMMU – Kshs. 100 M
9. Kshs. 460 M for Purchase of motor vehicles for new judges.
10. Purchase of Motor Vehicles for 50 Stations – Kshs. 350 M
11. Operationalization of the Tribunal secretariat and housing of Tribunals under one roof : Kshs 500 M
12. Deposit reconciliation and deficits – Kshs. 200 M

The committee was informed that the challenges facing the judiciary included;

1. Insufficient financial resources
2. Limitations of the IFMIS operations - Loading of budget by the National Treasury in to IFMIS is done in equal quarterly allocations without reference to the approved annual cash flow plans. Consequently, the equal quarterly installments uploaded in the IFMIS disrupts implementation of planned activities.
3. Delays in release of exchequer - Delays in release of exchequer to the Judiciary have delayed the implementation of planned programs.
4. Security: The Judiciary is vulnerable to attacks on its judicial officers, staff and physical facilities. There have been security incidences on judicial officers and loss of judicial property
5. Delays in processing title documents for Land belonging to Judiciary

Committee Deliberations

- 1) It was noted that the Budget policy statement had not taken into consideration the needs of the judiciary and ceilings have been declining annually.
- 2) Steps should be taken to reach financial independence of the judiciary including the establishment of the judiciary fund to allow revenues from fees and fines to be retained and used as AIA, similar to other government institutions
- 3) That the pending bills at the beginning of the financial year amounted to Ksh. 858 million, half of which had been paid and the rest remaining outstanding. These arose from outcomes of judgements.
- 4) That the judiciary should leverage in order to facilitate resource collection and accountability while enhancing service delivery
- 5) That the Judiciary Training Institute, situated along Kiambu road, was hosted on premises that were being sold but the lease agreement was extended subject with unavailability of a buyer. Therefore, the transfer of the institution would be key in order to retain the institute. It was proposed that since a government owned institution owns the premises, then it could be transferred on government-to-government transfer modalities, which would be cost effective.

- 6) That the partnership between the National Government Constituency Development Fund has been beneficial in enhancing delivery of services through donation of land and resources. As such, areas such as Msambweni and Ruiru had benefited due to this partnership.

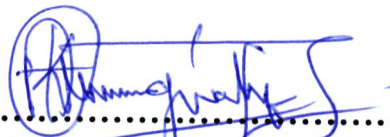
MIN. NO. NA/BAC/2020/23: ANY OTHER BUSINESS & ADJOURNMENT

The chairperson informed the committee of the following;

1. That the upcoming report writing retreat was to be held at Hilton Garden Inn
2. That the engagement with Auditor general was to take place the next day (28th February 2020) at 10:30 A.M

There being no other matters to consider, the meeting was adjourned at 2:00 P.M. with the next meeting to be held on Friday, 28th February 2020.

SIGNED



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

03/03/2020

.....
DATE

MINUTES OF THE FIFTH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON WEDNESDAY, 26TH FEBRUARY 2020, AT MINI CHAMBER, FIRST FLOOR, COUNTY HALL, PARLIAMENT BUILDINGS AT 9.00 A.M.

PRESENT:

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. Bady Twalib Bady, M.P.
- 5) Hon. James Mwangi Gakuya, M.P.
- 6) Hon. (Dr.) Gideon Ochanda, M.P.
- 7) Hon. Richard Onyonka, M.P.
- 8) Hon. (Dr.) Makali Mulu, M.P.
- 9) Hon. (Dr.) Korei Ole Lemein, M.P.
- 10) Hon. Samwel Moroto, M.P.
- 11) Hon. Benard Masaka Shinali, M.P.
- 12) Hon. Sakwa Bunyasi, M.P.
- 13) Hon. (Dr.) John K. Mutunga, M.P.
- 14) Hon. James Gichuki Mugambi, M.P.
- 15) Hon. Florence C. K. Bore, M.P.
- 16) Hon. Fatuma Gedi Ali, CBS, M.P.
- 17) Hon. Danson Mwashako, M.P.
- 18) Hon. (Eng.) Mark Nyamita, M.P.
- 19) Hon. Qalicha Gufu Wario, M.P.
- 20) Hon. Wangari Mwaniki, M.P.

ABSENT WITH APOLOGY:

- 1) Hon. Millie Odhiambo, M.P.
- 2) Hon. Moses Kiarie Kuria, M.P.
- 3) Hon. Jude Njomo, M.P.
- 4) Hon. Sarah Korere, M.P.
- 5) Hon. Naisula Lesuuda, OGW, M.P.
- 6) Hon. John Muchiri Nyaga, M.P.
- 7) Hon. Paul Abuor, M.P.

DEPARTMENTAL COMMITTEE CHAIRPERSONS/ REPRESENTATIVES

- | | |
|---------------------------------------|---|
| 1. Hon. (Dr.) Robert Pukose, M.P. | Energy |
| 2. Hon. George Macharia Kariuki, M.P. | Communication, Information & Innovation |
| 3. Hon. Emmanuel Wangwe, M.P. | Agriculture & Livestock |
| 4. Hon. Kabinga Wachira, M.P. | Administration & National Security |
| 5. Hon. William Cheptumo, M.P. | Justice & Legal Affairs |
| 6. Hon. Katoo Ole Metito, M.P. | Defense & Foreign Relations |
| 7. Hon. Ali Wario, M.P. | Labour & Social Welfare |
| 8. Hon. (Dr.) Victor Munyaka, M.P. | Sports, Culture & Tourism |
| 9. Hon. Teddy Mwambire, M.P. | Lands |
| 10. Hon. Joseph Limo, M.P. | Finance & National Planning |

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|----------------------|
| 1) Ms. Phyllis Makau, OGW | Director, PBO |
| 2) Ms. Lucy Makara | Deputy Director, PBO |
| 3) Mr. Frederick Muthengi | Chief Fiscal Analyst |
| 4) Ms. Millicent Makina | Fiscal Analyst I |
| 5) Mr. Josephat Motonu | Fiscal Analyst I |
| 6) Dr. Abel Nyangwachi | Fiscal Analyst III |
| 7) Mr. Jonathan Lemurt | Fiscal Analyst III |

COMMITTEE SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1) Mr. James Chacha | Fiscal Analyst II & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst II & Clerk |
| 3) Ms. Rahab Chepkilim | Audio Officer |
| 4) Mr. Benard Omondi | Sergeant at Arms |
| 5) Mr. Joram Barasa | Office Assistant |

AGENDA

1. Preliminaries & Confirmation of Agenda
2. *Receiving Submissions from Departmental Committees on the 2020 Budget Policy Statement*
3. Any Other Business (A.O.B)

MIN. NO. NA/BAC/2020/08: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 9.30 a.m. Thereafter, a prayer was said.

MIN.NO.NA/BAC/2020/09: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON ENERGY ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Energy, during deliberations with Agencies the Committee observed that:

UNDER STATE DEPARTMENT OF ENERGY

The proposed ceiling measures for the State Department for Energy is Kshs 72.52 billion for FY 2020/21, of which Kshs 66.73 billion is for Development allocation while Kshs 5.79 billion is for recurrent allocation, representing a decrease of approximately 14 percent compared to current baseline.

The Committee observed that the Ministry settled outstanding claims under the Ministry Headquarter excluding outstanding amounts owed by respective SAGAs under the Ministry.

The Committee was informed that there were no outstanding guarantees payable under the sector on account of contractual obligations and proposed ceilings will be utilized towards actual completion of on-going priorities.

UNDER STATE DEPARTMENT OF PETROLEUM

The proposed ceiling measures for the State Department of Petroleum is Kshs 4.09 billion for FY 2020/21, of which Kshs 3.844 billion is for Development allocation while Kshs 254.00 million is for recurrent allocation, representing a decrease of approximately 28 percent compared to current baseline.

Moreover, submissions on the Early Oil Pilot Scheme (EOPS) implementation status for the FY 2019/20 indicates delivery of 177,654 barrels of crude oil against a target of 400,000 barrels and improved community relationship.

Further review of the proposed FY 20/21 allocation towards the projects under the main program indicates a continued allocation to on-going priorities, with no new programs and projects planned for the same period.

With regards to payment of payable pending bills, the committee was informed that a total of Kshs. 248 million was outstanding as at 30th June 2019, of which the whole amount has since been settled.

DEPARTMENTAL COMMITTEE ON ENERGY RECOMMENDATIONS UNDER THE STATE DEPARTMENT OF ENERGY

The Committee recommended the following during its deliberations with agencies:

The ceilings as proposed in the 2020 Budget Policy Statement for FY 2020/21 be approved as proposed. However, the approved ceilings for fiscal year 2020/21 and per program as well as subsequent finalization of the same per project/activities is subject to payment of pending bills which are currently outstanding under GDC, KENGEN, KPLC and KETRACO.

That, the State Department and National Treasury to submits the status of contingent liabilities/guarantees including any insurance covers or commitment for all electricity transmission projects as well as the status of the funding each respective project and the same be submitted to the relevant Committee of the National Assembly within sixty days upon adoption of the 2020 BPS report by the House.

UNDER STATE DEPARTMENT OF PETROLEUM

The Committee recommended the following during its deliberations with agencies.

The ceilings as proposed in the 2020 Budget Policy Statement for FY 2020/21 be approved as proposed. The National Treasury and State Department of Petroleum to fast track regulations to govern the fiscal management of proceeds from sale of crude oil and use of the same as well as the legal basis to ensure effective and accountable control of expenditure and other investments incurred both in the pilot phase and subsequent development of associated infrastructure in the upstream petroleum operations. A status report on the Early Oil Pilot Scheme (EOPS) including recommendations on financial

management of proceeds from sale of the crude oil be submitted to National Assembly within ninety days upon adoption of the report by the House.

To enhance budget performance and accountability, including transfers to SAGAs, the State Department to submit quarterly status reports of both financial and non-financial performance of 2019/20 allocations to the Controller of Budget for onward transmission to National Assembly.

To ensure priority allocation and completion of on-going projects, the State Department to prioritise payment of all pending bills in the current FY and before the finalization of the 2020/21 estimates.

COMMITTEE DELIBERATIONS

1. The Committee was concerned that the country experiences high power bills despite an increase of cheaper generation from cheaper energy sources such as geothermal and solar hurting the manufacturing sector.
2. It was observed that Kenya Power & Lighting company has a lot of inefficiencies as the company takes a long time to replace faulty transformers as well install new ones.
3. The Committee was concerned that there were no policies mentioned in the 2020 BPS to support small power generating companies.

MIN.NO.NA/BAC/2020/10: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION & INNOVATION ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Communication, Information & Innovation, during deliberations with Agencies the Committee observed:

A. UNDER STATE DEPARTMENT OF ICT

Review of proposed ceiling allocation by programme indicates a continued allocation towards current on-going priorities into the FY 2020/21 with no new programmes and projects planned for the same period. However, review of budgeting for programmes and projects allocation in the FY 2019/20 saw the introduction of major connectivity projects under the big four plans of manufacturing (special economic zones for Textile and leather parks and Konza City, etc) and Universal Health Care (Health Facilities). This points to

lack of policy and planning coherence in budgeting and potential duplication of functions across participating ministries which may likely occur in the medium-term period.

There is lack of clear implementation framework to underpin specific roles of sector enablers in achieving the big four plans poses major risks to the strategies outlined in the 2020 BPS and subsequently to the sector budget implementation.

There is need for policy measures to be put in place and where possible be condition precedent to guide the State Department going forward. The policy measure is to close existing gaps while mitigating risk of duplication associated with the same being undertaken by other functional players.

With regards to payment of pending bills, the Committee noted on the on-going effort in settling pending bills that amounted to kshs 71 million as at December 23rd December 2019 compared to kshs 255 million as at end of June 2019. However, the Committee noted substantial variations between submissions from the National Treasury vis a vis the state Department with major differences noted particularly under the submissions relating to SAGAs which amounts to kshs 1.059 billion, of which kshs 773 million (Under ICTA) is disputed and outstanding since 2016. This is likely to affect the stock of pending bills under the sector, and a major credibility risk to sector fiscal ceilings for the FY 2020/21 and the performance of the budget in the medium term.

That the Programme Based Budget framework for the State Department of ICT & Innovation requires further clarity in the design and classification of its programmes and projects including comprehensiveness of its KPIs. This is to ensure proper categorization and classification of expenditure as well as enhance accountability and to mitigate duplication of interventions across the ministry and its SAGAs.

The Committee noted some of the policy challenges include delayed clearance of imported project materials including equipment, among others. This particularly affected the implementation of the Supply and installation of an internet based 4000 Network (County Connectivity -CCP phase III) Project.

B. UNDER BROADCASTING AND TELECOMMUNICATIONS

The total pending bills including historical bills under the State Department amounts to kshs 5.76 billion against payment made (to date) of ksh 1.059 billion, leaving a balance of Ksh 4.7 billion. Out of the total amount pending, Kshs 4.638 is under KBC relating to outstanding payments for pensions, Saccos, KRA and other creditors, Kshs 71 million

under the Media Council of Kenya. The committee was informed of establishment of Pending Bills Committee to give recommendations on outstanding amounts carried from the previous FY 2018/19 as well as reconcile with National Treasury on the exact status of pending bills before finalization of the Estimates and end of the current financial period.

That there were plans to further reduce the current high cost of government advertisement model mainly on account of the cost by the media houses in printing and distribution of the same. However, the committee notes the policy objectives has not been achieved as intended and there is need for review of the policy to ensure well centralized and responsive government advertisement including using other agencies such the Kenya Year Book to supplement certain functions.

DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION & INNOVATION RECOMMENDATIONS

The Committee recommended the following during its deliberations with agencies

A. UNDER STATE DEPARTMENT OF ICT

That the proposed ceiling measures by sub vote and by programme be approved in-line with the proposed measures as contained in the 2020 BPS and medium term.

Policy Recommendations

That implementation of the ICT connectivity projects (to various levels of health facilities and Special Economic Zones) under the Big Four Plan be informed by an elaborate Responsibility and Accountability Framework with costed activities and timelines. This to ensure clear resource needs, mitigate duplication and harmonized engagement with other functional players such as respective counties, Ministry of Health and State Department for Industry as well as non-state actors such as NGOs and private sector players.

That the Digital Literacy Programme be indicated as a fully-fledged programme within the meaning and provisions of the Programmed Based Budget Framework with clear sub programmes and comprehensive KPIs.

That the Ajira projects/activities be also considered as a fully-fledged programme, or as sub programme, within the meaning and provisions of the Programmed Based Budget Framework with clear sub programmes and comprehensive KPIs

That the following flagship projects be renamed or re-designed taking into account the need for clarity of the project and linked with the overall programme objective under which the project falls as well as comprehensive KPIs and actionable outputs:

- i. Konza EPCF - Engineer, Procure, Construct and Finance of Infrastructure projects (EPC-F)
- ii. Access Roads-Konza(/ Streetscape/ Wastewater Reclamation Facility)
- iii. Master Delivery Partner (MDP – 2)
- iv. Supply and installation of an internet based 4000 network county connectivity - CCP phase III
- v. ICT Shared Services

To ensure priority allocation and completion of on-going projects, state department of ICT to factor all payable pending bills within the ceiling's measures provided in the 2020 BPS if current effort to settle outstanding bills in the current year is not achievable, and subsequently ensure curtailing of pending bills in the medium term.

That the state department to ensure prioritization of policies and priorities under the creative sector to improve employment creation and enhance utilization of youth talents and the same be considered under the Film development Services Programme and ICT and Infrastructure Development Programme.

B. UNDER STATE DEPARTMENT FOR BROADCASTING AND TELECOMMUNICATION

The Committee recommended the following during its deliberations with agencies:

Financial Recommendations

That the proposed ceiling measures as contained in the 2020 BPS and medium term by sub vote and by programme be approved.

Policy Recommendations

That the State department follows through the proposal to further reduce the cost of government advertisement by printing through the Kenya Year Book and distributed through cost effective means such as the Postal Corporation of Kenya and other means as per the Cabinet Memo of 2017.

That the State Department of Broadcasting and Telecommunication and National Treasury to ascertain the correct amount of the pending bills and type and nature of the historical pending bills particularly under KBC. Further, all payable pending bills be prioritized in

the current fiscal year and the same provided in the finalization of the 2020/21 budget estimates.

That in light of the underfunded priorities in the Broadcasting and Telecommunication such as priorities under the Kenya Year Book and Media council be further prioritized or reallocated within the sector by the Ministry. This will be in line with cost effective measures that includes reduction of costs associated with printing and distribution of centralized advertisement.

COMMITTEE DELIBERATIONS

- i. The sector lacks clear policies and planning coherence in budgeting and this may lead to potential duplication of functions across participating ministries.
- ii. There is need to prioritize settling of pending bills in the Sector. There is lack of clear implementation framework to underpin specific roles of sector enablers in achieving the big four plans which poses major risks to the strategies outlined in the 2020 BPS and subsequently to the sector budget implementation.

MIN.NO.NA/BAC/2020/11: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Agriculture & Livestock, during deliberations with Agencies the Committee observed:

A. UNDER STATE DEPARTMENT FOR CROP DEVELOPMENT & AGRICULTURAL RESEARCH

It is essential to support tea, coffee, and sugarcane research as it is crucial in improving and sustaining the productivity performance of the crops. There is need to fund tea, sugar and coffee research in the next financial year.

There is need to enhance resource allocations to enable completion of projects within stipulated time and resources; and improve project/programme monitoring and evaluation.

From the available records it is stated that; The state department has total pending bills of Ksh. 12,355 million relating to financial year: 2016/17 of Ksh 3,964 million owed to maize millers and traders; 2017/18 of Ksh. 8,348 million for Fertilizer subsidy programme under KCB bank facility, and Ksh. 43 million for 2018/19.

Cotton Industry Revitalization project has been allocated Ksh.100 million in the financial year 2020/21. Committee notes the amount is insufficient and be enhanced.

The invasion, multiplication and spread of the desert locust is a great threat to food security and community livelihoods. The BPS has not factored in any funds for management of these locusts. There is a need to factor in a budget for the control of the locust. The ministry requested Ksh. 460 million to fight the locust menace.

Fall Army Worm Mitigation which is crucial in mitigation of fall army worm is underfunded to the tune of Ksh. 177 million. Control and mitigation measures will be affected with a real possibility compromising food production through pre harvest losses.

B. UNDER STATE DEPARTMENT FOR LIVESTOCK

From the availed documents, the department has a counterpart funding gap of KShs. 398 Million; Loans A-i-A gap of KShs. 4,289 Million for Livestock Value Chain Support Project that affects 11 Programs.

As at December 2019, the department had cleared all the pending bills relating to the FY 2018/19. Though there are departments/SAGAS such as the KMC which owes farmers **700 Million**.

C. UNDER STATE DEPARTMENT FOR FISHERIES, AQUACULTURE & THE BLUE ECONOMY

The department has a proposed allocation of Ksh. 6,550 million in 2020/21 which is similar to the 2019/20 allocations. The recurrent expenditure was increased by Ksh. 374 million from the development allocation is reduced by the same amount. The department's absorption is below expectations. In the financial year 2018/19, the department utilized a paltry 50% of the total development budget.

THE DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK RECOMMENDATIONS

The Committee recommended the following during its deliberations with agencies:

A. STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH:

- (a) Ksh. 460 million for management of Locust Invasion an imminent threat to food security and community livelihoods;
- (b) Ksh. 177 million towards Fall Armyworm Mitigation Project, the project is underfunded which poses a great danger to the achievement of food security.

(c) Ksh. 100 million to Cotton Industry Revitalization project: H. E. the President has lifted the ban on BT cotton. These funds will revitalise the Cotton Industry.

(d) Ksh. 150 million towards Equipping of Tea Research Development Factory.

B. STATE DEPARTMENT FOR LIVESTOCK

(e) Ksh. 398 million has a counterpart funding gap and Loans A-i-A gap of KShs. 4,289 Million for Livestock Value Chain Support Project that has 11 contracts.

(f) The Ministry gives its records of extension officers. Funds be made available as a conditional grant to counties to facilitate employment of the officers.

COMMITTEE DELIBERATIONS

- 1) It was observed that sector owns huge pending bills despite the presidential directive to settle those outstanding obligations. In particular, the Kenya Meat Commission has not settled its bills to livestock farmers.
- 2) There is acute shortage of agricultural extension officers in the sector.
- 3) There is need to enhance resource allocations to enable completion of projects within stipulated time and resources; and improve project/programme monitoring and evaluation.
- 4) It was observed that there need for government to develop policies to boost export earnings.

MIN.NO.NA/BAC/2020/12: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Administration & National Security, during deliberations with Agencies, the Committee observed:

1. UNDER THE PRESIDENCY

The Presidency it was observed that the proposed ceiling for the Presidency was significantly low compared to the approved revised estimates of 2019/20 by 46 per cent. The ceiling as proposed could adversely affect the attainment of set targets of the Presidency.

2. UNDER STATE DEPARTMENT FOR INTERIOR

It was observed that the State Department for Interior still holds the Human Resource functions of the National Police Service Commission. The Personnel Emoluments budget which goes hand in hand with Human Resource functions for the police was noted to be within the state department instead of being with the Commission. Best practices require such resources to be with the Commission which exercises disciplinary control over the police.

The resources for the Police were highly decentralized. The Officers Commanding Stations (OCSs) did not have resources for prompt service delivery despite the undertaking by the BPS 2020 to bring policing services closer to the people.

The shortfall in resource allocation for police modernization programme was a risk to the overall implementation of the policies underpinning the BPS 2020. Without modern equipment's such as the use of drones in operation areas, the war on terror may not be won. The evolving acts of terrorism may hinder economic development through direct costs such as loss of labour and capital.

The BPS 2020 promises enhanced allocation to fight corruption. such resources shall be utilized to ensure that all corruption suspects are brought to book in record time. It is acknowledged that the Directorate of Criminal Investigations has been in the fore front in fighting corruption. The proposed reduction in resource allocation for the DCI is not in tandem with the policy pronouncement of fighting corruption.

3. UNDER STATE DEPARTMENT FOR CORRECTIONAL SERVICES

The state department has over the years experienced dilapidated infrastructure and overcrowding of inmates against human rights dignity as required by the constitution of Kenya 2010.

The pending bills that were reported over the years under the state department were found to be illegal upon scrutiny by the auditors commissioned to look into their validity.

UNDER STATE DEPARTMENT FOR PUBLIC SERVICE

It was observed that the Ministry did not have a clear policy on internship programmes. Further the Ministry had not developed the policy on secondment of public officers across the three arms of government and the two levels of government.

The Civil Service was dominated by ageing public servants and there was no clear policy on how to deal with succession management.

A. Public Service Commission.

The policy of recruiting equal number of interns across the 290 constituencies was not equitable.

B. National Police Service Commission

The Commission could not adequately exercise disciplinary control over the police and other related human resource functions because they were not in charge of the Police payroll.

C. Independent Police Oversight Authority

The shortfall in resource allocation to the Authority would affect decentralization of IPOA offices which was critical in bringing services closer to the people.

DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY RECOMMENDATIONS

The Committee recommended the following during its deliberations with agencies:

A. Policy Recommendations

The Cabinet Secretary, National Treasury to expedite the process of transferring the Personnel Emoluments budget for the police from the state department for Interior to the National Police Service Commission by 1st of July 2020 to enable the Commission exercise its Human Resource function fully in line with the Constitution and the National Police Service Act.

The Principal Secretary, State Department for Interior to expedite the process of designating all OCSs to have dedicated budget for Operations and Maintenance and be the AIE holders for prompt service delivery before the 1st of July 2020.

Recognizing the tight fiscal framework, it is recommended that the State Department for Interior rationalize its budget to accommodate critical infrastructure needed for combating terrorism and other forms of crime which can compromise the necessary environment for socio-political and economic development.

The Public Service Commission internship programme already established to be sustained and adequately funded. The Commission to ensure full compliance with the constitution in the implementation of the programme and in doing so to secure equity, regional and ethnic balance in recruitment of interns.

B. Financial Recommendation.

The ceilings for the Sector as proposed in the 2020 Budget Policy Statement for FY 2020/21 be approved as proposed

COMMITTEE DELIBERATIONS

1. It was observed that there no clear implementation framework. This has affected policies such as Huduma Number and Leasing of vehicles. The committee observed that they are being implemented haphazardly.
2. There is no clear policy on internship programmes. No policies have been developed on secondment of public officers across the three arms of government and the two levels of government.

MIN.NO.NA/BAC/2020/13: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON JUSTICE & LEGAL AFFAIRS ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Justice & Legal Affairs, during deliberations with Agencies, the Committee observed:

A. UNDER JUDICIARY AND JUDICIAL SERVICE COMMISSION

The Judiciary requested for a budgetary allocation Kshs.37.4billion in the FY 2020/2021 comprised of Kshs 30.6 billion for recurrent expenditure and Kshs 6.7 for development expenditure. However, the department was allocated Kshs. 17.5 billion comprised of Kshs 14.7 billion for recurrent expenditure and Kshs 2.7 billion for development expenditure leading to a shortfall of Kshs 19.6billion.

The World Bank project which has supported funding of 37.5 percent of the capital projects in the Judiciary is coming to end in October, 2020 and without enhanced GOK funding, new capital projects will not be initiated and where ongoing ones are likely to stall.

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.

The Committee has also observed that in the 1st half of the year, over 204,733 cases were filed and 184,736 cases were resolved meaning the cases filed outnumber the cases resolved. This likely to worsen the backlog of cases in the country.

Judicial Service Commission was allocated Kshs 0.431 billion against a resource requirement of Kshs 1.3 billion in the Financial Year 2020/21. The funding shortfall will affect the Commission's ability to recruit additional judges, magistrate, khadi's and provide resources for office premises.

B. UNDER OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE

The Committee observed that the Asset Recovery Agency is in the processing of setting up a Criminal Assets Recovery Fund whose source of revenue will be proceeds recovered from crime. The Regulations guiding the use of the Fund is currently being developed.

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 300 billion and they are ranging from awards to victims of torture as well as business litigants against the State.

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.

C. UNDER INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

Observations

The Commission was allocated Kshs. 4.6 billion against its requirement of Kshs. 6.5 billion for the FY 2020/21. The deficit will affect the Proposed Uchaguzi Centre (Kshs. 1 billion), enhanced continuous voter registration (Kshs 1 billion) and boundary delimitation exercises;

The Committee noted with concern that the Commission has pending bills amounting to Kshs 4.3 billion of which non legal suppliers account for Kshs 1.54 billion and Ksh 2.7 billion account for legal fees;

The Committee also observed that there is need for the Commission to undertake electoral reforms way in advance rather than when the General Election is approaching to avoid the unnecessary push and pull that was witnessed in the last General Election;

The Committee noted that there is need for the commission to undertake continuous voter registration to allow the citizens their right to participate in electoral processes.

UNDER COMMISSION FOR ADMINISTRATIVE JUSTICE

Observations

The Committee noted that the Commission's proposed ceiling for FY 2020/21 is Kshs 529.3 million out of which Kshs 305.9 million is for personal emolument and Kshs 223.3 million is for operations and maintenance against a resource requirement of Kshs 1.1 billion.

The Committee further observed that the Commission's budgetary shortfall will affect critical areas like recruitment of additional staff (Kshs 35 million), public awareness (Kshs 30 million), establishment of two county offices (Kshs 20 million), access to information activities (Kshs 40 million), procurement of motor vehicles (Kshs 50 million) among others.

The Committee stressed the need for the Commission to create awareness on its mandate particularly in ensuring that the citizen's right to quality service both at the national and county levels of government is not compromised.

D. UNDER WITNESS PROTECTION AGENCY

Observations

In the FY 2020/21, the agency's proposed budget ceiling is Kshs 476 million against a resource requirement of Kshs 741.93 million. The Committee further observed that the Witness Protection Programme which is the main mandate of the agency has not been adequately funded in FY 2020/21 despite the Agency's critical role in the protection of witnesses in crucial cases. This has hampered the Agency's ability to protect the witnesses under the programme.

The Committee acknowledges the critical role the Agency plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses and further noted that the Agency has played a crucial part in the prosecution of complex corruption and terrorism related cases in the recent past.

E. UNDER KENYA NATIONAL HUMAN RIGHTS COMMISSION

Observations

The Commission was allocated a budget of Kshs. 404.9 million in the FY 2020/21 against a resource requirement of Kshs. 443.73 million by the National Treasury. This leaves a resource gap of about Kshs. 38.83 million.

The Committee further observed that the Commission has critical areas that are underfunded. In particular the aged Commission fleet which is attracting high maintenance cost and therefore the Commission needs to acquire new field vehicles; inadequate office space; and a lack of screening rooms for commission's witnesses

F. UNDER ETHICS AND ANTI-CORRUPTION COMMISSION

Observations

The Commission is experiencing an upsurge in the demand for its services across the country and to address these demands, the Commission requires additional financial resources to undertake a number of targeted activities.

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.

The Committee also observed there is need for the Commission to devolve to all counties to aid against the rampant cases that have been witnessed at the county level so as to aid against the misuse of devolved funds.

G. UNDER OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTION

The Office of Director of Public Prosecutions presented a budgetary requirement of Kshs. 5.2billion but allocated Kshs 3.3 in FY 2020/21 leading to a resource gap of Kshs 1.9 billion.

The Office needs an additional allocation of Kshs. 1.5billion to adequately fund the following key areas;

- i) Continuing anti-corruption and counter terrorism initiatives
- ii) ICT networking and implementation of a case management system
- iii) Operationalization of the Prosecutors Training Institute
- iv) Setting up, refurbishing and equipping of ODPP regional, County and Sub-county offices

v) Recruitment of prosecutors, researchers, analyst and experts

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 an increase in resource allocation to enable the Office execute its mandate

H. UNDER REGISTRAR OF POLITICAL PARTIES

Observations

The Office had requested Kshs. 4.6 billion but the office has been allocated Kshs. 1.2 billion. The allocation is comprised of Kshs 370.4 million for office operation and personnel emolument and Kshs 871.2 million for Political Parties Fund.

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.

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 inter political parties' wrangles. This affects the office in terms of legal fees and time used in defending cases.

DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS RECOMMENDATIONS

The Committee recommended the following during its deliberations with agencies:

A. Policy Recommendations

The extension of the World Bank agreement beyond October 2020 to facilitate the completion of the World Bank funded projects. The Judiciary is not likely to absorb its proposed allocation of Kshs 0.9 billion for the World Bank projects in FY 2020/21 if the agreement is not extended beyond October, 2020.

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.

Independent Electoral & Boundaries Commission in close collaboration with the National Treasury undertakes a 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.

B. Financial Recommendations

1. An additional allocation of Kshs 2.8 billion in FY 2020/21 to address the following critical areas; fast-tracking of Anti-corruption cases – Kshs 100 million, court annexed mediation – Kshs 200 million, service weeks – Kshs 100 million, automation of Court processes – Kshs 1.2 billion, Establishment of Court of Appeal – Kshs 300 million, opening of new magistrate court stations – Kshs 400 million, provision of Furniture and Fittings in 43 High Court Stations and 90 Magistrates - 500 million.
2. An additional allocation Kshs 600 million for the Judicial Service Commission for recruitment of additional Judges.
3. The office of Attorney General and Department of Justice be provided an additional allocation of Kshs 178 million for the operationalization of the Business Registration Services and Kshs 2.5 billion for the acquisition of office building for the department.
4. The approval of the Independent Electoral & Boundaries Commission Commission's proposed budget ceiling of Kshs 4.6 billion for FY 2020/21 as submitted by the National Treasury.
5. The Commission for Administrative Justice be provided an additional of Kshs 75 million comprised of Kshs 20 million for establishment of county offices, Kshs 35 for the recruitment of additional staff and Kshs 20 million for purchase of motor vehicles.
6. An additional allocation of Kshs 100 million to the Witness Protection Program to enable the Agency protect the witnesses under its care adequately.
7. Kenya National Human Rights Commission be provided, an additional allocation of Kshs 38.8 million to the Commission's proposed budget ceiling for FY 2020/21 to enable it acquire vehicles and refurbish its screening rooms for its witnesses.
8. Ethics and Anti-Corruption Commission be provided an additional of Kshs 200 million for replacement of staff who have exited the Commission. This will address the acute staff shortage currently experienced by the Commission as well as promotion of existing staff.

9. The Office Of The Director Of Public Prosecution be provided an additional allocation of Kshs 500 million comprised of Kshs 100 million for Recruitment of prosecutors, researchers, analyst and experts, Kshs 100 million for setting up, refurbishing of ODPP regional, county and sub-county offices, Kshs 100 million for prosecutors and interagency capacity building and mentor programme and Kshs 200 million for Continuing anti-corruption and counter terrorism initiatives.
10. An additional allocation of Kshs 2.9 billion for the Political Parties Fund in line with the provisions of the Political parties Act.

COMMITTEE DELIBERATIONS

1. The Committee observed that the National Treasury needs to fast track the implementation of the Judiciary Service Commission Fund. User fees (fines and forfeitures) collected by the Judiciary for services rendered be retained and applied at source to enable operationalization of the Judiciary Fund in line with Article 173 of the Constitution and similar to other government institutions that generate and retain AIA revenues.
- 2.
3. It was observed that the Judiciary has several ongoing projects and there was need to prioritize the projects over the medium term so as to ensure effective use of the limited resources.

MIN.NO.NA/BAC/2020/14: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON DEFENSE & FOREIGN RELATIONS ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Defence and Foreign Relations, during deliberations with Agencies, the Committee observed:

A. UNDER MINISTRY OF FOREIGN AFFAIRS

The Ministry of Foreign Affairs is grossly underfunded. Its clustering under Public Administration and International Relations (PAIR) sector had the effect of not fully appreciating this crucial role. There is limited provision for capital spending yet some of the assets of the Ministry in foreign missions were in deplorable conditions. Furthermore, the ceilings imposed upon the ministry were in disregard of already existing contractual obligations and had the potential effect of exposing the country to further loss through

litigation and reputational risk. Further, the Ministry has expanded its horizon and diplomatic footprint in opening of missions abroad but this is not reflected in its budget. Therefore, targets provided for would not be achieved with the proposed ceilings, unless the same was expanded, or targets revised downwards to reflect resource availability.

Kenya as the African Union endorsed candidate was likely to secure the vote to the non-permanent seat of the United Nations Security Council on 17th June 2020. There was however no provision of funds to operationalize the office once this happens;

The ministry had no policy on acquisition and/or construction design of missions abroad, allowing for varied and unjustified designs, and possible escalation of costs. This is further evident by the impending expiry in October 2021 of the lease of the London chancery with no foresight of its replacement

B. UNDER MINISTRY OF DEFENCE

The Ministry of Defence proposed ceiling of KSh. 120,268.7 million is below its resource requirement of KSh.199,377 million. The ministries budget had funding from the exchequer, as well as an Export Credit Arrangement, managed at Treasury. The latter ran the risk of being pursued without full involvement of this Committee as projects under it had already been negotiated by the National Treasury;

The ministry was in the process of developing a Peace Support Operations policy to guide its involvement in peace missions abroad. The Ministry had no provision of Kshs. 4.7 billion for operationalizing the envisaged fund, and this already currently affects reimbursements from UN and AMISOM due to unsuitable equipment.

C. UNDER NATIONAL INTELLIGENCE SERVICE

Given the ever evolving and increasing security threats facing Kenya, there was absolute need to ensure the security agency operations and activities are well funded;

The agency had a critical funding gap of Kshs. 3.3 billion to cater for some of its crucial security operations.

D. UNDER MINISTRY OF EAST AFRICAN COMMUNITY AND REGIONAL DEVELOPMENT

a) State Department for East African Community

The State Department is grossly underfunded in disregard to the important function it plays in the East African Community. The country is poised to assume the Chairmanship of the East African Community this year yet there was no provision of funds to cater for the responsibilities that come with the position;

b) State Department for Regional and Northern Corridor Development

The State Department and the various regional development authorities under it had important projects under its purview but this did not reflect in its budgetary provisions. This gross underfunding puts into question the existence and viability of the projects.

These projects had been hampered by widely reported governance challenges and the Committee is concerned that funds already expended risked being sunk as some of the projects had been suspended or scaled down, or hampered by investigations.

DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS COMMITTEE RECOMMENDATIONS

The Committee makes the following policy recommendations;

A. UNDER MINISTRY OF FOREIGN AFFAIRS

The Cabinet Secretary in charge of the National Treasury, going forward to consider clustering the Ministry of Foreign Affairs under the National Security Sector given the role of the Ministry in global peace and security and being a member of the National Security Advisory Council;

The Cabinet Secretary Ministry of Foreign Affairs jointly with the Cabinet Secretary in charge of Public Works to Fastrack the development of an asset acquisition and management policy, which provides for design and standards for its mission buildings. This should be done before commencement of any new project, but not later than 31st December 2020.

B. MINISTRY OF DEFENCE

The Cabinet Secretary, National Treasury and the Cabinet Secretary, Ministry of Defence to involve the Committee and The National Assembly from inception, before negotiation, of projects funded under the Export Credit Arrangement; Further, the Ministry to submit disaggregated list of projects with proposed allocation for FY 2020/21 reconcilable with its development expenditure by 30th April 2020. The Ministry hastens the development of the Peace Support Operations Policy and submits it to the National Assembly by 30th June 2020.

C. STATE DEPARTMENT FOR REGIONAL AND NORTHERN CORRIDOR DEVELOPMENT

The Cabinet Secretary, Ministry of East African Community and Regional Development Authorities to Fastrack the finalization of the Regional Development Policy by 31st December 2020. Further, the Cabinet Secretary to liaise with the Office of the Attorney General to ensure the Bill on Regional Development Authorities is submitted to Parliament for debate by 31st December 2020.

The Treasury and State Department should justify why the projects undertaken by the development authorities under it have not been fast-tracked and fully funded.

The **Departmental Committee on Defense & Foreign Relations** recommended the following during its deliberations with agencies

That the proposed expenditure ceiling for the Ministry of Foreign Affairs, Vote 1052; the Ministry of Defence, Vote 1041; the State Department of East African Community, Vote 1221; the State Department of Regional and Northern Corridor Development, Vote R1222; and the National Intelligence Service, Vote 1281 be approved as proposed in the 2020 Budget Policy Statement.

DEFENCE AND FOREIGN RELATIONS COMMITTEE OTHER RECOMMENDATIONS

The Committee noted the following gaps that require critical funding;

a. MINISTRY OF FOREIGN AFFAIRS

Kshs. 2.2 billion be sourced from elsewhere to enhance the ceilings of the Ministry of Foreign Affairs. The resources will go towards the following;

- i) Kshs. 1.3 billion to its development budget to honour existing contractual obligations
- ii) Kshs. 250 million to restore dilapidated assets abroad
- iii) Kshs. 400 million to operationalize the UNSC office once secured
- iv) Kshs. 250 million for the maritime border dispute with Somalia

Kshs. 3.18 billion be sourced from elsewhere in the medium term for the Ministry of Foreign Affairs to cater for a chancery in London (Kshs. 2 billion) and an ambassador's residence in Geneva (Kshs. 1.18 billion)

b. MINISTRY OF DEFENCE

Kshs. 4.7 billion be sourced from elsewhere to fund the operations of the Ministry of Defence. The resources will go towards a one-off funding to operationalizing the Peace Support Fund.

c. STATE DEPARTMENT FOR EAST AFRICAN COMMUNITY

Kshs. 289 million be sourced from elsewhere to fund the operations of the State Department for East African Community. The resources will go towards the following critical aspects;

- i) Kshs. 36 million to facilitate responsibilities that come with chairing the EAC
- ii) Kshs. 77 million for counterpart funding for the Busia market. Trademark EA Has committed Kshs. 500 million for the project
- iii) Kshs. 26 million to provide for a local area network (LAN) which is crucial for teleconferencing
- iv) Kshs. 150 million to facilitate hosting of the EAC Heads of State summit in November 2020.

d. STATE DEPARTMENT FOR REGIONAL DEVELOPMENT

Funding for the State Department be enhanced to reduce its development budget deficit of Kshs. 10 billion.

e. NATIONAL INTELLIGENCE SERVICE

Kshs. 3.3 billion be sourced from elsewhere to fund critical security operations.

COMMITTEE DELIBERATIONS

1. It was observed that there are no clear policies in place to functions under regional and northern corridor authorities leading to duplication of implementation of projects at county level.
2. The committee noted with concern that there is no policy on acquisition and/or construction design of missions abroad, allowing for varied and unjustified designs, and possible escalation of costs.

MIN.NO.NA/BAC/2020/15: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON LABOUR & SOCIAL WELFARE ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Labour & Social Welfare, during deliberations with Agencies, the Committee observed:

1. STATE DEPARTMENT FOR LABOUR

Despite the State Department for Labour playing a critical role in the country's development, it has not been accorded due budgetary consideration to enhance its responsiveness, efficiency and effectiveness in addressing emerging issues and challenges facing the labour sector which also has an impact on all the other sectors of the economy.

The country has a great potential for earning substantial levels of revenue in form of remittances from migrant labour. The Ministry estimates that the country earns close to 8 billion shillings in remittances annually from Saudi Arabia alone. Despite this potential there have been very negative publicity towards foreign employment because the Ministry does not have the capacity to adequately sensitize Kenyans on the existing procedures for seeking opportunities abroad. In addition, even though Kenya has signed Bilateral Labour agreements with Saudi Arabia, Qatar and The United Arab Emirates, the labour attaches' offices in these countries remain poorly facilitated to carry out the mandate of monitoring the welfare of Kenyans in those countries.

The construction of the Occupational Safety and Health Institute and the National Employment promotion centre(Kabete), have dragged on for years thus accruing additional costs arising both out of litigation by aggrieved contactors or dilapidation of structures. The Occupational Health and Safety Institute is expected to offer safety and health expertise and act as referral institute in East and Central Africa upon completion.

The country lacks reliable and timely labour market information on labour migration. This information is critical in influencing the occupational choices of job seekers and directs them to beneficial employment opportunities. A well-developed labour market information will be useful in projecting labour demands in identified countries, estimating and projecting remittances. This is indeed a prerequisite for the country to explore other potential markets for migrant labour such as Canada, United Kingdom and Australia.

The State Department continues to face human resources challenges with inadequate staffing levels, an aging workforce with most senior officers serving in acting capacities.

Kenya is scheduled to host the African Regional Labour Administration Centre (ARLAC) from 12th to 16th October, 2020. Kenya was given the honour to host the meeting during 15th Annual meeting of Senior Officials of ARLAC which was held in October, 2019 in Harare Zimbabwe. The meeting brings together all English-Speaking African states and is responsible for strengthening labour administration.

2. STATE DEPARTMENT FOR SOCIAL PROTECTION

The Committee expressed concerns that the Social Assistance Act was still not operational. It was however noted that Amendment to the Act including the establishment of the Social Assistance Fund are with the Cabinet for consideration and adoption

There is still lack of clarity on the role of the State Department on the provision of a health cover to the elderly persons under the cash transfer program. It is noteworthy that Kshs. 600 million allocated for the cover during the current Financial Year was re-allocated for use under the cash transfer program.

The contracts between the Payment Service Providers (Banks used to remit the stipend to the elderly) are still not clear. The State Department was not able to provide details of amounts paid to various banks as commissions.

160,000 potential beneficiaries of the National Safety Net Program are not currently on the pay roll. This is attributed to the changes occasioned by the migration of beneficiary data from card based to account based. Given that they had already enjoyed the stipend, this amounts to discrimination.

The operations of the Child Welfare Society of Kenya are almost grinding to a halt due to the ongoing leadership wrangles at the Society. The accounts of the society have been closed for over two months now putting vulnerable children at further risk.

The Autism Society of Kenya has made a special request for funding to their members through the National Council for Persons with Disabilities. This is in line with an emerging trend where various categories of the disabled are pushing for separate allocations, a scenario which may set a bad precedence and may not be sustainable in the long run.

3. STATE DEPARTMENT FOR DEVELOPMENT OF ASAL

The program on Integrated Sustainable Peace and Social Economic Transformation of the Karamoja Cluster. The Karamoja Cluster covers Kenyan boarder with South Sudan, Ethiopia and Uganda. The focus of the current programme is the Kenya Uganda boarder, specifically Turkana, West Pokot and Karamoja. The program has not been allocated any funds in the printed Estimates for 2019/2020 despite having been incorporated in the proposals.

There is no allocation to the State Department for drought response and coordination effort thus severely hampering its operations.

4. STATE DEPARTMENT FOR YOUTH

The NYS Youth Empowerment Program in 69 informal settlements which appears both in the Printed Estimates and the BPS and allocated Ksh.2.8 billion in actual sense represents a totally different item, that of paying tuition fees for cohorts undergoing training at TIVET institutions. This disparity of project titles involving billions of shillings might pose a difficulty in tracking the expenditure.

There are currently over 23000 youth undergoing training at various TIVET institutions country wide. The total fees payable for them in the next Financial Year is Kshs 3.3 billion against a reduced ceiling of 898 million.

5. STATE DEPARTMENT FOR GENDER

There is still no clarity as to where the provision of sanitary towels is domiciled in terms of State Departments. Whereas administratively, the function is under the State Department Basic Education, the Budget process has placed it under the State Department for Gender.

There is a reduction on the allocation of all the affirmative action Funds under the State Department.

The Department has a function of mainstreaming gender issues at all levels nationally; however, the field offices located in every county have neither allocation nor supporting infrastructure to ensure effective delivery of service.

The performance of Uwezo Fund has been wanting since its inception compared to the other affirmative action funds. The Fund has no field officers and relies wholly on the officers from Youth Fund.

6. NATIONAL GENDER AND EQUALITY COMMISSION (NGEC)

The mandate of NGEC requires it to cover all the 47 Counties, however due to resource constraints it has a presence in only 5 counties of Kisumu, Nakuru, Garissa, Kitui and Malindi.

There is need for a Tribunal under NGEC to provide an avenue for persons aggrieved on equality matters to have an avenue to channel their complaints.

DEPARTMENTAL COMMITTEE ON LABOUR & SOCIAL WELFARE RECOMMENDATIONS

The State Department for Labour should fast track the development of the National Migration policy and its enabling legislation. This should be in place by December 2020. The policy should provide a clear framework on labour migration and ensure that Kenya leverages on opportunities available in other countries to tackle the challenge of unemployment, while at the same time ensuring better terms and conditions of work for them.

The State Department for Labour should finalize the ongoing development of the Labour Market Information System (LMIS) by the end of the 2019/2020 Financial Year. This will enable Kenyans access labour market opportunities both locally and internationally easily. The system will also readily avail data on areas of skills shortage and excesses to enable training institutions train for the labour market.

The State Department for Social Protection should, within two months, submit to Parliament the amendment to operationalize the Social Assistance Act generally and in particular the establishment of the Social Assistance Fund. This will give the legal backing to the National Safety Net Programme, which has been allocated close to Kshs30 billion shillings in the current Financial Year.

The State Department for Social Protection should within one month, resolve the current stalemate at the Child Welfare Society of Kenya, where accounts have been frozen because

of leadership wrangles between the Society Trustees and the Board. The situation is not tenable as it puts the welfare of children at great risk.

The National Treasury should before preparing the budget estimates for 2020/21 assign the relevant name to the project under the National Youth Service, currently named Youth Empowerment Project in 69 informal Settlements. The Project has been allocated Ksh. 2.8 billion and the Committee has confirmed that the funds were used to pay fees for youth undergoing training at various TIVET institutions. Such a disparity in naming of projects makes it difficult to track expenditure.

The National Gender and Equality Commission, in conjunction with other relevant arms of the Government should establish a Tribunal within the next one year where Kenyans aggrieved on equality issues can channel their grievances. The Tribunal should move around the country to give all Kenyans an opportunity to be heard.

Financial Recommendation

1. That, under the State Department for Labour, the proposed ceilings of Kshs. 2.79 billion for Recurrent and Kshs. 2.95 billion for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
2. That, under the State Department for Social Protection, the proposed ceilings of Kshs. 30.23 billion for Recurrent and Kshs 2.51 billion for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
3. That, under the State Department for Development of the ASAL, the proposed ceilings of Kshs. 987 million for Recurrent and Kshs. 7.88 billion for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
4. That, under the State Department for Youth, the proposed ceilings of Kshs. 11.01 billion for Recurrent and Kshs. 3.44 billion for Development outlays be approved.

5. That, under the State Department of Gender, the proposed ceilings of Kshs.1.49 billion for Recurrent and Kshs.2.36 billion for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
6. That, under the National Gender and Equality Commission, the proposed ceilings of Kshs. 495 million under recurrent budget be approved in-line and as per the proposed Programme.

COMMITTEE DELIBERATIONS

1. The Committee queried the existing policies towards Uwezo Fund. The performance of the Fund has been wanting since its inception compared to the other Affirmative Action Funds. The Fund has no field officers and relies wholly on the officers from Youth Fund.
2. There is still lack of clarity on the role of the State Department of Social Protection on the provision of a health cover to the elderly persons under the cash transfer program.
3. It was further noted that there is need to have a policy framework to net in 160,000 potential beneficiaries of the National Safety Net Program that are not currently on the pay roll. This is attributed to the changes occasioned by the migration of beneficiary data from card based to account based. Given that they had already enjoyed the stipend, this amounts to discrimination.

MIN.NO.NA/BAC/2020/16: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE& TOURISM ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Sports, Culture& Tourism, during deliberations with Agencies, the Committee observed:

A. UNDER STATE DEPARTMENT OF TOURISM

The Committee observed that:

Tourism receipts – the receipts rose by 20.26% from Kshs. 99.7 billion in 2016 to Kshs. 119.9 billion in 2017 and by 31.27% to 157.4 billion in 2018. The domestic market has

also been on the rise with bed-nights occupied by Kenyans expanding by 4.3% from 3.5 million in 2016 to 3.6 million in 2017 and subsequently by 25.1% to stand at 4.6 million in 2018.

International arrivals – the international arrivals grew from 1.34 million in 2016 to 2.03 million in 2018. The growth in international arrivals is largely due to growth in aviation, investor confidence, withdrawal of travel advisories, visits by foreign dignitaries, high profile international conferences/meetings held and revitalized marketing effort.

There have been recent cases of insecurity in the northern part of the country as well as the coastal areas orchestrated by the insurgent group's i.e Alshabaab. Therefore, there is for the government to put in place mitigating measures against the devastating effect of such occurrences in the sector.

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 31st of December 2018 was Kshs 2,803 million and the outstanding project cost was Kshs 2120 million. The project was allocated an additional Kshs 385 million in FY 2019/20 and Kshs 100 million in FY 2020/21. 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 money.

B. UNDER STATE DEPARTMENT OF HERITAGE

The Committee has also observed that even though the department is entitled to 20 percent of the Sports, Arts and Social Development Fund, the department has only been getting approximately five percent of the fund's allocation.

The Committee further observed that there is encroachment and vandalism of monuments and ancient historical sites, cultural and heritage facilities for instance the Malindi museum and Shimoni sites. In addition, vandalism by football fanatics has also compounded the situation in the recent past i.e Tom Mboya monument.

In addition, Global Warming and subsequent rise in sea water levels and flooding are also becoming a threat to heritage sites and monuments such as Vasco Da Gama Pillar, Kaya, Kakamega forest and Fort Jesus along the coast line. The effects of global warming are likely to impact negatively on such important cultural and heritage assets.

Inadequate Human capital due to slow pace in succession management coupled with ageing workforce. For instance, a significant number of the National Archives employees are retiring with the regional offices such as Kisumu offices operating on skeleton staff.

Though the Public Service Commission has recently recruited forty-seven (47) staff to address the situation, the department still requires a more enhanced work force for the department.

C. UNDER STATE DEPARTMENT OF SPORTS DEVELOPMENT

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.

The allocation under the Sports, Arts and Social Development Fund will be shared out in the following manner; 60% will go towards social development including universal health care, thirty five (35%) for promotion and development of sports, twenty (20%) percent for promotion and development of arts and five (5%) percent for government strategic interventions. This will put the entitlement of the state department of sports from the fund at Kshs 4,900 million. However, the department is not specific on what projects the proceeds from the sports fund will cater for in FY 2020/21. This is contrary to the provisions of the fund's regulations which require the department to submit the items to be funded from the fund for pre-budget scrutiny.

The Committee is also concerned that the regulatory framework governing the utilization of the fund. For instance, a significant allocation of the fund is meant for universal health care however the Sports Committee is not mandated to oversight health issues.

The Committee further observed that the department is continuing with the construction of the seven (7) regional stadia whose contract value is Kshs 2.3 billion and the amount paid to date is Kshs 704.4 million and the outstanding balance is Kshs 1.6 billion. The committee further observed that the department has been allocated Kshs 155.5 million to cater for the on-going works under the regional stadia. However, the allocation will be supplemented through additional allocations from the sports, Arts and Social Development Fund.

The Committee also observed that the department intends to acquire the NOCK Plaza at a cost of Kshs 1.3 billion which will provide a central space that can ease coordination of services and efficiency in service delivery. The building requires bail out from an auction given an outstanding loan to Sidian Bank. Currently due diligence is being carried out by a multi-agency team comprised of the Attorney General Office, Public Works and the Presidential Delivery Unit.

DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE & TOURISM RECOMMENDATIONS

A. STATE DEPARTMENT OF TOURISM

The Committee recommends an additional allocation of Kshs 100 million for the charter incentive programme which has been instrumental in the recovery of tourism sector.

B. STATE DEPARTMENT OF HERITAGE

Policy Recommendations

The Committee recommends that the department be allocated its 20 percent share fully from the Sport, Arts, and Social Development Fund since the department gets minimal allocation from the exchequer.

Financial Recommendation

The Committee recommends an additional allocation of Kshs 100 million under the recurrent vote to enable the state department recruit additional staff for the Kenya National Archives office which is faced with acute shortage of staff.

C. STATE DEPARTMENT OF SPORTS DEVELOPMENT

Policy Recommendations

The National Treasury to itemize the allocation under the proposed allocation under the Sport, Arts, and Social Development Fund to allow for pre-budget scrutiny.

The allocations from the Sport, Arts, and Social Development Fund for the various departments should be factored in the relevant votes in order for the relevant Committee to oversight the utilization of the funds.

Financial Recommendations

The approval of the departments proposed budget ceiling of Kshs 15.4 billion for FY 2020/21 as submitted by the National Treasury.

COMMITTEE DELIBERATIONS

1. The Sports Fund is not specific on what projects it will cater for in FY 2020/21. This is contrary to the provisions of the fund's regulations which require the department of sports development to submit the items to be funded from the fund for pre-budget scrutiny.
2. The Committee is also concerned that the regulatory framework governing the utilization of the fund. For instance, a significant allocation of the fund is meant for universal health care however the Sports Committee is not mandated to oversight health issues.
3. The Committee further requested to be provided a list of regional stadia in the upcoming budget for FY 2020/21
4. The Committee was concerned on the slow pace of construction of Ronald Ngala Utalii College. 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 money.

MIN.NO.NA/BAC/2020/17: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON LANDS ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Lands, during deliberations with Agencies, the Committee observed:

That the government policy of consolidating all budgetary allocations for Information Communication Technology development projects in the Ministry of Information, Communication and Technology contributed to delay in the implementation of the the National Land Information Management System implemented by both the National Land Commission and the Ministry of Lands & Physical Planning in the 2019/2020 half year due to delay in accessing the allocation. The NLIMs is critical in the digitization process in ensuring effective and efficient access to land data.

The Ministry's policies and procedures in the resettlement of the landless have not provided a solution to multiple allocation of land to individual beneficiaries although the ministry seem to have over achieved on its target. Multiple allocation of land to individual beneficiaries can be largely attributed to weaknesses in capturing the data of beneficiaries.

That the digitization process at the ministry which is key to the unlocking of critical sector services is not been implemented on time. Because of this the Ministry cannot create a data base of the leases as files are manually stored.

The National Land Commission had not vested public land compulsorily acquired for government infrastructural projects due to inadequate funds making the acquired land susceptible to grabbing. The Commission also had difficulty in executing its role in resolving disputes through Alternative Disputes Resolution Mechanisms. The Commission had also not attended to litigation cases pending in court due to inadequate technical staff. The Commission had difficulties in achieving its targets in processing pending applications of extension and renewal of leases for public land due to the recall of files by the Ministry of Lands and Physical Planning to facilitate digitization of land registries.

DEPARTMENTAL COMMITTEE ON LANDS COMMITTEE RECOMMENDATIONS

Policy Recommendations

1. The National Land Commission should develop a policy by July 1st 2020 to ensure that all government Agencies acquiring land for infrastructural projects simultaneously avail funds for compensation and vesting the acquired land.
2. The National Treasury should review the policy on allocation of all ICT related funds to the Ministry of Information, Communication and Technology by July 1st 2020 to ensure timely implementation of the Land Information Management System Project.
3. The Cabinet Secretary, Ministry of Lands and Physical Planning should fast track the development of an integrated digital revenue collection system by July 1st 2020 to eliminate revenue collection leakages and ensure that the Ministry meets its revenue collection targets.
4. The Ministry of Lands and Physical Planning should develop a data bank of all Settlement Scheme beneficiaries by July 1st 2020 and ensure that each beneficiary is only allocated one parcel of land on a “one parcel one person” basis to address multiple allocation of land to squatters.

FINANCIAL RECOMMENDATIONS

The Committee recommends further that the House approves: -

1. The proposed expenditure ceiling of Kshs 6.175 billion for the Ministry of Lands and Physical Planning vote 1112.
2. The proposed expenditure ceiling of Kshs 1.274 billion for the National Lands Commission vote 2021.

b) Other Recommendations

The National Land Commission should rationalize its staff establishment and ensure that staffs are deployed in core mandate areas and to the County offices to aid service delivery.

COMMITTEE DELIBERATIONS

1. The Committee noted that the National Land Commission should develop a policy to ensure that all government agencies acquiring land for infrastructural projects simultaneously avail funds for compensation before embarking on the project.
2. The Committee observed that the digitization process at the ministry which is key to the unlocking of critical sector services is not been implemented within timelines. This has negatively impacted on land transactions.

MIN.NO.NA/BAC/2020/18: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON FINANCE & NATIONAL PLANNING ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Finance and National Planning, during deliberations with Agencies, the Committee observed:

1. COMMISSION ON REVENUE ALLOCATION

The Commissions proposed resource allocation for the 2020/21 FY has registered a slight decrease of Kshs. 40.4 million compared to the baseline. The proposed allocation for 2020/21 is at Ksh. 400 million which is meant to implement its five programmes.

The Third Generation Revenue Sharing Formula among county governments was yet to be put in place implying that the Second-Generation Revenue Sharing Formula sharing will be used to share revenue among county governments.

2. CONTROLLER OF BUDGET

The 2020/21 proposed ceiling for the Office of the Controller of Budget is KSh. 663.4 million compared to the current year's approved budget of KSh. 651.3 million.

The quarterly Budget Implementation Review Reports (BIRR) by the Controller of Budget only focus on the financial performance leaving out non-financial performance aspects. This makes it difficult for Parliament and the county assemblies to carry out effective budget implementation oversight as they are unable to match target/key performance indicators to the budget utilisation.

3. SALARIES AND REMUNERATION COMMISSION

The Commission's proposed expenditure ceiling for 2020/21 is KSh. 459.7 million compared to the current fiscal year's approved budget of KSh. 450.4 million.

The public wage bill is still depicting an upward trend despite the efforts by the Commission to contain the same. Some activities such as job evaluation are believed to have been undertaken but the efficacy of the outcome is yet to show significant shift. Perhaps the Commission ought to focus on job productivity analysis which entails matters such as the optimal staffing levels for each job among others.

4. STATE DEPARTMENT FOR DEVOLUTION

The State Department for Devolution has a proposed ceiling of KSh. 5.745 billion against a baseline of KSh. 9.452 billion. The transfer of assets and liabilities of the defunct local authorities to the county government has not been finalized seven years after devolved came into force.

The programme on distribution of relief food has had challenges especially it not reaching the intended beneficiaries. This has raised concern as to whether the government has put in place measures to curb abuse of the programme.

The State Department in conjunction with Kisumu County Government will be hosting the United Cities and Local Governments of Africa Africities Summit in November 2021.

5. STATE DEPARTMENT FOR PLANNING

The State Department for Planning has a proposed ceiling of KSh. 45.607 billion against a baseline of KSh. 55.412 billion. The decline in the recurrent expenditure may, partly, be attributable to the completion of the Kenya Population and Housing Census with most of the activities having been concluded in the current fiscal year.

The key component in the programmes under the State Department is the allocation to the NG-CDF which is proposed to be KSh. 41.714 billion, which is above the minimum 2.5 % of projected ordinary revenue allocated to the National Government.

6. THE NATIONAL TREASURY

The National Treasury is a key enabler of the Big Four agenda hence most of its activities are geared making a conducive business environment by ensuring that it pursue policies that are sustainable.

The Kenya Revenue Authority is one of the critical institutions under the National Treasury and as such there is need to rethink of the allocations to the institution to ensure that it continues to pursue sound revenue enhancement initiatives.

The National Treasury had not disbursed Ksh. 5 billion allocated to the Equalization Fund in the FY 2019/20. This is due to a judgement by the High Court Petition challenging appropriation and management of the Equalization Fund. The judgement declared the the Guidelines on the Administration of the Equalization Fund as unconstitutional, null and void. This declaration essentially disbanded the funds implementation committee.

The processing of payment of pensions seems to be too slow. The National Treasury should correct this scenario to ensure retirees access their benefits immediately the pay-outs are due.

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING RECOMMENDATIONS

A. Policy Recommendations

1. The Commission on Revenue Allocation in consultation with the Council of Governors and the Controller of Budget should develop either a legal framework or an administrative measure to ensure budgeting and implementation of the budgets deliver maximum benefits to the citizenry and as such, counties should be at the epicenter of economic growth.
2. The Commission should consider revenue performance in determining the allocation to county governments as opposed to basing its recommendations entirely on the set formulae or criteria as this may not factor in the realistic situation on the fiscal space.
3. Parliament should fast track the approval of the Third Generation Revenue Sharing criteria among County governments. The current formula has run its course in accordance with the law and therefore, a new one is due.
4. There should be a focus on the implementation of Section 109 (2) of the Public Finance Management Act, 2012 which provides that each County Treasury shall ensure that all money raised or received by or on behalf of the County Government is paid into the County Revenue Fund, except where there is exclusion by an Act of parliament. This will ensure that revenue is not utilized at source as seen in some counties.

5. The office of the Controller of Budget should provide quarterly Budget Implementation Review Reports (BIRR) contains both the financial and non-financial performance. The information on non-financial should carry details on quarterly achievement targets and key performance indicators in order to facilitate effective oversight by the Parliament and County Assemblies.
6. The Salaries & Remuneration Commission should, in 2020/21, focus on analyzing and making recommendation on job productivity which will inform salaries harmonization, if need be. Job productivity encompasses among other things, the optimum staffing levels for each cadre and scheme of service in the public sector.
7. Pragmatic measures should be instituted by the National Treasury in the fiscal year 2020/21 so as to stimulate the economy to enhance revenue yield. This is owing to the fact that revenue is projected at 18.4% of the Gross Domestic product (GDP) in 2020/21, which will remain nearly constant in the medium term at 18.5% and 18.6% respectively. Perhaps the revenue enhancement reforms may have reached the peak. Further, the tax base may have also reached its elastic limit.
8. The National Treasury should fast track within the next six months to automate the pensions system by coming up with an *Integrated Pensions Administration System* that can be shared across all government departments so as to reduce the time taken to receive documents for processing of pensions.
9. The resource allocation towards the leasing of vehicles for the security sector in 2020/21 ought to be domiciled in the user department as opposed to the National Treasury. This is to ensure the ceilings to state departments are realistic.
10. The National Treasury through the Intergovernmental Forums should develop a framework of implementation for the stalled projects that were previously implemented through NG-CDF but now under the new Constitution fall within the mandate of the county governments.
11. Under the special initiative of supply of relief food, the Government should develop long term food security initiatives like irrigation and food production enhancement. The funds allocated to the relief food can be used to educate farmers on food storage to avoid post-harvest losses and contamination. The initiatives will go along to complement the government agenda on food security.
12. The Department should finalise the transfer of assets and liabilities that belonged to the defunct local authorities to the county governments. For instances where there

exist disputes, the departments should through the intergovernmental forums ensure that there are resolved forthwith.

B. Financial Recommendations

Proposed reductions

The proposed expenditure ceiling of the National Treasury under the programme General Administration, planning and support services be reduced by KSh. 146.7. This proposed reduction should not affect the targets and therefore, the Ministry should make use of efficiency gains.

The proposed expenditure ceiling of the Salaries and Remuneration Commission should be reduced by KSh. 9 billion. Considering the zero-based budgeting framework, there seems to be no new activities in the Commission to warrant an enhancement of budget from the current fiscal year, in this era of austerity measures.

Proposed increases

The ceiling of the Controller of Budget should be enhanced by KSh. 64.7 million to cater for critical under-funded activities as follows: -

- i. Printing, advertising and information supplies and services - Kshs. 18.7 million,
- ii. Government pensions retirement benefits - KSh. 16 million
- iii. Purchase of vehicles and other transportation equipment - KSh. 30 million

The ceiling proposed to State Department for Planning should be increased by KSh. 91 million to fund critical and under-funded areas as follows:

- i. Shortfall in personnel emoluments for the post in KIPPRA – KSh. 66 million
- ii. Shortfall in SRC Recommendations for National Council - KSh. 25 million

COMMITTEE DELIBERATIONS

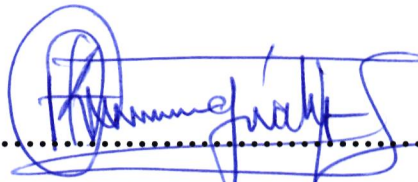
1. The National Treasury through the Intergovernmental Forums should develop a framework of implementation for the stalled projects that were previously implemented through NG-CDF but now under the new Constitution fall within the mandate of the county governments.
2. Parliament should fast track the approval of the Third Generation Revenue Sharing criteria among County governments. The current formula has run its course in accordance with the law and therefore, a new one is due.

3. The National Treasury should fast track within the next six months to automate the pensions system by coming up with an Integrated Pensions Administration System that can be shared across all government departments so as to reduce the time taken to receive documents for processing of pensions.

MIN.NO.NA/BAC/2020/19: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matters to consider, the meeting was adjourned at 3.05 p.m. The next meeting will be Thursday, 27th February 2020.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, CBS, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE

03/03/2020.

.....
DATE

MINUTES OF THE FOURTH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 25TH FEBRUARY 2020, AT SMALL DINING, NEW WING, MAIN PARLIAMENT BUILDINGS AT 9.30 A.M.

PRESENT:

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. – Chairperson**
- 2) **Hon. (CPA) Moses Lessonet, M.P. – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. Bady Twalib Bady, M.P.
- 5) Hon. James Mwangi Gakuya, M.P.
- 6) Hon. (Dr.) Gideon Ochanda, M.P.
- 7) Hon. (Dr.) Makali Mulu, M.P.
- 8) Hon. (Dr.) Korei Ole Lemein, M.P.
- 9) Hon. Naisula Lesuuda, OGW, M.P.
- 10) Hon. Samwel Moroto, M.P.
- 11) Hon. Benard Masaka Shinali, M.P.
- 12) Hon. Sakwa Bunyasi, M.P.
- 13) Hon. James Gichuki Mugambi, M.P.
- 14) Hon. Florence C. K. Bore, M.P.
- 15) Hon. Fatuma Gedi Ali, CBS, M.P.
- 16) Hon. Danson Mwashako, M.P.
- 17) Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGY:

- 1) Hon. Millie Odhiambo, M.P.
- 2) Hon. Richard Onyonka, M.P.
- 3) Hon. Moses Kiarie Kuria, M.P.
- 4) Hon. Jude Njomo, M.P.
- 5) Hon. Sarah Korere, M.P.
- 6) Hon. John Muchiri Nyaga, M.P.
- 7) Hon. Paul Abuor, M.P.
- 8) Hon. (Dr.) John K. Mutunga, M.P.
- 9) Hon. (Eng.) Mark Nyamita, M.P.
- 10) Hon. Wangari Mwaniki, M.P.

DEPARTMENTAL COMMITTEE CHAIRPERSONS/ REPRESENTATIVES

- | | |
|--------------------------------------|-----------------------------------|
| 1. Hon. Kareke Mbiuki, M.P. | Environment & Natural Resources |
| 2. Hon. Julius Melly, M.P. | Education & Research |
| 3. Hon. (Dr.) W. Ojiambo Oundo, M.P. | Trade, Industry & Cooperatives |
| 4. Hon. Sabina Chege, M.P. | Health |
| 5. Hon. David Pkosing, M.P. | Transport, Public Works & Housing |

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|--------------------|
| 1) Ms. Phyllis Makau, OGW | Director, PBO |
| 2) Ms. Millicent Makina | Fiscal Analyst I |
| 3) Dr. Abel Nyangwachi | Fiscal Analyst III |
| 4) Mr. Jonathan Lemurt | Fiscal Analyst III |

COMMITTEE SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1) Mr. James Chacha | Fiscal Analyst II & Clerk |
| 2) Mr. Danson Kachumbo | Fiscal Analyst II & Clerk |
| 3) Ms. Rahab Chepkilim | Audio Officer |
| 4) Mr. Benard Omondi | Sergeant at Arms |
| 5) Mr. Joram Barasa | Office Assistant |

AGENDA

1. Preliminaries & Confirmation of Agenda
2. ***Receiving Submissions from Departmental Committees on the 2020 Budget Policy Statement***
3. Any Other Business (A.O.B)

MIN. NO. NA/BAC/2020/01: PRELIMINARY

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 10.00 A.M. Thereafter, a prayer was said.

MIN. NO. NA/BAC/2020/02: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL RESOURCES ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Environment & Natural Resources, during deliberations with Agencies, the Committee observed:

UNDER MINISTRY OF ENVIRONMENT & FORESTRY

There is low absorption rate of 35 percent attributed to delays in exchequer releases and payment of pending bills as first charge, thereby delaying project implementation.

The Ministry is experiencing shortage of staff due to high staff turnover through transfers to other ministries and retirements without replacement. The situation was made worse by the freeze on recruitment by the Public Service Commission. This had affected efficiency in the delivery of service.

In the FY 2020/21, the Ministry of Environment has been allocated Kshs. 237 million for the National Tree program. It was observed that in order to achieve 10 percent cover target by 2020, the Ministry requires 1 billion. The Budget cuts are likely to affect implementation of the national commitment to restoration of 10% forest cover programmes among others.

The European Union has suspended the support to water project due to alleged violation of Human Right in the Kenya Water Towers Protection and Climate Change Mitigation and adaptation (WaTER) project which involves Landscape restoration in 11 Counties in western Kenya and Bamboo planting in forest areas. This adversely affects the project implementation cycle and eventually may lead to withdrawal or even cancellation of the projects altogether.

The Ministry requested for increased funding to implement its key projects as well as the reinstatement of budgetary allocation of Kshs 591 million in the FY 2020/21 to increase rehabilitation of riparian and degraded areas. These amounts were for: Nairobi River Rehabilitation and Restoration (Kshs 110 million), Urban Rivers

Rehabilitation Project (Kshs. 70 million), Imarisha Lake Naivasha Catchment Management in Kenya (Kshs. 140 million), Suswa Lake Magadi – Migori Environment Restoration Project (Kshs. 71 million) and Forest Plantations (Kshs. 200 million). There was no allocation in the FY 2019/20 for these activities and therefore the Ministry has not been able meet its target.

The Ministry was in arrears for the subscriptions to International bodies amounting to Kshs. 144 million which was hindering the country's participation to ratified and domesticated agreements to enhance international cooperation on environmental conservation.

The Kenya Forestry Service (KFS) a disciplined force is operating below its capacity as 1 guard was allocated 1000 ha of forest to protect against the international standards of 1:400 Ha. The shortage of the forest guards and with proper protective equipment compromised the conservation efforts. There was therefore a gap of 2,500 rangers that needed to be filled for effective conservation and protection of forests.

NEMA continues to be affected by the removal of the Environmental Impact Assessment Fees by the National Treasury affecting its AIA and consequently, its effectiveness. Its reliance solely on exchequer had affected the Authority to carry out its inspection mandate due to lack of liquidity.

The Ministry has several Agencies with Chief Executive Officers in acting capacity, thereby affecting governance of these Agencies. There was need to have the officers who were acting to be confirmed in those positions for efficiency and effectiveness in the execution of mandate

UNDER MINISTRY OF WATER, SANITATION AND IRRIGATION

The Executive Order No. 6 of 2019 had merged the State Department for Irrigation with the Ministry of Water and Sanitation to establish the Ministry of Water & Sanitation and Irrigation on 22nd August, 2019. Following this merger, the vote was consolidated and hence necessitated the National Assembly to reorganize oversight role on the Irrigation Programmes apportioning it to the Committee on Environment and Natural Assembly. Previously, the State Department for Irrigation was being oversighted by the Departmental Committee on Agriculture and Livestock.

The Ministry of Water & Sanitation and Irrigation has designed various dams in the forest with an aim of supplying water resources through force of gravity. However,

these projects are experiencing delay in completion due to the Moratorium on forest, thereby restricting the contractors from accessing the projects. Consequently, the project costs were rising due to claims on idle time by the contractors. There is need to have the matter addressed by the Cabinet Secretaries for Environment and Forestry and that of Water & Sanitation and Irrigation for the provision of way leaves for the water projects.

The Ministry is at different stages of processing formulation of several policies and regulations. These include; National Water Policy, Land Reclamation Policy, National Irrigation Policy, Water Services Regulatory Rules, Water Resources Rules, Water Harvesting and Storage Rules, Water Tribunal Rules.

The Ministry experienced delayed exchequer releases and the budget was not uploaded to the IFMIS system in time and this adversely affected the expected targets achievement.

The water sector is largely dependent on external development partners' support for its capital expenditures. This poses the challenge that the sector may stumble to low development should the development partners withhold or suspend their budgetary support. This makes targeted projects susceptible to development partners funds flow and fluctuations.

The donor funded projects are experiencing delays in completion as the National Treasury was delaying the tax exemptions on equipment for these projects. There was need for the Cabinet Secretaries for the National Treasury and that of Water & Sanitation and Irrigation to address the matter expeditiously.

The Ministry does not have a provision for Resettlement Action Plan for ongoing projects. This ultimately leads to delays of projects resulting from lengthy process in compensation of project affected persons (PAP) in cases where there are compulsory acquisitions of land which is also compounded by the lengthy exchequer turnaround time.

The stalled Umaa and Badasa Dams have received allocations through supplementary 1 of the FY 2019/20 as payments for consultancy reports on their viability however there is no work on site.

UNDER STATE DEPARTMENT FOR WILDLIFE

The 1percent resources from the Road Maintenance Levy Fund (RMLF) set aside for the park's maintenance and rehabilitation of roads in national and game reserves was too little to carry out meaningful roads works.

On Human Wildlife Conflict Mitigation Programme through fencing, the Department was implementing it through labour contract, which was reported to be very slow and extraneous. It was therefore necessary for the Department to explore outsourcing the services to contractors with full fencing contracts for efficiency.

The Department has critical areas that have not been included in the FY 2020/21 include: Recruitment of Rangers, Kenya Parks Sustainability Programme (Kshs. 2.350 billion), Operationalization of Kenya Wildlife Research and Training Institute (kshs. 100 million), Ban of Plastic in Protected Areas (Kshs. 100 million), Beach Management Programme Kshs. 100 million) and new Wildlife Bill, Policy and Regulation (Kshs. 50 million), Human Wildlife Conflict Compensation Insurance Scheme (Kshs. 1 billion) and Securing Wildlife Corridors and Dispersal Areas (Kshs. 100 million).

UNDER STATE DEPARTMENT FOR MINING

The State Department for Mining had an allocation of Kshs. 999,268,613 in the FY 2019/20. However, in the proposed budget for FY 2020/21, the Department's budget has been reduced to Kshs. 973 million against a resource requirement of Kshs. 2.825 billion. The Department has continued to experience acute under funding despite its importance to the growth of the economy. On its part, the Department needed to redouble its efforts in collection of royalty so as to attract additional GOK funding.

The Development vote for the State Department is paltry Kshs. 312 million despite the need for it to purchase specialized equipment in preparation to initiate the next phase after the completion of the National Geo-physical Airborne Survey.

The Department priority areas of funding included: National Mining Corporation (Kshs. 200 million)- which is an investment arm of the Government in the mining sector; acquisition of Mines Inspectorate Equipment (Kshs. 110 million), Geo-exploration and Research (Kshs. 250 million) and Mineral Promotion & Value addition (Kshs. 300 million).

DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL RESOURCES RECOMMENDATIONS

That procurement plans are done in good time to ensure timely absorption of funds. The National Treasury to ensure that development projects reliance on donor funding is progressively reduced.

The Ministry of Environment and Forestry together with the National Treasury and the Public Service Commission to jointly work out on a formula for a progressive recruitment process to enhance service delivery.

Funds provided for national restoration of 10% forest cover programmes should be ring fenced in the current financial year and in the medium term. This will ensure the programme is insulated from irregular budgetary cuts. The parties should also consider introduction of conditional grant to county governments by setting aside funds to for tree planting programme.

The National Treasury and the Ministry of Environment and Forestry should renegotiate and address issues raised by the financier to resolve the stalemate and ensure resumption of the Kenya Water Towers Protection and Climate Change Mitigation and adaptation (WaTER) project which involves Landscape restoration in 11 Counties in western Kenya and Bamboo planting in forest areas.

The National Treasury to consider reinstating the Environmental Impact Assessment Fees collection by NEMA as AIA to supplement on the exchequer.

The Ministry of Environment and Forestry together with the National Treasury and the Public Service Commission to jointly work out on a formula for a progressive recruitment process to enhance service delivery.

The Cabinet Secretary, Ministry of Environment and Forestry to ensure that the Chief Executive Officers in acting capacity, are confirmed in those positions for efficiency and effectiveness in the execution of mandate.

The National Treasury to consider allocating Kshs 591 million in the FY 2020/21 beyond the ceiling to increase rehabilitation of riparian and degraded areas. These amounts are for: Nairobi River Rehabilitation and Restoration (Kshs 110 million), Urban Rivers Rehabilitation Project (Kshs. 70 million), Imarisha Lake Naivasha Catchment Management in Kenya (Kshs. 140 million), Suswa Lake Magadi – Migori Environment Restoration Project (Kshs. 71 million) and Forest Plantations (Kshs. 200 million).

The National Treasury to facilitate payment of arrears for the subscriptions to International bodies amounting to Kshs. 144 million which was hindering the country's participation to ratified and domesticated agreements to enhance international cooperation on environmental conservation.

On Human Wildlife Conflict Mitigation Programme through fencing, the State Department for Wildlife outsource the services to contractors with full fencing contracts for efficiency.

The State Department for Wildlife to initiate legislative amendment to Kenya Roads Board Act to increase the percentage quantum set aside for access road maintenance in the national and game reserves.

The National Treasury to expand the Department ceiling for the FY 2020/21 to include funds for the following projects: Recruitment of Rangers, Kenya Parks Sustainability Programme (Kshs. 2.350 billion), Operationalization of Kenya Wildlife Research and Training Institute (kshs. 100 million), Ban of Plastic in Protected Areas (Kshs. 100 million), Beach Management Programme Kshs. 100 million) and new Wildlife Bill, Policy and Regulation (Kshs. 50 million), Human Wildlife Conflict Compensation Insurance Scheme (Kshs. 1 billion) and Securing Wildlife Corridors and Dispersal Areas (Kshs. 100 million).

The National Treasury to expand the State Department for Mining ceiling and allocate additional Kshs.1.853 billion to address the acute under funding due to its importance to the growth of the economy.

COMMITTEE DELIBERATIONS

1. The Committee observed that sector has several stalled projects and wondered what was the government policy towards completion of the projects.
2. There are several agencies with Chief Executives in acting capacity, thereby affecting governance of these Agencies. There was need to have the officers who were acting to be confirmed in those positions for efficiency and effectiveness in the execution of mandate
3. The Department of Mining has continued to experience acute under funding despite its importance to the growth of the economy. On its part, the Department needed to redouble its efforts in collection of royalty so as to attract additional GOK funding.
4. The National Treasury to consider reinstating the Environmental Impact Assessment Fees collection by NEMA as AIA to supplement on the exchequer

5. The Ministry of Water, Sanitation and Irrigation to fast track receipt of the consultancy reports for Umaa and Badasa so as to necessitate allocation for the remaining works for the projects to completion.

MIN. NO. NA/BAC/2020/03: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON EDUCATION & RESEARCH ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Education & Research, during deliberations with Agencies, the Committee observed:

That the sector proposed 2020/21 resource ceiling is Kshs 497 Billion. This represents 0.2 percent increase from the 2019/20 allocation of Kshs 496 Billion. The proposed ceiling for recurrent spending is Kshs 479 Billion (96%) whereas Kshs 18 Billion (4%) is the proposed ceiling for development spending. Through this allocation, the Ministry and its various Agencies will be implementing a total of 12 programmes.

That the proposed 2020/21 budget ceiling for the sector is less compared to the resource requirement for the sector which stood at Kshs 637 Billion. This call for efficient utilization of available resources to curb wastage and to ensure that the key programmes are prioritized to ensure strategic objectives of the sector is achieved.

That some of the key performance indicators (KPI's) and targets within the sector are not based on the resource ceilings provided for each agency in the budget policy statement. For instance, the KPI for the TSC is recruitment of 20,006 secondary school teachers. However, the Commission has resources to only recruit only 5,000 secondary school teachers.

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.

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.

The Committee observes and commends the State Department for Vocational and Technical Training for reviving the following TTI's which had stalled, that is, North rift TTI, Riatirimba TTI, Garbatulla TTI and Liakipia West TTI.

The Committee observed that the State Department for Vocational and Technical Training has pointed out a resource gap in the provision of high voltage power for a number of TTI's whereas this is supposed to be provided by the NGCDF under the collaborative framework of establishing the TTI's.

The Committee observed that there are a number of institutions which offer training in various fields and are not within the supervision of any agency within the Ministry of Education in terms of the contents and the curriculum which is being applied. This puts to question the quality of these trainings.

The Committee observed that the current capitation which is offered to both primary and secondary school learners is not sensitive to the prevailing economic circumstances hence exerting pressure on public schools thus straining these institutions.

The Committee observed that the State Department for Vocational and Technical Training has not yet developed any policy guidelines for the management of TVET instructors (Trainers) one year after this function was transferred to it from TSC.

DEPARTMENTAL COMMITTEE ON EDUCATION & RESEARCH RECOMMENDATIONS

The Departmental Committee on Education and Research recommended the following:

a) Policy Recommendations

The National Treasury and the Ministry of Education reconciles some of the targets set to be in line with the available resources within the next one month.

That during the submission of the Budget estimates for 2020/21, the conditional for VTC's should not be lumped together under the development budget since part of it is being utilized as capitation to VTC students which is a recurrent spending. It should be disintegrated between recurrent and development budget.

That the Ministry of Education undertakes a costing of the free primary and free day Secondary Schools programmes within the next three months to ensure that the

resources allocated to these flagship programmes are sufficient and responsive to the current economic realities.

That the State for Vocational and Technical Training and the NGCDF collaborate to ensure that the newly established TTI's that lack adequate power are connected to the required power to ensure that the various equipment are able to function.

That the Ministry begins the process of engaging other government agencies to ensure that all trainings modules in various institutions across the country are harmonized and placed under the education sector for quality checks by ensuring that the training guidelines are uniform and adhered to.

That within the next one month, the State Department for Early Learning and Basic Education reviews the school feeding programme policy to expand access to other areas such as slums in urban areas and other pockets of poverty within the country.

That the State Department for Vocational and Technical Training develop policy guidelines and framework for the management of TVET instructors (Trainers) in the next six months. The policy should among other things include a framework for the distribution of trainers to ensure equity.

b) Financial recommendation

The 2020/21 proposed resource ceilings for the various State Departments in the Ministry of Education as well as the Teachers Service Commission as contained in the Budget Policy Statement 2020 be approved.

COMMITTEE DELIBERATIONS

- i. There is need for fairness in the distribution of resources towards Technical Training Institutes (TTIs) in the Country.
- ii. The government has not provided resources for infrastructure expansion so as to support 100 percent transition policy.

- iii. A new policy should be developed for identification of Hardship Areas. This would assist in the distribution of teachers across the country.
- iv. More resources should be channeled towards School Feeding Programme so as to provide to other deserving areas in the country such as the slums and other pockets of poverty across the country.
- v. There is need for the Ministry of Education to develop a policy that will facilitate the merge of universities and schools. The mergers will be able to contain expenditure pressures under the Ministry.

MIN. NO. NA/BAC/2020/04: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY & COOPERATIVES ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Trade, Industry & Cooperatives, during deliberations with Agencies, the Committee observed:

The State Department of Industry is mandated with raising the manufacturing share contribution to the GDP to 15 percent by supporting value addition to accelerate economic growth, create jobs and reduce poverty. The sector plays a key role through value addition of the agricultural production, production of low-cost housing materials, manufacturing of medical equipment and medicines among other things. The proposed reductions in the allocations does not reflect or support the expectations of the state department. Therefore, there is need for commensurate budget provision to the sector to ensure effective achievement of its mandate.

The efficiency in the utilization of the development budget allocations is wanting. There is a need to improve on the efficiency on implementation of capital projects to ensure that projects are completed within the planned duration and that expected returns and services are achieved the soonest.

There is a need to prioritize projects to be funded to ensure completion of ongoing projects as opposed to initiating new projects with limited funds.

While the BPS 2020 proposes the National Automotive Policy, which targets to gradually and systematically reduce and eliminate the imports of used vehicles and used parts from domestic market by promoting assembly and production of automotive products locally, the committee has not been engaged in the development of the policy. Concerns have been raised that the Kenyan manufacturers are importing and assembling old automotive parts in the pretext of assembling of new vehicles.

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY & COOPERATIVES RECOMMENDATIONS

Financial Recommendations

That Committee approves the Budget Ceilings as provided in the Budget Policy Statement for various votes under the purview of the Committee, that is, State Department for Cooperatives, State Department for Trade, State Department for Industrialization; but

Additional allocations of Ksh. 64 million to State Department for Trade for Operationalization of Kenya Trade Remedies Agency (KETRA)

An additional allocation of Ksh 950 million to the State Department for Industrialization. To cater for:

Programme: Industrial Development and Investment programme

(a) Ksh. 200 million, additional allocation for modernization of Rivatex.

(b) Ksh. 50 million for Rivatex- Cotton Extension Services for upscaling of cotton extension services in cotton growing areas. Rivatex is still underutilized because of lack of cotton. Rivatex which has an overwhelming demand for its products still imports up to 90% of the cotton. There is a need to enhance the funding towards cotton production.

Programme: Standards and Incubation programme

(c) Ksh. 200 million for Construction of Constituency Industrial Development Centers (CIDCs).

(d) Ksh. 400 million towards the Construction of Industrial Research Laboratories – KIRDI South B.

(e) Ksh. 100 million for Upgrading of Infrastructure at Kenya Industrial Training Institute.

COMMITTEE DELIBERATIONS

1. The Committee noted with concern the serious under funding in the sector despite the sector playing a vital role towards the Big Four Agenda.
2. It was observed that the sector has experienced budget cuts and it has several pending bills pending.

3. There is need to have a policy in place to support prioritization of new projects initiated with the limited funds.

MIN. NO. NA/BAC/2020/05: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON HEALTH ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Health, the Committee observed:

That, Health care system is already a burden in Kenya in terms of financing and infrastructure as the population continues to expand. In view of this the Committee observes that government needs to check the implication of the rapidly expanding population and put in place measures to control it in order to ensure that the goal and smooth implementation of UHC in the long run.

That, most facilities in the National Referral Hospitals are in dire state, more so the oldest referral hospital namely Kenyatta National Hospital. In addition, there are health human resource challenges in the referral hospitals which need to be addressed to ensure that the referral facilities remain centres of excellence in health service delivery.

The Committee noted that the national government has already signed intergovernmental framework with 42 county governments on the implementation of UHC. This signed intergovernmental framework has not be presented to the National Assembly for scrutiny.

The Ministry of Health has failed to inform the House on policy the country is using in the implementation of the Universal Health Coverage (UHC) which includes the financing aspects among other strategic matters.

The Committee noted that, in its discharge of service, Kenyatta National Hospital (KNH) had surpassed its targets and which meant additional cost since most of the patients treated in this facility are indigents hence are not able to promptly pay for the services rendered by the facility.

That, with the exit of donor support, the county is facing serious challenge in maintaining an operational and effective Blood bank in the Country. The National Blood Transfusion Service is seriously underfunded and as a result the Country is currently facing an acute shortage of blood and blood products.

- That, there is urgent need for reforms on a number of health social programmes such as the Linda mama, the health insurance subsidy for the vulnerable (elderly, poor and indigents) to make it part of the UHC to avoid duplication of efforts.

That, the Ministry is establishing a number of health facilities such as Rongai Trauma hospital and the East Africa Kidney Institute. However, the Committee is concerned that, the Ministry lacks a clear policy on how these health facilities will be operationalized and their subsequent classification.

That, despite the National Assembly in 2017 enacting the Health Laws Act, 2017, the Ministry is yet to operationalize these Laws hence impeding the process of aligning the Health Sector to the provisions of the Constitution of Kenya 2010. Similarly, the legal framework for the implementation of UHC more specifically on clarity on various roles between the county governments and the national government is also curtailed by non-operationalization of these laws.

There is lack of a clear policy to guide the establishment and or upgrading of hospitals from one level to another in the country.

There is no clarity on the role of the NHIF in the roll-out of the UHC, the Committee is concerned that the Ministry of Health seems to be sidestepping NHIF and laying emphasis on KEMSA in this roll-out.

- That, Kshs 4.3 billion has been proposed for the Level 5 hospitals meant enhance service delivery in these designated level 5 hospitals. However, there is no evidence on whether this past funding has actually served its purpose, since the services offered in these level 5 hospitals are not satisfactory and not commensurate to the corresponding funding.

That, a number of Public Private Partnerships (PPP's) projects were planned to be undertaken in the sector and which have not been realized since 2018. The Committee is also concerned regarding the criteria for the selection of the PPP projects and whether proper stakeholder involvement is undertaken.

It was observed that, despite the ongoing efforts to make Othaya Hospital a fully-fledged Referral facility, the Ministry lacks an official guiding framework on the establishment or upgrading of level six (6) hospital to become referral hospitals and to ensure equity in distribution of referral hospitals in the country

DEPARTMENTAL COMMITTEE ON HEALTH RECOMMENDATIONS

The Departmental Committee on Health recommended the following:

(a) Policy Recommendations

That, the national government and county governments should come up with a policy framework where the former provincial general hospitals are converted to national referral hospitals as part of the supportive initiative towards UHC. This will reduce of the resources required to establish new referral systems as envisaged in the Ministry's priorities.

That, the National Government as matter urgency, to issue a clear policy strategy and roadmap including financing mechanism for UHC.

In order to achieve smooth implementation of the UHC, the Ministry should within sixty (60) days put in place clear policy, strategy and criteria of upgrading level 4 to level 6 medical facilities to ensure equity in the distribution of facilities in the country.

That, the existing social health programmes such as the Linda mama, health insurance subsidy for the poor and the elderly to be merged to form part of the UHC to ensure there is no duplication since it is the same individuals who are targeted in the UHC programme.

That, within sixty (60) days of adoption of this report by the House, the Ministry of Health to submit to the National Assembly are a detailed report on the role to be played by the NHIF in the implementation of UHC alongside a matrix of reforms undertaken on NHIF which include ensuring of all acting positions within this critical institution are substantively filled. This will ensure that NHIF is able to adequately play its role in the implementation of UHC.

That, the Auditor General undertakes a special audit on the operation and management of the conditional grants to level 5 hospitals. This audit to focus among other areas, disbursements to the counties since the inception as well as the actual expenditures, the impact the grant has had in health service delivery at the county level, as well as the challenges if any in the monitoring of the usage of these funds. The report to be submitted to the National Assembly within 90 days of adoption of this report in House.

That, the Ministry develops the constitutive instruments for Mathare Teaching and Referral hospital and the Spinal Injury referral hospital within the next 90 days in

order for these institutions to have financial autonomy like the other referral facilities.

That, the Ministry of Health to prepare an amendment to the Insurance (Amendment) Act, 2019 which is effect placed the National Hospital Insurance Fund (NHIF) under the regulation of the Insurance Regulatory Authority (IRA)

The Ministry of Health to provide a report to the National Assembly on the criteria of arriving at the partners in Public Private Partnerships in the Health sector, the financing arrangement of the PPPs and its impact on UHC in the long run.

b) Financial recommendations

- 1) The blood transfusion services with a financial gap of Kshs 4 Billion and this has been made worse by donor withdrawal
- 2) The newly established Othaya Hospital which currently an annex of KNH requires additional Kshs. 200,000,000 for construction of Mortuary, Laundry and Kitchen. However, personnel emoluments of the Hospital to be catered by KNH.
- 3) Kenyatta National Hospital has a personnel emoluments shortfall of Kshs 1.1 Billion
- 4) Moi Teaching and Referral Hospital has a financial gap of Kshs 910,243,276 for Personnel Emolument that arose from Job Evaluation report approved by SRC.

COMMITTEE DELIBERATIONS

1. The National Government should provide a clear policy towards financing mechanism for UHC.
2. There is need to have a clear on policy towards financing of referral hospitals. It was observed that that most referral hospitals are in dire state and suffer from health human resource challenges. The is need for national government to provide additional resources towards them especially the Spinal Injury Hospital and Mathare Hospital.
3. There is no clarity on the role of the NHIF in the roll-out of the UHC. The Committee is concerned that the Ministry of Health seems to be sidestepping NHIF and laying emphasis on KEMSA in this roll-out.

MIN. NO. NA/BAC/2020/06: SUBMISSIONS BY THE DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING ON THE 2020 BUDGET POLICY STATEMENT

In the submission from the Departmental Committee on Transport, Public Works & Housing, the Committee observed:

a) State Department of Infrastructure,

The committee observed;

- i. That the annuity financing model was rolled out in the FY 2014/15 with an initial target of 435 KMs. Since then only 91 KMs road, Lot 33 (Ngong-Kiserian-Isinya Road, and Kajiado-Mashuru-Isara Road) at a cost of Kshs. 24 billion translating to approximately Kshs. 264 million per KM has taken off.
- ii. That the National Treasury and the State Department for Infrastructure did not take in to account the expected proceeds from floating the roads bond when they were finalising the Budget Policy Statement (BPS) 2020.

b) State Department of Transport

The committee observed;

- i. That the operations and maintenance expenditures for SGR has accumulated about Kshs. 35 billion that may lead to the private operator pulling out the operations of the project.

c) State Department for Shipping and Maritime

That the operationalization of the Kenya National Shipping Line (KNSL) is still formative stage.

d) State Department of Housing and Urban Development

The affordable housing programme has so far delivered only 228 units making it off track. The slow pace of implementation is attributed lack of funds to operationalize the housing development fund which has a shortfall Kshs. 45 billion.

i. State Department for Public Works

The State Department for Public Works is facing challenges in utilizing resources allocated to facilitate projects implemented by the Big Four drivers.

- The state Department is grappling a number of stalled projects on behalf various government agencies requiring Kshs. 5,700 million to complete.

DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING RECOMMENDATIONS

a) State Department for infrastructure

- i. That the National Treasury amends the annuity legal instruments through the finance bill 2020 to allow the annuity fund finance Development of roads and used as counterpart funding in the budget estimates.
- ii. That the National Treasury should take into account the expected proceeds from the roads bond in formulating the Budget Estimates for the FY 2020/21.

b) State Department for Transport

Amendments to the Customs and Excise Act to allow the Railway Development Levy Fund (RDLF) to finance the operations of the Standard Gauge Railway (SGR) since land compensation is completed and phase 2 B (Naivasha – Kisumu) is yet to take off.

c) State Department for Shipping and Maritime

The State Department for shipping and Maritime completes the operationalization of the Kenya National Shipping Line by the end of calendar year 2020.

d) State Department for Housing and Urban Development

The National Treasury provides the Kshs. 45 billion shortfalls in the Affordable Housing programme in phases, starting with the fourth quarter 2019/20 and the balance in the FY 2020/21.

e) State Department for Public Works

- i. That resources to enablers of the big four projects be made available only when sites are ready from the side of the drivers to avoid locking resources from other priority areas.
- ii. That the National Treasury avails the Kshs. 5.7 billion to the State Department in the FY 2020/21 to enable the State Department complete the stalled projects hand over to the clients.

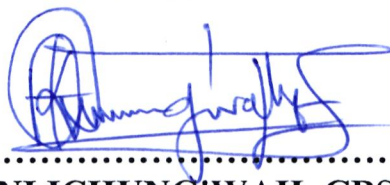
COMMITTEE DELIBERATIONS

1. The Committee noted with concern that there were no policies towards the Nationalization of Kenya Airways
2. Members of the Committee queried as to why most of the projects being funded under Public Private Partnership (PPP) had not taken off, most of the projects are at design stage.
3. The Committee observed that there was need to amend the Public Procurement Act so as to blacklist non-performing contractors. It was observed that some contractors do a sloppy job after being awarded a contract.
4. An audit should be done towards roads funded under low volume seal roads so as to ensure fairness.

MIN. NO. NA/BAC/2020/7: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matters to consider, the meeting was adjourned at 1.30 P.M.
The next meeting will be Wednesday, 26th February 2020.

SIGNED



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

03/03/2020

.....
DATE