



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

NATIONAL GOVERNMENT

BUDGET IMPLEMENTATION REVIEW REPORT

HALF YEAR
2014/2015



FEBRUARY, 2015



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Parliament
By leader of
majority party
Hon. Aden Duale
on Tuesday
10/3/2015
[Signature]



FOREWORD

The Office of the Controller of Budget (OCOB) is pleased to issue the second National Government Budget Implementation Review Report (BIRR) for the Financial Year (FY) 2014/15. The report has been prepared in accordance with Article 228 (6) of the Constitution which requires the Office of the Controller of Budget to submit to Parliament a report on the implementation of the budgets of the national and county governments every four months.

This report presents budget performance of Government Ministries, Departments and Agencies (MDAs) for the period July to December 2014. Actual performance is compared to annual targets and the objectives stated in the 2014 Budget Policy Statement (BPS). The report also highlights the challenges that faced budget implementation during the reporting period and makes recommendations to address these challenges.

This report has been made possible because of the efforts of the staff of both the OCOB and Government Ministries, Departments and Agencies (MDA). The report is largely based on analysis of expenditure returns by MDAs and data generated from the Integrated Financial Management System (IFMIS). It is also informed by continuous monitoring of exchequer issues and reviews, and, trends from prior reporting periods.

The Office is committed to promoting openness, transparency, accountability and fiscal responsibility in public financial management. I wish to urge the readers of this report to continue to take active interest in the budgeting process, from formulation, implementation, monitoring and evaluation phases. This way, all stakeholders will contribute towards ensuring that the Government delivers on the promises made to the citizenry.



Mrs. Agnes Odhiambo

Controller of Budget

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EXECUTIVE SUMMARY

The Office of the Controller of Budget (OCOB) was established under Article 228 of the Constitution of Kenya, 2010 to oversee and report on implementation of the budgets of both the national and county governments to each House of Parliament every four months.

This is the second Budget Implementation Review Report (BIRR) for the Financial Year (FY) 2014/15 covering the period July to December, 2014. The report compares fiscal performance of Government Ministries, Departments and Agencies (MDAs) in the first half of the FY 2014/15 against targets set in the annual budget and the objectives stated in the 2014 Budget Policy Statement (BPS). The report also highlights challenges that affected budget implementation by MDAs during the reporting period and makes recommendations to address these challenges.

During the period under review, the macro-economic environment underlying budget implementation was largely stable. According to data released by the Kenya National Bureau of Statistics (KNBS) in December 2014, the country's economy was estimated to have expanded by 5.5 per cent during the period October to December 2014, which is a slight decline compared to a growth of 6.2 per cent realized in similar period of the year 2013. Nonetheless, the overall 12-month inflation rate declined from 7.15 per cent in December, 2013 to 6.02 per cent in December, 2014. Inflation rate has been on a declining trend from August, 2014 to December, 2014 mainly due to reduction in the cost of electricity and petroleum products. The Kenyan shilling depreciated against the US dollar in the first half of FY 2014/15, but appreciated against the Sterling Pound and the Euro. The average yield rate for the 91-day Treasury Bills (TB) varied from a low of 8.29 per cent in August, 2014 to a high of 9.78 per cent registered in July 2014 while the Central Bank base lending rate remained constant at 8.5 per cent.

In the period July to December 2014, the actual revenue raised by the National Treasury amounted to **Kshs.832.2 billion** representing **60.6 per cent** of the annual target. This is a 41.5 per cent growth in revenue compared to the same period in the FY2013/14. The tax income category contributed the highest proportion of revenue at 57.3 per cent, the balance brought forward from FY2013/14 contributed 16.9 per cent, net domestic borrowing at 12.9 per cent while the commercial loan category contributed 8.9 per cent. The Kenya Revenue Authority (KRA) collected **Kshs.518.3 billion** during the first half of FY 2014/15 which represents 94.3 percent of the target for the period. The revenue raised by KRA during the period under review represented an increase of Kshs.47.5 billion or 10.1 per cent compared to Kshs.470.8 billion collected in the same period of FY 2013/14.

The total exchequer issues to MDAs and County Governments during the period under review amounted to **Kshs.680.5 billion** which translates to 42.8 per cent of the annual net estimates compared to Kshs.585.6 billion released in the same period in the last financial year, which represented 42.2 per cent of the annual net estimates for 2013/14 financial year. The exchequer issues for the period under review comprised of **Kshs.285.6 billion** for recurrent expenditure, **Kshs.103.9 billion** for development expenditure, **Kshs.207.4**

billion for the Consolidated Fund Services (CFS), **Kshs.103.9 billion** for development expenditure, and **Kshs.83.6 billion** to the County Governments.

In the first half of FY 2014/15, total expenditure by MDAs amounted to **Kshs.629.1 billion** which translates to an absorption rate of **39.4 per cent**, an improvement compared to **Ksh.439.5 billion** representing an absorption rate of **30.6 per cent** in the first half of FY 2013/14. This expenditure comprised of **Kshs.499.9 billion** for recurrent expenditure inclusive of CFS, translating to an absorption rate of **45.3 per cent** and **Kshs.129.2 billion** on development expenditure translating to an absorption rate of **26.1 per cent**. Comparable expenditure in the same period of the FY 2013/14 were **Kshs.369 billion** on recurrent expenditure and **Kshs.70.5 billion** on development projects translating to absorption rates of **37.2 per cent** and **15.8 per cent** respectively.

Analysis of recurrent expenditure shows that Kshs.123.1 billion (53.5 per cent) was spent on personnel emoluments, transfers to SAGAs amounted to Kshs.63.8 billion (27.7 per cent), while expenditure on operations and maintenance amounted to Kshs.43.3 billion (18.7 per cent). A breakdown of development expenditure indicates that Kshs.69.7 billion (47.3 per cent) was transferred to Semi-Autonomous Government Agencies (SAGAs) while Kshs.55.8 billion (37.9 per cent) was spent on refurbishment of buildings, infrastructure construction and civil works.

During the period under review, budget implementation faced a number of challenges. These included; low absorption of recurrent and development funds, and failure by MDAs to report on A-I-A. These challenges need to be addressed so as to improve budget implementation.

This report continues to provide useful information on budget implementation by the National Government entities. It is hoped that the report will inform policy decisions and ultimately contribute to improvement of budget performance in the Country.

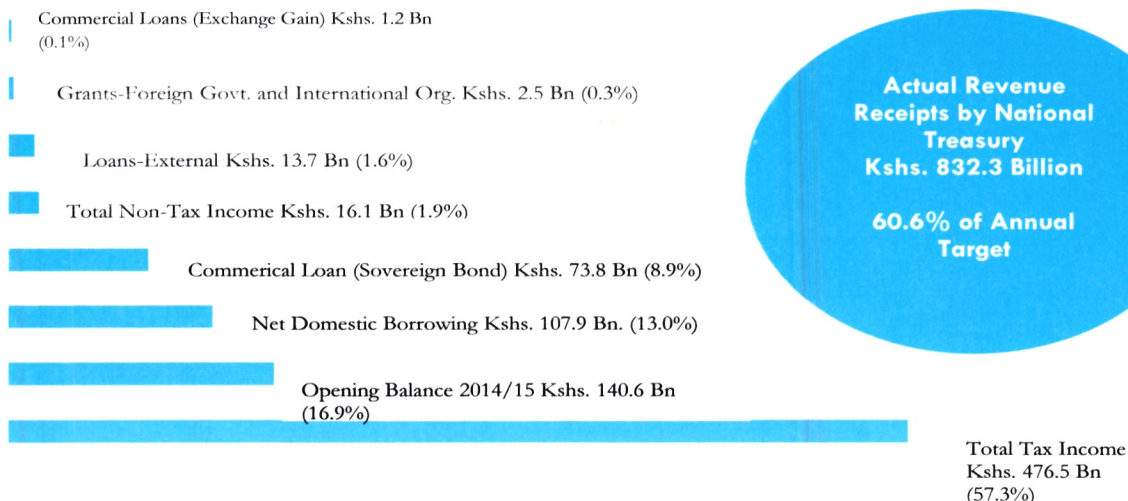
ACRONYMS

A-I-A	Appropriations in Aid
AIDS	Acquired Immune Deficiency Syndrome
AMISOM	Africa Union Mission in Somali
AR & UD	Agricultural Rural and Urban Development
Bn	Billion
BIRR	Budget Implementation Review Report
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
CIC	Commission for Implementation of the Constitution
COB	Controller of Budget
CPI	Consumer Price Index
DPP	Directorate of Public Prosecutions
EACC	Ethics and Anti-Corruption Commission
EI & ICT	Energy Infrastructure and Information Communication Technology
ERC	Energy Regulatory Commission
FY	Financial Year
GBP	Great Britain Pound
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GJLOS	Governance, Justice, Law and Order Sector
HIV	Human Immunodeficiency Virus
IEBC	Independent Electoral and Boundaries Commission
IFMIS	Integrated Financial Management Information System
IPOA	Independent Police Oversight Authority
IPPD	Integrated Personnel Payment Data
JSC	Judicial Service Commission
KEMRI	Kenya Medical Research Institute
KEMSA	Kenya Medical Supplies Agency
KMTC	Kenya Medical Training College

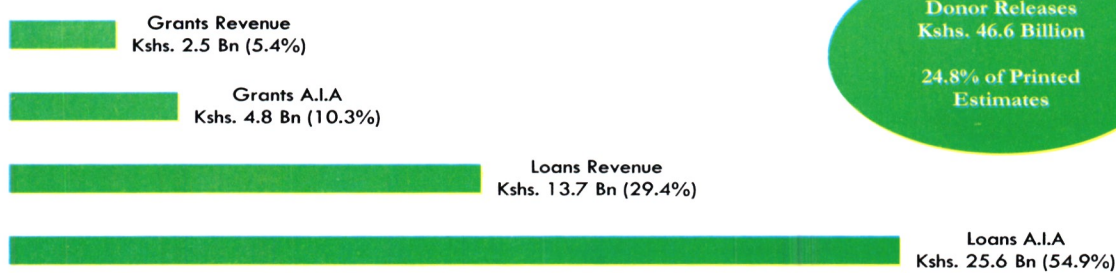
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
KNCHR	Kenya National Commission for Human Rights
KNH	Kenyatta National Hospital
KRA	Kenya Revenue Authority
Kshs.	Kenya Shillings
MDA(s)	Ministries Departments and Agencies
Mn	Million
MOEST	Ministry of Education Science and Technology
NACC	National Aids Control Council
NGEC	National Gender and Equality Commission
NHIF	National Hospital Insurance Fund
NIS	National Intelligence Service
NLC	National Land Commission
NPSC	National Police Service Commission
NT	National Treasury
OCOB	Office of the Controller of Budget
O&M	Operations and Maintenance
PAIR	Public Administration and International Relations
PAYE	Pay As You Earn
PFM Act	Public Finance Management Act
RPP	Registrar of Political Parties
SAGAs	Semi-Autonomous Government Agencies
TARDA	Tana-Athi River Development Authority
TSC	Teachers Service Commission
US	United States
VAT	Value Added Tax
WPA	Witness Protection Agency

KEY HIGHLIGHTS

FY 2014/15 Half Year Exchequer Receipts



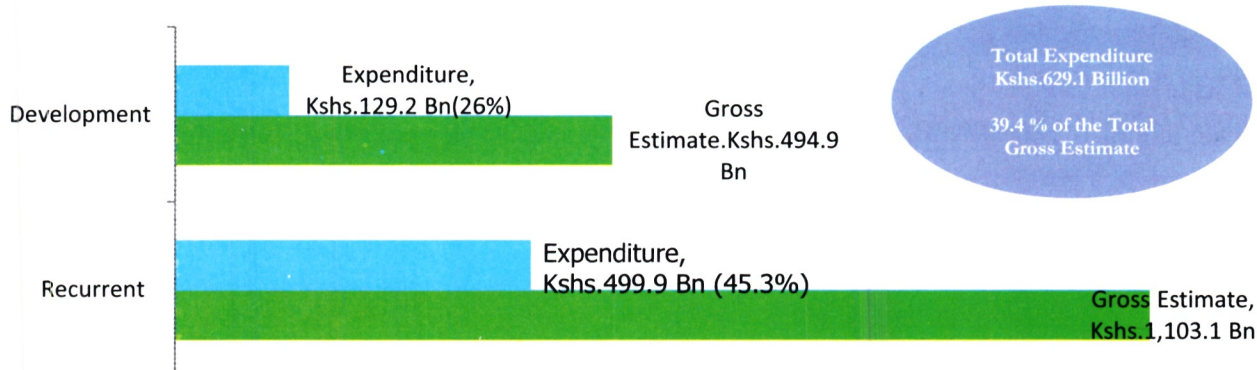
FY 2014/15 Half Year Donor Disbursements



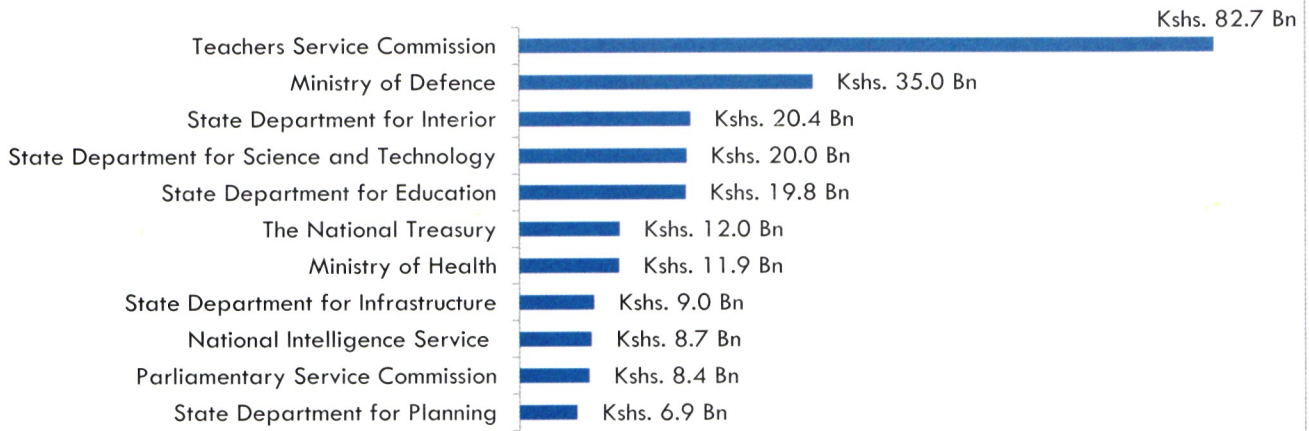
FY 2014/15 Half Year Total Expenditure



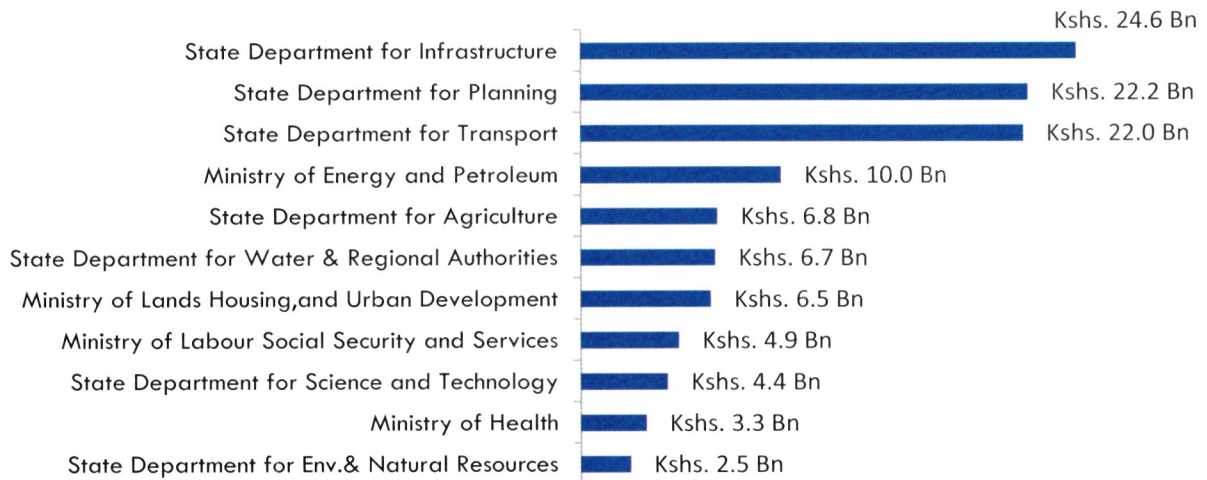
FY 2014/15 Half Year Absorption Rates



Top 10 Spending MDAs-Recurrent Expenditure



Top 10 Spending MDAS-Development Expenditure



**Total Public Debt Stock
Kshs. 2.48 Trillion**

52.1% of GDP

**Domestic-Kshs.1.31 Trillion
Foreign- Kshs. 1.17 Trillion**

PUBLIC DEBT PAYMENT/SERVICING

Domestic: Redemption Kshs.72.36 billion

Interest, Kshs.56.11 billion

Foreign: Principal Kshs.66.2 billion

Interest Kshs.15.2 billion

1.0 INTRODUCTION

This Budget Implementation and Review Report (BIRR) is prepared in line with Article 228(6) of the Constitution, which requires the Controller of Budget to report to each House of Parliament on the implementation of the budgets of the national and county governments every four months. The overall objective of the report is to give an account on how the public funds released to Ministries, Departments and Agencies (MDAs) have been utilized, highlight any key challenges in budget implementation, and make recommendations to address the challenges. The report is intended to inform Parliament, the Executive and other stakeholders including the public on revenue and expenditure performance by public institutions.

The report reviews budget implementation by the National Government for the half year period from July to December, 2014. It evaluates budget implementation activities based on revenue performance in the period as reported by both the National Treasury and the Kenya Revenue Authority. The report also underscores implementation of development activities, recurrent expenditure, and highlights fiscal performance of the government towards achieving budget objectives set in the Budget Policy Statement (BPS), 2014. Expenditure is categorised into recurrent and development. In analysing total expenditure, the report compares budget performance for recurrent and development expenditure by MDAs and further disaggregates expenditure into broad sectors and sub-sectors. The report compares the performance of the sub-sectors with regard to the exchequer issues relative to the net estimates of the sub-sector.

The overall budget for the FY 2014/15 is estimated at Kshs.1.84 trillion. This is to be financed by both domestic and foreign revenue from taxes and non-taxes collected by Kenya Revenue Authority (KRA), Appropriations-In-Aid (A-I-A), grants, and domestic and foreign borrowing. An analysis of revenue performance is presented. The report also presents analysis of budget estimates, exchequer issues and actual expenditure by MDAs. Absorption rate is used as an indicator of budget implementation performance and is computed by expressing the total expenditure as a proportion of approved gross estimates and normally represented as a percent. Consequently, expenditure is split into recurrent and development with the recurrent expenditure further analysed by economic classification, namely; Compensation to Employees, and Operations and Maintenance (O&M).

Chapter two of the report gives an overview of the macro-economic indicators under which the budget was implemented. It presents a summary of the macro-economic environment under which the government raised revenue and incurred public expenditure. These include; economic growth, inflation, exchange rate, and chapter three of the report highlights financial performance of the budget. It analyses revenue collection by KRA and the National Treasury and exchequer issues to the MDAs to facilitate implementation of their budgets. This section presents donor releases, domestic and foreign borrowing, Consolidated Fund Services expenditure, and expenditure absorption by sub-sectors. Chapter four provides summarised implementation status of the programs undertaken by MDAs.

Chapter five highlights the issues that faced budget implementation during the reporting period. These challenges are listed and appropriate recommendations are made to improve budget execution in the future. Chapter six of the report provides the conclusion

2.0 MACRO-ECONOMIC HIGHLIGHTS

The 2014 Budget Policy Statement (BPS) was formulated against a backdrop of improving global economic prospects, gradual strengthening of the advanced Economies and continued growth in Sub-Saharan Africa. The BPS set out priority programs for economic transformation and building a shared prosperity to be implemented in the Medium Term Expenditure Framework (MTEF) for 2014/15–2016/17.

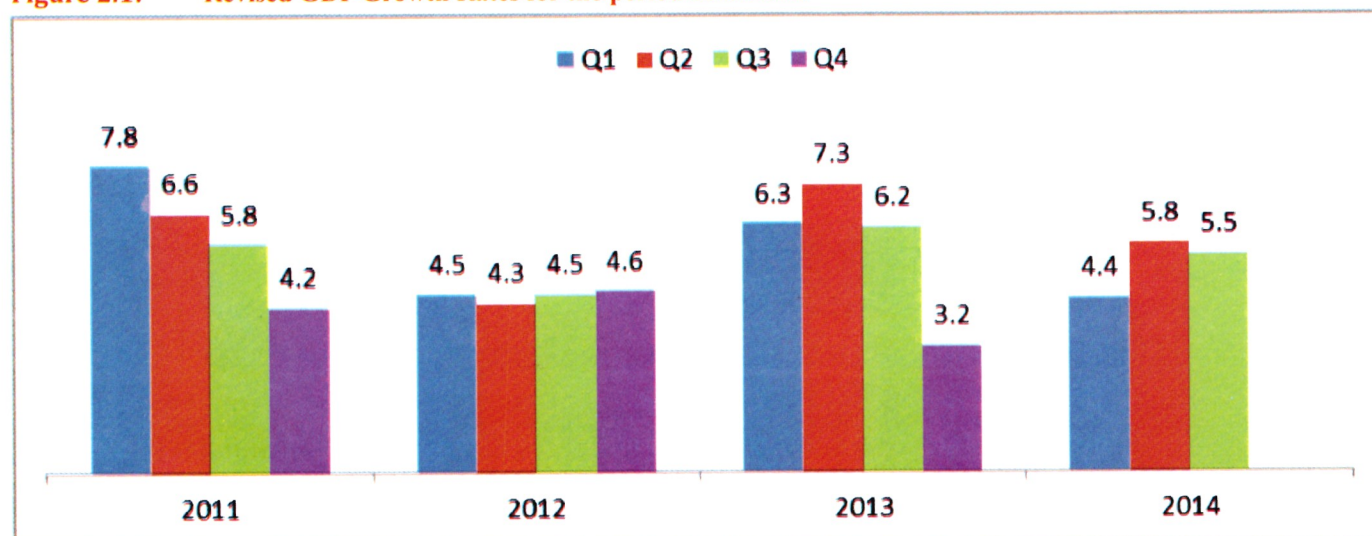
2.1 Economic Growth

The 2014 BPS that was released in February, 2014 by the National Treasury projected the Kenyan economy to expand by 5.8 per cent in 2014. This initial projection has subsequently been revised downwards to between 5.0 and 5.5 per cent due to lower than projected performance of the economy in the first half of the calendar year and the impact on tourism following security concerns.

According to the data released by the Kenya National Bureau of Statistics (KNBS), Kenya's economy is estimated to have expanded by 5.5 per cent during the third quarter of 2014, a decline compared to a revised growth of 6.2 per cent that was realized in the same period of 2013. The performance of the economy during the third quarter of 2014 was mainly supported by strong expansions of activities in construction; finance and insurance; wholesale and retail trade; information and communication; and agriculture and forestry sectors. The KNBS data shows that all the sectors of the economy recorded positive growth with the exception of accommodation and food services which has consistently been on the decline since 2013.

Figure 2.1 shows quarterly economic growth rates from 2011 to 2014.

Figure 2.1: Revised GDP Growth Rates for the period 2011-2014



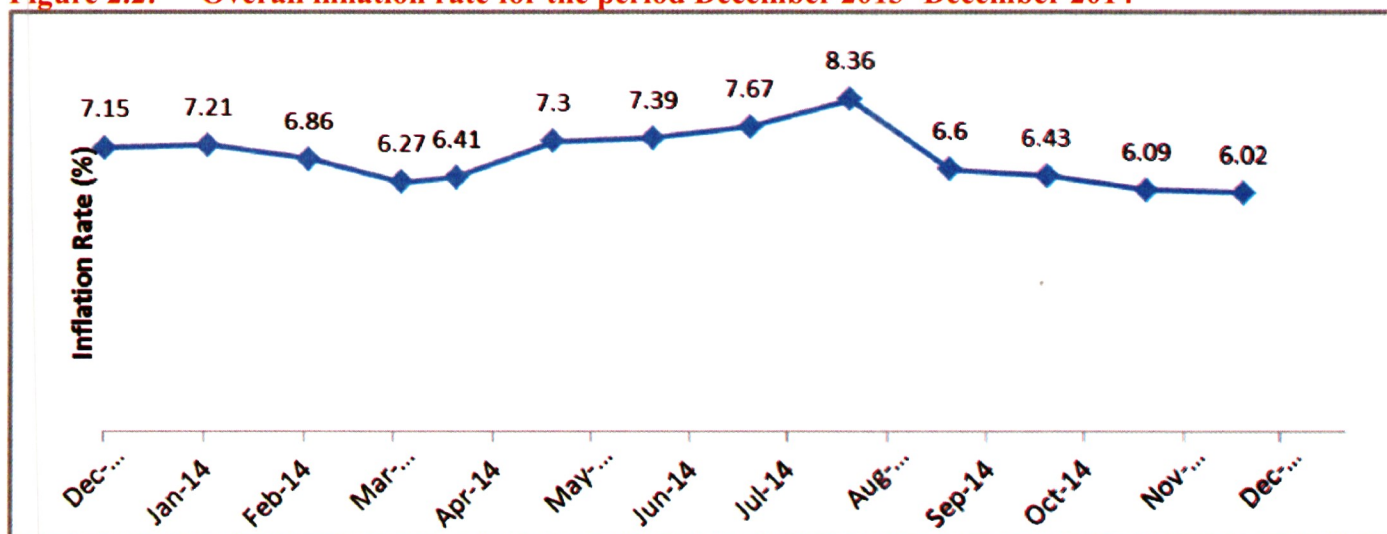
Source: KNBS 2014

2.2 Inflation

The overall 12-month inflation declined from 7.15 per cent in December 2013 to 6.02 per cent in December 2014. The inflation rate recorded in December 2014 was the lowest in the last 17 months. Figure 2.2 shows that the rate of inflation has been on a declining trend from 8.36 per cent in August 2014 to 6.02 per cent in December 2014.

According to the KNBS, the decline in inflation was mainly attributed to reduction in the cost of electricity and petroleum products. The fuel cost charge for electricity per kilowatt hour decreased from Kshs.7.22 in August, 2014 to Kshs.2.87 in December, 2014 while the price of a litre of petrol fell from Kshs. 117.3 in August, 2014 to Kshs. 102.86 in December, 2014. There was however an increase in prices of several food commodities as well as upsurge in transport costs associated with Christmas festivities. It is expected that the impact of the decline in inflation rate, drop in crude oil prices and the additional megawatts added into the national grid from geothermal will be felt in the first quarter of 2015. Figure 2.2 gives a trend of overall inflation from December 2013 to December 2014.

Figure 2.2: Overall inflation rate for the period December 2013- December 2014



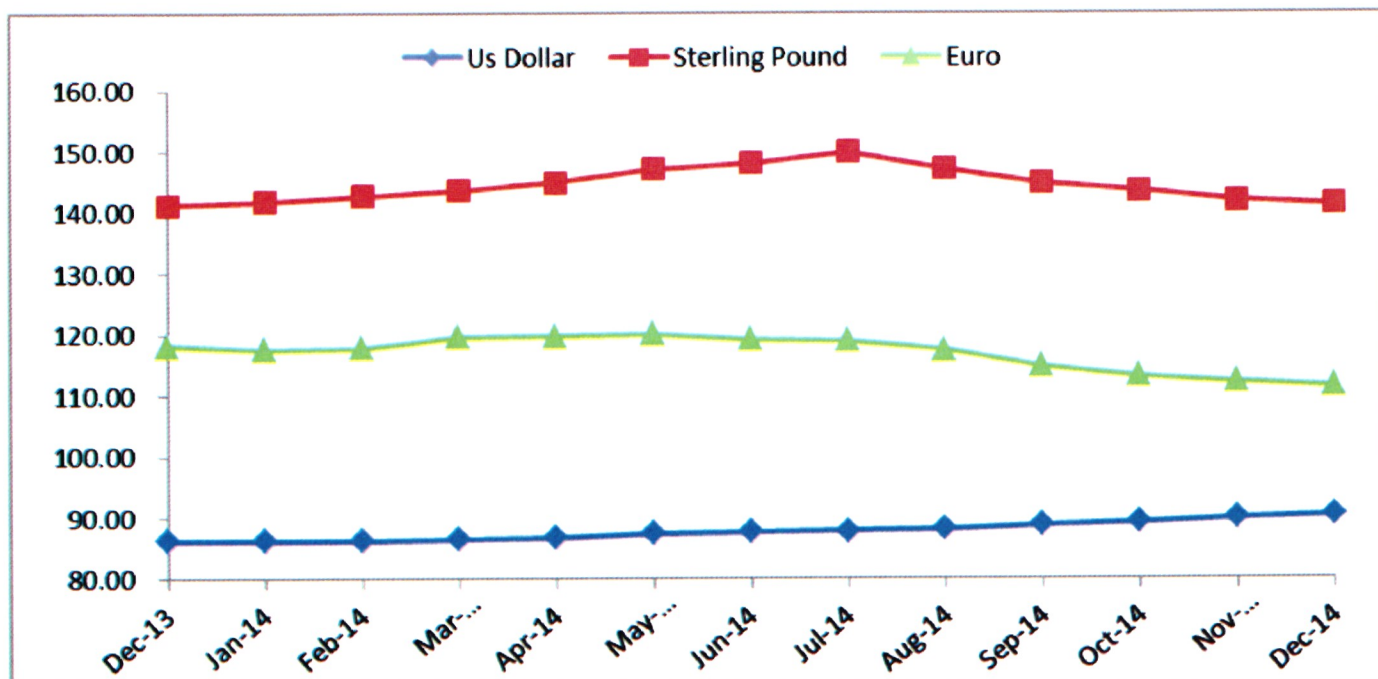
Source: KNBS 2014

2.3 Exchange Rate

The exchange rate of the Kenya Shilling to the major world currencies depicted mixed fortunes during the first half of FY 2014/15. The local currency depreciated against the US dollar during the period under review but appreciated against the Sterling Pound and the Euro during the period under review as shown in figure 2.3

The Kenya shilling weakened against the US dollar from Kshs.87.77 in July, 2014 to Kshs. 90.44 in December, 2014. According to the Central Bank of Kenya, (CBK) the weakening of the shilling was largely on account of general strengthening of the dollar on the international markets coupled with high dollar demand from importers. Other factors that contributed to the depreciation of the domestic currency were decline of tea prices and reduction of foreign tourists arriving in the country. The Kenya shilling strengthened against the sterling pound and the Euro to trade at Kshs. 141.45 and Kshs. 111.52 respectively in December, 2014 from Kshs. 150.01 and Kshs. 118.93 respectively in July, 2014.

Figure 2.3: Kenya Shilling Exchange Rate for the period Dec 2013 to Dec 2014

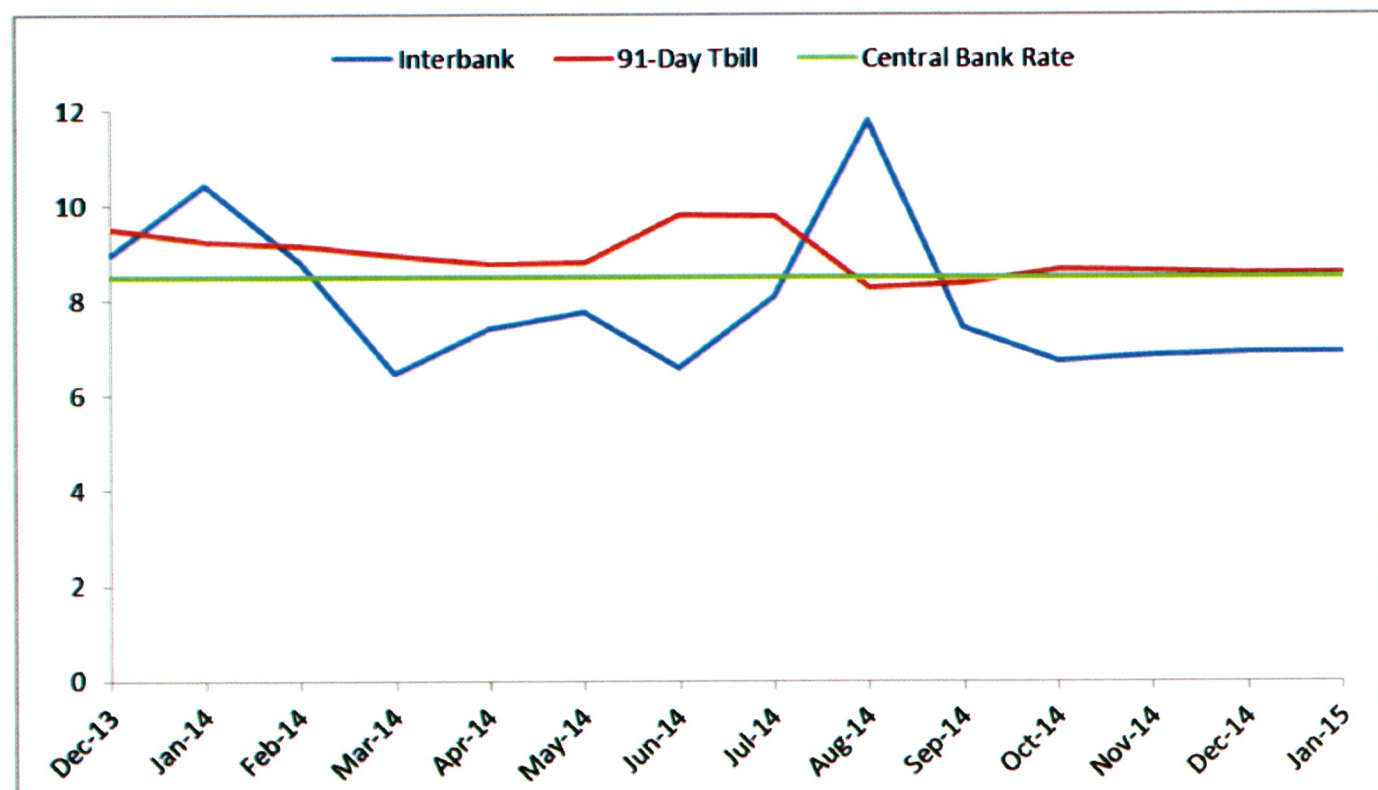


Source: CBK, 2014

2.4 Interest Rates

During the period July to December, 2014, the average yield rate for the 91-day Treasury Bills registered a high of 9.78 per cent in July 2014 and a low of 8.29 per cent in August, 2014. The interbank rates varied from 6.73 per cent in October, 2014 to 11.79 per cent in August, 2014 while the Central Bank rate remained constant at 8.5 per cent as shown in figure 2.4.

Figure 2.4: Interest Rates for the Period December 2013 and December 2014



Source: CBK 2014

3.0 FINANCIAL ANALYSIS HALF YEAR, FY 2014/15 BUDGET IMPLEMENTATION

3.1 Analysis of Revenue Estimates

In order to finance the Kshs.1,840 billion budget, the National Treasury projected to raise Kshs.1,374 billion in exchequer revenue during FY 2014/15. The key sources for exchequer revenue included; Tax income category (Kshs.1.1 trillion), Net domestic borrowing (Kshs.190.8 billion), Commercial Loan (Kshs.36.4 billion), Non-Tax Income (Kshs.36.2 billion), and Loans from Foreign Governments and International Organisations. Other sources that will add to the national exchequer revenue include Grants from Foreign Governments and International Organisations (Kshs.10 billion), Grants from AMISOM (Kshs.6.1 billion), Social Safety Net Loan (Kshs.2.0 billion) and Domestic Lending (Kshs.2 billion).

3.1.1 Revenue Receipts by National Treasury

In the six months period under review, the National Treasury realised a total of Kshs.832.2 billion as exchequer revenue, against the annual target of Kshs.1,374.1 billion representing 60.6 per cent of the annual target revenue. This is a 41.5 per cent growth in exchequer revenue over the Kshs.588.2 billion received in the same period in FY 2013/14.

A review of the composition of Kshs.832.2 billion received shows that, the tax income category was the key source of revenue having contributed 57.3 per cent (Kshs.476.5 billion) of the total revenue. The analysis further shows that, balance brought forward from the previous financial year (2013/14) was Kshs.140.6 billion which constituted 16.9 per cent of the total revenue received in the first half of FY 2014/15.

The Commercial Loan category generated Kshs.73.8 billion against the annual target of Kshs.36.4 billion, reflecting a performance level of 202.6 per cent and constituted 8.9 per cent of the total revenue realised in the period under review. Revenue from the Net domestic borrowing category amounted to Kshs.107.9 billion which was 56.6 per cent of the annual target, contributing 12.9 per cent of the total revenue received in the period under review. A summary of revenue receipts by National Treasury is illustrated in table 3.1.

Table 3.1: Statement of Actual Revenue as at end of December 2014 (Kshs. Billions)

Receipts by Category	Printed Estimates.	Actual Receipts Dec-2014	Performance Against Target (%)	Contribution by Category (%)	Actual Receipts FY 2013/14	% Growth over FY 2013/14
Opening Balance 2014/15		140.6		16.9%	0.5	+28,019.6%
Total Tax Income	1,050.9	476.5	45.3%	57.3%	423.8	+12.4%
Total Non-Tax Income	36.2	16.1	44.4%	1.9%	11.3	+41.9%
Net Domestic Borrowing	190.8	107.9	56.6%	12.9%	134.3	-19.6%
Loans – External	36.2	13.7	37.7%	1.6%	12.3	+10.7%
Commercial Loan(Sovereign Bond)	36.4	73.8	202.6%	8.9%	-	-
Commercial Loan(Exchange Gain)		1.2	-	0.1%		
Loan-Budget Support(Social Safety Net)	5.4	-	-	-	-	-
Domestic Lending and On-Lending	2.0	-	-	-	-	-
Grants-Foreign Govt. and International Org	10.0	2.46	24.6%	0.3%	6.9	-64.2%
Grants from AMISOM	6.1	-	-	-	-	-
TOTAL	1,374.1	832.2	60.6%	100.00%	588.2	+41.5%

Source: National Treasury 2014/2015

3.1.2 Revenue Collection by Kenya Revenue Authority

During the first half of FY 2014/15, Kenya Revenue Authority (KRA) collected a total of Kshs.518.3 billion against the half year target of Kshs.549.6 billion, a performance rate of 94.3 per cent. The half year revenue collection increased by Kshs.47.5 billion or 10.1 per cent compared to Kshs.470.8 billion collected in the half year period of FY 2013/14.

The revenue collected comprised of Kshs.495.3 billion as exchequer revenue and Kshs.22.9 billion as agency revenue. In FY 2013/14 the six months exchequer revenue amounted to Kshs.447.9 billion, hence an increase by Kshs.47.5 billion.

A review of the exchequer revenue collections during the period under review shows that domestic taxes contributed the highest revenue at Kshs.338.0 billion or 65.2 per cent of the total revenue collected. The domestic taxes revenue comprised of Kshs.240.1 billion from the Large Taxpayers Office and Kshs.97.9 billion from the Medium and Small Taxpayers Office. The Customs Service's category ranked second by raising Kshs.178.2 billion while the Transport Revenue category generated Kshs.2.0 billion, which was 34.4 per cent and 0.4 per cent respectively of the total revenue collected. Table 3.2 illustrates KRA performance over the six months' period and also provides a comparison with the targets for the period and similar period in FY 2013/14.

Table 3.2: Exchequer Revenue Performance for July - December 2014 (Kshs. Millions)

Revenue Category	Half Year 2014/15 Target	Half Year Performance 2014/15	Variance	Performance Rate (%)	Half Year Performance 2013/14	Growth Rate Over 2013/14 (%)
Customs Services	189,209	178,236	(10,973)	94.2%	168,452	5.8%
Domestic Taxes	357,869	338,028	(19,841)	94.5%	300,514	12.5%
Large Tax Payers Office	259,879	240,090	(19,789)	92.4%	218,147	10.1%
Medium and Small Taxpayers	97,990	97,938	(52)	99.9%	82,367	18.9%
Road Transport	2,531	2,048	(483)	80.9%	1,847	10.9%
Total	549,609	518,312	(31,297)	94.3%	470,812	10.1%
Exchequer Revenue	528,515	495,369	(33,146)	93.7%	447,867	10.6%

Source: KRA Dec 2014 Revenue Report

In its endeavour to meet the targets, KRA continues to focus on, among other measures, which includes the enhanced use of IFMIS by the county governments to track supplier declarations as well as finalise rolling out of the automated tax payment system (*i-Tax*). KRA also plans to undertake market surveillance to address excise tax evasion.

3.2 Exchequer Issues to MDAs and County Governments

The total budget for FY 2014/15 amounts to Kshs.1.84 trillion, comprising of: Kshs.687.2 billion for recurrent expenditure, Kshs.494.9 billion for development expenditure, Kshs.415.6 billion for the Consolidated Fund Services (CFS), and Kshs.242.4 billion to counties consisting of Kshs.226.7 billion in equitable share and Kshs.15.7 billion as conditional grants.

MDAs received total exchequer issues of Kshs.680.5 billion (42.8 per cent of the total net estimates) in the first half of FY 2014/15 compared to the total exchequer issues released in the same period during the last financial year which amounted to Kshs.585.6 billion (42.2 per cent of the annual net estimates of FY 2013/14). The exchequer issues released for Consolidated Fund Services in the period under review amounted to Kshs.207.4 billion, representing 49.9 per cent of the annual net estimates, which is an increase from 32.4 per cent recorded in the same period in the last financial year. Exchequer issues to the County Governments Revenue Fund Accounts (CRF) amounted to Kshs.83.6 billion in the period under review compared to Kshs.66.5 billion released in the same period of FY 2013/14, an increase of 25.71 per cent.

During the period under review, the Governance, Justice, Law and Order (GJLOS) sector received the highest percentage of exchequer issues to annual net estimates at 45.2 per cent while the General Economic & Commercial Affairs (GECA) sector received the least percentage of exchequer issues to annual net estimates at 31.9 per cent. Table 3.3 provides a summary of the exchequer issues to the MDAs, Counties and for the CFS.

Table 3.3: Total Exchequer Issues, July to December, 2014 (Kshs. Billions)

Name of the Sector	Half Year, FY 2014/2015				Half Year, FY 2013/2014			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.
Agriculture, Rural & Urban Development	60.2	53.4	23.8	44.6	53.3	46.9	28.0	59.7
Education	308.4	282.8	122.4	43.3	276.2	248.9	125.6	50.4
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	256.9	102.3	39.4	38.5	216.5	73.3	30.8	42.0
The Environmental Protection, Water and Natural Resources	50.8	35.2	13.3	37.9	57.1	34.3	11.3	32.9
General Economic & Commercial Affairs (GECA)	16.2	15.6	5.0	31.9	12.9	12.2	5.6	45.9
The Governance, Justice, Law and Order (GJLOS)	130.9	129.6	58.6	45.2	125.7	124.5	58.8	47.2
The Health	47.4	36.1	12.5	34.7	36.2	28.8	24.5	85.1
The Public Administration and International Relations	196.9	177.3	65.8	37.1	173.5	142.3	62.1	43.6
The Social Protection, Culture and Recreation	24.1	23.7	8.8	37.4	20.5	19.8	7.0	35.4
National Security	90.7	90.7	39.9	43.9	84.7	84.7	42.1	49.7
Sub-Total for MDAs	1,182.4	946.7	389.5	41.1	1,056.6	815.7	395.6	48.5
Consolidated Fund Services	415.6	415.6	207.4	49.9	380.3	380.3	123.3	32.4
County Governments	242.4	229.3	83.6	36.6	210.0	190.0	66.5	35.0
Grand Total	1,840.4	1,591.6	680.5	42.8	1,646.9	1,386.0	585.6	42.2

Source: National Treasury

3.2.1 Sectoral Recurrent Exchequer Issues

During the period under review, total exchequer issues for recurrent activities amounted to Kshs.285.6 billion (45.6 per cent of the annual net recurrent estimates) compared to the exchequer issues released in the same period of FY 2013/14, which amounted to Kshs.299.8 billion (53.8 per cent of the annual net recurrent estimates, a decrease of 8.2 percentage points. Recurrent exchequer issues to all the sectors are shown in table 3.4 below.

Table 3.4: Sectoral Recurrent Estimates and Exchequer issues (Kshs. Billions)

Name of the Sector	Half Year, FY 2014/15				Half Year, FY 2013/14			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	16.0	15.5	6.7	43.3	15.0	13.9	11.6	83.5
Education	273.4	252.4	116.1	46.0	245.8	225.9	123	54.5
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	35.6	6.5	3.2	49.2	27.5	6.8	3.7	54.4
The Environmental Protection, Water and Natural Resources	14.7	9.7	4.6	47.7	13.2	8.2	4.2	51.2
General Economic and Commercial Affairs (GECA)	6.7	6.6	3.0	45.0	7.9	7.5	3.3	44.0
The Governance, Justice, Law and Order (GJLOS)	119.2	118.4	57.0	48.1	111.3	110.8	55.3	49.9
The Health	26.1	22.2	9.5	43.0	20.3	16.5	16.5	100.0
The Public Administration and International Relations	94.2	92.8	41.4	44.6	73.9	72.4	35.6	49.2
The Social Protection, Culture and Recreation	11.1	10.9	4.2	38.4	10.9	10.8	4.5	41.7
National Security	90.7	90.7	39.9	43.9	84.7	84.7	42.1	49.7
Total	687.5	625.5	285.6	45.6	610.5	557.4	299.8	53.8

Source: National Treasury

From table 3.4, the Energy, Infrastructure and Information Communications Technology (EI & ICT) sector received the highest percentage of recurrent exchequer issues to net recurrent estimates at 49.2 per cent. Nonetheless, this was a decline from the 54.4 per cent of the recurrent exchequer issues to net recurrent estimates released in the same period of FY 2013/14.

The Social Protection, Culture and Recreation sector received the lowest recurrent exchequer issues to net recurrent estimates at 38.4 per cent, which was a decline from 41.7 per cent of the recurrent exchequer issues to net recurrent estimates recorded in the same period of FY 2013/14.

3.2.2 Sectoral Development Exchequer Issues

The exchequer issues released to the MDAs for development expenditure in the period under review amounted to Kshs.103.9 billion (32.4 per cent of the total net development estimates) compared to Kshs.96.0 billion exchequer issues released to the MDAs in the same period in the last financial year (37.2 per cent of the total net development estimates in FY2013/14).

As illustrated in table 3.5, the Agriculture, Rural & Urban Development sector received the highest development exchequer issues to net development estimates at 45.1 per cent, a decline from 49.7 per cent recorded in a similar period last financial year. The Governance, Justice, Law and Order (GJLOS) sector received the lowest percentage of development exchequer releases to net development estimates at 14.3 per cent which is a decline from 25.5 per cent recorded in a similar period last financial year. Table 3.5 shows development exchequer issues to all sectors except the National Security Sector which does not have a development budget.

Table 3.5: Sectoral Development Estimates and Exchequer (Kshs. Billions)

Name of the Sector	Half Year FY 2014/15				Half Year FY 2013/14			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	44.3	38.0	17.1	45.1	38.3	33.0	16.4	49.7
Education	35.0	30.4	6.3	20.7	30.4	23.0	2.6	11.3
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	221.3	95.8	36.2	37.8	189.0	66.5	27.1	40.8
The Environmental Protection, Water and Natural Resources	36.1	25.5	8.7	34.2	43.9	26.1	7.1	27.2
General Economic and Commercial Affairs (GECA)	9.6	9.0	2.0	22.3	5.0	4.7	2.3	48.9
The Governance, Justice, Law and Order (GJLOS)	11.7	11.1	1.6	14.3	14.4	13.7	3.5	25.5
The Health	21.3	13.9	3.0	21.5	15.9	12.3	8.0	65.0
The Public Administration and International Relations	102.7	84.5	24.4	28.9	99.6	69.9	26.5	37.9
The Social Protection, Culture and Recreation	13.0	12.7	4.6	36.5	9.6	9.0	2.5	27.8
National Security	-	-	-	-	-	-	-	-
Total	494.9	320.9	103.9	32.4	446.2	258.2	96	37.2

Source: National Treasury

From the analysis of development exchequer issues, it can be observed that there is a marginal increase in the release of development funds in the first half of the FY2014/15 by Kshs.7.9 billion compared to the same period of FY 2013/14. However, for the government to realize the FY 2014/15 budget objectives, timely release of development exchequer issues to MDAs should be prioritised for timely implementation of development programmes.

3.3 Donor Releases

In the FY 2014/15, the Government budgeted to raise a total of Kshs.187.8 billion from Development Partners to supplement resources for development expenditure. Donor funds comprise of; Loans Revenue (Kshs.36.2 billion), Grants Revenue (Kshs.10 billion), Loans A.I.A (Kshs.100.2 billion) and Grants A.I.A (Kshs.41.4 billion).

In the period under review, the total amounts disbursed by Development Partners was Kshs.47.05 billion representing **25.05** per cent of the gross estimate, compared to 12.76 per cent of the gross estimates recorded in the same period of FY2013/14. Loans revenue registered the highest disbursement rate at **37.46** per cent of the loans revenue estimates while Grants A.I.A registered the lowest disbursement of **11.69** per cent as shown in the table 3.6. The low performance of donor releases is attributed to non-compliance to stringent donor conditionalities, inadequate planning and failure to provide counterpart funding. To overcome this challenge, the National Treasury should engage the MDAs and donors to improve disbursements.

Table 3.6: Summary of Grants and Loans Disbursement for FY2014/15 (Kshs. Billion)

Funding Type	Estimates FY 2014/2015	Cumulative Disbursement as at Dec 2014		Estimates FY 2013/2014	Half Year, FY 2013/14	
		Disbursements	% Disbursed against Gross Estimates		Disbursements	% Disbursed against Printed Estimates
Loans Revenue	36.19	13.55	37.46	46.04	12.52	27.19
Grants Revenue	10.02	3.06	30.52	10.88	2.36	21.67
Loans A.I.A	100.20	25.6	25.54	134.72	13.34	9.90
Grants A.I.A	41.40	4.84	11.69	49.01	2.49	5.07
Totals	187.80	47.05	25.05	240.65	30.71	12.76

Source: External Resources Department-National Treasury 2014.

Note: Amount of Loans and Grants revenue disbursement reported by the External Resources Department differs with what has been reported by the Accountant General as shown on table 3.1. This is because the two departments have not reconciled their records which will be done at the end of the FY 2014/15.

3.4 Consolidated Fund Services (CFS)

The CFS comprises of four different accounts namely; (i) public debt, (ii) pensions and gratuities, (iii) salaries and allowances to Constitutional Office holders, and (iv) payments to International Organisations. The public debt category includes; domestic, foreign, and government guaranteed debts. In FY 2014/15 the CFS was allocated Kshs.415.6 billion with the Public debt receiving the highest allocation of Kshs.378.0 billion or 91.0 per cent of total allocation to the CFS.

During the six months under review, total exchequer issues to the CFS amounted to Kshs.207.4 billion, equivalent to 49.9 per cent of the annual gross estimates. A breakdown of this amount shows that Kshs.210.4 billion was issued to service public debt, Kshs.14.3 billion for pensions and gratuities while Kshs.1.2 billion was for salaries and allowances for the Constitutional Office holders.

Total expenditure under the CFS amounted to Kshs.225.9 billion therefore attaining an absorption rate of 54.4 per cent. This was a significant increase from the 30.5 per cent absorption rate attained in a similar period of FY 2013/14.

The total actual expenditure for the CFS exceeded the six months' cumulative exchequer issues by Kshs.18.47 billion. This matter has been raised in the previous reports where it was recommended that a reconciliation of public debt payments be performed by the National Treasury. It is imperative that an urgent reconciliation is undertaken.

Table 3.7 shows that public debt expenditure exceeds the authorised exchequer by Kshs.18.9 billion.

Table 3.7: Cumulative Expenditures for CFS (Kshs. Millions)

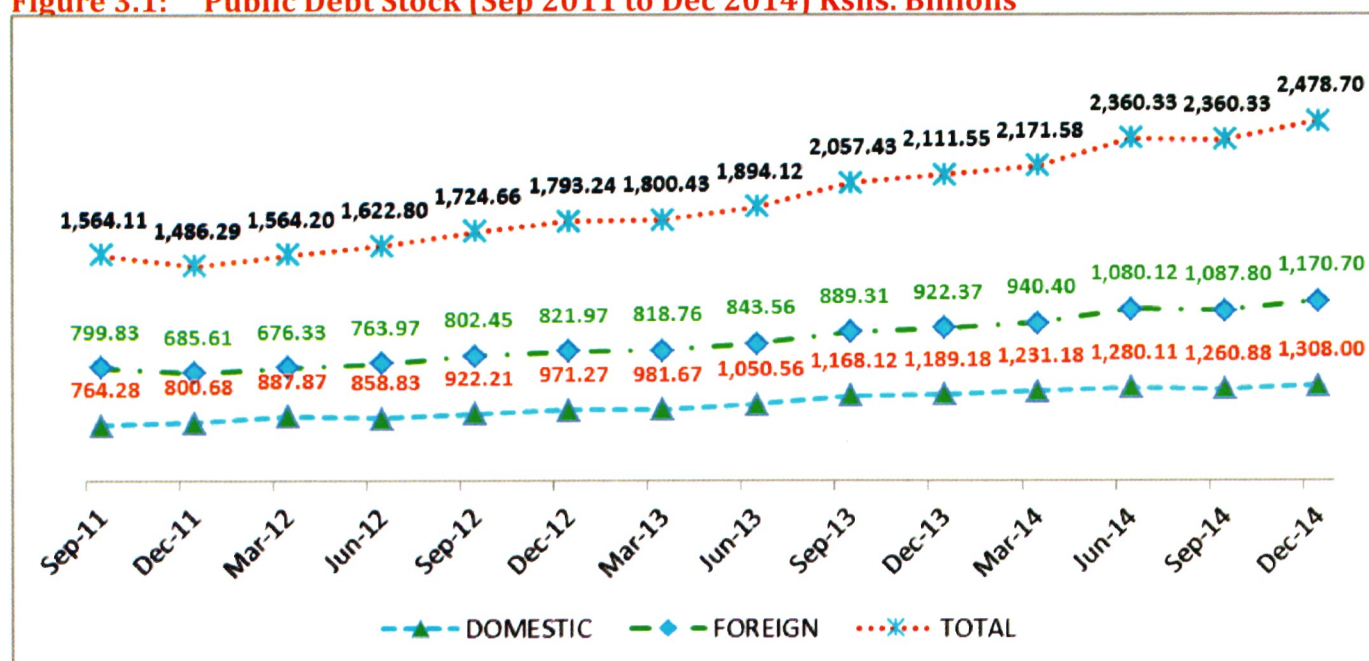
CFS	Gross Estimates	Net Estimates	Exchequer Issues	Actual Expend.	Exchequer Issues as % Net Est.	Expenditure as a % of Gross Estimates	
						2014/2015	2013/2014
Public Debt	378,010	378,010	191,444	209,873	50.6%	55.5%	29.8%
Pensions and Gratuities	32,356	32,356	14,345	14,345	44.3%	44.3%	36.2%
Salaries and Allowances	4,199	4,199	1,650	1,189	39.3%	28.3%	30.3%
International Organisations	0.5	0.5	-	-	-	-	-
Guaranteed Loans	1,013	1,013	-	506	-	49.9%	42.4
Total	415,579.5	415,579.5	207,440	225,913	49.9%	54.4%	30.5%

Source: National Treasury

3.4.1 Public Debt

As at the close of the second quarter in December 2014, total debt stock stood at Kshs.2.48 trillion compared to Kshs.2.36 trillion as at June 2014, hence a growth of 5.1 per cent. The current stock represents 52.1 per cent of the GDP¹ and comprises of Kshs.1.31 trillion in form of domestic debt and Kshs.1.17 trillion as foreign debt.

During the reporting period, exchequer issues amounting to Kshs.191.4 billion (50.6 per cent of the annual net estimates) was issued to service both public debt and publicly guaranteed loans. The total expenditure on public debt repayment amounted to Kshs.209.9 billion which was 55.5 per cent of the Kshs.378.0 billion allocated to debt servicing. In FY 2013/14, Kshs.100.4 billion (29.8 per cent of the Kshs.337.3 billion allocated to debt servicing) was spent over a similar period. The total public debt expenditure exceeded exchequer issues by Kshs.18.9 billion, an observation that has been raised in previous BIRRs and a recommendation made for urgent reconciliation and audit.

Figure 3.1: Public Debt Stock (Sep 2011 to Dec 2014) Kshs. Billions

Source: National Treasury, Public Debt Management Office

1 Based on Revised GDP of Kshs.4,757.5 billion.

3.4.1.1 Domestic Debt

The stock of domestic debt grew by a modest 2.3 per cent from Kshs.1.28 trillion in June 2014 to Kshs.1.31 trillion in December 2014. Total exchequer issues amounting to Kshs.161.37 billion was issued over the half period to service domestic debt obligations. This amount consisted of Kshs.44.90 billion for interest and Kshs.116.46 billion for loan redemption.

Expenditure for the period, amounted to Kshs.128.47 billion, and included Kshs.72.36 billion repaid as principal and Kshs.56.11 billion as interest.

3.4.1.2 Foreign Debt

As at 30th June, 2014, foreign debt stock was Kshs.1.08 trillion which has since grown by 8.3 per cent to Kshs.1.17 trillion as of December 2014.

Exchequer releases for servicing foreign debt over the six months period amounted to Kshs.30.08 billion. This amount comprised of Kshs.16.02 billion for principal payment and Kshs.14.06 billion for interest. Expenditure for the period was Kshs.81.4 billion, and comprised of Kshs.66.2 billion for repayment of principal and Kshs.15.2 billion in interest payments.

3.4.2 Guaranteed Debt to State Parastatals

In the FY 2014/15 Kshs.1,013.1 million was allocated towards payment of National Government guaranteed debts as follows: KBC modernisation programme loan, TARDA loan, and, the Nairobi City Council loan for Umoja II Housing project. Actual expenditure amounted to Kshs.505.83 million representing an absorption rate of 49.9 per cent of the Kshs.1.03 billion allocated to this category in FY 2014/15. The National Treasury should ensure that measures are put in place to recover the payments made on behalf of these institutions since they are going concerns. Table 3.8 below provides a summary of the loan repayments.

Table 3.8: Guaranteed Loans Repayment (Millions)

Loan Title	Guaranteed Loans (Amounts in Foreign Currency)				Loan Repayments for the period July- December 2014 (Amounts in Kshs. millions)		
	Currency	Principal Amount	Cumulative Amount Paid as of Dec 2014	Outstanding Balance at Dec 2014	Principal	Interest	Total
NCC-Umoja II Housing	USD	17.00	14.03	0.43	38.34	0.41	38.75
TARDA	YEN	6,031.00	3,239.14	1,610.63	123.71	18.71	42.42
KBC	YEN	16,198.00	9,415.72	3,389.64	288.50	36.16	342.66
Total					450.55	55.28	505.83

Source: National Treasury

3.4.3 Salaries and Allowances for Constitutional Office Holders

The National Government allocated Kshs.4.1 billion to pay salaries for Constitutional Office holders in FY 2014/15. Exchequer issues towards this category amounted to Kshs.1.65 billion representing 39.3 per cent of the CFS annual estimates. Actual expenditure for the period was kshs.1.19 billion, attaining an absorption rate of 28.3 per cent. This was a slight decline from 30.3 per cent absorbed in the same period FY 2013/14.

3.4.4 Pensions and Gratuities

The FY 2014/15 Budget had allocation of Kshs.32.3 billion for this category which was 8 per cent of the CFS total allocation. This is a decrease from the Kshs.38 billion which had been allocated in the FY 2013/14.

Over the six months period, Kshs.14.3 billion was issued to service pensions and gratuities representing 44.3 per cent of the annual net estimates for this category, being an improvement from the 36.2 per cent issued in FY 2013/14 over the same period. Total expenditure amounted to Kshs.14.3 billion which was 44.3 per cent of the annual budget allocation and an improvement compared to 36.2 per cent achieved in the previous financial year.

3.5 Overall Government Budget Performance

The Kshs.1.84 trillion National Government Budget for FY 2014/15 includes Kshs.1,103.1 billion for recurrent activities, Kshs.494.9 billion for development programmes and Kshs.242.4 billion as grants to County Governments. An allocation amounting to Kshs.415.6 billion was also made for Consolidated Funds Services and is included in the Kshs.1,103.1 billion under recurrent expenditure. On aggregate, the MDAs have a total allocation of Kshs.687.5 billion for recurrent activities.

During the period under review, Kshs.680.5 billion was issued from the exchequer to fund the National and County Budgets. This amount was 42.8 per cent of the FY 2014/15 net annual national budget estimates.

Total expenditure was Kshs.733.1 billion, translating to an absorption rate of **39.8 per cent** of the total gross budget estimates. This amount included Kshs.499.9 billion spent on recurrent activities (absorption rate of **45.3 per cent**) and Kshs.129.2 billion spent on development projects (absorption rate of **26.1 per cent**).

The total expenditure of Kshs.733.1 billion exceeded exchequer issues of Kshs.680.5 by Kshs.52.4 billion. This has been attributed to: (i) Failure by MDAs to refund unspent FY 2013/14 appropriations to the National Exchequer Account in line with Sections 45 of the PFMA, 2012. (ii) Expenditure financed by A-I-A not reported, and (iii) unexplained over-expenditure under public debt. Table 3.9 provides a summary of the FY 2014/15 National Budget performance.

Table 3.9: National Government Budget Performance (Kshs. Billions)

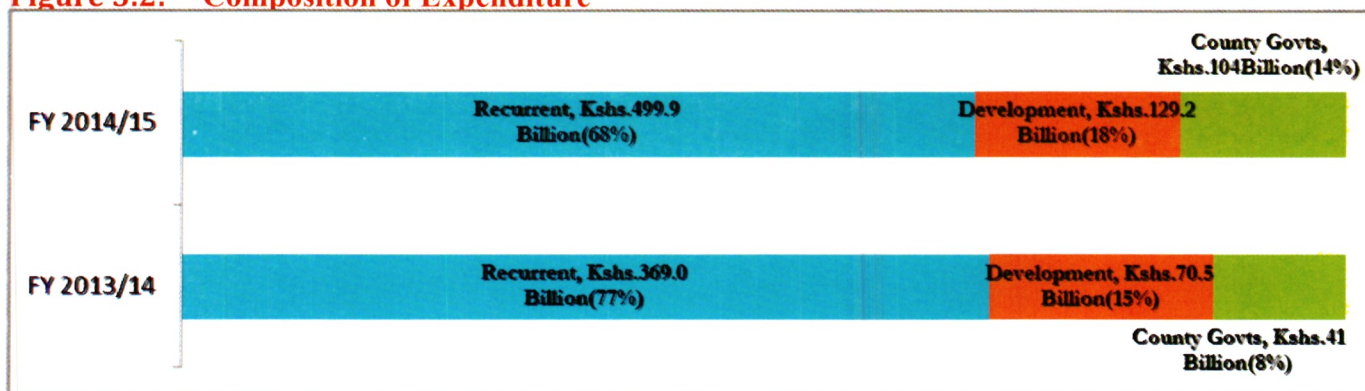
Half Year FY 2014/15							Half Year FY 2013/14			
Allocation	Annual Gross Estimates	Annual Net Estimates	Half Year Exchequer Issues	Half Year Expenditure	% of Exchequer to Net Estimates	Half Year Absorption Rate	Gross Estimate	Net Estimate	Expenditure	Absorption
Recurrent	1,103.1	1,041.4	493.0	499.9	47.3%	45.3%	990.8	937.7	369.0	37.2%
Development	494.9	320.9	103.9	129.2	32.4%	26.1%	446.2	258.2	70.5	15.8%
County Governments	242.4*	229.3	83.6	104.0**	36.5%	42.9%	210.0*	193.4	41.0	19.5%
Total	1,840.1	1,591.6	680.5	733.1	42.8%	39.8%	1,647.0	1,389.3	480.5	29.2%

Source: National Treasury and MDAs

* Does not include expenses financed by revenue from local sources.

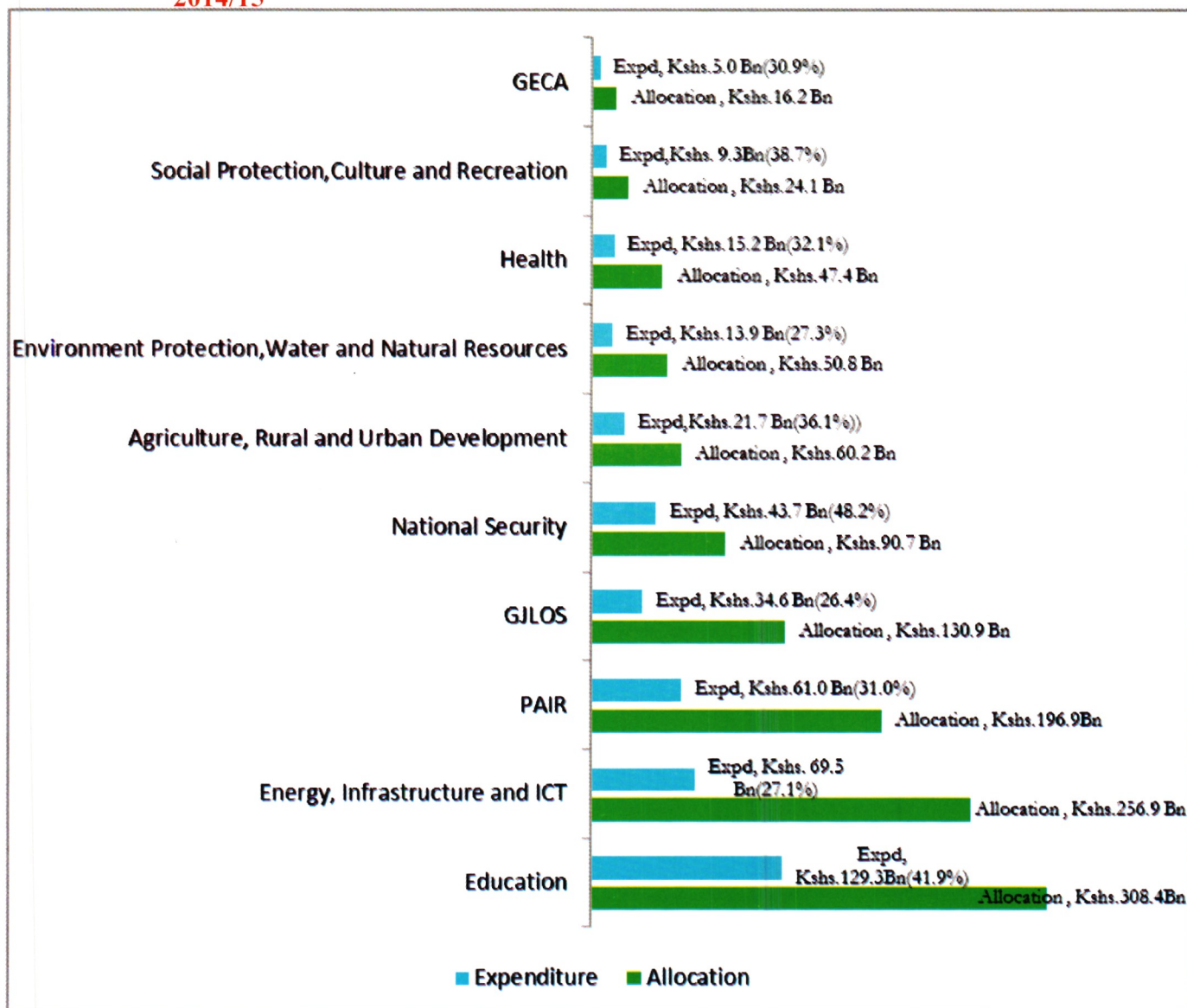
** Provisional expenditure for the County Governments.

Figure 3.2: Composition of Expenditure



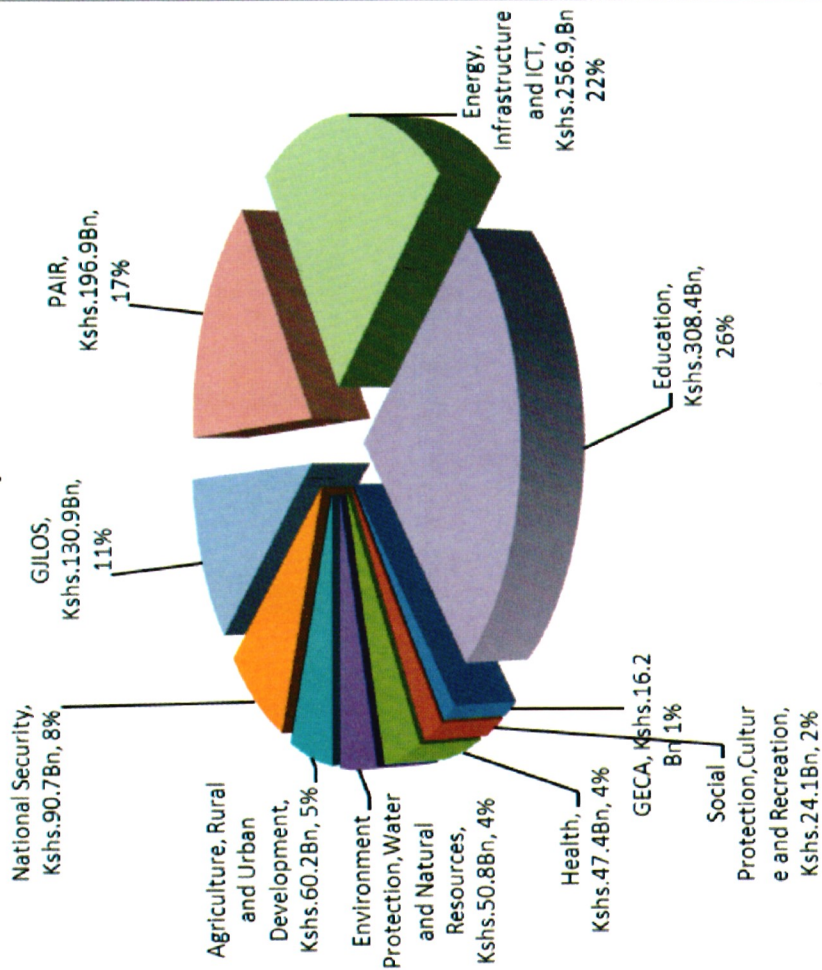
Source: National Treasury and MDAs

Figure 3.3: Comparison of Sector Annual Budget Allocations and Half Year Expenditure in FY 2014/15

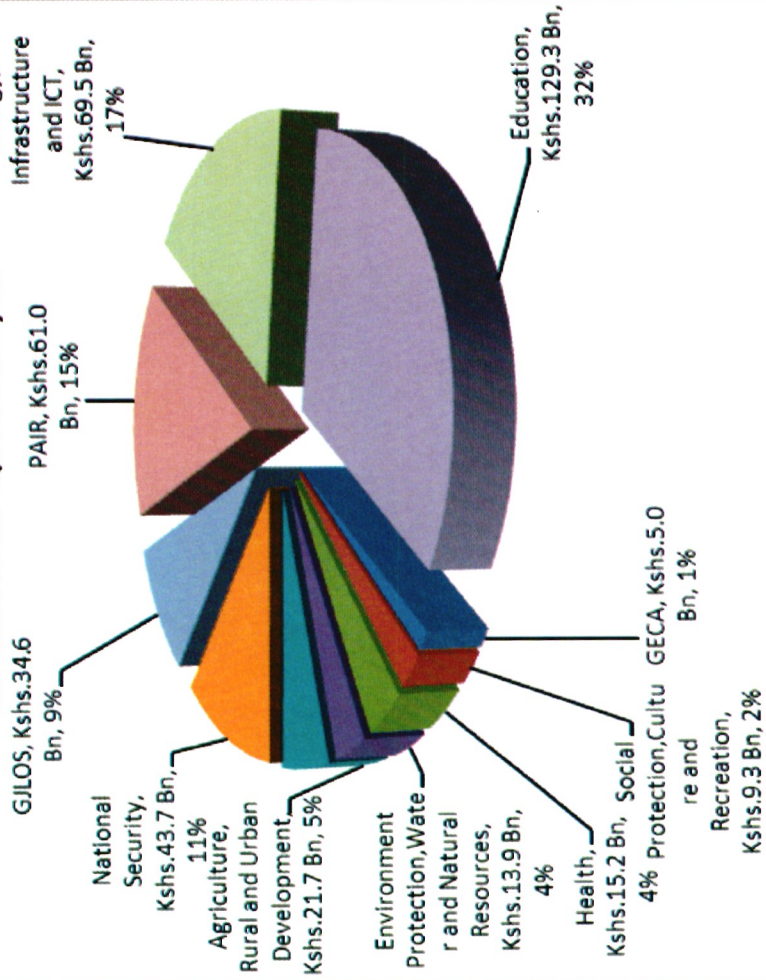


Source: National Treasury and MDAs

SECTORS ANNUAL BUDGET ALLOCATION - FY 2014/15



SECTORS SHARE OF TOTAL MDAs' HALF YEAR EXPENDITURE- Q2 FY 2014/15



3.6 MDAs Recurrent Expenditure Analysis

A review of expenditure by MDAs for the first half of FY 2014/15 shows that Kshs.273.8 billion was spent on recurrent activities representing **39.8 per cent** of the Kshs.687.5 billion annual recurrent budget. This is a slight decline in the absorption rate compared to the first half of FY 2013/14 where expenditure was Kshs.253.2 billion, representing an absorption rate of **41.5 per cent**.

Analysis of MDAs expenditure under the various categories indicates that personnel emoluments accounts for the biggest share of recurrent expenditure at **Kshs.123.1 billion (53.5 per cent)** of recurrent expenditure) while current transfers to SAGAs amounted to **Kshs.63.8 billion (27.8 per cent)** of recurrent expenditure). Expenditure on personnel emoluments in a similar period of FY 2013/14 was **Kshs.116.14 million (54.9 per cent)** of recurrent expenditure). The Teachers Service Commission (TSC) had the highest expenditure on personnel emoluments at Kshs.82.2 billion which was spent on teachers' salaries which was 66.8 per cent of the total expenditure of Kshs.123.1 billion spent on personnel emoluments by MDAs.

The analysis of recurrent expenditure shows that the Parliamentary Service Commission incurred the highest expenditure on domestic travel at **Kshs.1.04 billion** while the Ministry of Foreign Affairs and International Trade had the highest expenditure on the foreign travel category at Kshs.604.9 million. Domestic expenditure by the Parliamentary Service Commission accounted for **53.2 per cent** of the total domestic travel expenditure by the MDAs, while the foreign travel expenditure by the Ministry of Foreign Affairs accounted for **48.2 per cent** total expenditure on foreign travel by MDAs.

The State Department for Interior recorded the highest expenditure in four other categories namely; Training at Kshs.223.8 million (**31.7 per cent** of the total MDAs training expenses), Legal Fees at Kshs.234.5 million (**58.5 per cent**), maintenance of motor vehicles and maintenance of other assets at Kshs.213.5 million (**41.9 per cent**) and Kshs.79.3 million (**29.9 per cent**) respectively.

Other O&M expenditure amounted to Kshs.37.3 billion or **16.2 per cent** of the total expenditure. Some of the MDAs with significant expenditure under the other expenses category included;

Judiciary (Kshs.1.6 billion): Expenditure includes Kshs.616.9 million for staff medical insurance, Kshs.245.6 million monthly pensions for judiciary staff, Kshs.301.1 million for housing and loans to judiciary staff and Kshs.159.1 million spent on contracted guards and cleaning services.

State Department for Interior (Kshs.6.0 billion): Amount includes Kshs.1.6 billion for medical insurance, Kshs.1.3 billion for purchasing of police and security equipment, Kshs.807.3 million for security operations, Kshs.672.5 million for electricity, water and sewerage charges, Kshs.557.6 million for food rations, Kshs.476.9 million for purchasing of uniforms and clothing, Kshs.118.8 million as confidential expenditure and Kshs.114.2 million for production supplies.

State Department for Coordination of National Government (Kshs.1.4 billion): Includes Kshs.941.8 million for food and rations and Kshs.264.9 million for electricity, water and sewerage charges.

State Department for Planning (Kshs.696.1 million): Amount includes Kshs.105.9 million for food and rations, Kshs.57.1 million for purchasing of uniforms & clothing of NYS staff and trainees, Kshs.51.1 million for supplies and accessories for computers and printers, Kshs.45.4 million for bedding and linen for NYS

trainees, and Kshs.44.1 million for purchasing of police, prison & NYS small equipment & supplies.

State Department for Education (Kshs.12.9 billion): Amount includes Kshs.10.6 billion for the free primary and secondary school education programme and Kshs.86.6 million for sanitary and cleaning materials, supplies and services.

State Department for Higher Education, Science and Technology (Kshs.3.7 billion): Amount includes a transfer of Kshs.2.9 billion to the Higher Education Loans Board (HELB), Kshs.447.4 million as a grant to the youth polytechnics and Kshs.192.0 million as scholarships and other educational benefits.

State Department for Agriculture (Kshs.1.3 billion) includes Kshs.1.1 billion for purchasing maize and beans strategic stock for storage by the National Cereal and Produce Board.

Auditor General (Kshs.333.8 million): Amount includes Kshs.88.9 million for contracted professional services in respect to IFMIS Audit, Social audit of the Constitution and audit software licences; Kshs.65.4 million for medical insurance; Kshs.34.5 million for purchasing of software; ICT networking and communication equipment and Kshs.32.2 million for telephone and internet services.

Table 3.10 provides a detailed breakdown of recurrent expenditure for the MDAs by expenditure category.

Million **

Table 3.10: Breakdown of Recurrent Expenditure, July to December 2014 by MDAs (Kshs.)

MINISTRY/STATE DEPARTMENT	Personnel Emoluments	Domes-tic Travel	Foreign Travel	Hospitality Conferences and Catering Costs	Training	Printing and Advertising	Rentals and Non Residential	Maintenance Expenses-Motor Vehicle	Main-tenance Expenses Other Assets	Legal Fee	Current Transfers	Others Op-erations and Maintenance Costs	Total
The Presidency	513.3	177.1	75.0	154.7	15.9	7.1	28.4	68.4	8.0	-	83.3	552.8	1,684.1
Ministry of Foreign Affairs and International Trade	1,263.9	23.7	604.9	33.1	3.3	6.0	394.0	13.2	10.0	-	-	266.4	2,618.5
The National Treasury	751.2	7.2	19.0	51.1	15.6	1.9	0.1	2.2	3.6	-	8,339.1	2,800.0	11,991.0
Ministry of Health	2,142.9	15.5	2.4	12.2	97.9	6.7	-	6.9	19.9	5.5	8,453.4	1,158.7	11,922.0
Ministry of Lands Housing, and Urban Development	1,330.1	20.3	3.5	7.5	7.7	3.4	74.0	7.7	15.7	-	328.8	140.4	1,939.1
Ministry of Information & Communication and Technology	209.5	11.1	5.7	9.1	4.8	3.3	41.1	4.1	3.3	-	414.0	302.0	1,007.9
Ministry of Sports Culture and Arts	166.2	13.4	44.4	11.1	3.1	1.4	14.7	3.5	1.8	-	775.0	59.2	1,093.9
Ministry of Labour Social Security and Services	514.2	9.7	2.1	7.8	24.6	1.5	72.7	3.3	5.2	-	1,971.0	88.0	2,699.9
Ministry of Energy and Petroleum	103.4	4.5	2.1	4.0	9.1	0.7	3.5	2.3	3.4	-	634.5	20.3	725.6
Ministry of Industrialization and Enterprise Development	214.1	11.3	5.2	4.9	5.0	2.7	57.0	2.6	2.3	-	541.7	42.0	888.8
Ministry of Mining	132.7	7.7	2.7	4.5	1.5	1.6	0.8	12.5	2.0	0.1	-	76.9	243.0
Office of the Attorney General and Department of Justice	364.0	8.2	15.5	13.8	4.0	1.8	27.7	2.3	0.7	0.4	706.2	47.3	1,192.1
The Judiciary	2,973.8	91.9	4.8	30.3	2.4	19.6	102.4	49.7	24.4	-	148.8	1,619.6	5,067.8
Ethics & Anti-Corruption Commission	-	-	-	-	-	-	-	-	-	-	-	727.2	727.2
Directorate of Public Prosecution	417.4	21.2	1.6	15.8	4.2	0.9	25.6	1.7	0.3	-	-	7.4	496.0
Commission for Implementation of the Constitution	81.5	-	-	-	-	-	-	-	-	-	-	66.3	147.8
Registrar of Political Parties	23.6	2.2	0.1	1.2	0.6	0.3	7.1	-	-	0.1	180.0	7.4	222.6
Witness Protection Agency	-	-	-	-	-	-	-	-	-	-	-	142.9	142.9
State Department for Interior	12,840.3	252.5	4.7	32.6	223.8	3.7	251.4	213.5	79.3	234.5	245.0	6,035.4	20,416.8
State Department for Coordination of National Government	905.7	22.1	3.6	11.4	5.7	0.3	28.7	18.6	1.8	-	-	1,381.1	2,379.1
State Department for Planning	4,834.2	35.2	7.7	88.3	85.0	16.4	77.1	12.8	17.4	-	1,079.7	696.1	6,949.8
State Department for Devolution	233.4	5.5	1.6	3.1	2.8	0.2	57.1	2.8	1.5	6.3	487.4	40.6	842.3
State Department for Education	1,276.9	17.6	5.9	13.0	12.4	1.2	45.1	6.1	4.9	2.3	5,483.7	12,978.4	19,847.6
State Department for Science and Technology	0.9	6.6	0.8	3.1	2.5	0.4	6.5	2.4	2.0	-	16,282.9	3,656.6	19,964.6
State Department for Infrastructure	481.4	1.0	0.5	0.9	5.8	0.5	-	1.6	1.2	12.1	10,585.6	18.3	8,967.2
State Department for Transport	35.8	1.6	0.6	1.4	2.5	0.2	1.3	1.7	0.2	-	388.4	51.7	485.4

MINISTRY/STATE DEPARTMENT	Personnel Expenditures	Domestic Travel	Foreign Travel	Hospitality Conferences and Catering Costs	Training	Printing and Advertising	Rentals and Rates-Non Residential	Maintenance Expenses-Motor Vehicle	Maintenance Expenses Other Assets	Legal Fee	Current Transfers	Others Operations and Maintenance Costs	Total
State Department for Environment & Natural Resources	528.8	7.7	14.2	4.8	3.6	0.8	31.9	6.9	2.6	94.7	2,566.9	68.7	3,331.6
State Department for Water & Regional Authorities	241.3	8.7	2.9	1.9	3.7	0.9	11.0	6.2	3.2	0.4	583.7	51.7	915.7
State Department for Agriculture	408.4	14.1	3.4	2.1	4.5	1.0	0.6	5.1	1.7	-	1,683.1	1,335.0	3,458.9
State Department for Livestock	113.9	3.4	0.9	0.5	1.0	0.5	10.4	1.3	0.9	-	21.3	22.3	176.3
State department for Fisheries	75.3	2.8	1.0	0.9	4.2	0.7	-	1.8	0.2	-	260.8	121.7	469.3
State Department for East African Affairs	75.7	4.6	25.6	47.9	3.3	5.8	15.5	1.1	0.5	-	803.5	5.0	988.7
State Department for Commerce & Tourism	141.2	12.8	41.4	20.3	2.6	2.0	42.2	6.6	2.9	-	727.0	95.5	1,094.4
Kenya National Human Rights & Equality Commission	72.6	2.2	0.8	0.5	1.3	1.1	17.8	1.0	-	-	-	11.5	108.8
National Lands Commission	181.7	12.1	1.4	54.0	1.7	11.2	9.1	4.8	0.7	-	-	115.3	392.1
Independent Electoral and Boundaries Commission	797.0	22.3	9.8	13.7	8.5	23.4	70.7	3.5	0.9	43.9	-	208.5	1,202.1
Parliamentary Service Commission	5,173.8	1,047.5	313.0	126.4	52.0	89.8	185.8	19.2	36.4	-	82.2	1,254.9	8,380.9
Judicial Service Commission	-	6.2	13.2	33.3	15.3	1.9	2.9	-	0.0	-	-	1.0	73.8
The Commission on Revenue Allocation	40.9	0.8	-	0.3	0.0	2.2	8.5	0.2	0.2	-	-	7.7	60.8
Public Service Commission	241.6	12.7	3.3	16.1	22.4	20.1	6.3	3.3	1.7	-	-	97.0	424.5
Salaries & Remuneration Commission	67.3	3.7	0.9	22.1	0.8	2.9	13.2	0.4	0.6	-	-	36.4	148.4
Teachers Service Commission	82,224.7	-	-	-	-	-	-	-	-	-	-	467.7	82,692.4
National Police Service Commission	79.3	2.4	0.1	2.2	0.1	1.3	14.1	0.4	-	0.3	-	9.9	110.2
Auditor General	592.8	20.7	4.5	3.4	37.4	5.4	57.4	4.6	2.9	-	-	333.8	1,062.9
Controller of Budget	92.8	5.6	1.8	4.0	3.5	13.1	-	0.8	0.3	-	-	16.3	138.0
The Commission on Administrative Justice	58.1	1.4	0.7	1.8	0.4	0.9	16.9	1.5	0.1	0.8	-	50.9	133.5
National Gender & Equality Commission	17.0	3.3	0.8	0.2	0.0	0.6	20.4	0.3	0.0	-	-	19.6	62.3
Independent Police Oversight Authority	82.3	5.9	0.6	2.1	0.4	2.2	13.3	-	0.3	-	-	16.8	123.9
TOTAL	123,117.1	1,968.1	1,254.8	873.1	706.7	269.4	1,864.3	509.1	265.0	401.4	63,857.1	37,392.8	230,212.1
Percentage	53.5%	0.9%	0.5%	0.4%	0.3%	0.1%	0.8%	0.2%	0.1%	0.2%	27.7%	16.2%	100.0%

Source: MDAs December 2014

** Analysis does not include the National Security Sector (Ministry of Defence and NIS) which spent Kshs.43.7 billion in the first half of FY 2014/15.

3.7 Analysis of MDAs Development Expenditure

During the period under review, total development expenditure amounted to Kshs.129.2 billion against an annual development budget of Kshs.494.9 billion. This expenditure represents an absorption rate of 26.1 per cent. From the total development budget, Kshs.320.9 billion will be funded through the exchequer while Kshs.174 billion will be generated in form of A-I-A.

Among the expenditure categories, capital transfers to SAGAs was highest at Kshs.69.7 billion (47.3 per cent), while expenditure on refurbishing of buildings, infrastructure construction and civil works was Kshs.55.8 billion (37.9 per cent). Maintenance of programme motor vehicles, and maintenance of other programme assets consumed the least amount at Kshs.12.2 million (0.01 per cent) and Kshs.298.1 million (0.20 per cent) respectively.

The analysis of development expenditure shows that the **State Department for Infrastructure** recorded the highest amount of capital transfers to its SAGAs at Kshs.24.7 billion which is 35 per cent of all capital transfers by MDAs while the State Department of Transport recorded the highest expenditure on refurbishment of buildings, infrastructure and civil works amounting to Kshs.20.2 billion or 40 per cent of the total MDAs expenditure for this category.

Other development expenditure amounted to Kshs.11.05 billion or 7.5 per cent of the expenditure. The MDAs with significant expenditure under the other development expenditure category include;

State Department for Higher Education, Science and Technology had the highest expenditure on both residential and non-residential buildings at Kshs.617.4 million and Kshs.2.2 billion respectively. This Department plays a major role of expanding educational infrastructure across the country.

National Treasury other expenditure category includes Kshs.29.4 million spent on micro-finance institutions, Kshs.260 million spent during the equity participation in Uchumi supermarkets, and Kshs.130.5 million on the East Africa Marine system Network (TEAMS).

The Ministry of Health expenditure includes Kshs.241.8 million spent on publishing and printing and Kshs.136.5 million on training which were funded by various donors including the Global Fund, Kshs.80 million for purchasing laboratory materials, Kshs.50 million for medical and dental equipment and Kshs.44.6 million for medical drugs.

The Ministry of Lands Housing and Urban development spent Kshs.592.9 million in acquiring specialised materials such special paper and equipment for production of title deeds.

Other development expenditure items amounted to Kshs.11.1 billion or **7.5 per cent** of the total development expenditure. Some of the MDAs with significant expenditure under this category include;

- (i) **Ministry of Energy and Petroleum** include; Kshs.536.7 million for subsidizing the rural electrification programme, Kshs.33.9 million spent on boards, committees, conferences and seminars and Kshs.61.3 million spent on training.
- (ii) **State Department for Interior** include; Kshs.378.9 million for purchasing of police and security equipment, Kshs.286.2 million on supplies for production of national identity cards, birth and

death certificates, and Kshs.165.0 million for purchasing laboratory equipment.

- (iii) **State Department for Planning:** Kshs.655.10 million which includes; Kshs.183.6 million paid to contractual and casual employees working under three programmes namely: Community Empowerment and Institutional Support programme (CEISP), Programme for Agriculture and Livelihoods in Western Communities(PALWECO) and the Youth Development Initiative Programme . Other expenses include Kshs.194.1million spent on hire of equipment, plant and machinery, Kshs.307.2 million on hospitality, boards, committees, conferences and seminars and Kshs.152.2 million on refined fuel and lubricants for transport.
- (iv) **State Department for Devolution:** Kshs.579.85 million which includes; Kshs.164.3 million on drought contingency, Kshs.102.0 million for purchase of agricultural machinery and equipment, Kshs.75 million for casual and contractual employees working with the Western Kenya Community Development and Flood Mitigation Project and Kshs.60.5 million for training.
- (v) **The State Department for Environment & Natural Resources:** Kshs.1.099 billion which includes; Kshs.312.9 million for purchasing of tree seeds and seedlings under the green trees project, Kshs.177.3 million for purchase of instrumentation and calibration equipment and Kshs.167.7 million on water supplies and sewerage.
- (vi) **State Department for Agriculture:** Kshs.1.975 billion which includes: Kshs.812.4 million for subsidizing purchase of fertilizer by farmers and Kshs.1.385 billion on water supplies and sewerage. The State Department for fisheries spent Kshs.600 million on purchasing of boats.

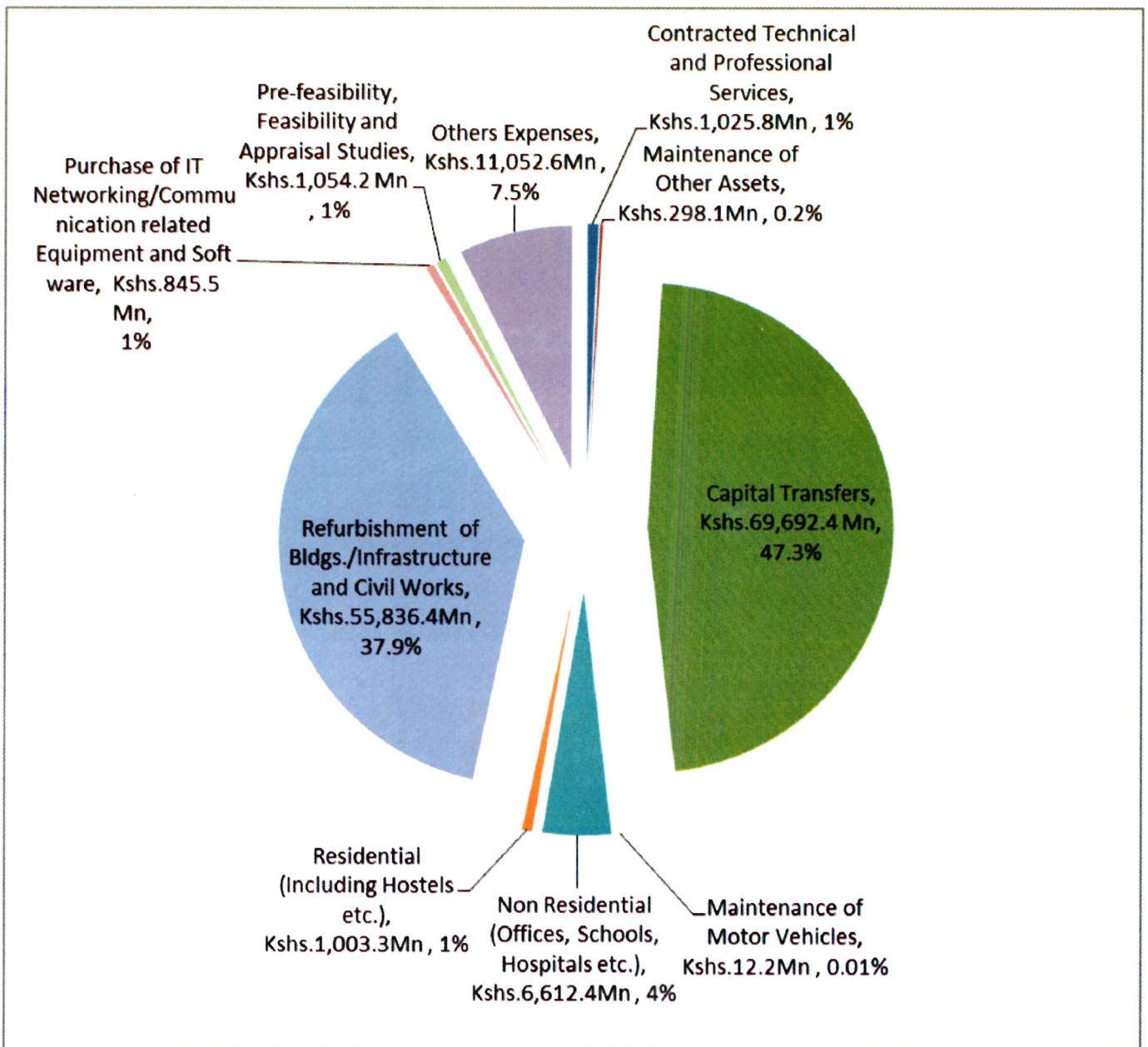
Table 3.11 and figure 3.4 illustrate analysis of MDAs development expenditure by category.

Table 3.11: Development Expenditure Analysis (Kshs. Millions)

	Con- tracted Technical and Pro- fessional Services	Mainte- nance of Motor Vehicles	Mainte- nance of Other As- sets	Capital Transfers	Construc- tion of Non Residential Bldgs (Offices, Schools, Hospitals etc.)	Residen- tial Bldgs (Including Hostels etc.)	Refurbish- ment of Bldgs./In- frasturcture and Civil Works	Purchase of IT Network- ing/ Communi- cation related Equip- ment and Soft ware	Pre- feasibility, Feasibility and Ap- praisal Studies	Others Expenses	(A-I-A)	Total Ex- penditure
The Presidency	-	-	0.63	50.00	-	3.81	200.32	19.01	-	2.68	-	276.44
Ministry of Foreign Affairs	-	-	-	-	-	-	4.62	-	-	12.42	-	17.04
The National Treasury	180.23	-	-	975.05	228.84	-	27.01	89.83	-	486.57	-	1,987.53
Ministry of Health	-	0.79	119.38	1,711.96	62.91	-	-	-	-	1,392.84	-	3,287.88
Ministry of Lands Housing, and Urban Development	111.84	-	66.50	-	1,424.88	-	3,913.69	143.50	136.87	692.44	-	6,489.72
Ministry of Information & Communication and Technology	325.01	-	100.00	749.35	-	-	4.63	63.86	436.08	90.07	-	1,769.00
Ministry of Sports Culture and Arts	-	-	-	104.60	-	-	500.00	-	-	10.43	-	615.03
Ministry of Labour Social Security and Services	4.17	-	0.68	4,754.21	70.37	-	0.49	6.88	-	74.03	-	4,910.83
Ministry of Energy and Petroleum	14.64	-	-	8,169.36	123.16	-	8,190.31	0.03	70.56	808.16	7,392.81	9,983.40
Ministry of Industrialization and Enterprise Development	12.62	0.38	-	1,104.00	-	-	200.85	-	0.31	96.89	-	1,415.05
Ministry of Mining	-	-	-	-	-	-	4.24	21.77	89.70	47.59	-	163.29
Office of the Attorney General and Department of Justice	-	-	-	56.80	-	-	3.12	-	-	-	-	59.92
The Judiciary	-	-	-	4.18	157.90	-	7.33	231.04	-	231.35	-	631.80
State Department for Interior	-	-	6.68	-	-	156.51	32.50	35.71	-	908.29	-	1,139.69
State Department for Coordination of National Government	-	-	-	-	46.58	-	58.17	46.20	-	32.10	-	183.05
State Department for Planning	32.46	5.29	-	16,856.32	5.66	211.03	4,352.4	37.35	81.33	655.10	-	22,236.68
State Department for Devolution	-	-	-	571.59	-	-	230.00	-	-	579.85	-	1,381.44
State Department for Education	-	-	-	134.90	1,849.43	2.43	3.29	149.77	-	305.55	-	2,445.37
State Department for Science and Technology	41.57	-	-	1,309.50	2,184.47	617.38	98.13	-	-	101.15	-	4,352.20

	Con- tracted Technical and Pro- fessional Services	Mainte- nance of Motor Vehicles	Mainte- nance of Other As- sets	Capital Transfers	Construc- tion of Non Residential Bldgs (Offices, Schools, Hospitals etc.)	Residen- tial Bldgs (Including Hostels etc.)	Refurbish- ment of Bldgs./In- frastructure and Civil Works	Purchase of IT Network- ing/ Communi- cation related Equip- ment and Soft ware	Pre- feasibility, Feasibility and Ap- praisal Studies	Others Expenses	(A-I-A)	Total Ex- penditure
State Department for Infrastructure	-	-	-	24,681.23	4.89	-	8,781.68	-	63.83	361.79	9,288.85	24,604.56
State Department for Transport	-	-	-	1,473.65	-	-	20,232.85	-	3.08	292.30	-	22,001.88
State Department for Environment & Natural Resources	26.00	5.44	4.25	482.31	79.75	12.15	669.47	0.60	128.92	1,099.37	-	2,508.26
State Department for Water & Regional Authorities	104.96	-	-	504.00	67.50	-	7,502.89	-	35.70	0.90	1,508.52	6,707.42
State Department for Agriculture	17.50	-	-	4,823.70	0.26	-	-	-	7.84	1,975.96	-	6,825.26
State Department for Livestock	57.93	-	-	1,066.01	41.12	-	53.51	-	-	63.67	-	1,282.24
State department for Fisheries	-	0.34	-	77.80	4.86	-	23.79	-	-	607.23	-	714.02
State Department for Commerce & Tourism	96.88	-	-	31.89	-	-	453.62	-	-	30.24	-	612.63
Independent Electoral and Boundaries Commission	-	-	-	-	19.40	-	-	-	-	-	-	19.40
Parliamentary Service Commission	-	-	-	-	136.32	-	287.78	-	-	93.65	-	517.76
Public Service Commission	-	-	-	-	104.14	-	-	-	-	-	-	104.14
Total	1,025.81	12.24	298.12	69,692.40	6,612.44	1,003.31	55,836.42	845.55	1,054.20	11,052.62	18,190.19	129,242.92
Percentage	0.70%	0.01%	0.20%	47.27%	4.49%	0.68%	37.87%	0.57%	0.72%	7.50%		

Source: MDAs and National Treasury

Figure 3.4: Composition of Development Expenditure

Source; MDAs and National Treasury

3.8 Recurrent and Development Expenditure Analysis by Sector

3.8.1 Agricultural, Rural and Urban Development (AR&UD) Sector

This sector is composed of five sub-sectors namely; Ministry of Land, Housing and Urban Development, State Department for Agriculture, State Department for Livestock, State Department for Fisheries, and the National Land Commission (NLC). The sector has significant contribution to the country's economy through provision of raw materials for agro-based industries, agricultural exports as well as availing food for consumption to the Kenyan population. The goal of the sector is to attain food security, sustainable land management, affordable housing and urban infrastructure development.

The budgetary allocation to the sector for FY 2014/15 is Kshs.60.2 billion representing 3.3 per cent of the total budget, an increase from Kshs.53.3 billion allocated in FY 2013/14. It comprises of Kshs.44.2 billion (73.6 per cent) for development expenditure and Kshs.15.9 billion (26.4 per cent) for recurrent expenditure. The

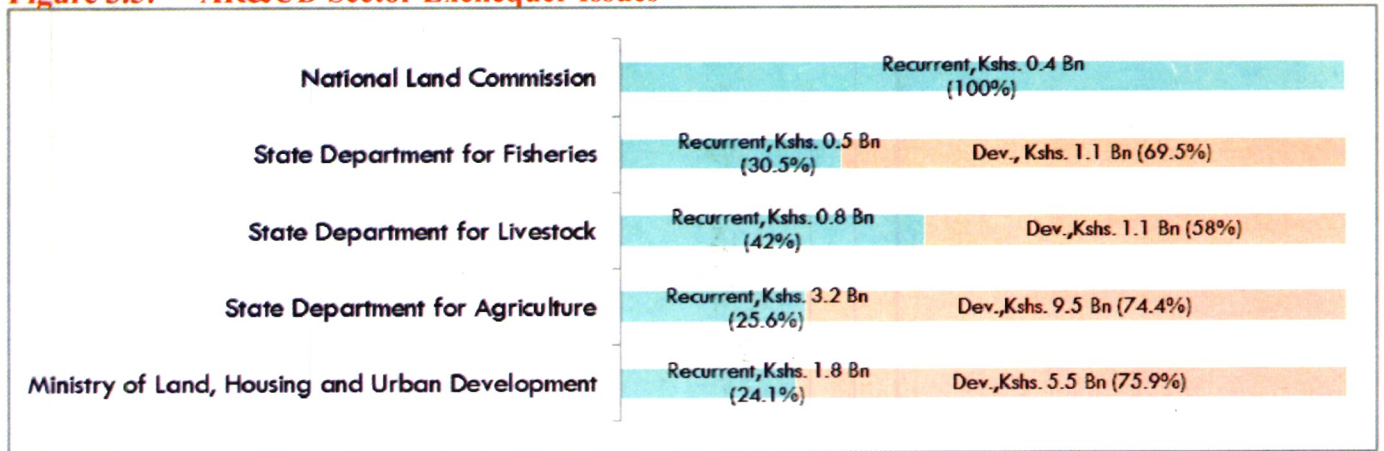
State Department for Agriculture had the highest budgetary allocation for both recurrent and development expenditure at Kshs.7.9 billion and Kshs.21.36 billion respectively. Conversely, the State Department for Fisheries had the lowest recurrent budgetary allocation at Kshs.0.97 billion while the National Land Commission had the least allocation for development activities at Kshs.0.54 billion. Table 3.12 illustrates how the AR & UD sub sectors performed.

Table 3.12: AR & UD Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

FY2014/15-Recurrent							FY2014/15-Development					
Name of the Sub Sector	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Land, Housing and Urban Development	4.1	4.0	1.8	1.9	43.4	47.5	17.5	15.4	5.5	6.5	35.7	37.2
State Department for Agriculture	7.9	7.5	3.2	3.5	43.4	43.8	21.4	17.6	9.5	6.8	53.8	31.9
State Department for Livestock	1.8	1.8	0.8	0.2	44.6	9.6	3.7	3.3	1.1	1.3	34.0	34.7
State department for Fisheries	0.9	1.0	0.5	0.5	47.8	48.3	1.2	1.1	1.1	0.7	92.6	61.4
National Land Commission	1.2	1.2	0.4	0.4	36.8	33.9	0.5	0.5	0.0	-	-	-
Total	15.9	15.5	6.7	6.4	43.3	40.3	44.3	38.0	17.1	15.3	45.1	34.6
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							15.9	15.5	6.7	6.4	43.3	40.3
Development							44.3	38.0	17.1	15.3	45.1	34.6
Total							60.2	53.4	23.8	21.7	44.6	36.1

Source: MDAs and National Treasury

During the period under review, the sector received exchequer issues amounting to Kshs.23.8 billion which translates to 44.6 per cent of the annual net estimates. The exchequer issues to the sector comprised of Kshs.6.7 billion for recurrent activities representing 43.3 per cent of the annual recurrent net estimates, and Kshs.17.1 billion for development projects representing 45.1 per cent of the annual development net estimates. The State Department for Fisheries received the highest proportion of the recurrent exchequer issues at 47.8 per cent of the annual recurrent net estimates while the National Land Commission received the lowest proportion of recurrent exchequer issues at 36.8 per cent. From the analysis, the State Department for Fisheries received the highest proportion of exchequer issues to annual net estimates for development activities at 92.6 per whereas the National Land Commission did not receive exchequer issues for development expenditure in the first half of FY 2014/15. A graphical breakdown of the exchequer issues to the sectors is shown in figure 3.5.

Figure 3.5: AR&UD Sector Exchequer Issues

Source: National Treasury

During the first half of FY 2014/15, the sector spent a total of Kshs.21.7 billion representing an absorption rate of 36.1 per cent. The total expenditure comprised of Kshs.6.4 billion for recurrent expenditure, representing 40.3 per cent of the annual recurrent budget and Kshs.15.3 billion for development expenditure which represents 34.6 per cent of the annual development budget. The State Department for Fisheries had the highest absorption rate for recurrent expenditure at 48.3 per cent while the State Department for Livestock registered the lowest absorption rate for recurrent budget at 9.6 per cent. The State Department for Fisheries recorded the highest absorption rate for development budget at 61.4 per cent and the State Department for Agriculture recorded the lowest absorption rate at 31.9 per cent. National Land Commission did not spend funds on development activities.

3.8.2 Education Sector

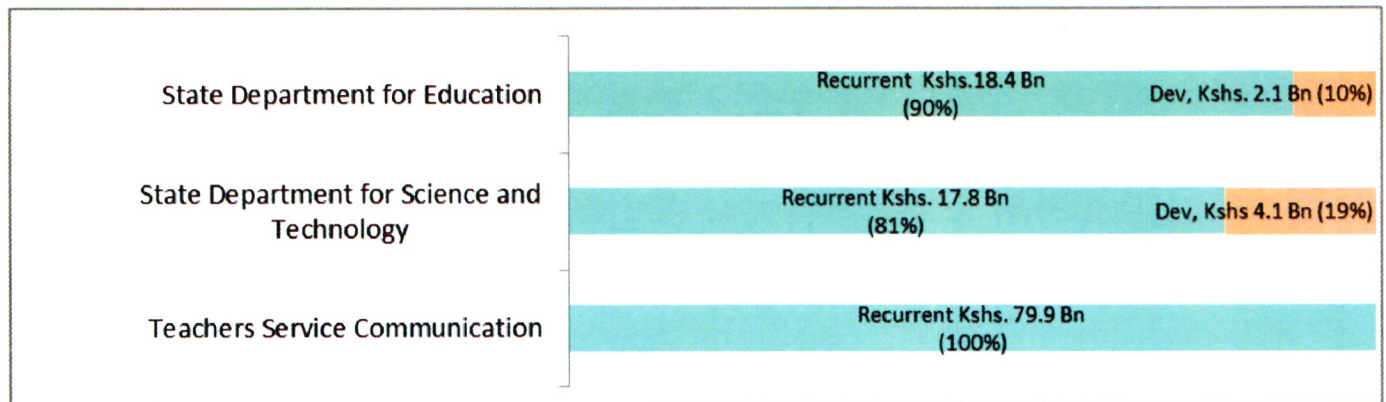
The Sector consists of the State Department of Education, State Department of Science and Technology, the Teachers Service Commission (TSC) and affiliated institutions. Education is a vital component in the realization of Kenya's Vision 2030 and a key economic and social right recognized by the Constitution of Kenya, 2010. As a result, the sector's goal is to increase access to education and training; improve quality and relevance of education, reduce inequality as well as exploit knowledge and skills in science, technology and innovation for global competitiveness.

In the FY 2014/15, this sector has been allocated Kshs.308.4 billion representing 16.8 per cent of the total budget. This is an increase of 11.7 per cent compared to Kshs.276.2 billion allocated in FY 2013/14. This allocation comprises of Kshs.273.4 billion (89 per cent) for recurrent and Kshs.35.0 billion (11 per cent) for development activities.

In the first half of FY 2014/15, the sector received exchequer issues amounting to Kshs.122.4 billion representing 43.3 per cent of the annual net estimates out of which, Kshs.116.1 billion was for recurrent expenditure while Kshs.6.3 billion was for development expenditure. Recurrent exchequer issues to State Department for Education were Kshs.18.4 billion representing 36.8 per cent of the annual net recurrent estimates. The State Department for Science and Technology sub-sector received Kshs.17.8 billion representing 48.1 per cent of the annual development net estimates, while TSC received Kshs.79.9 billion or 48.3 per cent of the annual recurrent net estimates. The State Department of Science and Technology received the highest exchequer

issues for development projects at Kshs.4.1 billion representing 41.4 per cent of the annual development net estimates. Figure 3.6 give a breakdown of the sector's exchequer issues while table 3.13 provides a detailed analysis of exchequer issues and expenditure for the sector.

Figure 3.6: Education Sector Exchequer Issues



Source: MDAs and National Treasury

Table 3.13: Education Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

Name of the Sub Sector	FY 2014/15-Recurrent						FY2014/15-Development					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department of Education	54.1	50.0	18.4	19.8	36.8	36.7	22.1	20.3	2.1	2.4	10.6	11.0
State Department of Science and Technology	53.8	37.1	17.8	20.0	48.1	37.1	12.7	10.0	4.1	4.4	41.4	34.3
Teachers Service Commission	165.5	165.4	79.9	82.7	48.3	50.0	0.1	0.1	-	-	-	-
Total	273.4	252.4	116.1	122.5	46.0	44.8	35.0	30.4	6.3	6.8	20.7	19.4
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							273.4	252.4	116.1	122.5	46.0	44.8
Development							35.0	30.4	6.3	6.8	20.7	19.4
Total							308.4	282.8	122.4	129.3	43.3	41.9

Source: MDAs and National Treasury

The sector's expenditure for the first half of FY 2014/15 amounted to Kshs.129.3 billion representing an absorption rate of 41.9 per cent of the gross estimates. The sector spent Kshs.122.5 billion on recurrent activities and Kshs.6.8 billion on development activities, or an absorption of 44.8 per cent and 19.4 per cent respectively. TSC had the highest recurrent expenditure to net estimates at Kshs.82.7 billion, an absorption rate of 50 per cent. Conversely, State Department of Education had the lowest recurrent expenditure of Kshs.19.8 billion, an absorption rate of 36.7 per cent. The State Department of Science and Technology had the highest development expenditure of Kshs.4.4 billion with an absorption rate 34.3 per cent. TSC did not report any development expenditure during the period under review.

3.8.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

This sector comprises of four sub-sectors which includes; State department for Infrastructure, State Department for Transport, Ministry of Information Communication and Technology and Ministry of Energy and Petroleum. The sector is gearing towards becoming a world-class provider of cost-effective public utility infrastructure facilities and services in the areas of energy, transport and ICT that meet international standards to make Kenya a globally competitive country.

The sector budget allocation amounted to Kshs.256.9 billion representing 14 per cent of the FY 2014/15 budget, an increase from Kshs.216.5 billion allocated in FY 2013/14. The allocation includes Kshs.35.6 billion for recurrent activities and Kshs.221.3 billion for development expenditure. The State Department for Infrastructure had the highest allocation for both recurrent and development activities at Kshs.25.8 billion and Kshs.99 billion respectively. Conversely, the Ministry of Information, Communication and Technology had the lowest allocation for both recurrent and development activities at Kshs.2 billion and Kshs.8.2 billion respectively. A more detailed analysis of the sector's performance is shown in table 3.14.

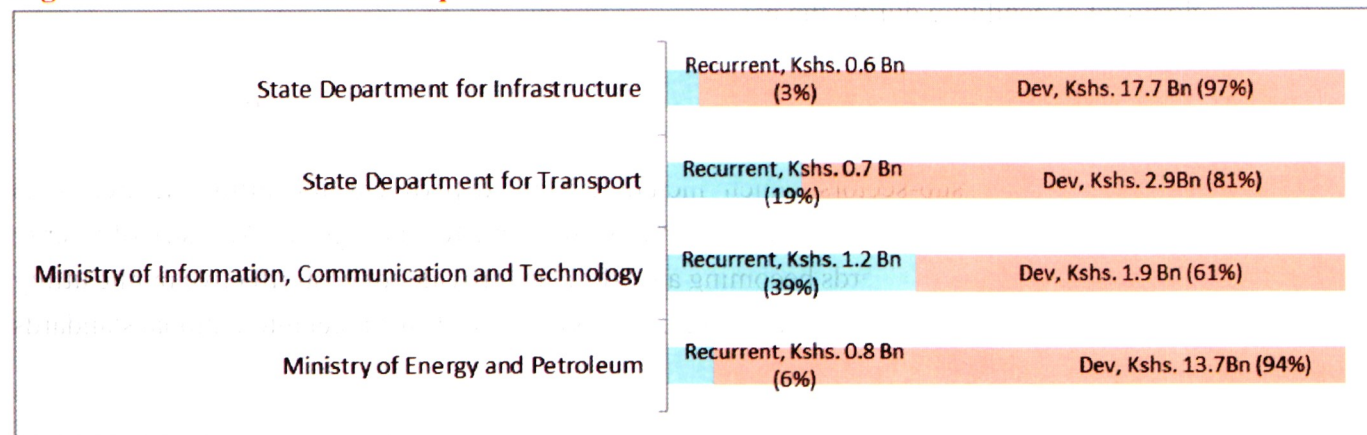
Table 3.14: EI & ICT Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

Name of the Sub Sector	FY2014/15-Recurrent						FY2014/15-Development					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Infrastructure	25.8	1.4	0.6	9.0	40.4	34.8	99.0	59.0	17.7	24.6	20.4	24.8
State Department for Transport	5.8	1.4	0.7	0.5	50.1	8.4	39.8	7.8	2.9	22.0	35.6	55.3
Ministry of Information, Communication and Technology	2.0	1.9	1.2	1.0	60.5	49.9	8.2	4.9	1.9	1.8	38.9	21.6
Ministry of Energy and Petroleum	2.0	1.7	0.8	0.7	43.2	36.2	74.3	24.1	13.7	10.0	45.6	13.4
Total	35.6	6.5	3.2	11.2	49.2	31.4	221.3	95.8	36.2	58.4	28.9	26.4
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							35.6	6.5	3.2	11.2	48.5	31.4
Development							221.3	95.8	36.2	58.4	28.9	26.4
Total							256.9	102.3	39.4	69.5	30.2	27.1

Source: MDAs and National Treasury

In the first half of FY 2014/15, the sector received exchequer issues amounting to Kshs.39.4 billion which translates to 30.2 per cent of the sector's annual net estimates. The exchequer issues comprised of Kshs.3.2 billion for recurrent expenditure and Kshs.36.2 billion for development activities representing 48.5 per cent and 28.9 per cent of the annual respective net estimates. Figure 3.7 gives a breakdown of the exchequer issues for each sub sector.

Figure 3.7: EI & ICT Exchequer Issues



Source: MDAs and National Treasury

During the period under review, the sector spent a total of Kshs. 69.5 billion, an absorption rate of 27.1 per cent of the gross estimates. This comprised of Kshs.11.2 billion expenditure on recurrent expenditure and Kshs.58.4 billion on development projects, an absorption rate of 31.4 per cent and 26.4 per cent respectively.

The Ministry of Information, Communication and Technology attained the highest absorption rate for recurrent expenditure at 49.9 per cent while the State Department for Transport recorded the lowest absorption rate at 8.4 per cent. The State Department for Transport had the highest absorption rate at 55.3 per cent on development activities while the Ministry of Energy and petroleum registered the lowest absorption rate which was 13.4 per cent on development activities.

3.8.4 Environmental Protection, Water and Natural Resource Sector

The sector consists of three sub-sectors namely: the State Department for Environment & Natural Resources; State Department for Water and Regional Authorities and Ministry of Mining. The sector endeavours to provide decent, secure and habitable environment as well as access to portable water. It also promotes mineral exploration and mining management, development of mineral development policies, conducting inventory and mapping of mineral resources.

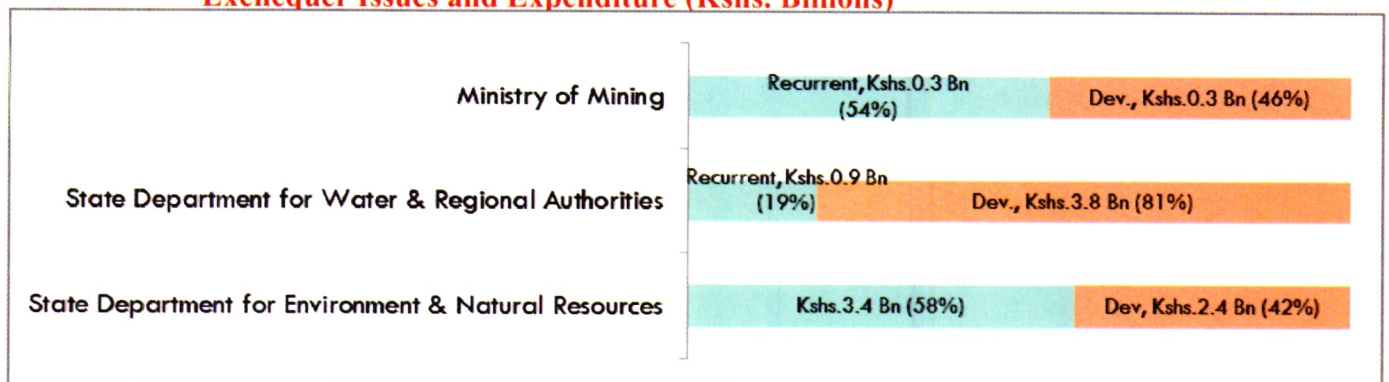
In the FY 2014/15, the sector was allocated Kshs.50.8 billion which is 2.8 percent of the total budget estimates, a decrease from the Kshs.57.1 billion allocated in FY 2013/14. A total of Kshs.14.7 billion (29 per cent) was allocated for recurrent activities while Kshs.36.1 billion (71 per cent) was for development activities. The State Department for Water and Regional Authorities received the highest allocation of Kshs.31.2 billion, or 61.5 percent of the sector's total budget allocation. The Ministry of Mining was allocated the lowest amount of Kshs.1.9 billion representing 3.9 percent of the total sector budget. Table 3.15 provides a detailed analysis of the sector.

Table 3.15: Environmental Protection, Water and Natural Resources Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billion)

FY2014/15-Recurrent							FY2014/15-Development					
Name of the Sub Sector	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Environment & Natural Resources	9.7	6.9	3.4	3.3	50.0	34.2	7.8	6.4	2.4	2.5	37.7	32.1
State Department for Water & Regional Authorities	4.2	2.1	0.9	0.9	41.0	21.6	27.0	17.8	3.8	6.7	21.6	24.8
Ministry of Mining	0.7	0.7	0.3	0.2	44.8	33.7	1.2	1.2	0.3	0.2	22.2	13.1
Total	14.7	9.7	4.6	4.5	47.7	30.5	36.1	25.5	6.5	9.4	25.6	26.0
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							14.7	9.7	4.6	4.5	47.7	30.5
Development							36.1	25.5	6.5	9.4	25.6	26.0
Total							50.8	35.2	11.2	13.9	31.7	27.3

Source: MDAs and National Treasury

Exchequer issues to the sector amounted to Kshs.11.2 billion and represent 31.7 per cent of the annual net estimates. The recurrent exchequer issues to the sector were Kshs.4.6 billion representing 47.7 per cent of the annual net recurrent estimates while development exchequer issues were Kshs.6.5 billion or 25.6 per cent of the annual net development estimates. Out of the total recurrent exchequer issues, the State Department for Environment and Natural Resources received the highest proportion of exchequer issues to annual recurrent net estimates of Kshs.3.4 billion (50 per cent) followed by the Ministry of Mining, Kshs.0.3 billion (44.8 per cent) while the State Department for Water and Regional Authorities received Kshs.0.9 billion representing 41 per cent of the annual net estimates. Figure 3.8 illustrates the exchequer issues to the sector.

Figure 3.8: Environmental Protection, Water and Natural Resources Sector – Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

Source: National Treasury

The total expenditure for the sector was Kshs.13.9 billion translating to an absorption rate of 27.3 per cent. The sector spent a total of Kshs.4.5 billion on recurrent activities which represents an absorption rate of 30.5 per cent and Kshs.9.4 billion on development activities translating to an absorption rate of 26 per cent. The State Department for Environment and Natural Resources had the highest absorption of recurrent budget at 34.2 per cent while the State Department for Water and Regional Authorities reported the lowest absorption rate at 21.6 per cent. The State Department for Environment and Natural Resources had the highest absorption of development budget at 32.1 per cent whereas the Ministry of Mining had the lowest absorption rate at 13.1 per cent.

3.8.5 General Economic and Commercial Affairs (GECA) Sector

The General Economic and Commercial Affairs (GECA) Sector comprises of three sub-sectors namely; Industrialization and Enterprise Development, State Department for East African Affairs and State Department for Commerce and Tourism. The sector aims at promoting regional integration and cooperation; growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development. The sector contributes significantly to the overall national development agenda accounting for about 33 percent of the overall GDP. It is also a major source of government revenue in form of taxes, duties, license fees, National Park entry fees, among others.

The budgetary allocation to the sector in the FY 2014/15 was Kshs.16.2 billion consisting of Kshs.6.7 billion (41.4 per cent) for recurrent expenditure and Kshs.9.6 billion (58.6 per cent) for development expenditure. The sector's allocation of Kshs.16.3 billion in the FY 2014/15 is an increase of 26.4 per cent from the Kshs.12.9 billion allocated in FY 2013/14. The State Department for Commerce and Tourism was allocated the highest amount of Kshs.2.8 billion for recurrent expenditure while the State Department for East African Affairs was allocated the least at Kshs.1.6 billion. The Ministry of Industrialization and Enterprise Development was allocated the highest amount of Kshs.7.4 billion for development expenditure while the State Department for East African Affairs was allocated the lowest at Kshs.0.1 billion. Table 3.16 represents analysis of the GECA sector.

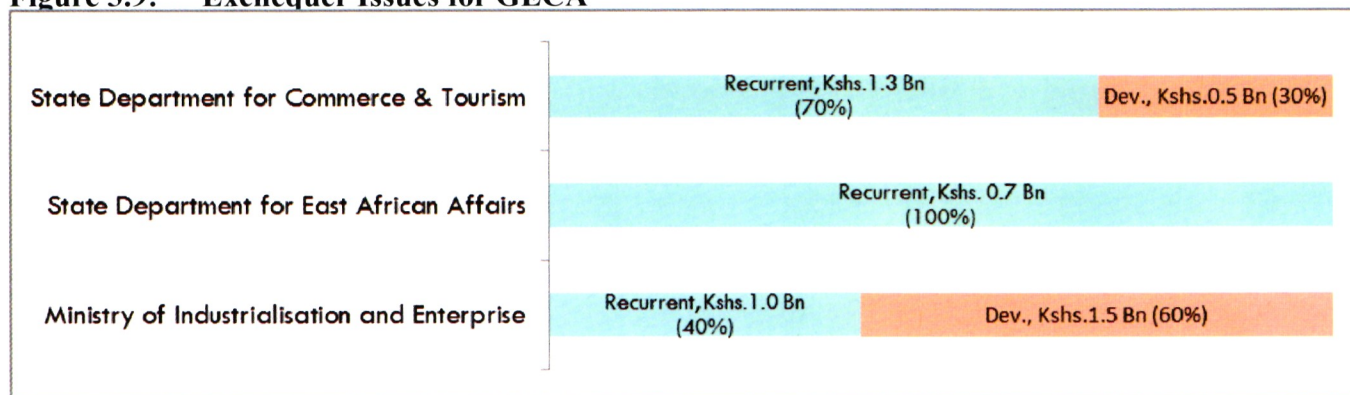
Table 3.16: GECA Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billion)

Name of the Sub Sector	FY 2014/15-Recurrent						FY 2014/15-Development					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Industrialisation and Enterprise Development	2.3	2.3	1.0	0.9	42.7	38.9	7.4	6.9	1.5	1.4	13.1	19.0
State Department for East African Affairs	1.6	1.6	0.7	1.0	43.7	61.1	0.1	-	-	-	-	-
State Department for Commerce & Tourism	2.8	2.7	1.3	1.1	47.6	39.8	2.1	2.1	0.5	0.6	26.4	29.4
Total	6.7	6.6	3.0	3.0	45.4	44.7	9.6	9.0	2.0	2.0	16.1	21.1
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							6.7	6.6	2.7	3.0	40.7	44.7
Development							9.6	9.0	1.5	2.0	16.1	21.1
Total							16.2	15.6	4.1	5.0	26.5	30.8

Source: MDAs and National Treasury

The total exchequer issues to the sector in the first half of FY 2014/15 was Kshs.4.1 billion representing 26.5 per cent of the annual net estimates and consisted of Kshs.2.7 billion for recurrent activities (40.7 per cent of annual recurrent net estimates) and Kshs.1.5 billion for development projects (16.1 per cent of annual development net estimates). The State Department for Commerce and Tourism received Kshs.1.3 billion, which is 47.6 per cent of the sub-sectors annual net estimates while the State Department for East African Affairs received Kshs.0.7 billion, representing 43.9 per cent of the annual recurrent net estimates. The Ministry of Industrialization and Enterprise Development received Kshs.1.0 billion, representing 42.7 per cent of the annual recurrent net estimates.

On development expenditure, the State Department for Commerce and Tourism received the highest proportion of exchequer issues to the annual development net estimates at 26.4 per cent while the Ministry of Industrialization and Enterprise Development had the lowest proportion of exchequer issues to the annual development net estimates at 13.1 per cent. The State Department for East African Affairs did not receive exchequer issues towards development activities. Figure 3.9 show exchequer issues to the various sub sectors.

Figure 3.9: Exchequer Issues for GECA

Source: National Treasury

Expenditure for the sector in the first half of FY 2014/15 was Kshs.5.0 billion representing an absorption rate of 30.8 per cent. A total of Kshs.3.0 billion was spent on recurrent activities representing an absorption rate of 44.7 per cent while Kshs.2.0 billion was spent on development activities representing an absorption rate of 21.1 per cent. State Department for East African Affairs spent Kshs.1.0 billion on recurrent or an absorption rate of 61.1 per cent for recurrent activities, the State Department Commerce and Tourism spent Kshs.1.1 billion or an absorption rate of 39.8 per cent while Ministry of Industrialization and Enterprise Development spent Kshs.0.9 billion, representing an absorption rate of 38.9 per cent for recurrent activities.

On development expenditure, the Ministry of Industrialization and Enterprise Development spent Kshs.1.4 billion, or an absorption rate of 19.0 per cent and the State Department for Commerce and Tourism spent Kshs. 0.6 billion or an absorption rate 29.4 per cent.

3.8.6 Governance, Justice, Law and Order Sector (GJLOS)

The GJLOS sector comprises of 14 sub-sectors which includes; Ministry of Interior and Coordination of National Government, Office of the Attorney General and Department of Justice, Directorate of Public Prosecution (DPP), the Judiciary, Judicial Service Commission (JSC), Ethics and Anti-Corruption Commission (EACC), Kenya National Commission for Human Rights (KNCHR), Registrar of Political Parties (RPP), Witness Protection Agency (WPA), National Police Service Commission (NPSC), Independent Electoral and Boundaries Commission (IEBC), National Gender and Equality Commission (NGEC), Commission for Implementation of the Constitution (CIC) and Independent Police Oversight Authority (IPOA).

The role of the sector includes provision of security, prosecution services, management of elections and electoral boundaries, ensuring good governance and accountability of public resources, registration and regulation of political parties, facilitate and oversee constitution implementation. The sector also aims at protecting and promoting human rights, rehabilitation, reintegration and resettlement of custodial and non-custodial offenders, providing migration services, maintaining law and order, judicial and legal services and promotion of cohesion, transparency and integrity.

During the FY 2014/15, the sector was allocated Kshs.130.9 billion translating to 7.1 per cent of the total budget and a slight decline from the Kshs.131.9 billion allocated in FY 2013/14. The sector was allocated Kshs.119.2 billion (91.1 per cent) towards recurrent activities and Kshs.11.7 billion (8.9 per cent) for development activities. The state Department for interior had the highest budgetary allocation for recurrent activities in the sector at Kshs.79.3 billion while Judiciary had the highest allocation for development expenditure in the sector at Kshs.5.6 billion. Table 3.17 represents the budget performance summary of the GJLOS sector.

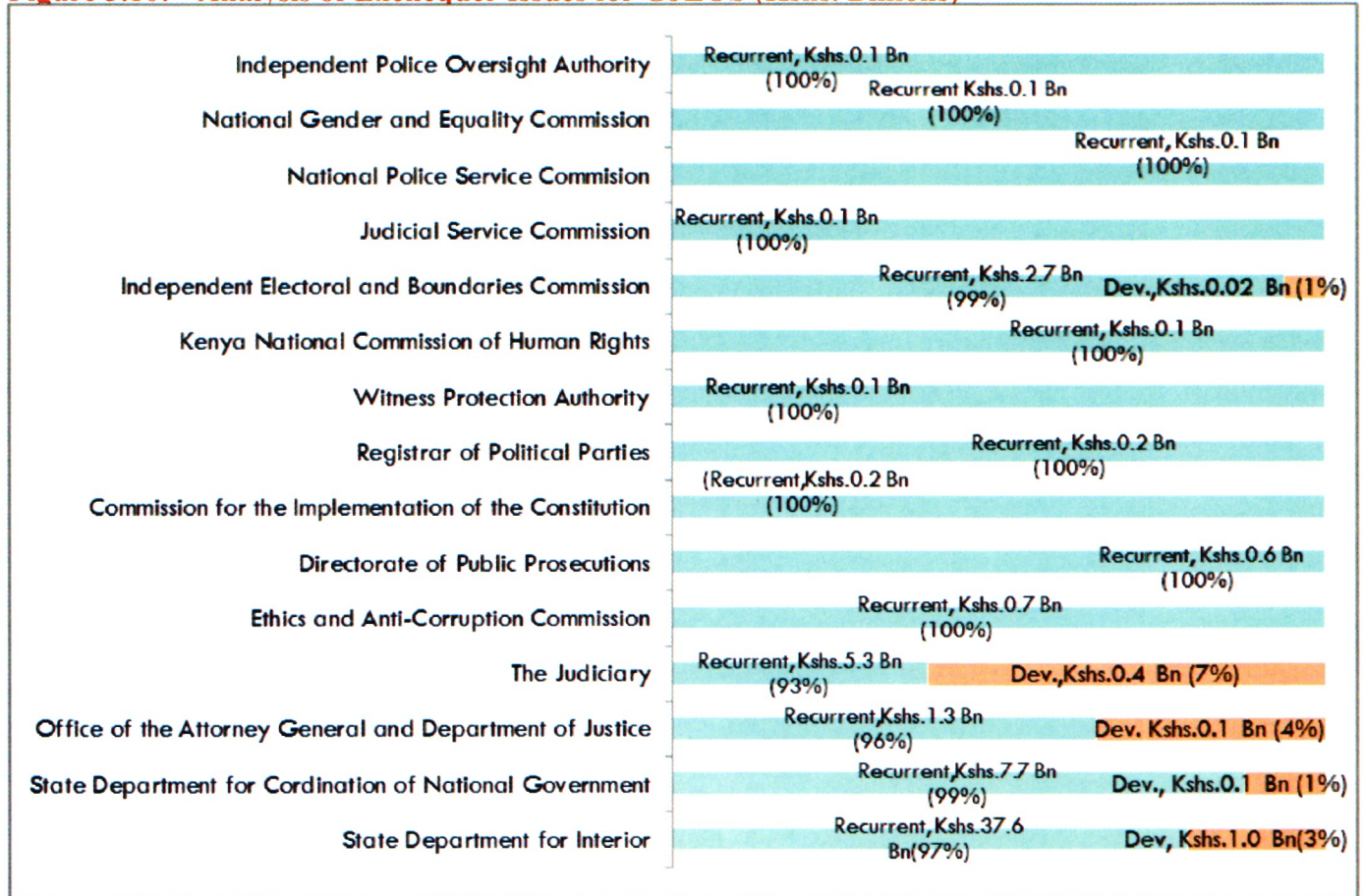
Table 3.17: GJLOs Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

Name of the Sub Sector	FY 2014/15-Recurrent						FY 2014/15-Development					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Interior	79.3	78.9	37.6	20.4	47.6	25.8	4.4	4.3	1.0	1.1	22.6	25.9
State Department for Coordination of National Government	15.4	15.4	7.7	2.4	50.1	15.4	0.7	0.7	0.1	0.2	17.7	27.9
Office of the Attorney General and Department of Justice	3.7	3.4	1.3	1.2	38.5	32.0	0.5	0.2	0.1	0.1	24.5	11.2
The Judiciary	11.9	11.9	5.3	5.1	45.1	42.7	5.6	5.6	0.4	0.6	7.5	11.2
Ethics and Anti-Corruption Commission	1.5	1.5	0.7	0.7	47.9	47.0	0.3	0.1	-	-	-	-
Directorate of Public Prosecutions	1.7	1.7	0.6	0.5	32.7	28.6	0.1	0.1	-	-	-	-
Commission for the Implementation of the Constitution	0.3	0.3	0.2	0.1	54.5	48.3	-	-	-	-	-	-
Registrar of Political Parties	0.5	0.5	0.2	0.2	47.8	47.7	-	-	-	-	-	-
Witness Protection Authority	0.2	0.2	0.1	0.1	45.8	57.2	-	-	-	-	-	-
Kenya National Commission of Human Rights	0.4	0.4	0.1	0.2	34.9	51.0	-	-	-	-	-	-
Independent Electoral and Boundaries Commission	3.0	3.0	2.7	1.2	88.9	40.1	0.1	0.1	0.0	0.02	21.9	21.3
Judicial Service Commission	0.4	0.4	0.1	0.1	22.0	16.8	-	-	-	-	-	-
National Police Service Commission	0.3	0.3	0.1	0.1	44.8	39.6	-	-	-	-	-	-
National Gender and Equality Commission	0.3	0.3	0.1	0.1	37.9	21.4	-	-	-	-	-	-
Independent Police Oversight Authority	0.2	0.2	0.1	0.1	46.4	60.4	-	-	-	-	-	-
Total	119.2	118.4	57.0	32.6	48.1	27.3	11.7	11.1	1.6	2.0	14.3	17.4
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							119.2	118.4	57.0	32.6	48.1	27.3
Development							11.7	11.1	1.6	2.0	14.3	17.4
Total							130.9	129.6	58.6	34.6	45.2	26.4

Source: MDAs and National Treasury

Exchequer issues to the sector during the period under review amounted to Kshs.58.6 billion representing 45.2 per cent of the sector’s annual net estimates. This comprised of Kshs.57 billion for recurrent expenditure or 48.1 of the annual recurrent net estimates and Kshs.1.6 billion for development expenditure representing 14.3 per cent of the annual development net estimates. The IEBC received the highest proportion of exchequer issues to net estimates for recurrent expenditure at 88.9 per cent while JSC had the lowest proportion at 22 per cent. Figure 3.10 represents an analysis of exchequer issues to the GJLO sector.

Figure 3.10: Analysis of Exchequer Issues for GJLOS (Kshs. Billions)



Source: National Treasury

Expenditure amounted to Kshs.34.6 billion which represents an absorption rate of 26.4 per cent. The sector spent Kshs.32.5 billion on recurrent activities, an absorption rate of 27.3 per cent and Kshs.2 billion on development activities representing an absorption rate of 17.4 per cent. The Independent Police Oversight Authority recorded the highest absorption of recurrent budget at 60.4 per cent while the State Department for Coordination of National Government had the highest absorption of development budget at 27.9 per cent.

3.8.7 The Health Sector

The Health sector has one sub-sector, the Ministry of Health. The Ministry discharges its function through eight Semi-Autonomous Government Agencies (SAGAs) namely; Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital, Kenya Medical Research Institute (KEMRI), Kenya Medical Supplies Agency (KEMSA), Kenya Medical Training College (KEMTC), National Health Insurance Fund (NHIF), National AIDS Control Council (NACC) and HIV & AIDS Equity Tribunal. The SAGAs are specialized in health service delivery; medical research and training; procurement and distribution of drugs; and financing

through health insurance. The sector's mandate is to promote and participate in the provision of integrated and high quality curative, preventive and rehabilitative services that are equitable, responsive and accessible to all Kenyans.

The budgetary allocation to the sector in FY 2014/15 was Kshs.47.4 billion or 2.6 per cent of the total budget an increase compared to Kshs.36.2 billion allocated in FY 2013/14. The allocation comprised of Kshs.26.1 billion (55.0 per cent) for recurrent expenditure and Kshs.21.3 billion (45.0 per cent) for development expenditure.

During the period under review, the total exchequer issues to the sector amounted to Kshs.12.5 billion representing 34.7 per cent of the annual net estimates. Recurrent exchequer issues to the sector were Kshs.9.5 billion representing 43.0 per cent of the annual recurrent net estimates while the development exchequer issues were Kshs.3.0 billion, representing 21.5 per cent of the annual development net estimates.

Total expenditure for the sector in the first half of FY 2014/15 amounted to Kshs.15.2 billion, representing an absorption rate 32.1 per cent of the gross estimates. The recurrent expenditure by the sector amounted to Kshs.11.9 billion, representing an absorption rate of 45.7 per cent of the recurrent gross estimates while development expenditure was Kshs.3.3 billion, representing an absorption rate of 15.4 per cent of the gross development estimates. Table 3.18 gives a summary of the performance of the Health sector.

Table 3.18: Health Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billion)

FY 2014/15 Recurrent							FY 2014/15 Development					
Vote	Gross Est.	Net Estimates	Ex-chequer Issues	Exp.	% Exch. Issues to Net Est.	% Exp to G. Est.	Gross Est.	Net Est.	Ex-chequer Issues	Exp.	% Exch. Issues to Net Est.	% Exp to G. Est.
Health	26.1	22.2	9.5	11.9	43.0	45.7	21.3	13.9	3.0	3.3	21.5	15.4
Total	26.1	22.2	9.5	11.9	43.0	45.7	21.3	13.9	3.0	3.3	21.5	15.4
Total for the Sector FY 2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% Exch. Issues to Net Est.	% Exp. to G. Est.
Recurrent							26.1	22.2	9.5	11.9	43.0	45.7
Development							21.3	13.9	3.0	3.3	21.5	15.4
Total							47.4	36.1	12.5	15.2	34.7	32.1

Source: MDAs and National Treasury

3.8.8 The Public Administration and International Relations (PAIR) Sector

The Public Administration and International Relations (PAIR) sector comprises of the following sub-sectors; The Presidency, Ministry of Devolution and Planning, Ministry of Foreign Affairs, National Treasury, Parliamentary Service Commission, Commission on Revenue Allocation, Public Service Commission, Salaries and Remuneration Commission, Auditor General, Controller of Budget and the Commission on Administrative Justice. The sector plays a significant role in national policy formulation and implementation, monitoring and evaluation of government projects. In addition, the sector links all other sectors with the rest of the world on matters of international treaties, agreements, co-operation and resource mobilization.

Total allocation to the PAIR sector amounted to Kshs.196.9 billion (11 per cent of total budget) an increase from Kshs.173.5 billion allocated in FY 2013/14. Allocation for recurrent expenditure was Kshs.94.2 billion, which is 47.8 per cent of the sector's budget while Kshs.102.7 billion was for development expenditure which is 52.2 per cent. The National Treasury had the highest allocation for recurrent expenditure of Kshs.37.8 billion whereas the Commission on Revenue Allocation had the lowest allocation of Kshs.0.3 billion. On development expenditure allocation, the State Department for Planning had the highest allocation of Kshs.53.4 billion and the Public Service Commission had the lowest allocation of Kshs.0.2 billion. Table 3.19 illustrates the budget implementation status for the PAIR sector in the first half of FY 2014/15.

Table 3.19: PAIR Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

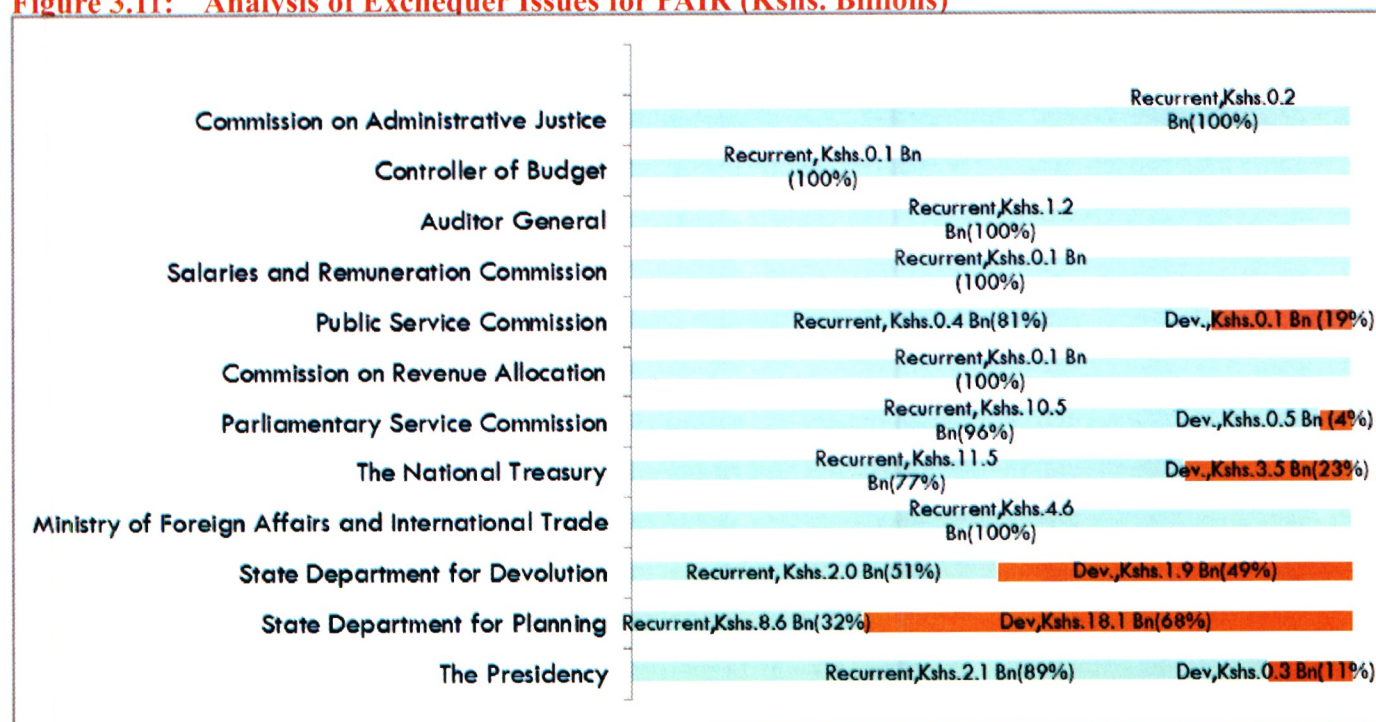
Name of the Sub Sector	FY 2014/15-Recurrent						FY 2014/15-Development					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
The Presidency	3.5	3.5	2.1	1.7	60.9	47.8	0.8	0.8	0.3	0.3	35.3	35.1
State Department for Planning	14.8	14.6	8.6	6.9	58.6	46.8	53.4	50.5	18.1	22.2	35.9	41.6
State Department for Devolution	2.2	2.2	2.0	0.8	92.4	38.8	5.1	3.5	1.9	1.4	54.9	27.1
Ministry of Foreign Affairs and International Trade	10.9	9.8	4.6	2.6	47.1	24.0	1.6	1.6	-	0.0	-	1.1
The National Treasury	37.8	37.8	11.5	12.0	30.4	31.7	38.1	24.4	3.5	2.0	14.2	5.2
Parliamentary Service Commission	20.0	20.0	10.5	8.4	52.5	42.0	3.1	3.1	0.5	0.5	15.2	16.5
Commission on Revenue Allocation	0.3	0.3	0.1	0.1	25.7	21.4	-	-	-	-	-	-
Public Service Commission	0.9	0.9	0.4	0.4	49.3	48.1	0.2	0.2	0.1	0.1	62.0	62.0
Salaries and Remuneration Commission	0.4	0.4	0.1	0.1	29.2	33.7	-	-	-	-	-	-
Auditor General	2.6	2.5	1.2	1.1	47.7	40.7	0.4	0.4	-	-	-	-

FY 2014/15-Recurrent							FY 2014/15-Development					
Name of the Sub Sector	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Controller of Budget	0.4	0.4	0.1	0.1	25.1	32.1	-	-	-	-	-	-
Commission on Administrative Justice	0.4	0.4	0.2	0.1	41.2	35.6	-	-	-	-	-	-
Total	94.2	92.8	41.4	34.4	44.6	36.5	102.7	84.5	24.4	26.5	28.9	25.8
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							94.2	92.8	41.4	34.4	44.6	36.5
Development							102.7	84.5	24.4	26.5	28.9	25.8
Total							196.9	177.3	65.8	61.0	37.1	31.0

Source: MDAs and National Treasury

Exchequer issues to the sector were Kshs.65.8 billion which represents 37.1 per cent of the annual net estimates. The recurrent exchequer issues were Kshs.41.4 billion or 44.6 per cent of the annual net recurrent estimates while the development exchequer issues were Kshs.24.4 billion or 28.9 per cent of the annual net development estimates. The State Department for Devolution received Kshs.2.0 billion in recurrent exchequer issues representing the highest proportion of recurrent exchequer issues to annual recurrent net estimates at 92.4 per cent. The Commission on Revenue Allocation received Kshs.72.9 million, the lowest proportion of recurrent exchequer issues to annual recurrent net estimates at 25.7 per cent. The Public Service Commission received Kshs.104.2 million in development exchequer issues. This represented the highest proportion of development exchequer issues to annual development net estimates at 62.0 per cent. Figure 3.11 show exchequer issues to all the subsectors in PAIR.

Figure 3.11: Analysis of Exchequer Issues for PAIR (Kshs. Billions)



Source: National Treasury

The total expenditure for the period was Kshs.61 billion, representing an absorption rate of 31.0 per cent. The total recurrent expenditure for the period was Kshs.34.4 billion or 36.5 per cent of the recurrent expenditure estimates while the total development expenditure was Kshs.26.5 billion or 25.8 per cent of development expenditure estimates.

3.8.9 Social Protection, Culture and Recreation Sector

The sector consists of two sub-sectors namely; The Labour, Social Security and Services, and Sports, Culture and Arts. The sector contributes to Kenya's development through promotion of harmonious industrial relations, safety and health at workplace, employment promotion, industrial training, productivity management, national human resource planning and development, social security, children welfare, and social development.

The sector had a budgetary allocation of Kshs.24.1 billion which is 1.3 per cent of the total budget. Of the total sector budget, Kshs.11.1 billion (46 per cent) was for recurrent expenditure and Kshs.13.0 billion (54 per cent) for development expenditure. The Ministry of Labour Social Security and Services had a budget allocation of Kshs.8.5 billion as recurrent expenditure and Kshs.11.6 billion as development expenditure while the Ministry of sports Culture and Arts was allocated Kshs.2.6 billion as recurrent expenditure and Kshs.1.4 billion as development expenditure. Table 3.20 gives a breakdown of the two sub sectors under review.

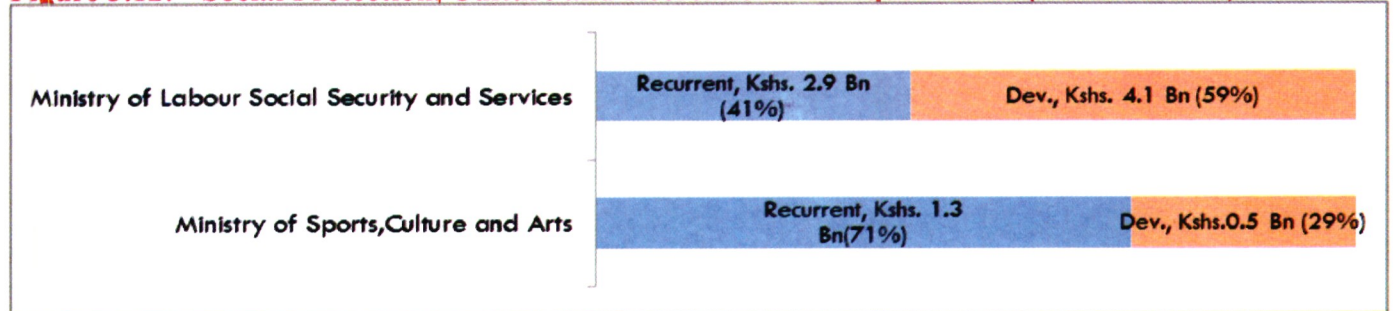
Table 3.20: Social Protection, Culture and Recreation Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

FY 2014/15-Recurrent							FY 2014/15-Development					
Name of the Sub Sector	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Sports, Culture and Arts	2.6	2.6	1.3	1.1	50.5	42.3	1.4	1.3	0.5	0.6	56.8	45.0
Ministry of labour Social Security and Services	8.5	8.4	1.3	2.7	34.7	31.8	11.6	11.4	4.1	4.9	34.2	42.3
Total	11.1	10.9	4.2	3.8	38.4	34.2	13.0	12.7	4.6	5.5	36.5	42.6
Total for the Sector-FY2014/15							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent							11.1	10.9	4.2	3.8	38.4	34.2
Development							13.0	12.7	4.6	5.5	36.5	42.6
Total							24.1	23.6	8.8	9.3	37.3	38.5

Source: MDAs and National Treasury

Exchequer issues to the sector amounted to Kshs.8.8 billion translating to 37.3 per cent of the sector's annual net estimates. The Ministry of Sports, Culture and Arts had the highest proportion of exchequer issues to annual net estimates at 50.5 per cent for recurrent and at 56.8 per cent for development while Ministry of Labour Social Security and Services had the lowest proportion of exchequer issues to the net estimates at 34.7 per cent for recurrent expenditure and at 34.2 per cent for development. Figure 3.12 provides a graphical representation of exchequer issues for the two subsectors.

Figure 3.12: Social Protection, Culture and Recreation Exchequer Issues (Kshs. Billions)



Source: National Treasury

Total expenditure for the period under review was Kshs.9.3 billion, an absorption rate of 39 per cent. The total recurrent expenditure was Kshs3.8 billion while development expenditure was Kshs.5.5 billion, an absorption rate of 34.2 per cent and 42.6 per cent respectively. Comparatively, the Ministry of Sports, Culture and Arts had the highest absorption of the development expenditure at 45.0 per cent while Ministry of Labour, Social Security and Services absorbed 42.3 per cent of the its development budget.

3.8.10 National Security Sector

This sector consists of the Ministry of Defence and National Intelligence Services (NIS). The mandate of this sector is to safeguard the security of the country against any threats emanating both from within and without the borders, defend the country and provide support to civil power in the maintenance of peace and order.

In FY 2014/15, the National Security Sector was allocated Kshs. 90.7 billion representing 4.9 per cent of the total budget, which was entirely for recurrent expenditure. The Defence sub-sector was allocated Kshs.73.3 billion while the National Intelligence Service sub-sector was allocated Kshs.17.4 billion. Table 3.21 gives a breakdown of the National Security sector.

Table 3.21: National Security Sector - Analysis of Exchequer Issues and Expenditure (Kshs. Billions)

FY 2014/15 - Recurrent						
Name of the Sub Sector	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	% of Exchequer to Net Estimates	% of Expenditure to Gross Estimates
Ministry of Defence	73.3	73.3	31.6	35	43.1	47.7
National Intelligence Service	17.4	17.4	8.2	8.7	47.1	50.0
Total	90.7	90.7	39.8	43.7	43.9	48.2

Source: MDAs and National Treasury

During the period under review exchequer issues to the sector amounted to Kshs.39.8 billion representing 43.9 per cent of the annual net estimates. The Ministry of Defence received Kshs.31.6 billion while the National Intelligence received Kshs.8.2 billion, translating to 43.1 and 47.1 per cent of annual respective net estimates.

The sectors' total expenditure was Kshs.43.7 billion, translating to an absorption rate of 48.2 per cent of the gross estimates. The Defence sub-sector spent Kshs.35.0 billion, an absorption rate of 47.7 per cent of the gross estimates while the National Intelligence Services sub-sector spent Kshs.8.7 billion, an absorption rate of 50 per cent of gross estimates.

4.0 PERFORMANCE OF BUDGET BY PROGRAMMES – JULY TO DECEMBER 2014

This chapter presents analysis of MDAs budget performance based on programmes implemented during the first half of FY 2014/15. Approved gross estimates and expenditure is analysed by programme for both recurrent and development expenditure and provides implementation status for each programme.

4.1 Agricultural, Rural and Urban Development (AR&UD) Sector

The AR&UD sector which comprises of 14 programmes was allocated Kshs.60.2 billion comprising of Kshs.15.9 billion (26.4 per cent) for recurrent expenditure and Kshs.44.3 billion (73.6 per cent) for development programmes for the FY 2014/15. The Crop Development and Management programme received the highest allocation at Kshs.13.0 billion which was 21.5 per cent of the total allocation for the sector. On the other hand, the Livestock Resources Management and Development program received the lowest allocation at Kshs.21.4 million.

Expenditure for the first half of FY 2014/15 was Kshs.21.7 billion comprising of Kshs.6.4 billion as recurrent expenditure and Kshs.15.3 billion as development expenditure. The recurrent expenditure represents an absorption rate of 40.3 per cent of the annual budget for recurrent programmes while development expenditure translates to 34.6 per cent of the annual budget for development programmes in the sector.

Analysis of the programme performance for the period under review shows that the Government Buildings programme under the Ministry of Land Housing and Urban development subsector spent Kshs.1.4 billion and recorded the highest absorption rate at 77.8 per cent. The Livestock Resources Management and Development programme under the State Department for Agriculture subsector spent Kshs.0.598 million recording the lowest absorption rate at 5.0 per cent.

Table 4.1: Analysis of AR & UD Sector Programmes (Kshs. Billions)

Name of Sub-Sector	Programme	Approved Gross Estimates			Expenditure			Pro-gramme Absorption Rate(%)
		Rec. Est	Dev. Est	Total Approved Est	Rec. Exp	Dev. Exp	Total Exp	
Ministry of Land Housing and Urban development	Land Policy and Planning	1.9	3.7	5.6	0.9	0.9	1.9	33.9
	Housing Development and Human Settlement	1.1	3.9	4.9	0.5	1.6	2.1	42.9
	Government Buildings	0.3	1.4	1.8	0.1	1.2	1.4	77.8
	Coastline Infrastructure and Pedestrian Access	0.05	0.3	0.3	0.03	0.1	0.2	66.7
	Urban and Metropolitan Development	0.3	7.9	8.3	0.1	2.6	2.7	32.5
	General Administration Planning and Support Services	0.4	0.2	0.6	0.2	0.001	0.2	33.3
State Department for Agriculture	General Administration Planning and Support Services	0.7	0.6	1.3	0.2	0.01	0.3	23.1
	Crop Development and Management	6.3	6.6	13	3.1	1.2	4.2	32.3
	Agribusiness and Information Management	0.2	3.2	3.4	0.04	0.9	0.9	26.5
	Irrigation and Drainage Infrastructure	0.7	11.1	11.7	0.1	4.8	4.8	41.0
	Livestock Resources Management and Development	0.02		0.02	0.001		0.001	5.0
State Department for Livestock	Livestock Resources Management and Development	1.8	3.7	5.5	0.2	1.3	1.4	25.5
State Department for Fisheries	Fisheries Development and Management	0.9	1.2	2.1	0.5	0.7	1.2	57.1
National Land commission	Land Administration and Management	1.2	0.5	1.7	0.4		0.4	23.5
Total		15.9	44.3	60.2	6.4	15.3	21.7	36.1

Source: MDAs and National Treasury

4.2 Education Sector

The Education sector comprises of 12 programmes and was allocated Kshs.308.4 billion comprising of Kshs.273.4 billion (89 per cent) for recurrent expenditure and Kshs.35 billion (11 per cent) for development programmes in FY 2014/15. Teachers' resource management programme received the highest allocation at Kshs.161.1 billion which was 55.8 per cent of the total allocation for the sector while the Governance and standards program received the lowest allocation at Kshs.0.05 billion.

Expenditure for the first half of FY 2014/15 was Kshs.129.3 billion comprising of Kshs.122.5 billion as recurrent expenditure and Kshs.6.8 billion as development expenditure. The recurrent expenditure represents an absorption rate of 44.8 per cent of the annual budget for recurrent programmes while development expenditure translates to 19.4 per cent of the annual budget for development programmes in the sector.

Analysis of the programme performance during the period under review shows that Teacher Resource Management under the TSC sub-sector spent Kshs.82.2 billion recording the highest absorption rate at 51 per cent while the Governance and Standards programme of TSC had the lowest absorption rate at 0 per cent.

Table 4.2: Analysis of Education Sector Programmes (Kshs. Billions)

Name of Sub-Sector	Programme	Approved Gross Estimate			Expenditure			Programme Absorption Rate(%)
		Rec. Est	Dev. Est	Total Approved Est	Rec. Exp.	Dev. Exp.	Total. Exp.	
State Department for Education	Primary Education	17.4	19.2	36.6	5	1.4	6.4	17.5
	Secondary Education	28.7	0.9	29.6	13.1	0.2	13.3	44.9
	Quality Assurance and Standards	4.9	0.8	5.7	0.6	0.5	1.1	19.3
	General Administration, Planning and Support Services	3.1	1.3	4.4	1.1	0.4	1.5	34.1
State Department for Science and Technology	University Education	50.6	5.5	56.1	18.6	2.2	20.8	37.1
	Technical Vocational Education and Training	1.2	4.6	5.8	0.6	1.9	2.5	43.1
	Research, Science, Technology and Innovation	0.6	0.2	0.8	0.3	0.09	0.39	48.8
	Youth Training and Development	0.9	1.1	2	0.5	0.06	0.56	28.0
	General Administration, Planning and Support Services	0.5	1.3	1.8	0.03	0.06	0.09	5.0
Teachers Service Commission	Teacher Resource Management	161.1		161.1	82.2		82.2	51.0
	Governance and Standards	0.05		0.05			0	0.0
	General Administration, Planning and Support Services	4.3	0.1	4.4	0.5		0.5	11.4
Total		273.4	35.0	308.4	122.5	6.8	129.3	41.9

Source: MDAs and National Treasury

4.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

The EI&ICT sector was allocated Kshs.256.9 billion to implement its 17 programmes during the FY 2014/15. This allocation comprises of Kshs.35.6 billion (13.9 per cent) as recurrent expenditure allocation and Kshs.221.3 billion (86.2 per cent) as development expenditure allocation. The Road Transport program under the State Department of Infrastructure had the highest allocation at Kshs.123.52 billion which was 48.1 per cent of the total allocation for the sector while Government Clearing Services programme under the State Department of Transport had the lowest allocation at Kshs.151 million which was less than 1 per cent of the total allocation for the sector.

Expenditure during the first half of FY 2015/14 was Kshs.69.5 billion comprising of recurrent expenditure of Kshs.11.2 billion and development expenditure of Kshs.58.4 billion. The total recurrent expenditure translated to an absorption rate of 31.4 per cent of the annual recurrent budget while the development expenditure represented an absorption rate of 26.4 per cent of the annual development budget.

Analysis of the programme performance during the period under review indicates that the Rail Transport programme spent Kshs.19.3 billion recording the highest absorption rate at 79 per cent. The Alternative Energy Technologies programme under the Ministry of Energy and Petroleum had the lowest absorption rate at 1 per cent with an expenditure of Kshs.34 million.

Table 4.3 presents an analysis of allocation and expenditure by programme under the sector for the period under review.

Table 4.3: Analysis of EI & ICT Sector Programmes (Kshs. Billions)

Name of Sub-Sector	Gross Approved Estimates				Total Expenditure			Programme Absorption Rate(%)
	Programme	Rec. Est.	Dev. Est.	Total Approved Est	Rec. Exp.	Dev. Exp.	Total Exp.	
State Department of Transport	General Administration, Planning and Support Services	0.3	0.1	0.4	0.04	0.005	0.045	2
	Road Transport	0.4	0.1	0.5	0.2		0.2	50
	Rail Transport		26.2	26.2		19.3	19.3	79
	Marine Transport	0.5	5.6	6.1	0.2	0.3	0.5	9
	Air Transport	4.4	7.7	12.1	0.008	2.4	2.408	20
	Government Clearing Services	0.1	0.02	0.12	0.002		0.002	10
State Department of Infrastructure	General Administration, Planning and Support Services	1.3		1.3	0.5		0.5	39
	Road Transport	24.5	99	123.5	8.5	24.6	33.1	27

Name of Sub-Sector	Gross Approved Estimates				Total Expenditure			Programme Absorption Rate(%)
	Programme	Rec. Est	Dev. Est.	Total Approved Est	Rec. Exp.	Dev. Exp.	Total Exp.	
Ministry of Information, communication and Technology	General Administration Planning and Support Services	0.4	0.1	0.5	0.4	0.3	0.7	158
	Information And Communication Services	1.4	0.7	2.1	0.5	0.3	0.8	51
	Mass Media Skills Development	0.2	0.1	0.3	0.01		0.01	3
	ICT Infrastructure Development	0.04	7.3	7.34	0.02	1.2	1.22	16
Ministry of energy and Petroleum	General Administration Planning and Support Services	0.3	0.02	0.32	0.03		0.03	11
	Power Generation	0.7	21.9	22.6	0.3	1.7	2	9
	Power Transmission and Distribution	0.8	47.9	48.7	0.3	8.2	8.5	17
	Alternative Energy Technologies	0.1	2.8	2.9	0.03		0.03	1
	Exploration and Distribution of Oil and Gas	0.02	1.6	1.62	0.008	0.07	0.078	4
Total	Total	35.5	221.3	256.9	11.2	58.4	69.6	27.1

Source: MDAs and National Treasury

4.4 Environment Protection, Water and Natural Resources Sector

This sector comprises of 10 programmes and was allocated Kshs.50.8 billion comprising of Kshs.14.7 billion (28.9 per cent) for recurrent expenditure and Kshs.36.1 billion (71.1 per cent) for development programmes for the FY 2014/15. Water resources management programme received the highest allocation at Kshs.26.4 billion which was 51.9 per cent of the total allocation for the sector. General Administration planning and Support Services program under the Ministry of Mining received the lowest allocation of Kshs.0.2 billion.

Expenditure for the first half of FY 2014/15 was Kshs.13.9 billion comprising of Kshs.4.5 billion on recurrent expenditure and Kshs.9.4 billion for development expenditure. The recurrent expenditure represents an absorption rate of 30.5 per cent of the annual budget for recurrent programmes while development expenditure translates to 26 per cent of the annual budget for development programmes in the sector.

Analysis of the programme performance for the period under review shows that General Administration, Planning and Support Services program under the State Department for Environment and Natural resources spent Kshs.0.33 billion recording the highest absorption rate at 50 per cent while the Mineral Resources Management programme spent Kshs.0.1 billion and recorded the lowest absorption rate at 15.5 per cent.

Table 4.4: Analysis of Environmental Protection, Water and Natural Resources Sector (Kshs. Billion)

Name of Sub-Sector	Gross Approved Estimates				Total Expenditure			Absorption Rate (%)
	Programme	Rec. Est.	Dev. Est.	Total approved Est.	Rec. Exp.	Dev. Exp.	Total Exp	
State Department for Environment and Natural Resources	General Administration, Planning and Support Services	0.6	0.06	0.66	0.3	0.03	0.33	50.0
	Environment Management and Protection	1.2	3.2	4.4	0.3	1.1	1.4	31.8
	Natural Resources Conservation and Management	6.9	3.5	10.4	2.3	1	3.3	31.7
	Meteorological Services	1.1	1	2.1	0.5	0.4	0.9	42.9
State Department for Water and Regional Services	General Administration, Planning and Support Services	0.8	0.2	1	0.3	0.09	0.39	39.0
	Water Resources Management	2.9	23.5	26.4	0.3	5.5	5.8	22.0
	Integrated Regional Development	0.6	3.3	3.9	0.3	1.1	1.4	35.9
Ministry of Mining	General Administration Planning and Support Services	0.2	0.005	0.205	0.07	0.002	0.072	35.1
	Resources Surveys and Remote Sensing	0.2	0.4	0.6	0.08	0.08	0.16	26.7
	Mineral Resources Management	0.2	0.9	1.1	0.09	0.08	0.17	15.5
Total		14.7	36.1	50.8	4.5	9.4	13.9	27.3

Source: The National Treasury and MDAs

4.5 General Economic and Commercial Affairs (GECA) Sector

The GECA sector was allocated Kshs.16.2 billion to implement its 9 programmes during the FY 2014/15. This allocation comprises of Kshs.6.7 billion (41.4 per cent) for recurrent expenditure and Kshs.9.6 billion (58.6 per cent) as development expenditure. Industrial Development and Investments programme under the Ministry of Industrialization and Enterprise development had the highest allocation at Kshs.5.9 billion which was 36.1 per cent of the total allocation for the sector while General Administration Planning and support services under the State Department for East African Affairs had the lowest allocation at Kshs.0.2 billion which was 1.1 per cent of the total allocation for the sector.

Expenditure by the sector was Kshs.5.0 billion translating to an absorption rate of 30.8 per cent. The sector spent Kshs.3.0 billion on recurrent activities which represents an absorption rate of 44.7 per cent of the recurrent budget while Kshs.2.0 billion was spent on development activities, translating to an absorption rate of 21.1 per cent. The East African Affairs and regional Integration had the highest absorption rate at 60 per cent while Industrial Development and Investments reported the least absorption rate of 11.9 per cent.

Table 4.5: Analysis of the GECA Sector Programmes (Kshs. Billion)

Name of Sub-Sector	Gross Approved Estimates				Total Expenditure			Programme Absorption Rate(%)s
	Programme	Rec. Est	Dev. Est.	Total Approved Est	Rec. Exp.	Dev. Exp.	Total exp.	
Ministry of Industrialization and Enterprise Development	General Administration Planning and Support Services	0.3	0.03	0.3	0.09	0.006	0.1	33.3
	Industrial Development and Investments	0.7	5.2	5.9	0.2	0.4	0.7	11.9
	Standards and Business Incubation	0.9	2.2	3.1	0.5	0.9	1.4	45.2
	Cooperative Development and Management	0.3	0.03	0.3	0.1	0.008	0.1	33.3
State Department for East African Affairs	East African Affairs and Regional Integration	1.4	0.07	1.5	0.9		0.9	60.0
	General Administration, Planning and Support Services	0.2		0.2	0.05		0.05	25.0
State Department for Commerce and Tourism	Tourism Development and Promotion	1.1	1.4	2.5	0.5	0.4	0.9	36.0
	Trade Development and Promotion	1.1	0.3	1.4	0.3	0.08	0.4	28.6
	General Administration, Planning and Support Services	0.6	0.4	0.9	0.2	0.09	0.3	33.3
Total		6.6	9.6	16.2	3.0	2.0	5.0	30.8

Source: MDAs and National Treasury

4.6 Governance, Justice, Law and Order (GJLOS) Sector

The GJLOS sector comprises of 22 programmes spread across 15 subsectors. The sector was allocated Kshs.130.9 billion in the FY 2014/15 to implement its programmes. This allocation comprises of Kshs.119.2 billion (91.1 per cent) as recurrent expenditure allocation and Kshs.11.7 billion (8.9 per cent) as development expenditure allocation. The Policing Services programme received the highest allocation at Kshs.66.4 billion which was 50.7 per cent of the total budget while National Government Administration and Field Services programme received the lowest allocation at Kshs.50 million which translated to 0.4 per cent of the total budget of the sector.

Total expenditure during the first half period of FY 2014/15 was Kshs.34.6 billion which translated to an absorption rate of 26.4 per cent. This expenditure comprised of Kshs.32.6 billion spent on recurrent activities and Kshs.2.0 billion spent on development activities.

Analysis of the programme performance shows that the Policing Oversight Services spent Kshs.123.9 million which translated into the highest absorption rate at 50 per cent while the Population Management Services spent Kshs.559.8 million recording the lowest absorption rate at 10.9 per cent of its annual budget.

Table 4.6: Analysis of GJLOs Sector Programmes (Kshs. Billions)

Name of Sub-Sector	Gross Approved Estimates				Total Expenditure			Pro-gramme Absorption Rate (%)
	Programme	Rec. Est.	Dev. Est.	Total approved est.	Rec. Exp.	Dev. Exp.	Total exp.	
State Department for Interior	Policing services	63.2	3.2	66.4	16.1	0.7	16.8	25.3
	National Government Administration and field services	11.6	0.4	12	3.9	0.02	3.92	32.7
	Government Printing Services	0.6	0.08	0.68	0.1	0.08	0.18	26.5
	Population Management Services	3.9	0.7	4.6	0.2	0.3	0.5	10.9
State Department for Coordination of National Government	National Government Administration and field services	0.05	0	0.05	0.009	0	0.009	18.0
	Correctional services	15.4	0.7	16.1	2.4	0.2	2.6	16.1
Office of the Attorney General and Department of Justice	Legal Services to Government and the Public	1.3	0.04	1.34	0.3		0.3	22.4
	Constitutional Reforms	1.2	0.005	1.205	0.7		0.7	58.1
	Legal Education and Policy	0.5	0.1	0.6	0.08	0.06	0.14	23.3
	General Administration, Planning and Support Services	0.7	0.4	1.1	0.2	0.005	0.205	18.6
The Judiciary	Dispensation of Justice	11.8	5.6	17.4	5.1	0.6	5.7	32.8
Ethics and Anti-Corruption Commission	Ethics and Anti-Corruption	1.5	0.3	1.8	0.7		0.7	38.9
Directorate of Public Prosecutions	Public Prosecution Services	1.7	0.1	1.8	0.5		0.5	27.8
Commissions for the Implementation of the Constitution	Implementation of the Constitution	0.3		0.3	0.1		0.1	33.3
Registrar of Political Parties	Registration, Regulation and Funding of Political Parties	0.5		0.5	0.2		0.2	40.0
Witness Protection Authority	Witness Protection	0.3		0.3	0.1		0.1	33.3
Kenya National Commissions of Human Rights	Protection and Promotion of Human Rights	0.4		0.4	0.2		0.2	50.0
Independent Electoral and Boundaries Commission	Management of Electoral Processes	3	0.09	3.09	1.2	0.02	1.22	39.5
Judicial Service Commission	Dispensation of Justice	0.4		0.4	0.07		0.07	17.5
National Police Service Commission	National Police Service Human Resource Management	0.3		0.3	0.1		0.1	33.3
National Gender and Equality Commission	Promotion of Gender Equality and Freedom from Discrimination	0.3		0.3	0.06		0.06	20.0
Independent Police Oversight Authority	Policing Oversight Services	0.2		0.2	0.1		0.1	50.0
Total		119.2	11.7	130.9	32.6	2.0	34.6	26.4

Source: MDAs and National Treasury

4.7 Health Sector

The Health sector was allocated Kshs.47.4 billion to fund its programmes during the FY 2014/15. The Curative Health Services programme received the highest allocation at Kshs.19.4 billion which was 40.8 per cent of the total budget for the sector while the Maternal and Child Health programme had the lowest allocation at Kshs.4.34 billion translating to 9.2 per cent.

Expenditure during the first six months of FY 2014/15 was Kshs.14.1 billion comprising of Kshs.11.2 billion spent on recurrent activities and Kshs.2.9 billion on development activities. The Health Research and Development programme spent Kshs.2.3 billion recording the highest absorption rate at 45 per cent of its annual budget while the Preventive & Promotive Health Services programme spent Kshs.1.8 billion with the lowest absorption rate at 19 per cent.

Table 4.7: Analysis of Health Sector Programmes (Kshs. Billions)

Name of Sub-Sector	Gross Approved Estimates			Total Expenditure				Pro-gramme Absorption Rate(%)
	Programme	Rec. Est.	Dev. Est.	Total approved Est.	Rec. Exp.	Dev Exp.	Total Exp.	
Ministry of Health	Preventive & Promotive Health Services	2.9	6.7	9.6	1.2	0.6	1.8	18.8
	Curative Health Services	15	4.4	19.4	6.3	0.3	6.6	34.0
	Health Research and Development	4.8	0.4	5.2	2.1	0.3	2.3	44.2
	General Administration, Planning & Support Services	3.4	5.5	8.9	1.6	0.9	2.6	29.2
	Maternal and Child Health	0.04	4.3	4.34	0.007	0.8	0.8	18.4
Total		26.1	21.3	47.4	11.2	2.9	14.1	29.7

Source: MDAs and National Treasury

Note: The reported recurrent and development expenditure for programmes in the Health Sector give a total expenditure which is different(less) from that shown in Table 3.18. This is because expenditure amounts in Table 3.18 are obtained from actual expenditure submissions by the Ministry of Health while the programme expenditure analysis in this table was extracted from the IFMIS system at an earlier date hence the timing differences.

4.8 Public Administration and International Relations Sector

The Public Administration and International Relations (PAIR) sector has 31 programmes spread across 12 sub-sectors. Total allocation in the FY 2014/15 amounted to Kshs.196.9 billion and comprises of Kshs.94.2 billion (47.8 per cent) for recurrent expenditure and Kshs.102.7 billion (52.2 per cent) for development expenditure. The General Administration Planning and Support Services programme by the National Treasury received the highest allocation at Kshs.40.6 billion representing 20 per cent of the budget for the sector while the Governance and National Values programme, which is under Public Service Commission, had the lowest allocation at Kshs.97.02 million which was less than 1 per cent of the sector's total budget.

Expenditure during the first half of FY 2014/15 was Kshs.61 billion translating to an absorption rate of 31 per cent of the annual budget for the sector and comprised of Kshs.34.4 billion as recurrent expenditure and Kshs.26.5 billion as development expenditure. The recurrent expenditure translates to an absorption rate of 36.5 per cent of the annual recurrent budget for the sector while development expenditure represented an absorption rate of 25.8 per cent.

Analysis of the programme performance during the period under review indicates that the Public Service Transformation programme under the State Department for Planning Subsector spent Kshs.4.7 billion recording the highest absorption rate at 72.2 per cent of its annual budget. The Public Financial Management Programme spent Kshs.2.8 billion and recorded the lowest absorption rate of 8.5 per cent against its annual budget.

Table 4.8: Analysis of PAIR Sector Programmes (Kshs. Billions)

Name of the Sub-Sector	Programme	Approved Gross Estimates			Total Expenditure			Programme Absorption Rate(%)
		Rec. Est	Dev. Est	Total Estimates	Rec. Exp.	Dev. Exp	Total Exp.	
The Presidency	General Administration Planning and Support Services	0.4		0.4	0.2		0.2	50.0
	Cabinet Affairs	0.4	0.1	0.5	0.1	0.5	0.6	120.0
	Government Advisory Services	0.4		0.4	0.08		0.08	20.0
	State House Affairs	1.4	0.6	2	0.8	0.2	1	50.0
	Leadership and Coordination of MDAs	1	0.1	1.1	0.5	0.6	1.1	100.0
State Department for Planning	Economic Policy and National Planning	1.1	38.8	39.9	0.5	16.8	17.3	43.4
	National Statistical Information Services	0.7	0.09	0.79	0.4	0.4	0.8	101.3
	Monitoring and Evaluation Services	0.4	0.1	0.5	0.1	0.6	0.7	140.0
	General Administration Planning and Support Services	0.5	0.1	0.6	0.1	0.03	0.13	21.7
	Public Service Transformation	6	0.5	6.5	4.6	0.09	4.7	72.2
	Gender & Youth Empowerment	6.1	13.8	19.9	1.2	5.2	6.4	32.2
State Department for Devolution	Devolution Services	1.2	0.001	1.201	0.6		0.6	50.0
	Special Initiatives	0.8	5.1	5.9	0.3	1.4	1.7	28.8
Ministry of Foreign affairs and International Trade	General Administration Planning and Support Services	2.6	0.4	3	1.1	0.01	1.11	37.0
	Foreign Relation and Diplomacy	8	1.2	9.2	1.5	0.005	1.5	16.4
	International Trade and Investments Promotion	0.2		0.2	0.03		0.03	15.0

Name of the Sub-Sector	Programme	Approved Gross Estimates			Total Expenditure			Pro-gramme Absorption Rate(%)
		Rec. Est	Dev. Est	Total Estimates	Rec. Exp.	Dev. Exp	Total Exp.	
The National Treasury	General Administration Planning and Support Services	33.2	7.4	40.6	10.4	0.4	10.8	26.6
	Public Financial Management	3.3	29.6	32.9	1.3	1.5	2.8	8.5
	Economic and Financial Policy Formulation and Management	1	1.1	2.1	0.2	0.07	0.27	12.9
	Market Competition	0.3		0.3	0.1		0.1	33.3
Parliamentary Service Commission	Legislation and Representation	12.7		12.7	6.5		6.5	51.2
	Legislative Oversight	1.5		1.5	0.3		0.3	20.0
	General Administration, Planning and Support Services	5.8	3.1	8.9	1.6	0.5	2.1	23.6
Commission on Revenue Allocation	Inter-Governmental Revenue and Financial Matters	0.3		0.3	0.06		0.06	20.0
Public Service Commission	General Administration, Planning and Support Services	0.6	0.2	0.8	0.3	0.1	0.4	50.0
	Human Resource management and Development	0.2		0.2	0.09		0.09	45.0
	Governance and National Values	0.09		0.09	0.06		0.06	66.7
Salaries and Remuneration Commission	Salaries and Remuneration Management	0.4		0.4	0.2		0.2	50.0
Auditor General	Audit Services	2.6	0.4	3	1.1		1.1	36.7
Controller of Budget	Control and Management of Public finances	0.4		0.4	0.1		0.1	25.0
Commission on Administrative Justice	Promotion of Administrative Justice	0.4		0.4	0.1		0.1	25.0
Total		94.2	102.7	196.9	34.5	26.5	61.0	31.0

Source: MDAs and National Treasury

4.9 Social Protection, Culture and Recreation

The sector has ten programmes which are spread across the two sub-sectors namely; the Labour Social Security and Services, and the Sports, Culture and the Arts. In the FY 2014/15, the sector was allocated Kshs.24.05 billion to finance its programmes. This allocation comprises of Kshs.11.1 billion (46 per cent) for recurrent expenditure and Kshs.13 billion (54 per cent) for development expenditure. The National Social Safety Net programme under the Ministry of Labour Social Security and Services subsector received the highest allocation at Kshs.14.4 billion which is 59.7 per cent of the total allocation for the sector. General Administration, Planning and Support Services programme under the Ministry of Sports, Culture and Arts subsector had the lowest allocation at Kshs.0.2 billion which translates to 0.8 per cent of the budget for the sector.

Expenditure for the sector during the first six months of FY 2014/15 was Kshs.9.3 billion achieving an absorption rate of 39 per cent. The total recurrent expenditure was Kshs.3.8 billion while development

expenditure was Kshs.5.5 billion. The recurrent expenditure for the period under review translated to absorption rate of 34.2 per cent of the annual recurrent budget while development expenditure was 42.6 per cent.

Analysis of programme performance during the period under review shows that Library Services programme under the Ministry of Sports, Culture and Arts subsector spent Kshs.0.6 billion recording the highest absorption rate at 54.5 per cent of its budget. On the other hand, Promotion of the Best Labour Practice programme under the Ministry of Labour Social Security and Services spent Kshs.0.1 billion recording the lowest absorption rate at 24.3 per cent of its budget.

Table 4.9: Analysis of Social Protection, Culture and Recreation Sector Programme (Kshs. Billions)

Name of the Sub-Sector	Programme	Gross Approved Estimates			Total Expenditure			Programme Absorption Rate(%)
		Rec. Est.	Dev. Est.	Total approved Est.	Rec. Exp.	Dev. Exp.	Total Exp.	
Ministry of Sports, Culture and Arts	Sports	0.5	0.7	1.2	0.1	0.3	0.4	33.3
	Culture	0.9	0.08	0.98	0.4	0.01	0.41	41.8
	The Arts	0.4	0.08	0.48	0.2	0.005	0.205	42.7
	Library Services	0.6	0.5	1.1	0.3	0.3	0.6	54.5
	General Administration, Planning and Support Services	0.2	0.01	0.21	0.08	0.001	0.081	38.6
Ministry of Labour Social Security and Services	Promotion of the Best Labour Practice	0.5	0.2	0.7	0.1	0.07	0.17	24.3
	Manpower Development, Employment and Productivity Management	0.6	0.4	1	0.2	0.08	0.28	28.0
	Social Development and Children Services	2.5	0.9	3.4	0.6	0.3	0.9	26.5
	National Social Safety Net	4.3	10.1	14.4	1.6	4.5	6.1	42.4
	General Administration Planning and Support Services	0.6	0.002	0.602	0.2		0.2	33.2
Total		11.1	13.0	24.1	3.8	5.6	9.3	38.8

Source: MDAs and National Treasury

4.10 National Security Sector

The National Security sector has 4 programmes which are implemented under two subsectors namely; Ministry of Defence and National Intelligence Services. In the FY 2014/15, the sector was allocated Kshs.90.7 billion to finance its programmes. Defence programme received the highest allocation at Kshs.71.31 billion which was 78.6 per cent of the total allocation for the sector while the Civil Aid programme received the lowest allocation at Kshs.0.45 billion.

Expenditure for the first half of FY 2014/15 was Kshs.43.7 billion translating to an absorption rate of 48.2

per cent. Analysis of programme performance during the period under review shows that the National Security Intelligence programme under the National Intelligence Service sub sector spent Kshs.8.7 billion recording the highest absorption rate at 50 per cent. The General Administration, planning and support services programme under the Ministry of Defence spent Kshs.0.4 billion which was the lowest absorption rate at 26.7 per cent of its annual allocation.

Table 4.10: National Security Sector Programmes (Kshs. Billions)

Name of Sub-Sector	Programme	Total Approved estimates	Total Expenditure	Programme Absorption Rate(%)
Ministry of Defence	Defence	71.3	34.6	48.5
	Civil Aid	0.5		0.0
	General Administration, Planning and Support Services	1.5	0.4	26.7
National Intelligence Service	National security intelligence	17.4	8.7	50.0
Total		90.7	43.7	48.2

Source: MDAs and National Treasury

5.0 KEY ISSUES AND RECOMMENDATIONS

In the first half of FY 2014/15, there was improvement in budget implementation as evidenced by the absorption rates compared to a similar period in FY 2013/14. Nonetheless, MDAs continued to face challenges that negatively impacted effective budget implementation. Some of the challenges faced during the period under review include:

5.1 Low Absorption of Recurrent and Development Budget

In the first half of FY 2014/15, absorption rate of recurrent and development expenditure was 39.8 per cent and 26.1 per cent respectively. However, considering that the financial year is midway, the absorption of funds is expected to average 50 per cent.

The low absorption of expenditure has been attributed in part, to delay in release of funds by the National Treasury, particularly in the first quarter of the year and the lengthy procurement process. There is need for timely release of both recurrent and development funds and re-alignment of the releases to work plans. In addition, Parliament should expedite passing of the Public Procurement and Asset Disposal Bill, 2014 to streamline procurement processes.

5.2 Public Debt Position

The OCOB has identified accumulation of public debt as an issue that requires to be reviewed. The total public debt stock grew by 5.1 per cent from Kshs.2.36 trillion in June 2014 to Kshs.2.48 trillion in December 2014, which was 52.1 per cent of the GDP. Increasing public borrowing may result in undesirable fiscal consequences such as high interest rates, inflation, and in the long run overburdening of future generations.

It is therefore recommended that, the National Treasury should take steps to ensure that public debt does not reach unsustainable levels in view of the Constitutional provisions allowing county governments to borrow.

5.3 Delay in Submission of Financial Reports to the OCOB

Article 228 (6) of the Constitution requires the OCOB to report on budget implementation every four months. In order to facilitate timely reporting, the office requires all MDAs to submit financial reports by 10th of the month following end of each quarter. However, 19 MDAs did not submit financial returns in time in the half year period, which affected the timely production of this report.

It is recommended that all MDAs should submit financial reports by 10th of the month following end of each quarter.

5.4 Lack of Guidelines on Refund of Unspent Funds at the end of the Financial Year

During the reporting period, OCOB observed that MDAs did not refund unspent balances from the FY 2013/14 contrary to Section 45 of the PFMA, 2012. From the returns submitted by MDAs, actual expenditure exceeded exchequer issues by Kshs.52.4 billion which is partly attributed to spending funds from the previous

financial year.

The Public Sector Accounting Standards Board (PASB) should develop guidelines to guide on the refund of unspent balances as envisaged in Section 45(2) of the PFM Act.

5.5 Failure to Report A-I-A

In the reporting period, the total expenditure of Khs.733.1 billion exceeded exchequer issues by Kshs.52.4 billion. This is partly attributed to underreporting of A-I-A by some MDAs.

The National Treasury should put in place appropriate measures to ensure that A-I-A is properly accounted for and reported.

5.6 Special Audit of the Public Debt Account

During the reporting period, it was noted that expenditure on public debt exceeded exchequer issues by Kshs.18.94 billion. This issue has been raised in previous reports.

It is therefore recommended that a special audit be undertaken by the Auditor General to establish the cause of the differences.

CONCLUSION

The FY 2014/15 Budget is being implemented at a time when the economy has recorded the lowest rate of inflation for the last 17 months. The main driver for this decline in inflation is reduction in the cost of electricity and petroleum products. However, security concerns have adversely affected some sectors of the economy such as the tourism sector, the agriculture sector, and the transport sector which may negatively affect tax collection and precipitate additional borrowing.

Overall spending was 39 per cent of the annual budget estimates against a target of 50 per cent. This implies that implementation of programmes is behind schedule and national policy objectives may not be met. There is therefore, need for increased effort in all sectors to accelerate implementation of budgeted activities.

The report also highlights challenges facing budget implementation, which should be addressed in order to improve absorption of funds. Failure by MDAs to submit data in time and disclose A-I-A has continued to be experienced. These challenges affect timely and completeness in reporting on budget performance. It is our hope that the challenges highlighted in this report will be addressed in order to improve implementation of budgeted activities.

The OCOB hopes that this report will contribute towards provision of information on budget implementation that will inform policy decisions and ultimately improve budget performance.

ANNEXURES

ANNEX I: MDAs Recurrent Expenditure-July to December 2014

MINISTRY/STATE DEPARTMENT		Gross Estimates	Net Estimates	Cumulative Exchequer Issues	Expenditure	% of Exch. To Net Est.	% of Exp. To G.Est.
1)	The Presidency	3,520,023,597	3,511,023,597	2,136,636,000	1,684,068,881	60.9	47.8
2)	Ministry of Defence	73,281,000,000	73,281,000,000	31,629,220,000	35,033,357,831	43.2	47.8
3)	Ministry of Foreign Affairs and International Trade	10,893,839,943	9,828,839,943	4,631,000,000	2,618,463,108	47.1	24.0
4)	The National Treasury	37,796,000,000	37,796,000,000	11,472,820,000	11,991,000,425	30.4	31.7
5)	Ministry of Health	26,061,249,477	22,199,373,000	9,542,000,000	11,921,994,703	43.0	45.7
6)	Ministry of Lands Housing, and Urban Development	4,086,261,712	4,039,846,962	1,939,110,923	1,939,110,923	48.0	47.5
7)	Ministry of Information & Communication and Technology	2,021,748,127	1,925,748,127	1,165,600,000	1,007,872,416	60.5	49.9
8)	Ministry of Sports Culture and Arts	2,588,453,968	2,578,053,968	1,300,800,000	1,093,857,990	50.5	42.3
9)	Ministry of Labour Social Security and Services	8,496,659,769	8,368,995,289	2,901,800,000	2,699,900,554	34.7	31.8
10)	Ministry of Energy and Petroleum	2,004,336,641	1,748,336,641	754,500,000	725,599,438	43.2	36.2
11)	Ministry of Industrialization and Enterprise Development	2,283,717,028	2,259,717,028	964,740,000	888,801,123	42.7	38.9
12)	Ministry of Mining	722,227,033	708,227,033	317,265,000	243,031,990	44.8	33.7
13)	Office of the Attorney General and Department of Justice	3,723,486,691	3,378,486,691	1,299,115,000	1,192,058,885	38.5	32.0
14)	The Judiciary	11,867,000,000	11,867,000,000	5,346,560,000	5,067,831,407	45.1	42.7
15)	Ethics & Anti-Corruption Commission	1,546,000,000	1,546,000,000	740,000,000	727,185,542	47.9	47.0
16)	National Intelligence Service	17,440,000,000	17,440,000,000	8,227,400,000	8,658,648,918	47.2	49.6
17)	Directorate of Public Prosecution	1,732,481,263	1,732,421,263	566,700,000	496,024,289	32.7	28.6
18)	Commission for Implementation of the Constitution	306,000,000	306,000,000	166,700,000	147,768,157	54.5	48.3
19)	Registrar of Political Parties	466,960,949	466,960,949	223,220,000	222,622,446	47.8	47.7
20)	Witness Protection Agency	249,675,000	249,675,000	114,278,600	142,850,886	45.8	57.2
21)	State Department for Interior	79,286,358,294	78,920,337,021	37,571,000,000	20,416,757,834	47.6	25.8
22)	State Department for Coordination of National Government	15,411,370,819	15,411,370,819	7,725,000,000	2,379,088,924	50.1	15.4
23)	State Department for Planning	14,846,070,625	14,642,570,625	8,578,840,000	6,949,848,744	58.6	46.8
24)	State Department for Devolution	2,173,015,315	2,171,015,315	2,005,050,000	842,273,140	92.4	38.8
25)	State Department for Education	54,118,034,457	49,984,434,457	18,414,900,000	19,847,551,028	36.8	36.7
26)	State Department for Science and Technology	53,782,691,952	37,100,091,952	17,848,000,000	19,964,590,267	48.1	37.1
27)	State Department for Infrastructure	25,804,705,751	1,441,457,939	582,386,000	8,967,170,597	40.4	34.8

MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Cumulative Exchequer Issues	Expenditure	% of Exch. To Net Est.	% of Exp. To G. Est.
28) State Department for Transport	5,762,701,473	1,370,480,983	686,040,000	485,449,134	50.1	8.4
29) State Department for Environment & Natural Resources	9,740,218,743	6,901,976,982	3,399,900,000	3,331,573,663	49.3	34.2
30) State Department for Water & Regional Authorities	4,241,551,029	2,103,792,790	913,000,000	915,665,033	43.4	21.6
31) State Department for Agriculture	7,904,995,200	7,477,495,200	3,248,500,000	3,458,936,291	43.4	43.8
32) State Department for Livestock	1,838,430,310	1,814,430,310	808,620,000	176,342,618	44.6	9.6
33) State department for Fisheries	971,413,217	971,413,217	464,300,000	469,615,250	47.8	48.3
34) State Department for East African Affairs	1,618,603,767	1,617,103,767	706,600,000	988,673,687	43.7	61.1
35) State Department for Commerce & Tourism	2,751,307,394	2,720,707,394	1,295,005,000	1,094,422,394	47.6	39.8
36) Kenya National Human Rights & Equality Commission	356,500,000	356,500,000	124,245,994	181,837,691	34.9	51.0
37) National Lands Commission	1,156,338,149	1,156,338,149	426,000,000	392,050,496	36.8	33.9
38) Independent Electoral and Boundaries Commission	3,000,099,681	2,993,099,681	2,661,000,000	1,202,114,990	88.9	40.1
39) Parliamentary Service Commission	19,975,000,000	19,971,000,000	10,480,352,000	8,380,903,362	52.5	42.0
40) Judicial Service Commission	438,000,000	438,000,000	96,200,000	73,773,825	22.0	16.8
41) The Commission on Revenue Allocation	284,815,482	283,586,889	72,901,499	60,818,000	25.7	21.4
42) Public Service Commission	882,204,313	874,204,313	431,040,000	424,503,572	49.3	48.1
43) Salaries & Remuneration Commissions	440,649,493	440,549,493	128,700,000	148,372,981	29.2	33.7
44) Teachers Service Commission	165,478,978,668	165,358,978,668	79,855,000,000	82,692,418,945	48.3	50.0
45) National Police Service Commission	278,119,240	278,119,240	124,500,000	110,167,595	44.8	39.6
46) Auditor General	2,611,020,000	2,501,020,000	1,192,400,000	1,062,867,430	47.7	40.7
47) Controller of Budget	429,962,741	429,962,741	108,000,000	138,046,278	25.1	32.1
48) The Commission on Administrative Justice	374,485,500	374,485,500	154,420,000	133,456,436	41.2	35.6
49) National Gender & Equality Commission	290,250,930	290,250,930	110,000,000	62,257,525	37.9	21.4
50) Independent Police Oversight Authority	205,121,165	205,121,165	95,200,000	123,871,498	46.4	60.4
TOTAL	687,540,134,906	625,831,601,031	285,746,566,016	273,977,469,140	45.7	39.8

ANNEX II: MDAs Development Expenditure- July to December 2014

MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Cumulative Exchequer Issues	Expenditure	% of Exch. To Net Est.	% of Exp. To G.Est.
1) The Presidency	786,500,000	786,500,000	277,570,000	276,440,103	35.3	35.1
2) Ministry of Foreign Affairs	1,560,000,000	1,560,000,000	-	17,043,026	-	1.1
3) The National Treasury	38,117,211,260	24,403,751,045	3,472,484,690	1,987,529,890	14.2	5.2
4) Ministry of Health	21,301,011,786	13,907,269,126	2,996,633,670	3,287,876,055	21.5	15.4
5) Ministry of Lands Housing, and Urban Development	17,457,850,048	15,429,583,948	5,508,305,870	6,485,869,453	35.7	37.2
6) Ministry of Information & Communication and Technology	8,190,612,364	4,890,612,364	1,902,212,200	1,768,997,714	38.9	21.6
7) Ministry of Sports Culture and Arts	1,367,985,340	1,310,000,000	543,810,000	615,031,081	41.5	45.0
8) Ministry of Labour Social Security and Services	11,599,863,636	11,425,663,636	4,101,890,000	4,910,826,550	35.9	42.3
9) Ministry of Energy and Petroleum	74,284,105,623	24,131,937,490	13,740,264,785	9,983,404,123	56.9	13.4
10) Ministry of Industrialization and Enterprise Development	7,444,632,000	6,921,911,200	1,462,603,700	1,415,045,293	21.1	19.0
11) Ministry of Mining	1,242,500,000	1,200,000,000	266,000,000	163,291,429	22.2	13.1
12) Office of the Attorney General and Department of Justice	534,175,000	231,675,000	56,800,000	59,916,201	24.5	11.2
13) The Judiciary	5,624,895,000	5,624,895,000	422,167,750	631,801,843	7.5	11.2
14) Ethics & Anti-Corruption Commission	277,600,000	77,600,000	-	-	-	-
15) Directorate of Public Prosecution	119,300,000	119,300,000	-	-	-	-
16) State Department for Interior	4,393,021,100	4,321,321,100	978,000,000	1,139,692,601	22.6	25.9
17) State Department for Coordination of National Government	657,116,200	657,116,200	116,303,000	183,048,786	17.7	27.9
18) State Department for Planning	53,427,333,393	50,546,531,393	18,135,844,335	22,236,681,348	35.9	41.6
19) State Department for Devolution	5,097,134,000	3,516,969,000	1,930,541,785	1,381,439,114	54.9	27.1
20) State Department for Education	22,138,055,000	20,255,055,000	2,147,311,500	2,445,365,347	10.6	11.0
21) State Department for Science and Technology	12,698,391,244	9,969,084,228	4,131,050,000	4,352,197,549	41.4	34.3
22) State Department for Infrastructure	99,028,822,647	59,020,582,647	17,660,867,360	24,604,562,487	29.9	24.8
23) State Department for Transport	39,797,251,013	7,781,469,353	2,870,859,370	22,001,882,369	36.9	55.3

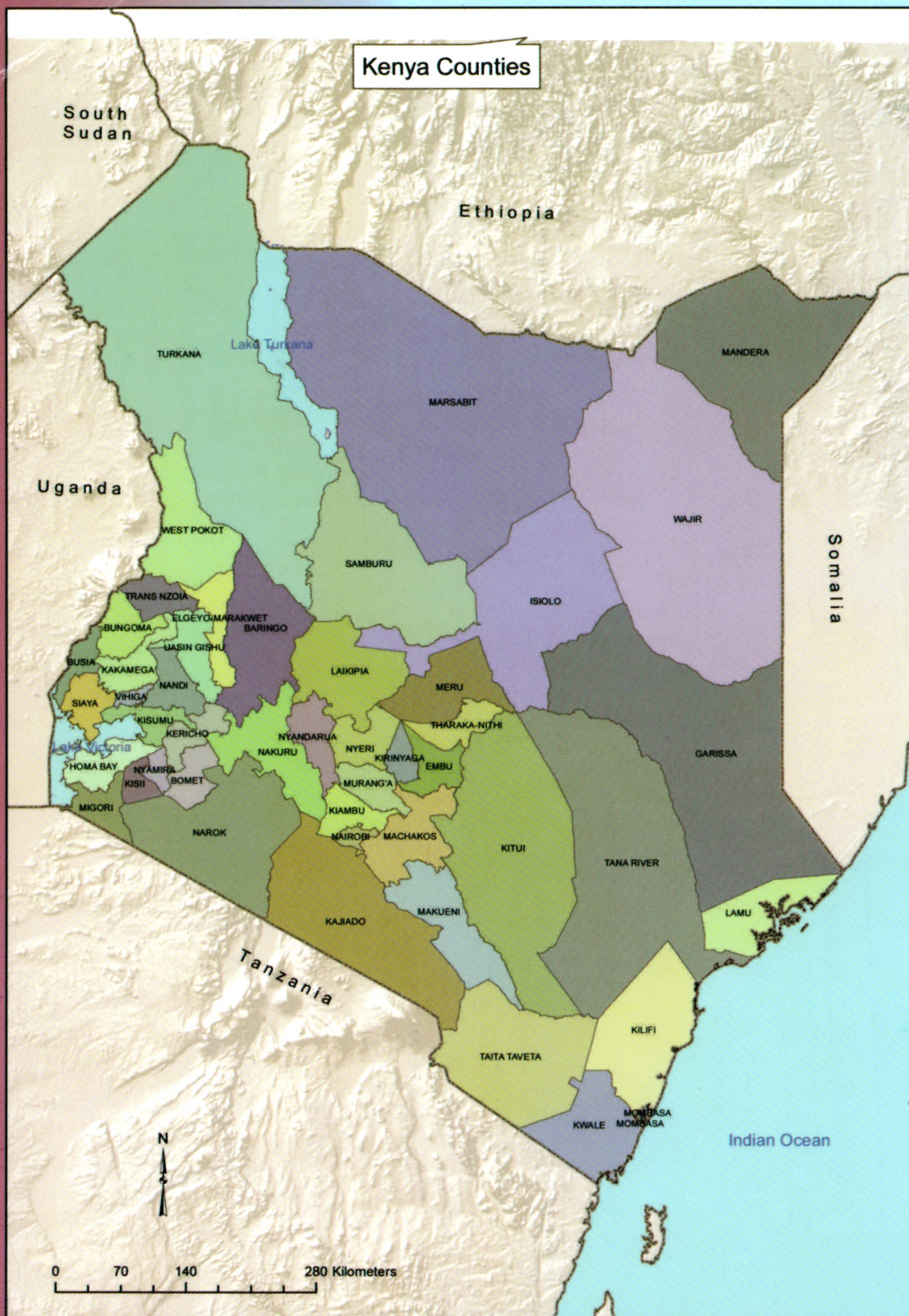
24) State Department for Environment & Natural Resources	7,822,915,281	6,418,919,786	2,416,876,540	2,508,260,217	37.7	32.1
25) State Department for Water & Regional Authorities	27,037,898,837	17,833,669,037	6,023,462,655	6,707,422,634	33.8	24.8
26) State Department for Agriculture	21,408,175,695	17,566,942,775	9,455,851,715	6,825,261,312	53.8	31.9
27) State Department for Livestock	3,695,560,818	3,280,197,238	1,116,141,900	1,282,240,988	34.0	34.7
28) State department for Fisheries	1,162,523,448	1,142,523,448	1,058,000,000	714,302,207	92.6	61.4
29) State Department for East African Affairs	65,000,000	-	-	-	-	-
30) State Department for Commerce & Tourism	2,084,400,000	2,084,400,000	549,890,000	612,626,047	26.4	29.4
31) National Land Commission	542,000,000	542,000,000	-	-	-	-
32) Independent Electoral and Boundaries Commission	91,280,000	91,280,000	20,000,000	19,399,070	21.9	21.3
33) Parliamentary Service Commission	3,129,000,000	3,129,000,000	475,642,000	517,755,056	15.2	16.5
34) Public Service Commission	168,000,000	168,000,000	104,240,000	104,142,766	62.0	62.0
35) Teachers Service Commission	135,000,000	135,000,000	-	-	-	-
36) Auditor General	405,000,000	405,000,000	-	-	-	-
TOTAL	494,892,120,733	320,885,760,014	103,941,624,825	129,239,352,659	32.4	26.1

ANNEX III: Sectoral Recurrent Expenditure- July to December 2014

SECTOR	Gross Estimates	Net Est.	Exch. Issues	Expenditure	% of Exch. to N. Est.	% of Exp to G. Est.
1. Agriculture, Rural and Urban Development	15,957,438,588.00	15,459,523,838.00	6,886,530,923.00	6,436,055,578.00	44.5%	40.3%
2. Energy, Infrastructure and ICT	35,593,491,992.00	6,486,023,690.00	3,188,526,000.00	11,186,091,585.00	49.2%	31.4%
3. General Economics and Commercial Affairs (GEC.A)	6,653,628,189.00	6,597,528,189.00	2,966,345,000.00	2,971,897,204.00	45.0%	44.7%
4. Health	26,061,249,477.00	22,199,373,000.00	9,542,000,000.00	11,921,994,703.00	43.0%	45.7%
5. Education	273,379,705,077.00	252,443,505,077.00	116,117,900,000.00	122,504,560,240.25	46.0%	44.8%
6. Governance, Justice, Law and Order (GJLOS)	119,157,424,032.00	118,439,342,759.00	56,963,719,594.00	32,546,211,493.38	48.1%	27.3%
7. Public Administration and International Relations	94,227,087,009.00	92,824,258,416.00	41,392,159,499.00	34,434,622,357.00	44.6%	36.5%
8. National Security	90,721,000,000.00	90,721,000,000.00	39,856,620,000.00	43,692,006,749.34	43.9%	48.2%
9. Social Protection, Culture and Recreation	11,085,113,737.00	10,947,049,257.00	4,202,600,000.00	3,793,758,544.00	38.4%	34.2%
10. Environment Protection, Water and Natural Resources	14,703,996,805.00	9,713,996,805.00	4,630,165,000.00	4,490,270,686.00	47.7%	30.5%
Total	687,540,134,906.00	625,831,601,031.00	285,746,566,016.00	273,977,469,139.97	45.7%	39.8%

ANNEX IV: Sectoral Development Expenditure- July to December 2014

SECTOR	Gross Estimates	Net Est.	Exch. Issues	Expenditure	% of Exch. to N. Est.	% of Exp to G. Est.
1. Agriculture, Rural and Urban Development	44,266,110,009.00	37,961,247,409.00	17,138,299,485.00	15,307,673,960.00	45.1%	34.6%
2. Energy, Infrastructure and ICT	221,300,791,647.00	95,824,601,854.00	36,174,203,715.00	58,358,846,693.00	37.8%	26.4%
3. General Economics and Commercial Affairs (GECA)	9,594,032,000.00	9,006,311,200.00	2,012,493,700.00	2,027,671,340.00	22.3%	21.1%
4. Health	21,301,011,786.00	13,907,269,126.00	2,996,633,670.00	3,287,876,055.00	21.5%	15.4%
5. Education	34,971,446,244.00	30,359,139,228.00	6,278,361,500.00	6,797,562,896.00	20.7%	19.4%
6. Governance, Justice, Law and Order (GJLOS)	11,697,387,300.00	11,123,187,300.00	1,593,270,750.00	2,033,858,501.00	14.3%	17.4%
7. Public Administration and International Relations	102,690,178,653.00	84,515,751,438.00	24,396,322,810.00	26,521,031,303.00	28.9%	25.8%
8. Social Protection, Culture and Recreation	12,967,848,976.00	12,735,663,636.00	4,645,700,000.00	5,525,857,631.00	36.5%	42.6%
9. Environment Protection, Water and Natural Resources	36,103,314,118.00	25,452,588,823.00	8,706,339,195.00	9,378,974,280.00	34.2%	26.0%
Total	494,892,120,733.00	320,885,760,014.00	103,941,624,825.00	129,239,352,659.00	32.4%	26.1%



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