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KENYA NATIONAL ASSEMBLY

TENTH PARLIAMENT - FOURTH SESSION, 2012

THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS

REPORT ON THE SCRUTINY OF THE ANNUAL ESTIMATES OF 2012/2013 FOR:

1. VOTE 104: MINISTRY OF FOREIGN AFFAIRS;
2. VOTE 108: MINISTRY OF STATE FOR DEFENCE;
3. VOTE 124: MINISTRY OF EAST AFRICAN COMMUNITY; AND
4. VOTE 145: NATIONAL SECURITY INTELLIGENCE SERVICE

Clerk's Chambers
PARLIAMENT BUILDINGS,
NAIROBI

MAY, 2012

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REPORT ON THE SCRUTINY OF THE BUDGET ESTIMATES FOR 2012/2013

1.0 PREFACE

Mr. Speaker Sir,

On behalf of Members of the Departmental Committee on Defence and Foreign Relations, I feel honoured to present to the Budget Committee, the Committee's Report on the Scrutiny of Annual Estimates for the Financial Year 2012/2013 for Votes – 108, 145, 124 and 104, pursuant to provision of Standing Order No. 152 (1) and (2).

1.1 Mandate of the Committee

The Departmental Committee No. C on Defence and Foreign Relations is established pursuant to provisions of Standing Order No. 198 (1) and (2). Standing Order 198 (3) sets out the functions of the Committee as follows: -

- a) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- b) to study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- c) to study and review all legislation referred to it;
- d) to study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- e) to investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister; and
- f) to make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

The Provisions of Standing Order No. 152 provide that:-

- (1) Upon being laid before the National Assembly, the Annual Estimates shall stand committed to the respective Departmental Committees according to their mandates.
- (2) Each Departmental Committee shall consider, discuss and review the Estimates committed to it under this standing order and submit its report thereon to the House within twenty one days after they were first laid before the House.

Mr. Speaker Sir,

1.2 Oversight

In executing its mandate, the Committee oversees and is mandated to consider and review the Estimates of the following Government Ministries and Department; namely: -

- (i) Defence;
- (ii) Foreign Affairs;
- (iii) East African Community; and
- (iv) National Security Intelligence Service.

Under the above Ministries, the Committee covers the following subjects;

- (i) Defence matters;
- (ii) Foreign policy;
- (iii) Treaties , Conventions and Agreements;
- (iv) International and Regional Organisations;
- (v) Bilateral and Multilateral Relations;
- (vi) Regional Cooperation policy;
- (vii) East African Community Affairs;
- (viii) National Security Intelligence.

1.3 Committee composition

The Departmental Committee on Defence and Foreign Relations comprises the following members:-

The Hon. Adan W. Keynan, MP – **Chairman**
The Hon. Benedict Fondo Gunda, MP – **Vice Chairman**
The Hon. Jeremiah Ngayu Kioni, MP
The Hon. Charles Kilonzo, MP
The Hon. Peter Edick Omondi Anyanga, MP
The Hon. Wilson Mwotiny Litole, MP
The Hon. George Omari Nyamweya, MBS, MP
The Hon. Mohamed Hussein Ali, MP
The Hon. Martin Ogindo, MP
The Hon. Julius Kiema Kilonzo, MP

Mr. Speaker Sir,

1.4 Committee undertakings and submission gathering

Pursuant to the provisions of Standing Order 152, the Committee considered and scrutinized the printed Estimates of Government Ministries and department under its mandate in three sittings undertaken between 3rd May and 9th May, 2012. Prior to the meetings with the relevant ministries, the Committee was briefed by the staff of the Budget Office of the National Assembly on 3rd May, 2012. The Minutes of these meetings are appended to this report.

Mr. Speaker Sir,

The Committee received submission, presentations and other reports from the three Ministries and one Government department as follows:-

- (i) Minister and Permanent Secretary, Ministry of Foreign Affairs accompanied by senior Ministry officials on 3rd May, 2012.
- (ii) Minister and Permanent Secretary, Ministry of State for Defence accompanied by Senior Ministry officials on 8th May, 2012; and
- (iii) Minister and Permanent Secretary, Ministry of East African Community, accompanied by Senior Ministry officials on 9th May, 2012.

The Committee did not interrogate the estimates of the **National Security Intelligence Service because of the previous perpetual disobedience by the Director General on Committee summons.**

While scrutinizing the Estimates, the Committee considered the following documents: -

- (i) Vision 2030;
- (ii) Medium term plans;
- (iii) Printed Estimates for the FY 2012/2013 for votes 124, 104, 108 and 145; and
- (iv) Budget Policy Statement for 2012/2013.

Mr. Speaker Sir,

The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the necessary support extended to it in the execution of its mandate. The Committee further wishes to thank the Ministers for Defence, Foreign Affairs, and East African Community for responding promptly to issues raised by the Committee during the examination of the 2012/2013 Estimates.

I take this opportunity to thank all the Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules which enabled us to complete the tasks within the stipulated period.

1.5 Recommendations

Mr. Speaker Sir,

Based on the submission, presentations and evidence adduced, the Committee makes the following **recommendations**, which form part of the recommendations contained in the report: -

1.5.1 Ministry of State for Defence

- (i) The Committee noted that in line with its earlier recommendation on the Estimates of Financial Year 2011/2012, the Ministry of State for Defence provided the following allocations to each of the three arms of the Kenya Defence Forces for services and DOD controlled units for FY 2012/2013:

S/No.	Kenya Army	Kenya Air Force	Kenya Navy	DOD Controlled Units	Totals
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1.	34,572,306,392	12,346,565,098	7,562,693,086	14,137,858,397	68,619,422,973
2.	Headquarters and Administrative Services				1,420,997,127
3.	Grand Total				70,040,420,100

- (ii) The Ministry should provide funds that distinguish clearly the following areas of their projects: -
- a. Modernization projects
 - b. Re-equipping projects
 - c. Refurbishment projects

It was noted that the lack of clear identification of such areas was previously abused and funds meant for modernization was used for either refurbishment or re-equipping.

- (iii) The transaction for the Oceanographic vessel, MV Jasiri should be concluded and payments cleared without further delay.
- (iv) The funds needed by navy for operations should be improved.

1.5.2 National Security Intelligence Service

The National Security Intelligence Service has been allocated more than what it requested. The Committee resolved that the amounts allocated to NSIS should be reduced since the entity has also not proved that it is accountable to the people of Kenya through Parliament.

The Committee recommends that the amounts allocated to NSIS, i.e. Kshs. 13,414,000,000 should be reduced (by Kshs. 2,798,000,000) to Kshs. 10, 616, 000, 000 (being the amounts requested in the previous year) since the entity has also not proved that it is accountable to the people of Kenya through Parliament.

The Committee proposes that the balance of Kshs. 2,798,000,000 be reallocated to the following votes and Heads as indicated:

- i) **Ministry of State for Defence, Vote 108 Head 0001 Headquarters Administrative Services; Kshs. 688,000,000 for construction of housing units for 10,000 junior soldiers;**
- ii) **Ministry of East African Community, Vote R. 124, Head 0008; Kshs. 240,000,000 to cater for the deficit to EAC subscriptions that arose from depreciation of Kenya shilling, effectively cater for Kenya's ascension to EAC Chairmanship and hosting of the 12th Extra Ordinary Summit of EAC;**
- iii) **Ministry of Foreign Affairs, Vote R. 104, Head 0001 Headquarters and Administrative Services, Kshs. 470,000,000 to cater for foreign service allowance to staff;**
- iv) **Ministry of Foreign Affairs, Vote D. 104, Head 0104 New York, Kshs. 800,000,000 to cater for Purchase of Chancery building;**
- v) **Ministry of Foreign Affairs, Vote D. 104, Head 0124 Kampala, Kshs. 450,000,000 to cater for Purchase of Chancery building; and**

- vi) Ministry of Foreign Affairs, Vote D. 104, Head 0153 Juba, Kshs. 150,000,000 to cater for Development of the Mission.

1.5.3 Ministry of East African Community

- (i) Even though it is generally appreciated that Kenya being the economic powerhouse in the EAC and needs to be allocated increased funding to the sector in 2012/2013 financial year to drive the EAC agenda, the funding levels continue to be inadequate. Despite the issue of inadequate funding, the Committee noted the continued delay and failure to remit EAC subscriptions. This habit continues to dent the image of the country and should be addressed. The Committee recommends that the Treasury and the Ministry should provide for, avail and remit adequate EAC subscriptions in a timely manner. There is also need to provide adequate funds to facilitate EALA to sensitize Kenyans on EAC matters.
- (ii) The estimates of the Ministry should be increased to incorporate amounts for Technical Cooperation Assistance, noting that Kenya is the superior partner state.

1.5.4 Ministry of Foreign Affairs

- (i) Foreign Service allowance

Despite the Committee's previous recommendations in 2008, the Ministry of Finance continues to avail inadequate funding into the Foreign Service allowance. The Committee recommends that budget of the ministry should be increased to capture the previous Committee recommendation on this matter. In the estimates of expenditure for 2012/2013, the Committee proposes that **Kshs. 470,000,000 be reallocated from the amount of Kshs. 2,798,000,000 (being the balance reduced from the estimates of NSIS) to cater for foreign service allowance to staff.**

- (ii) Foreign Exchange fluctuations

The budget of the Ministry has continued over the years to reflect estimates and provisions without regard to adequate funds to deal with Foreign Exchange fluctuations. To deal with this matter, the Committee recommends that a contingency fund should be set to deal with Foreign Exchange fluctuations.

- (iii) Evaluation and Rationalization of Kenya missions abroad

The Committee noted that there is need for evaluation and rationalization of existing foreign missions, with a view to providing allocations based on economic viability and re-enforce those with other national importance. Those missions that have no economic viability or without other national importance should be closed down and the money provided for them should be used to open other new and strategically viable/important missions. An example is the Mission in Dublin (Ireland), where the Committee recommended (after visiting the mission during its inspection tours) to the Ministry that it should be closed down because it does not serve any significant diplomatic and economic purpose and any money allocated to it should not be allowed by Parliament.

The Committee recommends that this mission should be closed down because it does not serve any significant diplomatic and economic purpose and any money allocated to the mission be reallocated to other deserving missions. The Committee proposes that the amount of Kshs. 106,940,693 provided in the estimates for the mission should be reallocated and used to open a new consulate in Jeddah (Saudi Arabia) on the following grounds (among others):

- a) The need to take services closer to Kenyans working/living in Saudi Arabia and to address their challenges and concerns; and
- b) The need for recognition that it is one of the largest economic and commercial centres.

(iv) Acquisition of property

The Committee noted the need for Government to finance properties of missions abroad (i.e. chanceries and residences) using the mortgage principle (payment in instalments for acquisition of the property) instead of paying for rent in perpetuity.

(v) Stalled Projects.

The Committee noted the presence of several stalled projects and recommends that they should be completed for use. The amount provided for in the budget is inadequate and should be improved to cater for the completion of those projects.

(vi) Appropriations In Aid

The Committee noted that the collection, use and remittance of AIA in the Ministry (particularly in missions abroad) is wanting. There is need for the Ministry to formulate proper guidelines that address this matter. The Committee also noted that the amounts of visa fees charged by our missions are too little and does not reflect the premium status of the country. So, the amounts should be reviewed to reflect this position.

1.5.5 The Estimates of Expenditure for 2012/2013

The amounts provided in the estimates of 2012/2013 for the Ministries of State for Defence, East African Community, Foreign Affairs and the National Security Intelligence Service had indicated that a sum not exceeding:-

- (i) **Kshs. 70,040,420, 100** be allocated to the Ministry of State for Defence – Vote 108 for Recurrent expenditure to finance salaries, General Administration and Planning and expenses related to the Kenya Armed Forces;
- (ii) **Kshs. 13,414,000,000** be allocated to the National Security Intelligence Service (NSIS) – Vote 145 for Recurrent to finance salaries, general administration and planning, operations, training and expenditure related to liaison services;
- (iii) **Kshs. 1,262,700,000.00** be allocated to the Ministry of East African Community – Vote 124 - for Recurrent and **Kshs. 65,400,000.00** for Development expenditure proposed in the Heads under Vote 124 and that the

Ministry be allowed to raise **Appropriations-in-Aid** amounting to **Kshs. 2,000,000** to finance its operations; and

- (iv) **Kshs. 8, 888,944,300** be allocated to the Ministry of Foreign Affairs – Vote 104 - for Recurrent and **Kshs. 727,000,000** for Development expenditure, proposed in the Heads under Vote 104, and that the Ministry be allowed to raise **Appropriations-in-Aid** amounting to **Kshs. 971,655,692** to finance general administration, diplomatic representation and International Organisations

1.5.6 COMMITTEE RECOMMENDATIONS ON THE ESTIMATES OF EXPENDITURE FOR 2012/2013

While considering the requirements of implementing the New Constitution, the competing demands for the resource envelope by the different sectors, and the evolving economic diplomacy, the Committee unanimously made the following recommendations regarding the proposals by the Ministers for Defence, East African Community, Foreign Affairs and the National Security Intelligence Service: -

- (i) That additional budgetary allocation of **Kshs.688,000,000** be allocated to the Ministry of State for Defence over and above the **Kshs.70,040,420,100** proposed in the 2012/13 estimates of expenditure. This should bring the total budget for the Ministry to **Kshs. 70,728,420, 100.**

The Committee proposes that the additional **Kshs. 688,000,000** be reallocated from the amount of **Kshs. 2,798,000,000** (being the balance reduced from the estimates of NSIS), so that a sum not exceeding **Kshs. 70,728,420,100** be allocated to the Ministry of State for Defence – Vote 108 for Recurrent expenditure to finance salaries, General Administration and Planning and expenses related to the Kenya Armed Forces;

- (ii) That the proposed estimates of expenditure of **Kshs,13,414,000,000** for the National Security Intelligence Service (NSIS) - Vote 145 be reduced by **Kshs.2,798,000,000.**

The Committee noted that **Kshs. 10,616,000,000** was allocated to NSIS in FY 2010/2011 (being the amounts requested by the entity). However, in FY 2011/2012, NSIS requested for an increase in its estimates from the previous year's **Kshs. 10,616,000,000** to **Kshs. 13,146,113,300** (to cater for its modernization programme). Going by the figures presented in the estimates of expenditure for 2012/2013, there is no justification for retaining the figure of **Kshs. 13,414,000,000**, implying that it should not have continued to request for more money than the original estimates of **Kshs. 10,616,000,000** requested prior to the modernization programme. As per the original request, the modernization programme was not meant to be funded in perpetuity. The Committee therefore

recommends that a sum not exceeding **Kshs. 10,616,000,000** be allocated to NSIS – Vote 145 for Recurrent to finance salaries, general administration and planning, operations, training and expenditure related to liaison services;

(iii) That additional budgetary allocation of **Kshs.240,000,000** be allocated to the Ministry of East African Community over and above the **Kshs.1,262,700,000** proposed in the 2012/13 estimates of recurrent expenditure. This should bring the total recurrent expenditure for the Ministry to **Kshs. 1,502,700,000.00**

The Committee proposes that the additional **Kshs. 240,000,000** be reallocated from the amount of **Kshs. 2,798,000,000** (being the balance reduced from the estimates of NSIS), so that a sum not exceeding **Kshs. 1,502,700,000.00** be allocated to the Ministry of East African Community – Vote 124 - for Recurrent expenditure. In addition, the Ministry be allocated **Kshs.66,400,000.00** for Development expenditure as proposed ; and

(iv) That additional **Kshs.470,000,000** for recurrent expenditure and **Kshs.1,400,000,000** for development expenditure be allocated to the Ministry of Foreign Affairs over and above the **Kshs. 8,888,944,300** - for Recurrent and **Kshs. 727,000,000** for Development expenditure proposed in the 2012/13 estimates of expenditure. This should bring the total recurrent expenditure to **Kshs. 9,358,944,300** and total development expenditure to **Kshs.2,127,000,000**

The Committee proposes that the additional **Kshs. 470,000,000** - for Recurrent and **Kshs. 1,400,000,000** for Development expenditure be reallocated from the amount of **Kshs. 2,798,000,000** (being the balance reduced from the estimates of NSIS), so that a sum not exceeding **Kshs. 9,358,944,300** - for Recurrent and **Kshs. 2,127,000,000** for Development expenditure be allocated in the Ministry of Foreign Affairs - Vote 104, and that the Ministry be allowed to raise Appropriations-in-Aid amounting to **Kshs. 971,655,692** to finance general administration, diplomatic representation and International Organisations.

Be approved by the House.


Mr. Speaker,

I wish to express my appreciation to Members of the Committee who sacrificed time from their tight schedules and constituents to undertake this important national duty. The Committee is also grateful to the Speaker for the continued support and to the office of the Clerk, for facilitating and providing technical support.

The Committee also wishes to thank the Ministers of State for Defence, Foreign Affairs and East African Community for their cooperation and sharing information necessary for successful production of this report.

Mr. Speaker Sir,

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Defence and Foreign Relations, to present and recommend this report to the House for adoption.

SIGNED: 

HON. ADAN W. KEYNAN, MP

CHAIRPERSON,

DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS

DATE: 15/5/2012

SCRUTINY OF THE ANNUAL ESTIMATES FOR THE FY 2012/2013

2.0 SCRUTINY OF VOTE 108 – MINISTRY OF STATE FOR DEFENCE (MOSD)

The Assistant Minister of state for Defence Hon. David Musila, MP appeared before the Committee on Wednesday 8th May, 2012.

The Minister laid the following papers:-

- The Minister's statement on the Estimates;
- Disaggregated Budget.

2.1 Introduction – Background

National Security is a precondition for the socio-economic and political development of a country. The provision of National Security by the defence forces is important in the realization of the objectives of VISION 2030. National security is about territorial integrity, independence and the well being of citizens, embedded in the political, diplomatic, economic, socio-cultural and military elements of power to safeguard and promote the national interests of a state.

2.2 Mandate, Vision And Mission

The mandate of MOSD is derived from Kenya Armed Forces Act, Cap 199 Laws of Kenya Section 3 (1) and (2).

The Vision of the Ministry is to create premier, credible and mission capable defence force deeply rooted in professionalism.

The Mission of the Ministry is to deter aggression and should deterrence fail, defend the Republic, provide support to civilian authority in the maintenance of order.

2.3 Strategic Objectives

The Ministry's strategic objectives include:-

- Defence policy and strategy
- Credible deterrence
- Internal Security Operation
- Military Modernization

The Ministry appeared before the Committee on Tuesday, 3rd May, 2012. The Minister briefed the Committee on the following specific aspects of the Ministry's budget Estimates.

2.4 Update of the Cost so far incurred by the Ministry on the Security Operations in Somalia

The Committee noted that a total of **Kshs.14,650,000,000.00** has been provided for emergency security Operations in Somalia between the financial years 2010/2011 and 2011/2012. During the financial year 2010/2011, Kshs. 3.7 billion was provided while in

the current financial year Kshs. 10.95 billion has been availed. This amount has been expended for the following priority areas:

	Utilisation of the Allocated Funds	Kshs.
1.	Kenya Army (Pol & Ration)	1,184,762,932.00
2.	Kenya Air Force (Pol & Ration)	433,000,000.00
3.	Kenya Navy (Pol & Ration)	472,800,000.00
4.	Equipments, Ammo & Intelligence	12,461,437,068.00
5.	Chief of Medical (Purchase of Drugs)	78,000,000.00
6.	DFMH (Specialized Medical Treatments)	20,000,000.00
	TOTAL	14,650,000,000.00

ii. Status of the Implementation of the Ministry's Budget Estimates in the current financial year and the Ministry's proposals for the coming financial year

The Ministry's budget summary for the financial year 2011/12 is as follows:

	Amount Kshs:
Printed Estimates	45,230,144,830.00
After Corrigendum	52,016,698,310.00
After Revised Estimates	64,543,917,310.00

The Ministry's budget for 2011/2012 was initially printed at **Kshs.45,230,144,830** but was revised to **Kshs.52,016,698,310** through the issuance of a Corrigendum by Treasury. Out of the additional **Kshs.6.8 billion** which was provided in the corrigendum, **Kshs. 4.5 billion** was to address the Review of Salaries and Allowances for the Kenya Defence Forces while **Kshs.2.3 billion** was to address the emergency Security Operations in Somalia. Treasury also reallocated **Kshs. 530 million** from the Sub-head on National Space Secretariat to Head 554. In the approved Supplementary budget, the Ministry's expenditure was revised to **Kshs.64,543,917,310**, an increase of **Kshs. 12.5 billion**. The **Kshs. 12.5 billion** comprises of **Kshs. 11.2 billion** for Emergency Security Operations and **Kshs. 1.2 billion** for the Oceanographic Vessel Mv Jasiri. In addition to emergency security operations, the Ministry has been undertaking the following programmes in the current financial year:

a) Maintenance and safeguarding of National Security

This is the main Programme of the Kenya Defence Forces that caters for all other military operations, as well as the salary component.

b) Military Modernization Programme

The Ministry has been implementing the Military Modernization Programme since 2004/05 financial year. In the current financial year, Kshs. 7.8 billion was provided for the programme. This amount has been expended on on-going contractual obligations and to initiate new programmes.

c) Aid to Civil Authority

The Kenya Defence Forces have been involved in a number of activities in aid to civil authority. These include: construction and rehabilitation of schools and roads, restoration of peace and order, distribution of relief supplies, disaster mitigation and environmental conservation.

d) Sub-Vote 080 – General Administration and Planning

This Sub-Vote caters for the civilian arm of the Ministry which provides support services to the Kenya Defence Forces. The approved budget for this Sub-vote for the Financial Year 2011/12 was **Kshs.802,195,895.00**.

2.5 MINISTRY'S BUDGETARY PROPOSALS FOR THE 2012/2013 FINANCIAL YEAR:

The Ministry of State for Defence plans to continue with the implementation of the following Priority Programmes in the 2012/13 – 2014/15 MTEF period:

1. Defence and Protection of the Republic;
2. Aid to Civil Authority;
3. General Administration for Defence Forces; and
4. National Space Secretariat.

The Ministry has the following Sub-Programmes:

- a) Defence Policy and Co-ordination;
- b) Land Defence;
- c) National Airspace Defence;
- d) Territorial Waters Defence; and
- e) Military Modernisation.

The main objectives of the Ministry's programmes are the following:

- i) Maintenance of sovereignty and protection of territorial integrity;
- ii) Promotion of Regional and International Peace; and
- iii) Formulation, Co-ordination and Implementation of Policies.

The Ministry of State for Defence was allocated a ceiling of **Kshs.50.869 billion** in the financial year 2012/13 against a budgetary requirement of **Kshs. 81 billion**, leaving a shortfall of **Kshs. 30.28 billion**. According to the Medium Term Budget Policy Statement which has already been laid to Parliament by the Minister for Finance as required by the Fiscal Management Act, 2009, the National Security Sector, which includes the MOSD and NSIS, is to be funded as follows:-

National Security:					
	2011/12	2012/13	2013/14	2014/15	2012
MTEF					
Kshs. billion	Revised	Medium-Term Estimates		Total	
National	78.6	64.3	67.6	68.0	199.9
of which: Transfer to Public entities/ ¹ Counties	77.8	63.4	66.6	66.9	196.9
Total	78.6	64.3	67.6	68.0	199.9

2.6 Growth of MOSD's Budget

The budget for the Ministry of State for Defence has grown considerably over the years. The growth can be attributed to the implementation of the Military Modernisation Programme, the funding of the on-going Emergency Security Operations in Somalia, the implementation of the latest Report of the Armed Forces Pay Review Board, provision of funds for subsistence allowance for AMISON Mission in Somalia and the implementation of the Agreement between the Kenya Government and Euromarine on the acquisition of the Oceanographic Vessel.

Following further consultation with Treasury after the Public Sector hearings the Budget for the Ministry of State for Defence has been adjusted upwards by **Kshs. 19,171,420,100.00** to **Kshs.70,040,420,100.00**.

The additional funding of **Kshs. 19,171,420,100.00 billion** is to enable the Ministry address the following challenges which could not be accommodated in the initial ceilings although they are of high priority.

a) **AMISON: Mission Subsistence Allowance – Kshs. 4.43 Billion:**

The Ministry has been undertaking the `Operation Linda Nchi` in and around Somalia for the last six months. The Kenya Defence Forces troops deployed in Somalia have since been rehatted to AMISON and are receiving Mission Subsistence Allowance as they continue with this operation under the command of AMISON. The Ministry of State for Defence will be expected to pay the allowance to the troops and thereafter seek reimbursement for the amount paid from the AU/UN system. The amount refunded will be surrendered to Treasury as Revenue in line with the existing policy.

b) **Monetised Allowances – Kshs. 4.1 Billion:**

A total of **Kshs. 4.1 billion** will be required to cushion members of Kenya Defence Forces from taxation of monetised allowance in the financial year 2012/13. The total amount was over and above the initial ceiling given by Treasury and will be paid back to Treasury as Taxes.

c) **Emergency Security Operation – Kshs. 1 Billion:**

Parliament has in the ongoing financial year 2011/12 given this Ministry immense support and cooperation particularly in funding the on-going 'Operation Linda Nchi'. It is however, important to note that this operation has reached a critical stage where it has to be sustained despite our forces having been re-hatted to AMISOM. The Ministry had sought for **Kshs. 3 billion** for maintenance and sustenance of the KDF Troops deployed along the Kenya Somali border on the Kenyan side for close and rear operations, but Treasury has only provided **Kshs. 1 billion**. The amount provided will not be adequate to sustain the rear operations.

d) Modernization Programme – Kshs. 9.45 Billion:

Although the Ministry had proposed to Treasury that the remaining **Kshs.9.45 billion** for Military Modernization Programme be provided in full in the FY 2012/13, this appears not to have been possible because only **Kshs. 6.65 billion** has been factored as additional funds for this important Programme. This amount will however go a long way in improving the military capability in firepower to tackle the existing and emerging security threats in the region.

As the August House is well aware, the Kenya Defence Forces (KDF) who have been undertaking 'Operations Linda Inchi' in Somalia have now been re-hatted to AMISOM and in the next financial year the KDF strength will be 3,810 troops. In addition to providing troops, the Ministry will also be required to field fighting systems/equipment which must meet pre-determined United Nations standards so as to accrue maximum reimbursement. There is need therefore, to ensure that our equipment are in the highest state of serviceability. Some of these systems required include – Light Armoured Vehicles, Armoured Personnel Carriers, Artillery and Mortar Systems and Vehicles, Communication Equipment, Assorted Logistic Support Vehicles, Medical Equipment, Air Assets, Maritime Assets, personal weapons and kits, to mention just a few. The United Nations will also require that the Ministry provides to AMISOM other equipment which are not available at the moment, due to inadequate funding and the Ministry is obligated to procure and avail the same.

It is important to note the significance of KDF joining AMISOM and the serious implications this will have on the Military Modernization Programme. The Ministry is required to adhere to the strict UN Standards in order for KDF's equipment to attract the highest reimbursement. This can only be achieved if the Ministry is adequately funded under the Military Modernisation Programme to enable it procure new equipment and replace some of those currently in the operation. It is therefore desirable that the remaining balance of **Kshs. 2.8 billion** be provided as well.

e) Oceanographic Vessel: Implementation of the Terms of Settlement Agreement – Euro 26.9 Million

The Ministry has negotiated with Euromarine and both parties have agreed on the payment terms and the delivery schedule of the Naval Vessel. In total the Government of Kenya is required to pay **Euros 34 million** so that the ship can be delivered by 2nd July, 2012. The Treasury provided **Euros 10.2 million** in the Supplementary Budget as part payment per the terms of Settlement Agreement. The remaining balance of **Euro 26.9 million** has been prioritized in the budget for the financial year 2012/13.

f) Migration of Microwave Communication Network – Kshs. 1 Billion:

The migration of Microwave Communication Network, which is a joint project between this Ministry, National Security Intelligence Service and Communication Commission of Kenya (CCK) is yet to be implemented due to lack of funding. The Ministry had factored a total of **Kshs. 1 billion** in the last financial year but the same could not be availed due to other pressing priorities. This amount required to be provided to facilitate the migration. It will be in the interest of the Government to fund this migration so that the surrendered frequencies can be commercialized.

g) Armed Forces Canteen Organization (AFCO) Tax Administration – Kshs. 1 Billion:

The East African Community (EAC) Member States entered into an agreement to provide a budgetary allocation to cater for duty in respect of imports by AFCO. The Ministry requires **Kshs. 1 billion** to cater for goods imported for AFCO, in the financial year 2012/13.

h) Single Accommodation for Kenya Defence Forces Kshs. 7.2 Billion:

- (a) The Ministry has been discussing the issue of Single Accommodation for Kenya Defence Forces with Treasury and the Government was considering to have the same funded from off-shore borrowing so that it can be undertaken as a `turn key` project. Currently, for junior soldiers who are approximately 10,000, there is an acute shortage of Single Accommodation Units and as a result the Ministry had to forego the recruitment of soldiers in the current financial year 2011/12. This situation is however not tenable in the long run as it will end up compromising National Security. The Ministry plans to recruit in financial year 2012/13 to address annual attrition. The Ministry has estimated the low costing single accommodation to cost about **Kshs.7.2 billion**. The necessary designs have been done by consultants which the Ministry had engaged giving various options which can be considered, depending on cost effectiveness and completion period.

2.7 CONSIDERATION OF ESTIMATES

2.7.1 ANALYSIS OF THE RECURRENT ALLOCATIONS

Head 0001: Headquarters Administrative Services

The proposed net expenditure under this Head is **Kshs. 1,402,997,127**.

Observation: The Committee noted that the amounts proposed are not adequate to include construction of housing units for 10,000 junior soldiers. The Committee proposes that an amount of **Kshs. 688,000,000** provided for the estimates of NSIS be reallocated to cater for this shortfall.

The Committee recommends that the proposal by the Minister that "a sum not exceeding **Kshs. Kshs. 1,402,997,127**" be amended by providing for an additional **Kshs. 688,000,000**, resulting to **Kshs. 2,090,997,127** to be allocated to the Ministry for the expenditure proposed in the items under Head 0001.

Head 0002: KENYA ARMED FORCES

The proposed net expenditure under this Head is **Kshs. 68,619,422,973**.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding Kshs. **68,619,422,973** be allocated to the Ministry for the expenditure proposed in the items under Head 0002.

Observation: The allocations to the Head increased from Kshs. **43,925,167,935** in FY 2011/2012 to Kshs. **68,619,422,973** in FY 2012/2013.

2.7.2 Observations

Arising from the submissions by the Ministry, the Committee observed that:-

- (i) Parliament approves the budget of the Ministry of State for Defence as amended.
- (ii) The Committee noted that in line with its earlier observation on the Estimates of Financial Year 2011/2012, the Ministry of State for Defence provided the following allocations to each of the three arms of the Kenya Defence Forces for services and DOD controlled units for FY 2012/2013:

S/No.	Kenya Army	Kenya Air Force	Kenya Navy	DOD Controlled Units	Totals
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
1.	34,572,306,392	12,346,565,098	7,562,693,086	14,137,858,397	68,619,422,973
2.	Headquarters and Administrative Services				1,420,997,127
3.	Grand Total				70,040,420,100

3.0 SCRUTINY OF VOTE 145–NATIONAL SECURITY INTELLIGENCE SERVICE (NSIS)

The Committee did not receive evidence from the Director General on the estimates of the **National Security Intelligence Service because of the previous perpetual disobedience by the Director General on Committee summons.**

3.1 Allocation

During the Financial Year 2011/2012, the NSIS had requested for **Kshs. 10, 616, 000, 000.** However, a total of **Kshs. 13,146,113,300** was allocated to NSIS through a corrigendum. In the budget proposals for 2012/2013, NSIS has been provided with **Kshs. 13,146,113,300.**

3.2 Observations

An amount of Kshs. 13,414,000,000 had been provided in the estimates of expenditure for 2012/2013 for the National Security Intelligence Service (NSIS). The Committee noted that Kshs. 10,616,000,000 was allocated to NSIS in FY 2010/2011 (being the amounts requested by the entity). However, in FY 2011/2012, NSIS requested for an increase in its estimates from the previous year's Kshs. 10,616,000,000 to Kshs. 13,146,113,300 (to cater for its modernization programme). Going by the figures presented in the estimates of expenditure for 2012/2013, there is no justification for retaining the figure of Kshs. 13,414,000,000, implying that it should not have continued to request for more money than the original estimates of Kshs. 10,616,000,000 requested prior to the modernization programme. As per the original request, the modernization programme was not meant to be funded in perpetuity.

The Committee resolved that the amounts allocated to NSIS, i.e. Kshs. 13,414,000,000 should be reduced (by Kshs. 2,798,000,000) to Kshs. 10, 616, 000, 000 (being the amounts requested in the previous year) since the entity has also not proved that it is accountable to the people of Kenya through Parliament.

The Committee proposes that the balance of Kshs. 2,798,000,000 be reallocated to the following votes and Heads as indicated:

- i) Ministry of State for Defence, Vote 108 Head 0001 Headquarters Administrative Services; Kshs. 688,000,000 for construction of housing units for 10,000 junior soldiers;**
- ii) Ministry of East African Community, Vote R. 124, Head 0008; Kshs. 240,000,000 to cater for the deficit to EAC subscriptions that arose from depreciation of Kenya shilling, effectively cater for Kenya's ascension to EAC Chairmanship and hosting of the 12th Extra Ordinary Summit of EAC;**
- iii) Ministry of Foreign Affairs, Vote R. 104, Head 0001 Headquarters and Administrative Services, Kshs. 470,000,000 to cater for foreign service allowance to staff;**

- iv) Ministry of Foreign Affairs, Vote D. 104, Head 0104 New York, Kshs. 800,000,000 to cater for Purchase of Chancery building;

- v) Ministry of Foreign Affairs, Vote D. 104, Head 0124 Kampala, Kshs. 450,000,000 to cater for Purchase of Chancery building; and

- vi) Ministry of Foreign Affairs, Vote D. 104, Head 0153 Juba, Kshs. 150,000,000 to cater for Development of the Mission.

4.0 SCRUTINY OF VOTE 124 – MINISTRY OF EAST AFRICAN COMMUNITY (MEAC)

The Minister for East African Community Hon. Musa Sirma, MP appeared before the Committee on Wednesday 9th May, 2012.

The Minister laid the following papers:-

- The Minister's statement on the Estimates;
- Disaggregated Budget.

4.1 Introduction – Mandate and Appearance

The mandate of the Ministry is derived from the Presidential Circular No.1 of May 2008 and includes the following:-

- (i) Policy on East African Community;
- (ii) Coordination of Government participation in East African Community meetings and institutions;
- (iii) Coordination of the implementation of East African Community regional programmes and projects;
- (iv) Implementation of East African Treaty; and
- (v) Promotion and fast-tracking of East African integration.

The Core Functions are to facilitate, oversee and coordinate:

- i) The planning and direction of national policies and resources to create conditions favorable for the development and achievement of the objectives of the EAC and implementation of the provisions and Protocols of the Treaty establishing the EAC;
- ii) The negotiations pertaining to the areas of the EAC;
- iii) Co-operation, particularly in the stages of Customs Union, the Common Market, the Monetary Union and the Political Federation;
- iv) All EAC regional integration projects, programmes and activities under sector-specific Government agencies;
- v) National participation in fast-tracking the integration process and further EAC integration into other regional economic groupings;
- vi) National abstinence from measures likely to jeopardize achievement of the EAC objectives or the implementation of the provisions of the Treaty establishing the EAC, complete with resolved Protocols; and
- vii) To enhance the Ministry's capacity to effectively perform its functions and create EAC integration awareness for the benefit of all Kenyans.

4.2 Vision

To deepen and widen East African Integration for Improved Livelihoods and Sustainable Development of all Kenyans.

4.3 Mission:

- i) To facilitate, coordinate and oversee the development, monitoring and evaluation of the implementation of EAC policies, projects, and programmes for effective integration; and
- ii) To promote partnerships, liaison and maintain linkages with all stakeholders on EAC matters for maximized benefits.

4.4 Strategic Objectives

The Ministry's strategic objectives are derived from the Strategic Plan (2008 – 2012) and aim at strengthening:-

- i) Full implementation of the EAC Customs Union;
- ii) Establishment of the EAC Common Market;
- iii) Laying down the foundation for the EAC Monetary Union;
- iv) Laying down the foundation for the EAC Political Federation 2015;
- v) Cooperation on Political, Defense and Security matters;
- vi) Crosscutting East African and regional integration measures;
- vii) Sectoral EAC integration measures;
- viii) Building institutional capacity of the Ministry;
- ix) Facilitation, positioning and monitoring of EAC Organs and Institutions;
- x) Beneficial participation of Kenyans in the EAC milestones over the Plan period.

4.5 Autonomous and Semi Autonomous Government Agencies

The Ministry of EAC does not have any Autonomous and Semi Autonomous Government Agencies but deals with the following areas:

The EAC Treaty spells out 17 areas of co-operation as follows;

- Chapter Eleven Co-operation in Trade, Liberalization and Development
- Chapter Twelve Co-operation in Investment and Industrial Development
- Chapter Thirteen Co-operation in Standardization Quality, Assurance, Metrology and Testing
- Chapter Fourteen Monetary and Financial Co-operation
- Chapter Fifteen Co-operation in Infrastructure and Services
- Chapter Sixteen Co-operation in the Development of Human Resource Science & Services
- Chapter Seventeen Free Movement of Persons, Labour services, Right of Establishment and Residence
- Chapter Eighteen Agriculture and Food Security

- Chapter Nineteen Co-operation in Environment and Natural Resources Management
- Chapter Twenty Co-operation in Tourism and Wildlife Management
- Chapter Twenty One Health, Social and Cultural Activities
- Chapter Twenty Two Enhancing the role of women in Socio-Economic Development
- Chapter Twenty Three Co-operation in Political Matters
- Chapter Twenty Four Legal and Judicial Affairs
- Chapter Twenty Five The Private Sector and the Civil Society
- Chapter Twenty Six Relations with other Regional and International Organisations and Development Partners

- Chapter Twenty Seven Co-operation in Other fields

The role of the Ministry therefore involves coordination of these 17 areas as well as participation in multi-lateral trade related issues such as EAC-EU and ESA-EU Economic Partnership Agreements (EPAs), World Trade Organization and the Tripartite Agreements between COMESA, EAC and SADC. The Ministry also participates in bilateral meetings with EAC and other countries having interest in Kenya. Each of the five (5) Partner States has a fully fledged Ministry in charge of East African Community Affairs that coordinates the EAC Affairs. The functions of EAC Ministry as stated above are unique and do not overlap with the functions of other Ministries.

In order to establish institutional structures and managerial arrangements that respond closely to the various delivery areas outlined in the Presidential Circular and the Ministry's Strategic Plan (2008-2012), the Ministry recruited 31 Integration officers in 2010. This capacity enhancement though not optimal has improved the coordinating role of the Ministry and in particular the implementation of the Customs Union, Common Market Protocol and the ongoing negotiations of the Monetary Union.

4.6 Chairmanship to the EAC Policy Organs

Kenya is the current Chair of the EAC Policy Organs since November, 2011. Kenya's tenure will last for a year until November, 2012. It is a tradition that the Chair normally hosts at least one EAC Heads of State Summit meeting. The Summit is preceded by Council of Ministers. This has a budgetary implication since the Ministry will have to co-ordinate the preparatory meetings, Security for Heads of State, Accommodations, Venues of meetings and Hire of VIP's vehicles.

4.7 ALLOCATION

The Budget for this Financial Year will assist the Ministry to improve on its coordination role, raise its profile, broaden its operations beyond Nairobi and EAC Secretariat, create and strengthen regional offices at entry and exit border posts, and strengthen the information, education, and communications aspects of the Ministry. This Budget will enable the Ministry to implement key reforms that have been identified and which constitute the strategic focus of the Ministry in the next twelve months. Key reforms have been identified in these areas and constitute the strategic focus of the budget.

The total budget the Ministry requested from the exchequer for Recurrent and Development vote during Financial Year 2012/13 is Kshs. **1,771,000,000.00**. This

included Kshs.1,705,600,000.00 from GoK and the Donor Commitment by DFID of Kshs.65,400,000.00. However, the total budgetary allocation for the FY 2012/2013 is Kshs.1,341,400,000.00 comprising of Recurrent vote of Kshs1,265,000,000.00 and Ksh.76,400,000.00 for Development. The Development vote is further disaggregated into Kshs.65,400,000.00 Donor Commitment and Kshs.11,000,000.00 GOK component. It may be noted that the allocation of Kshs.1,341,400,000.00 has left a deficit of Kshs.429,600,000.00.

4.8 PREVIOUS YEAR'S ALLOCATIONS

4.8.1 In the Financial year 2011/2012, the total allocation amounted to Kshs.1,047,833,242 for recurrent and Kshs.76,400,000 for Development. The development is broken down into Donor Component of Kshs.65,400,000 and the Government Kshs.7,000,000.

Ministry Budgetary Trend for Period 2009/10 to 2011/2012

Table 1 (below): Comparative Analysis of the Ministry's allocation 2010/2011 and 2012/13
 Figures in Millions (Kshs.)

VOTE		2009/2010	2010/2011	2011/2012	2012/2013	
1.	Recurrent	898.35	930.43	1,047.8	1265.0	
2.	Development	GOK	17.3	43.22	7.0	11.0
		DFID	0	64.4	65.4	65.4
		9,15.65	1,038.05	1,120.2	1,341.4	

4.8.2 Ministry Budgetary Trend for Period 2009/10 to 2011/2012

The Ministry requested for Kshs 1,771,000,000.00 while the total allocation is Kshs. 1,341,400,000.00 leaving a deficit of Ksh.429,600,000.00.

4.9 RECURRENT BUDGET ANALYSIS

The priority spending areas for Recurrent Budget are on the following:-

- (i) Participation in the negotiations of the EAC Monetary Union and Political Federation
- (ii) Participation in the EAC cross cutting issues: EAC – EU EPA, ESA-EU, WTO, bilateral issues and
- (iii) COMESA – EAC – SADC tripartite negotiations
- (iv) Monitoring the elimination of non tariff barriers
- (v) Consolidate Customs Union
- (vi) Implementation of the Common Market

Table 2.0

Recurrent budget breakdown

Figures in millions(Kshs.)

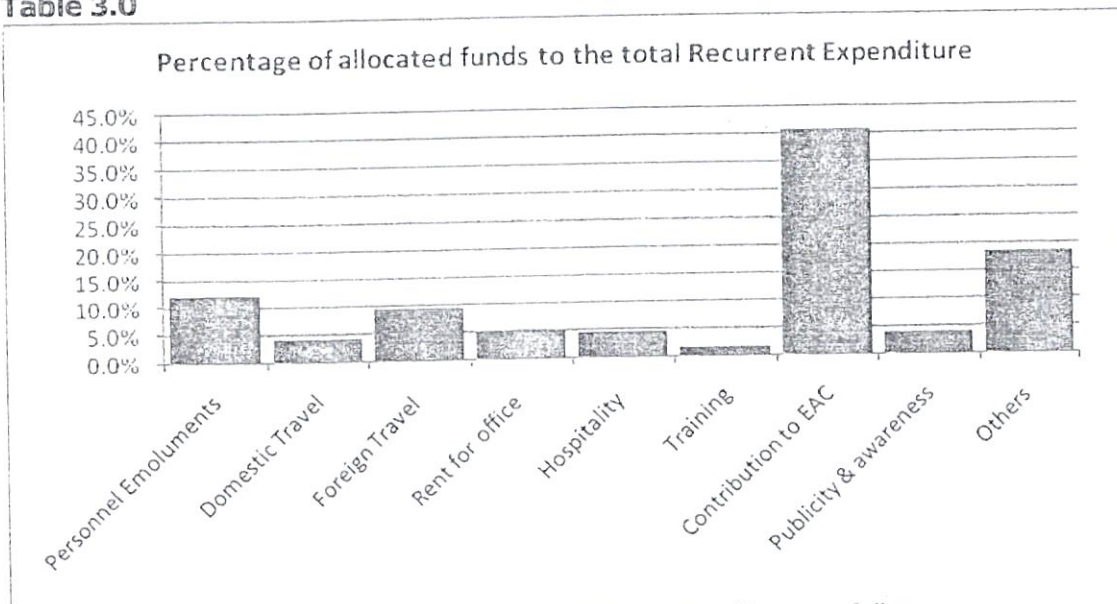
SUMMARY OF THE 2012/13 BUDGET (Recurrent)				
ITEM	Amount Requested Details	REQUESTED in 2012/2013	ALLOCATED AMOUNT	VARIANCE
Personnel Emoluments	Basic salaries, House allowance, Transport allowance, Extraneous allowance etc	159,120,549	159,120,549	0
Domestic Travel	Travel cost, Accommodation and DSA & sundry costs	61,261,758	53,320,865	(7,940,893)
Foreign Travel	Travel cost, Accommodation and DSA	133,840,000	118,840,000	(15,000,000)
Rent for office	Rents and rates	66,847,730	66,847,730	0
Hospitality	Catering services, Accommodation, Conferences and Seminars	249,000,000	159,891,850	(89,108,150)
Training	Travel allowance, Hire of training facilities, Tuition fees etc	25,551,851	22,911,101	(2,640,750)
Contribution to EAC		710,000,000	515,000,000	(195,000,000)
Publicity & awareness	Publishing,	54,600,000	49,601,583	(4,998,417)
Others	communication, fuel, purchase of office furniture and supplies,	234,378,112	119,466,322	(114,911,790)
Total		1,694,600,000	1,265,000,000	(429,600,000)

An analysis of the Recurrent Budget indicates a deficit of Kshs. **(429,600,000)** in 2012/2013 Budget. The most affected Items are;

- i. Statutory EAC contribution Kshs. **(195,000,000)**
 - The EAC Treaty obligates Partner States to honour her mandatory statutory obligations.
 - As a Ministry we have to honour as Performance Contract
- ii. Hospitality Kshs.**(89,108,150)**,

- The Ministry will host several preparatory meetings to get to Country Position
 - Kenya is expected to host one EAC Summit as the Chair.
- iii. Foreign Travel Kshs.(15,000,000),
- As the Chair the Ministry’s delegation to EAC meetings will increase.
- iv. Operation and Maintenance Kshs.(114,911,790)
- Due to expanded capacity, the Ministry will need additional office space and more funding.

2.3 Analysis of Allocated funds in percentages
Table 3.0



The table above indicates the Ministry Recurrent expenditure as follows:

- 62% of the Recurrent Budget Allocations is remitted to EAC Secretariat (Arusha) as mandatory Statutory Contributions, Rent and Personal Emoluments.
- 38% of Budgetary Allocation to finance Operations and Maintenance.

4.10 DEVELOPMENT BUDGET

In the 2012/2013 Financial Year Allocation, in the Development Budget includes the following projects and programs:-

- (i) Establish and Operationalize Regional Integration Centres namely: Lunga Lunga, Malaba and Isebania
- (ii) Strengthening National Publicity and Advocacy for EAC Integration
- (iii) Strengthening of the Research Reference and Documentation Centre
- (iv) To undertake research on Knowledge, Attitude and Practice (KAP) on Common Market
- (v) Strengthening the expanded mandate of the Central Planning Project Monitoring and evaluation Unit to undertake research, monitoring and evaluation activities

Report of the Departmental committee on Defence and Foreign Relations on its scrutiny of the Budget Estimates for 2012/2013 FY

(vi) Strengthening of the Directorate of Information, Education and Communications

4.10.1 Analysis of Development Vote in percentages

SUMMARY OF THE 2012/13 BUDGET (Development)				
ITEM	Amount Requested Details	Requested Amount (Kshs.)	ALLOCATED AMOUNT(Kshs.)	VARIANCE
Administrative Expenditure	Includes printing, advertising and information supplies and services, training, hospitality, research, feasibility and appraisal studies	36,061,696	36,061,696	0
Regional Integration Centers	Includes acquisition of land and building of construction	2,000,000	2,000,000	0
Research/Reference Document Centers	Includes purchase of specialized materials, education and library supplies	7,638,304	7,638,304	0
East African Community	Includes printing, advertising and information supplies and services, training, hospitality, research, feasibility and appraisal studies	13,700,000	13,700,000	0
Trade Mark EA Programme	Technical assistance and support	17,000,000	17,000,000	0
Total		76,400,000	76,400,000	0

4.10.2 RATIONALE FOR THE DEVELOPMENT PROGRAMMES

- i) Establish and Operationalize Regional Integration Centres Namely; Namanga, Lunga Lunga, Busia, Malaba and Isebania.

Effective implementation of the EAC Customs Union and the Common Market is faced with a number of challenges for instance, the Non Tariff Barriers (NTBs) and free movement of Persons. The integration centres will play a major role in coordinating EAC activities at the main border points, serve as referral centres and facilitate implementation of the Customs Union and Common Market.

ii) Strengthening National Publicity and Advocacy for EAC Integration

The EAC integration process is not clearly understood by a large portion of the Kenyan population and hence the need for publicity and advocacy on the EAC integration issues. In particular we intend to unpack the meanings and implications of the Customs Union, Common Market, Monetary Union and the Vision of a Political Federation for East Africa. This will be achieved through the implementation of the Ministry's Communication Strategy.

iii) Strengthening of the Research Reference and Documentation Centre

Since a number of developments are taking place in the EAC integration process, there is need for a central depository for information, documentation and research to inform policy on the various integrations initiatives. The Ministry will improve and equip the existing library and establish inter connectivity with EAC Secretariat and other Partner States.

iv) Strengthening of Directorates on Information, Education and Communications

Develop the most appropriate and effective means of building understanding and generating support for regional integration among key stakeholders.

v) Participation in the negotiations of the EAC Monetary Union and Political Federation

The next stage of the EAC integration process after the Common Market is the Monetary Union which is expected to be in place by 2012. The process of negotiating of the protocol is already underway and Kenya is expected to fully participate in the process. This will require sufficient resources for the Ministry to effectively coordinate the Country's participation.

vi) Participation in the EAC cross cutting issues: EAC-EU EPA, ESA-EU EPA and COMESA-EAC SADC tripartite negotiations

Under EPA the EAC Partner States and the European Union initiated a Framework on Economic Partnership Agreement (EPA) on 27th November 2007 to pave way for concluding a reciprocal Trade Agreement which is compatible with the WTO: Kenya alongside other EAC partner States interred into negotiations with the EU to have the comprehensive EPA by November 2010. Kenya therefore is negotiating EPAS in order to sustain current market in the EU and to avoid macroeconomic instability and disruption of economic activities, especially in the agricultural sector, whose growth has relied on EC market.

Under the COMESA-EAC-SADC, the Tripartite Summit of the Heads of State held on 22nd October 2008 resolved to establish a Free Trade Area (FTA) involving the membership of the COMESA, EAC and SADC configurations in recognition of the importance of expanding

intra-Africa trade, particularly in the Eastern and Southern African Region. Since then an analytical assessment of its potential gains, a draft Tripartite FTA Agreement and roadmap towards the negotiation of the Agreement has been development.

4.10.3 Projects left out of the Estimates

The following projects were left out of the Ministry's Estimates:-

1. In the current Financial Year 2011/2012 the Ministry remitted Ksh.**515** million to EAC Secretariat being the country's statutory contribution. The deficit amounts to Kshs.**40** million occasioned by the weakening of the Kenya shilling against the US dollar.
 2. Kshs. **5** million to cater for a historical Bill on Somali talks in Eldoret.
 3. Kshs. **350** million (arrears) owed to inter university council of East African (IUCEA) by Ministry of Higher Education, Science and Technology which was to be channelled via Ministry of East African Community – Pursuant to EAC Council resolutions.
 4. Kshs. **65** million owed to ASIS Hotel Limited, Eldoret, on Somalia peace talk (HCC. No. 194 of 2009).
 5. Kshs. **100** million requested in December, 2011 to cater for Kenya's ascension to EAC Chairmanship not provided for in the current Financial Year and therefore the Ministry is facing challenge of effectively exceeding the role of the Chairmanship.
 6. Requested Treasury for Kshs.**150** million to cater for hosting the 14th Ordinary Summit of EAC Heads of States.
 7. Kshs.**100** million to cater for the 12th Extra Ordinary Summit in June, 2012.
- All outstanding issues amounts to Kshs. **810,000,000.00** have not been catered for by the Treasury and therefore will make it difficult for the Ministry to meet its financial obligation.

4.10.4 EMERGING ISSUES AND CHALLENGES

Four emerging issues have been identified and require attention. They include:-

1. Inadequate Budgetary allocation to the Ministry which is impacting on the Ministry's core programmes including Statutory obligations;
2. Failure to allocate what the Ministry had requested means it will have a shortfall of Kshs. **(429,600,000.00)**
3. Funding and implementation of the devolved Government in compliance to Constitutional dispensation; The Ministry intends to open two more offices in addition

to the already two opened. This may now not be possible in view of low budgetary allocations

4. Transfer of officers to operationalize four new integration centres, Namanga, Busia, Isebania and Lungalunga.

4.11 CONSIDERATION OF THE ESTIMATES

4.11.1 SCRUTINY OF RECURRENT ALLOCATIONS

The proposed recurrent allocation for the Ministry in FY 2012/2013 is **Kshs.1,262,700,000** comprising of **Kshs. 280,660,501** for Headquarter Administrative Services, **Kshs. 23,856,944** for Regional Integration Centres, **Kshs.24,800,000** for National Publicity and Advocacy for EAC Regional Integration, **Ksh. 15,263,023** for Information Communication and Technology Unit, **Kshs. 18,680,663** for the Central Planning and Monitoring Unit and **Kshs. 899,438,869** for the East African Community.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 1,000,000** from receipts from sale of incidental goods.

Newly introduced Heads include:

- i. Regional Integration Centres
- ii. National Publicity and Advocacy for EAC Regional Integration

Sub Vote 240: General Administration

Head 0001: Headquarters, Administrative Services

The proposed net allocation is **Kshs. 280,660,501**.

Observations: The allocation represents an increase from Kshs. 232,509,187 in the FY 2011/12 to Kshs. 280,660,501 in the FY 2012/13

Observations: Biggest increase is in the Sub Heads, Headquarters (0001) and Aids Control Unit (0002).

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 280,660,501** is allocated to the Ministry for the expenditure proposed in the items under Head 0001 and that the Ministry is allowed to raise **A-I-A** of **Kshs. 1, 000, 000** to finance its programmes under Head 0001.

Head 0006: Information Communication and Technology

The proposed net allocation under this Head is **Ksh. 15,263,023**

Observations: This generally represents a decrease in allocation from Kshs.16, 851,124 in the FY 2011/12 to Ksh. 15,263,023 in the FY 2012/13.

Observations: The increase in allocation in this Financial Year is mainly on account of foreign travel and personal allowances paid as part of salary.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Ksh. 15,263,023** be allocated to the Ministry for the expenditure proposed in the items under Head 0006.

Head 0007: Central Planning and Monitoring unit

The proposed expenditure under this Head is **Kshs. 18,680,663**.

Observations: The expenditure represents an increase from **Kshs. 272, 138,731** in the Financial Year 2011/2012 to **Kshs. 18,680,663** in the Financial Year 2012/13.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 18,680,663** be allocated to the Ministry for the expenditure proposed in the items under Head 514.

Head 0008: East African Community

The proposed expenditure under this Head is **Kshs. 899,438,869**.

Observations: Though The expenditure has increased from **Kshs. 560,190,514** in the FY 2011/12 to **Kshs. 899,438,869** in the FY 2012/13, the Committee noted that the amounts proposed are not adequate to effectively cater for Kenya's ascension to EAC Chairmanship, deficit to EAC subscriptions that arose from depreciation of Kenya shilling amounting to **Ksh. 40,000,000** and hosting the 12th Extra Ordinary Summit of EAC. The Committee proposes that a total amount of **Kshs. 240,000,000** provided for the estimates of NSIS be reallocated to cater for this shortfall.

The Committee recommends that the proposal by the Minister that "a sum not exceeding **Kshs. 899,438,869**" be amended by providing for an additional **Kshs. 240,000,000**, resulting to **Kshs. 1,139,438,869** to be allocated to the Ministry for the expenditure proposed in the items under Head 0008.

4.11.2 SCRUTINY OF THE DEVELOPMENT ALLOCATIONS

The proposed development allocation for the Ministry in FY 2011/2012 is **Kshs. 9,000,000** for General Administration and planning, regional resource and integration. The allocation will be spent on the following projects:-

- (i) Creation of regional Integration centres;
- (ii) Strengthening National Publicity and advocacy for EAC integration;
- (iii) Establishment of monitoring and evaluation services
- (iv) Establishment of research, reference and documentation centre.

Sub Vote 240: General Administration

Head 0001: Headquarters Administrative Services

The proposed expenditure under this Head is **zero**.

Observations: The head 0001 will receive grants from International Organizations amounting to Kshs. 31, 700,000 to cater for its expenditure and hence the **zero expenditure** in the 2012/2013 Estimates.

The Committee is agreeable to the proposal by the Minister that no money is allocated to the Ministry for the expenditure proposed in the items under Head 0001.

Head 0003: Regional Integration Centres

The proposed expenditure under this Head is **Kshs. 1,000, 000**.

Observations: This reflects a decrease from **Kshs. 2, 500, 000** in 2011/2012 to **Kshs.1, 000, 000** in 2012/2013 Financial Year.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 1, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0003.

Head 0005: Research / Reference Documentation Centre

The proposed expenditure under this Head is **Zero**

Observations: This reflects a decrease from **Kshs. 9,000,000** in 2011/2012 to **Zero** in 2012/2013 Financial Year.

The Committee is agreeable to the proposal by the Minister that no money is allocated to the Ministry for the expenditure proposed in the items under Head 0005.

Head 0008: East African Community Headquarters

The proposed expenditure under this Head is **Zero**.

Observations

The Committee is agreeable to the proposal by the Minister that no money is allocated to the Ministry for the expenditure proposed in the items under Head 0008.

Head 1001: Trade Mark East Africa Programme

The proposed expenditure under this Head is **Zero**.

Observations

The Committee is agreeable to the proposal by the Minister that no money is allocated to the Ministry for the expenditure proposed in the items under Head 1001.

5.0 SCRUTINY OF VOTE 104 – MINISTRY OF FOREIGN AFFAIRS

The Hon. Amb. (Prof.) Sam Onger, EGH, MP, Minister for Foreign Affairs, appeared before the Committee on Thursday, 3rd May 2012 and presented the Ministry's budget Estimates.

5.1 Mandate

The Ministry's mandate is to formulate, articulate and implement Kenya's foreign policy. Its core functions include management of external relations including coordination of International cooperation and promotion of economic, external trade and investment relations, custodian of rules of engagement with the diplomatic community, administration of diplomatic services, co-ordination of Diaspora participation in development among others.

Papers Laid

The Minister appeared before the Committee and laid the following papers:-

- The Minister statement on the Estimates;
- Disaggregated Budget.

5.2.0 ALLOCATION

During the Sector Working Group (SWG) 2012/2013 meetings, the Ministry presented a total budget request of **Kshs 16.7 Billion**. Out of this, **Kshs. 13.6 Billion** was proposed for the Recurrent Vote, constituting **81.4%** of the Ministry's total budget. The share proposed for the Development Vote was **Kshs. 3.1 Billion** representing **18.6%** of the total budget request.

The Ministry was only allocated **Kshs. 8,888,944,300** and **Kshs. 2,156,000,000** for the Recurrent and Development Votes respectively. This translated into a shortfall of **Kshs 4,711,055,700**, under the Recurrent and **Kshs 944,000,000** under the Development Vote. The Ministry therefore registered an overall shortfall of **Kshs 5,655,055,700**, which translates to **33.86%** of the total budget request.

However, the Development vote was subjected to a further reduction in the Printed Estimates of **Ksh.1.429,000,000** leaving the Ministry with only **Kshs 727,000,000** for implementation of development projects in the coming Financial Year, 2012/13

5.2.1 Key areas of expenditure for the Financial Year 2012/2013

The Ministry's key areas of expenditure for the Financial Year 2012/2013 are as given below:

Recurrent Vote - Kshs. 8,888,944,300

- a) **Personnel Emoluments, Kshs 4,144,218,358. Of this, Foreign Service Allowance (FSA) constitutes Kshs. 2,194,576,706 and Local Staff Salaries, Kshs.1,099,160,261. Others include; Basic Salaries Kshs. 478,467,960,**

Medical expenses Kshs. 174,926,938 and Contributions to Social Benefit Schemes Kshs. 197,086,493.

- b) Rents for leased properties, Kshs. 1,690,051,067
- c) Education Supplement for children of officers on posting, Kshs. 565,700,000
- d) Contributions to International Organizations, Kshs. 353,300,000
- e) Purchase of fixed capital assets. These include Motor-vehicles Kshs. 84,200,000, office furniture Kshs. 73,147,500 and household furniture Kshs. 62,540,000.
- f) Operations and Maintenance Kshs. 1,915,787,375.
- g) Opening of an Embassy Office in Mogadishu, Somalia (Kshs. 70,000,000 Million) and establishment of a Liaison Office in Hargeisa (Kshs. 30,000,000). The establishment of the Mission in Somalia is a special case which requires additional funding to address the following specific areas;
 - i. Armored Vehicles - B6 with security features;
 - ii. Hire of Aircrafts for emergency cases;
 - iii. Posting of 4 Soldiers and;
 - iv. Installation of CCTV Equipment and a Security fence among others.

The total of Ksh. 100,000,000 for establishment of Kenya's presence in Somalia (Mogadishu and Hargeisa) is included under the total Recurrent Vote of Kshs. 8,888,944,300.

Development Vote – Kshs. 727,000,000

- a) Construction of the Chancery and High Commissioner's Residence in Abuja, Kshs. 50,000,000
- b) Purchase of software for asset management at Headquarters Kshs. 100,000,000
- c) Refurbishment of the Ministry Headquarters, Kshs. 41,000,000;
- d) Refurbishment of the High Commissioner's Residence in Ottawa, Kshs. 85,000,000;
- e) Capacity building of the Diaspora Directorate in the Ministry (Kshs. 10,000,000) funded by a grant from the World Bank
- f) Refurbishment of Government property in New York Kshs. (35,000,000)
- g) Refurbishment of Government property in Addis Ababa (Kshs. 50,000,000)
- h) Refurbishment of Government property in Dar es Salaam (Kshs (33,000,000)
- i) Redevelopment of Government property in Pretoria (Kshs 130,000,000)
 - Other refurbishments of property include Washington (Kshs 10,000,000), London (Kshs. 20,000,000), Berlin (Kshs. 10,000,000), Kinshasa (Kshs. 5,000,000), Lusaka (Kshs. 6,000,000), Paris (Kshs. 5,000,000), Stockholm (Kshs. 11,000,000), Riyadh (2,000,000), Brussels (5,000,000), Tokyo (Kshs. 16,500,000), Beijing (Kshs. 2,000,000), Rome (Kshs. 15,000,000) Kampala (Kshs. 2,000,000), Harare (Kshs. 5,000,000) Islamabad (Kshs. 12,000,000), The Hague (Kshs. 19,500,000) Tel Aviv (Kshs. 2,000,000), Kigali (Kshs. 20,000,000), Windhoek (Kshs. 5,000,000), and Juba (Kshs. 20,000,000) totaling to Kshs. 193,000,000.

5.3 COMPARISON OF THE LAST THREE YEARS' ALLOCATIONS

Table 1 below provides a summary of allocations under each vote during the last three financial years.

Table 1: Comparison of the last three years' allocations

VOTE		APPROVED ESTIMATES 2009/10	APPROVED ESTIMATES 2010/11	APPROVED ESTIMATES 2011/12	PRINTED ESTIMATES 2012/13
RECURRENT	Gross	7,729,108,884	8,320,633,316	9,996,261,192	9,860,599,992
	A-In-A	527,140,884	662,163,316	971,655,692	971,655,692
	Net	7,201,968,000	7,658,470,000	9,024,605,500	8,888,944,300
DEVELOPMENT		855,000,000	466,400,000	770,032,000	727,000,000
TOTAL		8,056,968,000	8,124,870,000	9,794,637,500	9,615,944,300

Source: Printed Estimates

According to the above table, the Ministry's total budget for the Financial Year 2012/2013 has gone down by **Kshs. 178,693,200** from the Approved Estimates of 2011/2012, comprising of Recurrent Kshs 135,661,200 and development Kshs. 43,032,000.

Recurrent Allocations

The above table also indicates that our allocations under the Recurrent Vote increased gradually over the last three years before being reduced in the coming Financial Year, 2012/2013. However, the increase is mainly as a result of additional sums being given to the Ministry during the Revised Estimates to cover issues such as State Visits, Foreign Exchange losses, and adjustments in rents for leased properties abroad. There was also an increase in the AIA in 2011/2012 due to the reinstatement of the full payment of Visa fees by tourists visiting Kenya. The Ministry therefore is underfunded and thus has had to put on hold, expenditure in some priority areas

Development Allocations

The Ministry's Development Estimates, were decreased between the 2009/2010 and 2010/2011 Financial Years, then rose in 2011/2012, but declined by Ksh. 43,032,000 in the 2012/2013 Printed Estimates as indicated above. Further, with a reduction from the earlier amount of Kshs. 2.156 Billion allocated in the Sector Working Group to Kshs. 727 Million, the Ministry lost over two thirds of its Development Vote.

5.4 ALLOCATIONS TO NEW PROJECTS/PROGRAMMES

During Sector Working Group meetings that were concluded in November 2011, the Ministry was allocated funds amounting to Kshs. 1.450 Billion to purchase chancery buildings in New York and Kampala respectively in the next financial year as new projects. However this amount is part of what was removed from the total of Kshs. 2.156 Billion allocated for the Development Vote. Consequently, no new project at all can be implemented in the coming financial year.

If we had maintained the same trend of funding, the Ministry was intending to apply the Development budget on the following projects which are listed in three categories: On-going, New and Refurbishment.

ONGOING PROJECTS	AMOUNT (KSHS. MILLION)
Abuja	50.00
Ottawa	60.00
MFA Headquarters	41.00
Addis Ababa	100.00
Sub Total	251.00

NEW PROJECTS	
New York	800.00
Kampala	450.00
Pretoria	270.00
Juba	20.00
Kigali	20.00
Asset Management System Software	100.00
Sub Total	1,660.00

REFURBISHMENT	AMOUNT (KSHS. MILLION)
Kinshasa	11.00
New York	43.00
Harare	5.00
London	20.00
Beijing	2.00
Islamabad	12.00
Berlin	10.00
Kampala	2.00
Brussels	5.00
Lusaka	6.00
The Hague	19.50
Tei Aviv	2.00
Stockholm	11.00
Tokyo	16.50
Washington	20.00

Paris	5.00
Rome	15.00
Windhoek	5.00
Dar es Salaam	33.00
Riyadh	2.00
Sub Total	245.00
GRAND TOTAL	2,156.00 BILLION KSHS

5.5 ABSORPTION CAPACITY OVER THE LAST THREE YEARS

On average, the absorption capacity of the ministry has been above 80% over the last three years as shown in Table 2 below.

Table 2: Absorption Capacity

YEAR	VOTE	APPROVED ESTIMATES	ACTUAL EXPENDITURE	% UTILIZATION
2008/	Recurrent	7,054,104,800.00	6,495,922,769.65	92.09%
2009	Development	1,817,709,080.00	1,553,378,838.35	85.46%
2009/	Recurrent	7,201,968,000	6,664,566,312.70	92.53%
2010	Development	855,000,000	495,225,098.25	57.92%
2010/	Recurrent	7,658,470,000	7,522,482,705.50	98.2%
2011	Development	466,400,000	339,412,220.45	72.8%

Source: Appropriations Account

According to the above table, the Ministry's utilization level ranges from 92.09 % to 98.2% for the Recurrent and 57.92% to 85.46% for the Development Votes respectively. This is due, amongst other factors to procurement procedures which apart from being lengthy are also difficult to apply for many Missions abroad, as well as time taken to communicate documents back and forth with some Missions. The issue of the procurement procedures has been notified previously to this Committee.

5.6 AREAS/PROJECTS LEFT OUT OF THE ESTIMATES

The following projects, which were proposed by the Ministry for funding in the year 2012/2013 budget, were left out:

Recurrent Vote

5.6.1 Review of Foreign Service Allowance (FSA)

The Ministry had requested for Kshs. 437 Million to meet the cost of review of the Foreign Service Allowance (FSA) which was supposed to be implemented in the F/Y 2011/12. However, it was only granted Kshs.410 Million. This amount was not factored into the Foreign Service and Public Administration Sector Ceilings for the 2012/2013 Financial Year.

5.6.2 Purchase of Representational Motor Vehicles

Since the Government implemented the new transport policy on procurement of motor vehicles, funding for purchase of vehicles has been centralized at the Treasury. Consequently, the Ministry has not been able to replace the aging fleet of vehicles at the Headquarters, for the last four years, while in the Missions, the Ministry requires approximately 51 Million to purchase replacement vehicles in Paris, Cairo, Vienna, Tokyo, Pretoria, Addis Ababa and Burundi.

5.6.3 Foreign Exchange rate fluctuations

The deterioration of our currency against the major hard currencies, has resulted in Foreign Exchange rate fluctuations that have continued to eat into the Ministry's budget. Foreign exchange losses during this financial year amounted Kshs480M. This had a debilitating effect on the budgets of the Missions and the earnings of officers posted abroad. The Treasury only reimbursed the Ministry with Kshs 440Million. There is therefore need for Treasury to set up a Foreign exchange loss stabilization fund to cushion the Ministry and hence the Missions from the severe effects of these fluctuations.

5.6.4 Technical Cooperation Fund

In the FY 2009/2010, the Ministry proposed the establishment of a Fund for Regional Technical Cooperation as a strategic soft power instrument in the pursuit of our Foreign policy goals. The fund is proposed to be used to provide scholarships, technical support and capacity building in conflict resolution and peace support in the region. As Eastern Africa's biggest economy and a regional leader, various responsibilities fall upon Kenya and it is important for the country to acknowledge and demonstrate this leadership position and therefore consolidate bilateral relations through means where it has a comparative advantage, such as capacity building. Kenya has offered such support to countries such as Rwanda, Burundi and Somalia during Joint Commission meetings, but finds itself challenged to actualize this training without the requisite budgeted funds disbursed through an agency which is dedicated for this purpose. Countries such as South Africa have indicated that they are keen to work with Kenya on this endeavour, by providing counterpart funds. We therefore appeal for the Committee's support to obtain some seed money of approximately Kshs. 250 Million to launch the Fund. This would then be supported by other collaborating partners with the said counterpart funds.

Development Vote

Areas left out in the Development vote are as follows:-

The Ministry had requested for Kshs. 437 Million to meet the cost of review of the Foreign Service Allowance (FSA) which was supposed to be implemented in the F/Y 2011/12. However, it was only granted Kshs.410 Million. This amount was not factored into the Foreign Service and Public Administration Sector Ceilings for the 2012/2013 Financial Year.

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Development Vote

Areas left out in the Development vote are as follows:-

- Purchase of a High Commissioner's Chancery in Kampala, Uganda at a cost of **Kshs. 450 Million**.
- Reconstruction of buildings in Pretoria **Kshs. 140 Million**
- Purchase of a building to house a Chancery in New York at a cost of **Kshs 800 million**.

5.7 PROPOSED ALLOCATIONS VIS – A – VIS ACHIEVEMENTS

The Ministry is focusing on a number of key strategic objectives in order to effectively and efficiently carry out its mandate. The objectives are elaborated in the Ministry's Strategic Plan for 2008-2013 which is now drawing to an end.

The strategic objectives which are drawn from the foreign policy are:

- 1) To protect Kenya's sovereignty and territorial integrity.
- 2) To promote international cooperation, better international understanding and respect for a rule based multilateral system.
- 3) To promote regional peace, security and cooperation.
- 4) To contribute to economic transformation and realization of vision 2030 through diplomatic engagement.
- 5) To promote political and economic integration in East Africa.
- 6) To promote and project Kenya's image and prestige through public diplomacy.
- 7) To strengthen the presence of the UN and other international organizations in Kenya.
- 8) To promote and protect the interests of Kenyans Abroad.
- 9) To Implement an Effective Strategy for Projects and Asset Management.

In the 2011/2012 Financial Year, the Ministry received a total gross recurrent allocation of **Kshs 8,062,006,500** comprising **7.275 Billion recurrent exchequer and 787 Million AIA**. With these funds, the Ministry carried out various activities and made a number of achievements through its expenditure in the respective Votes as follows:

a). Recurrent vote

In the continuing pursuit of the economic pillar in our foreign policy orientation, which encompasses economic and trade promotion, the Ministry was at the forefront in forging closer co-operation with markets with high potential. Though the Government still emphasizes the maintenance of strong political ties with our traditional bilateral and multilateral partners, we are increasingly focusing on strategies aimed at promoting economic development for the benefit of Kenya's citizens. In addition, as economic diplomacy cannot thrive in a strife torn region, we have been focusing energies on peace diplomacy, in order to promote peace and stability in the region. The Ministries activities therefore included the following, which were also supported by Missions abroad:-

- Facilitating official visits by the Head of State abroad, including to the UAE and the United Kingdom, African Union Summits, IGAD Summits, East African Community Summits, the Commonwealth Heads of Government Meeting, the United Nations General Assembly and others;
- Organization of inbound State and official visits, such as the state visit by Meles Zenawi, Prime Minister of Ethiopia.
- Organizing Bilateral Joint Permanent Commissions for Cooperation with key African partner countries, i.e. Botswana and Zambia.
- Organizing foreign travel in support of various objectives such as garnering support for operation Linda Nchi, campaigns for Kenya's candidatures and appointment of Kenyans to key positions in various international bodies in which we succeeded in having four placements, and attendance of various multilateral fora.

By the end of the 3rd Quarter the cumulative actual expenditure was **Kshs 6,430,307,223** representing 79.8% of the recurrent Vote. These funds were however not sufficient and the Ministry requested for additional funds in the Supplementary Estimates amounting to Kshs 1,749 Billion to be applied as follows:

- a) Compensation to employees -582 Million
- b) Foreign Exchange Losses-440Million
- c) State Visits-312.8 Million
- d) LAPSSET- 6 Million
- e) Shuttle diplomacy-65 Million
- f) Support for the Government of Southern Sudan-180 Million
- g) Commonwealth Foundation -14 Million
- h) Kenya Week in United Arab Emirates and GCC countries -20 Million
- i) Regional Centre for small arms19.8 Million
- j) Other operations and maintenance -15.2 Million

For the coming Financial Year, the Ministry has obtained funding to open a Mission in Ankara, Turkey, commence the shift of the Kenya Embassy to Somalia, currently based in Nairobi, to Mogadishu and open a liaison office in Hargeisa. The missions will be instrumental in expanding markets for Kenyan goods and services, attracting potential investors and tourists (particularly Turkey) to Kenya, sharing information with Kenyans on employment opportunities and assisting Kenyans working in those regions with various services.

b). Development vote:

The Ministry has been spending heavily on renting/leasing of property abroad, on average consuming approximately 19% of the Ministry's total Recurrent Budget on rents. In the

2012/2013 estimates for example, the Ministry requires Kshs. 1,212,653,759 for residences and Kshs. 477,397,308 for Chanceries. This totals to **Kshs. 1,690,051,067**.

It is not possible to sustain this trend going forward and therefore the Ministry has focused its efforts on a policy of acquisition of property, through either construction or purchase, to reduce the high rent expenditure that is currently experienced.

In line with the above policy, the following constructions/purchases have been undertaken or achieved since 2008.

Project Name	Missions	Year	Acquisition/Project cost (Kshs)
Purchase of Chancery building	Brussels, Belgium	2008	EUR 3,850,000 (Kshs.394,000,000)
Construction of Chancery and Ambassador's Residence	Islamabad, Pakistan	2008	PKR 440,365,949/ (approx Kshs 493,505,254)
Purchase of Chancery and Ambassador's Residence	Tokyo	2009	JPY 1,750,000,000 (Kshs.1,524,425,000)
Renovation and upgrading of Kenya House Phase II	Windhoek, Namibia	On-going	N\$33,250,430.31 (Kshs.366,000,000)
Construction of Chancery, Ambassadors and Staff quarters	Abuja, Nigeria	On-going	Naira, 1,067,726,218.83 Kshs.555,217,634
Construction of a Chancery and High Commissioner's Residence	Dar – es – Salaam, Tanzania	2009	Tsh 5,275,595,948. (approx. Kshs 316,472,462.38)

It should be noted that where Missions are leasing, despite efforts to make savings, these are eroded by the annual increments in rent which are normally inbuilt into lease agreements. The rents, not to mention the costs of purchase of properties abroad therefore continue to escalate annually. Failure to purchase would mean that increasingly high sums would need to be budgeted for rents in future.

The Ministry therefore intends to continue implementing the policy on the acquisition of assets abroad through construction and purchase of properties, rather than renting/leasing. High among the list of priorities are Kampala, Juba and New York due to the fact that those are either important trading partners and members of the East African Community, have considerable potential in terms of employment opportunities for Kenyans and business relations, or are key stations (New York) where considerable sums are being spent on rent, and Kenya expects to be represented there for the foreseeable future. We request the support of the Committee in realizing the funding required for this purpose.

c). Gains on improving economic development of the country and the welfare of Kenyans:

- Pursuant to the country's foreign policy orientation focusing on economic diplomacy, the Ministry is cognizant that one of our key priorities is regional integration, which

holds great potential for Kenya's economic growth and development. To that end, the Ministry has been participating in and supporting negotiations on multi-lateral trading arrangements, including the East African Community-Southern African Development Community-Common Market for Eastern and Southern Africa (EAC-SADC-COMESA) tripartite agreement as well as the EAC's Economic Partnership Agreement (EPA) process with the European Union. These agreements will not only strengthen the exchange between the member countries, but will also promote increased economic activity, including investments and employment for Kenyans. This is of particular importance to Kenya, which accounts for 28% of COMESA's total intra-state trade.

- The Ministry has further played a leading role in the organization and coordination of Kenya's participation in the Forum for China Africa Cooperation (FOCAC) with China and the Tokyo International Conference for Africa's Development (TICAD) with Japan, both of which provide financing of development in African countries, focusing on infrastructure, agriculture, health and Human Security, among other areas, thereby fulfilling the objectives of Vision 2030.
- The Ministry continues to organize capacity building programs in the areas of administration, and human resource, among other sectors between the Government of Kenya and the Government of Southern Sudan under the auspices of a number of technical agreements that the Ministry has facilitated. The Ministry's Foreign Service Institute has played an instrumental role in this capacity building process, including providing training of Diplomats from Somalia and other regional countries.
- The Ministry has campaigned for Kenya's candidatures and appointment of Kenyans to key positions in various international bodies and has succeeded in having four placements in the current Financial Year. The Ministry also continues to promote Kenya as the destination of choice for international conferences and UNON as a destination for UN meetings, and has succeeded in attracting and playing host to the following meetings in conjunction with relevant Ministries.
- The Ministry's mandate also includes the portfolios of promoting relations with the Diaspora, which is an immense source of foreign exchange through substantial remittances back home. The Ministry has therefore tried as much as possible to involve the large Kenyan Diaspora in contributing to building the nation through encouraging remittances aimed at investment or business activities. The Ministry is also working to develop a database on the Diaspora Community, including an inventory of the available skills, locally and abroad.

The introduction of dual citizenship by the Constitution is expected to further benefit the relationship with the Diaspora, as those Kenyans who gave up their citizenship reacquire it, thereby strengthening their affinity and support for Kenya and the country's development. This will be consolidated by our assistance to help the Diaspora to realize their voting rights in Kenya. The Ministry is working with the Independent

Electoral and Boundaries Commission, the Office of the Prime Minister and other relevant stakeholders on this matter.

- The Ministry articulates issues concerning Kenya's national interests and priorities at international forums, in accordance with its responsibility for matters relating to all International Organizations and coordination of multi-lateral issues. This includes the United Nations system and its organs, the General Assembly, the Security Council and the Economic and Social Council. One of the key priorities of the Ministry is to ensure the retention and development of UNON, due to its extensive contribution to the capital's economy through foreign exchange receipts, employment and business, not to mention its role in environmental issues locally and internationally. To that end, the Ministry hosts a Joint Host country Liaison Committee meeting to enhance good relations between the Government of Kenya and the United Nations Office in Nairobi. The Ministry also continues to work and liaise closely with the UN agencies on important multilateral concerns through our Multi-lateral Missions, i.e. our Permanent Missions in New York, Geneva, Rome Vienna, and the Mission accredited to UNON, covering UNEP and Habitat.
- Through its multi-lateral mandate the Ministry has also been liaising with international Non-Governmental Organizations, such as the Red Cross which has been instrumental locally in humanitarian relief efforts. This includes assistance in the drought stricken parts of Kenya and also in the region as happened during the devastating drought last year. Much of the humanitarian support sent to Kenya following an appeal for international assistance coordinated by the Ministry was received and administered through organizations such as the Red Cross and Red Crescent Societies.
- The Ministry has been coordinating the negotiation or review and signing of host country agreements with various regional and international organizations. Since the beginning of the Financial year a number have been signed including:
 - The Eastern and Southern African Trade and Development (PTA) Bank
 - The Network of African National Human Rights Institutions
 - The Columbia Global Centre in Eastern and Southern Africa
 - Global E-Schools and Communities Initiative
 - The World Organization for Animal Health (OIE)

Discussions are ongoing for the conclusion of host country agreements with the following organizations:

- COMESA Monetary Institute
- Africa Media Initiative
- The International Fertilizer Development Centre
- The World Customs Organization
- The Duke of Edinburgh Award International Association

- The Permanent Secretariat of African Ministerial Conference on Housing and Urban Development

The signing of the agreements consolidates Kenya's position as a centre for multilateral diplomacy, apart from creating jobs and contributing to the growth of service industries.

- Kenya plays a key role in peace initiatives and conflict resolution in the region. In that regard, the ministry is delighted to help usher in the independence of South Sudan, following decades of civil war which were ended through the brokering of the Comprehensive Peace Agreement. While the major step of self determination has been achieved for that nation, Kenya has remained seized with the implementation of the CPA. This is due to the fact that Kenya is the Chair of the IGAD Sub-Committee on the Sudan peace process and has to ensure that the outstanding issues in the Peace Agreement are brought to fruition. As a neighbour, Kenya is also a stakeholder in the maintenance of peace and stability between the two Sudans and any hostilities between the two, as witnessed in the last few weeks is bound to impact negatively on our economic and security situation. The Minister for Foreign Affairs has therefore engaged regional leaders and African Statesmen involved in peace consolidation efforts between the two Sudans, to urge for the differences between the two sides to be resolved amicably.
- In Somalia, the situation remains volatile despite the presence of the African Union Mission (AMISOM) troops on the ground and positive progress made by the Transitional Federal Government (TFG) of Somalia in pushing extremist forces out of Mogadishu. While challenges still remain in the search for durable peace and stability for the people of Somalia, the Ministry has been working with international stakeholders, with the aim of providing whatever support possible through the African Union and the Inter-Governmental Authority on Development (IGAD) to consolidate the peace process in that country and ensure that the situation in Somalia returns back to normalcy. This includes support for Operation Linda Nchi through lobbying for support internationally including the rehatting of Kenya's troops in Somalia to AMISOM and coordinating Kenya's position for, as well as attending the International Conference on Somalia which took place in February 2012 in London, United Kingdom.

5.8 OTHER BUDGET RELATED ISSUES - CHALLENGES

5.8.1 Relocation to the National Security Sector

The Ministry of Foreign Affairs is grouped under the **Public Administration Sector** together with several other Ministries and Government organs, including: Cabinet Office, Office of the Prime Minister, Public Service Commission, Ministry of Planning, National Development and Vision 2030, State House, Ministry of State for Public Service, and others. Over the past two (2) years, the Public Administration Sector's resource envelope has been declining, yet the number of Sub-Sectors has increased.

These are Ministries regarded as consumption Ministries, whose major budgetary component is personnel emoluments.

The Ministry of Foreign Affairs, by its very nature and mandate, requires sustained and predictable funding. Currently, the Ministry is forced to rationalize its budget to fit the available resources as opposed to the actual budgetary requirements. As a result, in the financial year 2011/12, the Ministry was unable to make budgetary provisions for planned programmes that are critical to its ability to deliver on its mandate, e.g., purchase of representational cars, purchase, or construction of properties in stations such as Kampala, New York, Juba and Pretoria to save on rent and establishment of a fund for regional technical cooperation.

In addition, the Ministry has to continually contend with unforeseen activities, such as the evacuations of Kenyans from Egypt, Libya and Japan, as well as the expenditure for the shuttle diplomacy last financial year, and subsequently, a diplomatic strategy in order to build support for Kenya's military intervention in Somalia. These situations have demanded that Treasury approval for expenditure over and above the budgeted provisions is repeatedly sought with scant notice, due to the urgency of the response required, thereby putting the Ministry in an untenable position.

It is therefore the Ministry's considered view that its budgetary requirements cannot be met in the Public Administration Sector, given its expanding mandate and the catalytic role it is playing in the economy in general.

The Ministry has held several meetings with the Treasury and consensus been reached that it be relocated to the National Security Sector due to the commonality of interests and issues related to national security, diplomacy and regional and international co-operation.

The pursuit of national security interests the world over is traditionally spearheaded by Government entities responsible for foreign affairs, defence and intelligence. Indeed, the failure of diplomacy is what leads to the need for defence. Thus, the structures and activities of such entities, which form a security triad, are institutionally linked and complement each other in the execution of their mandate. This is further supported by the fact that even at the parliamentary level, issues of foreign affairs and defence are usually handled together under the Parliamentary Departmental Committee on Defence and Foreign Relations. Similarly, at the regional level, and in particular the East African Community, there is a Joint Sectoral Council on Defence, Interstate Security and Foreign Policy Co-ordination which handles peace and security issues in the region.

Consequently, in order for the Ministry to be adequately resourced and enabled to carry out its mandate effectively, **it is recommended that it is relocated to the National Security Sector.** This will enhance synergy, cooperation and harmony among the agencies therein, for the benefit of the country's national and regional security interests.

5.8.2 Creation of A Foreign Exchange Cushioning Fund/Vote

Over the last few years, the budgets of our Missions abroad have been increasingly adversely affected by the deterioration of our currency against the major hard currencies. Loss on foreign exchange earnings during remittances to our Missions is substantial and sustained. This has had a considerable impact, not only on the ability of Missions to meet their contractual obligations, such as payment of rents, utilities, salaries and allowances, etc, but also on their ability to carry out their representational functions and programs. As a result, the Ministry is saddled with huge pending bills at the end of the financial year.

In the Financial Years 2007/2008 – 2009/2010 the Treasury provided some funds under an Item for loss on foreign exchange during remittances to our Missions abroad. In the Financial Year 2007/2008, Ksh. 90 million was provided, in 2008/2009, Kshs 20 million was allocated and in 2009/2010, Kshs. 15 million was given. However, it is evident that the sums allocated, even though inadequate at the peak, have been drastically reducing over the years and in the Financial Years 2010/2011 and 2011/2012, the Ministry was given zero allocation despite many requests to the Treasury.

Furthermore, with the continuous fall of the Kenya shilling against major world currencies, several Kenya Missions abroad, such as Geneva, Tokyo and Pretoria have requested that their Foreign Service Allowances (FSAs) be defined and set in the local currencies, as a permanent way of protecting the officers' incomes from forex fluctuations. This is already being done for some of our Missions, such as those in the Euro Zone and the United Kingdom. Indeed, this is what happens to the rest of the Missions' budgets, as Items such as rents, payments of Locally Engaged Staff salaries and other contractual obligations are all fixed and paid in the local currency and the Missions have to seek and pay the contracted sums, regardless of the value of the US dollar.

In order for the budgetary receipts by Missions abroad to be realistically aligned to their actual expenditure, in particular, that on contractual obligations, and further, enable the Missions to carry out their activities yearly, it is recommended that Treasury approves the creation of a **cushioning fund/vote** as a permanent feature in the Ministry's budget, to be allocated a sufficient sum every Financial Year, to cater for foreign exchange losses experienced by Kenya Missions abroad.

5.8.3 Procurement challenges

The Ministry continues to encounter major challenges in implementing programmes and projects, especially in our Missions, abroad due to the fact that some of the provisions of the Public Procurement and Disposal Act 2005 are inapplicable in most countries where the Government has Missions. This consequently leads to slow or non-implementation of projects. One of the strategies that the ministry is working on to

overcome this problem is to develop, in consultation with the relevant authorities in the country, regulations on acquisition, management and disposal of properties. This would assist to achieve the targets in terms of utilization of funds more effectively.

5.9 CONCLUSION

The Ministry of Foreign Affairs plays a facilitative role on behalf of government ministries, departments and agencies in their dealings with foreign Governments and institutions. The performance of the Ministry therefore inevitably affects the overall operations of government. As a facilitator, the Ministry needs to be adequately resourced in order to carry out the core activities necessary for its role, including promoting trade, sourcing investments, promoting and consolidating peace amongst countries in the region, attracting tourists to Kenya, lobbying for international jobs for Kenyans abroad and other activities. The main areas of the Ministry's budget that have been growing are the operations and maintenance, such as payment of rents and salaries, utilities, etc and it will not serve the nations agenda, or the Ministry well if more funding is not provided for the core activities.

5.10 CONSIDERATION OF ESTIMATES – ANALYSIS OF ESTIMATES

5.10.1 SCRUTINY OF THE RECURRENT ALLOCATIONS

The net Recurrent Estimate for the Ministry for the Financial Year 2012/2013 amounts to **Kshs. 8,888,944,300**. The Ministry expects to raise **Appropriations In Aid** amounting to **Kshs. 971,655,692**.

Head 0001: Headquarters and Administrative Services

Proposed net expenditure **Kshs. 1,429,306,566**

Observations: The net expenditure has increased from **Kshs. 1,137,495,544** in FY 2011/2012 to **Kshs. 1,429,306,566** in 2012/2013. The Committee noted that the amounts proposed are not adequate to include foreign service allowance. The Committee proposes that an amount of **Kshs. 470,000,000** provided for the estimates of NSIS be reallocated to cater for this shortfall.

The Committee recommends that the proposal by the Minister that "a sum not exceeding **Kshs. 1,429,306,566**" be amended by providing for an additional **Kshs. 470,000,000**, resulting to **Kshs. 1,899,306,566** to be allocated to the Ministry for the expenditure proposed in the items under Head 0001.

Head 0002: Foreign Service Institute

Proposed net expenditure **Kshs. 29,603,500**.

Observations: Slight increase in the Heads expenditure.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 29,603,500** is allocated to the Ministry for the expenditure proposed in the items under Head 0002.

Head 0003: Financial Management and Procurement Services

Proposed net expenditure **Kshs. 46,980,968**

Observations: General decrease in the Heads expenditure.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 46,980,968** be allocated to the Ministry for the expenditure proposed in the items under Head 0003.

Head 0104: New York

Proposed net expenditure **Kshs. 342,818,612**

Observations: Generally the expenditure for the mission has increased from **Kshs. 286,831,388** in 2011/2012 to **Kshs. 342,818,612** in 2012/2013. The increase is on account of basic salaries, hospitality supplies and services and foreign travel and subsistence, and other transportation costs.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 342,818,612** be allocated to the Ministry for the expenditure proposed in the items under Head 0104.

Head 0105: Washington

Proposed net expenditure **Kshs. 293,727,895.**

The Ministry proposes to raise **Appropriations-In-Aid** totalling **Kshs. 200, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased to **Kshs. 293,727,895** in this Financial Year from **Kshs. 72,217,556** in FY 2011/2012.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 293,727,895** be allocated to the Ministry for the expenditure proposed in the items under Head 0105 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 200, 000, 000** to finance its programmes under Head 0105.

Head 0106: London

Proposed net expenditure **Kshs. 371,806,496.**

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 120, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 168,655,665** in 2011/2012 to **Kshs. 371,806,496** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 371,806,496** be allocated to the Ministry for the expenditure proposed in the

items under Head 0106 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 120,000,000** to finance its programmes under Head 0106.

Head 0107: Moscow

Proposed net expenditure **Kshs. 200,106,020**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 4,720,000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 166,837,460** in 2011/2012 to **Kshs. 200,106,020** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 200,106,020** be allocated to the Ministry for the expenditure proposed in the items under Head 0107 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 4,720,000** to finance its programmes under Head 0107.

Head 0108: Addis Ababa

Proposed net expenditure **Kshs. 135,316,289**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 3,500,000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 93,683,816** in 2011/2012 to **Kshs. 135,316,289** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 135,316,289** be allocated to the Ministry for the expenditure proposed in the items under Head 0108 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 3,500,000** to finance its programmes under Head 0108.

Head 0109: Berlin

Proposed net expenditure **Kshs. 125,124,539**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 73,000,000** from administrative fees and charges as well as VAT on domestic goods and services.

Observations: Generally the expenditure has decreased from **Kshs. 146,497,782** in 2011/2012 to **Kshs. 125,124,539** in 2012/2013. The decrease is on account of foreign travel and subsistence and rentals of produced assets.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 125,476,618** be allocated to the Ministry for the expenditure proposed in the items under Head 0109 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 73,000,000** to finance its programmes under Head 0109.

Head 0110: Kinshasa

Proposed net expenditure **Kshs. 106,848,901**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 2,900, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 87,233,148** in 2011/2012 to **Kshs. 106,848,901** in 2012/2013. The increase is mainly on account of rentals of produced assets and AIA.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 106,848,901** be allocated to the Ministry for the expenditure proposed in the items under Head 0110 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 2,900, 000** to finance its programmes under Head 0110.

Head 0111: Lusaka

Proposed net expenditure **Kshs. 103,460,388**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 2,250,000** from administrative fees and charges.

Observations: Generally the expenditure has increased to **Kshs. 103,460,388** in 2012/2013 from **Kshs. 77,210,171** in 2011/2012.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 103,460,388** be allocated to the Ministry for the expenditure proposed in the items under Head 0111 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 2, 250, 000** to finance its programmes under Head 0111.

Head 0112: Paris

Proposed net expenditure **Kshs. 157,809,239**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 51,000,000** from VAT and administrative fees and charges.

Observations: Generally the expenditure has decreased to **Kshs. 157,809,239** in 2012/2013 from **Kshs. 160,829,470** in 2011/2012.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 157,809,239** be allocated to the Ministry for the expenditure proposed in the items under Head 0112 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 51,000,000** to finance its programmes under Head 0112.

Head 0113: New Delhi

Proposed net expenditure **Kshs. 133,536,479**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 26, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has decreased from **Kshs. 147,135,979** in 2011/2012 to **Kshs. 133,536,479** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 133,536,479** be allocated to the Ministry for the expenditure proposed in the items under Head 0113 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 26, 000, 000** to finance its programmes under Head 0113.

Head 0114: Stockholm

Proposed net expenditure **Kshs. 161,815,389**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 30,000,000** from VAT and administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 137,610,957** in 2011/2012 to **Kshs. 161,815,389** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 161,815,389** be allocated to the Ministry for the expenditure proposed in the items under Head 0114 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 30,000,000** to finance its programmes under Head 0114.

Head 0115: Abuja

Proposed net expenditure **Kshs. 140,462,673**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 12,020,000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 125,168,968** in 2011/2012 to **Kshs. 140,462,673** in 2012/2013. The increase is on account of basic salaries, domestic and foreign travel and scholarships and other educational benefits.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 140,462,673** be allocated to the Ministry for the expenditure proposed in the items under Head 0115 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 12,020,000** to finance its programmes under Head 0115.

Head 0116: Cairo

Proposed net expenditure **Kshs. 83,601,180**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 6, 600, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 81,201,163** in 2011/2012 to **Kshs. 83,601,180** in 2012/2013. The increase is on account of basic salaries and scholarships and other educational benefits.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 83,601,180** be allocated to the Ministry for the expenditure proposed in the items under Head 0116 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 6, 600, 000** to finance its programmes under Head 0116.

Head 0117: Riyadh

Proposed net expenditure **Kshs. 82,993,649.**

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 8,027,000** from administrative fees and charges, sale of vehicles and transport equipment.

Observations: Generally the expenditure has increased from **Kshs. 74,569,444** in 2011/2012 to **Kshs. 82,993,649** in 2012/2013. The increase is on account of basic salaries and wages, personal allowance, foreign travel and subsistence and purchase of office furniture and general equipment.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 82,993,649** be allocated to the Ministry for the expenditure proposed in the items under Head 0117 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 8,027,000** to finance its programmes under Head 0117.

Head 0118: Brussels

Proposed net expenditure **Kshs. 175,418,239.**

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 17, 500, 000** from administrative fees and charges.

Observations: Generally the expenditure has decreased from **Kshs. 181,369,651** in 2011/2012 to **Kshs. 175,418,239** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 175,418,239** be allocated to the Ministry for the expenditure proposed in the items under Head 0118 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 17, 500, 000** to finance its programmes under Head 0118.

Head 0119: Ottawa

Proposed net expenditure **Kshs. 128,990,888.**

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 36,600, 000** from administrative fees and charges; and VAT on domestic goods and services.

Observations: Generally the expenditure has increased from **Kshs. 101,601,185** in 2011/2012 to **Kshs. 128,990,888** in 2012/2013. The increase is on account of basic salaries, domestic and foreign travel, rentals of produced items scholarships and other educational benefits.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 128,990,888** be allocated to the Ministry for the expenditure proposed in the items under Head 0119 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 36, 600,000** to finance its programmes under Head 0119.

Head 0120: Tokyo

Proposed net expenditure **Kshs. 222,727,810.**

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 30, 780, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 189,408,874** in 2011/2012 to **Kshs. 222,727,810** in 2012/2013. The increase is on account of purchase of household furniture and institutional equipment, purchase of office furniture and general equipment, rentals of produced items.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 222,727,810** be allocated to the Ministry for the expenditure proposed in the items under Head 0120 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 30, 780, 000** to finance its programmes under Head 0120.

Head 0121: Beijing

Proposed net expenditure **Kshs. 73,441,561**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 44, 354, 292** from administrative fees and charges; and VAT on domestic goods and services.

Observations: Generally the expenditure has increased from **Kshs. 64,398,533** in 2011/2012 to **Kshs. 73,441,561** in 2012/2013. The increase is on account of scholarships and other educational benefits, rentals of produced items and personal allowance paid as reimbursements.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 73,441,561** be allocated to the Ministry for the expenditure proposed in the items under Head 0121 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 44, 354, 292** to finance its programmes under Head 0121.

Head 0122: Rome

Proposed net expenditure **Kshs. 145,089,729**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 45, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 141,625,167** in 2011/2012 to **Kshs. 145,089,729** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 145,089,729** be allocated to the Ministry for the expenditure proposed in the items under Head 0122 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 45, 000, 000** to finance its programmes under Head 0122.

Head 0124: Kampala

Proposed net expenditure **Kshs. 118,450,537**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 4, 000, 000** from administrative fees and charges; VAT on domestic goods and services.

Observations: Generally the expenditure has increased from **Kshs. 79,512,468** in 2011/2012 to **Kshs. 118,450,537** in 2012/2013. The increase is mainly on account of basic salaries, personal allowances paid as reimbursements, foreign travel and subsistence.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 118,450,537** be allocated to the Ministry for the expenditure proposed in the items under Head 0124 and that the Ministry be allowed to raise A-I-A of **Kshs. 4,000, 000** to finance its programmes under Head 0124.

Head 0125: UNON

Proposed net expenditure **Kshs. 79,624,779**.

Observations: Generally the expenditure has increased from **Kshs. 69,458,150** in 2011/2012 to **Kshs. 79,624,779** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 79,624,779** be allocated to the Ministry for the expenditure proposed in the items under Head 0125.

Head 0127: Harare

Proposed net expenditure **Kshs. 86,343,252**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 5, 200, 000** from administrative fees and charges.

Observations: The expenditure has increased from **Kshs. 77,924,779** in 2011/2012 to **Kshs. 86,343,252** in 2012/2013. The increase is on account of domestic travel and subsistence, hospitality supplies and services.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 86,343,252** be allocated to the Ministry for the expenditure proposed in the items under Head 0127 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 5, 200, 000** to finance its programmes under Head 0127.

Head 0128: Khartoum

Proposed net expenditure **Kshs. 104,269,948**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 4, 470, 000** from administrative fees and charges.

Observations: Generally the expenditure has remained almost constant from **Kshs. 104,010,570** in 2011/2012 to **Kshs. 104,269,948** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 104,269,948** be allocated to the Ministry for the expenditure proposed in the items

under Head 0128 and that the Ministry be allowed to raise **A-I-A of Kshs. 4, 470, 000** to finance its programmes under Head 0128.

Head 0129: Abu Dhabi

Proposed net expenditure **Kshs. 108,143,781**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 5, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has decreased from **Kshs. 139,883,635** in 2011/2012 to **Kshs. 108,143,781** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 108,143,781** be allocated to the Ministry for the expenditure proposed in the items under Head 0129 and that the Ministry be allowed to raise **A-I-A of Kshs. 5, 000, 000** to finance its programmes under Head 0129.

Head 0130: Dar Es Salaam

Proposed net expenditure **Kshs. 80,298,625**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 20,439,800** from administrative fees and charges, sale of plant machinery.

Observations: Generally the expenditure has increased from **Kshs. 72,035,593** in 2011/2012 to **Kshs. 80,298,625** in 2012/2013. The increases are mainly on account of basic salaries, basic wages.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 80,298,625** be allocated to the Ministry for the expenditure proposed in the items under Head 0130 and that the Ministry be allowed to raise **A-I-A of Kshs. 20,439,800** to finance its programmes under Head 0130.

Head 0131: Islamabad

Proposed net expenditure **Kshs. 122,542,879**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 3,700,000** million from administrative fees and charges; sale of vehicles and transport equipment; and sale of plant, machinery and equipment.

Observations: Generally the expenditure has increased from **Kshs. 101,133,195** in 2011/2012 to **Kshs. 122,542,879** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 122,542,879** be allocated to the Ministry for the expenditure proposed in the items under Head 0131 and that the Ministry be allowed to raise **A-I-A of Kshs. 3700, 000** to finance its programmes under Head 0131.

Head 0132: The Hague

Proposed net expenditure **Kshs. 143,466,600**.

The Ministry proposes to raise Appropriations In Aid totalling **Kshs. 43,500, 000** from VAT and administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 118,450,582** in 2011/2012 to **Kshs. 143,466,600** in 2012/2013. The increase is mainly on account of basic wages, personal allowances paid as part of salary, rentals of produced assets and hospitality supplies and services.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 143,466,600** be allocated to the Ministry for the expenditure proposed in the items under Head 0132 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 43,500, 000** to finance its programmes under Head 0132.

Head 0133: Geneva

Proposed net expenditure **Kshs. 407,709,000.**

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 30, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 313,385,539** in 2011/2012 to **Kshs. 407,709,000** in 2012/2013. The increase is mainly on account of basic wages, personal allowances paid as part of salary, rentals of produced assets.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 407,709,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0133 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 30, 000, 000** to finance its programmes under Head 0133.

Head 0134: Mission to Somali

Proposed net expenditure **Kshs. 179,664,971.**

Observations: Generally the expenditure has increased from **Kshs. 52,430,540** in 2011/2012 to **Kshs. 179,664,971** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 179,664,971** be allocated to the Ministry for the expenditure proposed in the items under Head 0134.

Head 0135: Los Angeles

Proposed net expenditure **Kshs. 90,288,903.**

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 24, 000, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 88,906,998** in 2011/2012 to **Kshs. 90,288,903** in 2012/2013. The increase is on account of basic salaries, domestic and foreign travel.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 90,288,903** be allocated to the Ministry for the expenditure proposed in the items under Head 0135 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 24, 000, 000** to finance its programmes under Head 0135.

Head 0136: Bujumbura

Proposed net expenditure **Kshs. 81,306,828**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 1,050, 000** from administrative fees and charges and VAT.

Observations: Generally the expenditure has increased from **Kshs. 66,370,327** in 2011/2012 to **Kshs. 81,306,828** in 2012/2013. The increase is on account of basic salaries, personal allowances paid as either as part of salary or reimbursements.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 81,306,828** be allocated to the Ministry for the expenditure proposed in the items under Head 0136 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 1,050, 000** to finance its programmes under Head 0136.

Head 0137: Tel Aviv

Proposed net expenditure **Kshs. 160,988,453**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 4,100,000** from rents and administrative fees and charges; and VAT on domestic goods and services.

Observations: Generally the expenditure has increased from **Kshs. 148,556,056** in 2011/2012 to **Kshs. 160,988,453** in 2012/2013. The increase is on account of basic salaries, basic wages, personal allowances paid as part of salary, rentals of produced items, foreign travel and scholarships and other educational benefits.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 160,988,453** be allocated to the Ministry for the expenditure proposed in the items under Head 0137 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 4,100,000** to finance its programmes under Head 0137.

Head 0138: Pretoria

Proposed net expenditure **Kshs. 146,568,209**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 8,784, 600** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 131,230,947** in 2011/2012 to **Kshs. 146,568,209** in 2012/2013. The increase is on account of personal allowance paid as part of salaries.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 146,568,209** be allocated to the Ministry for the expenditure proposed in the items

under Head 0138 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 8,784, 600** to finance its programmes under Head 0138.

Head 0139: Vienna

Proposed net expenditure **Kshs. 203,185,224**.

Observations: Generally the expenditure has increased from **Kshs. 160,623,876** in 2011/2012 to **Kshs. 203,185,224** in 2012/2013. The increase is mainly on account of basic wages. The Ministry has also not factored AIA this FY despite factoring it last FY.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 203,185,224** be allocated to the Ministry for the expenditure proposed in the items under Head 0139.

Head 0140: Kuala Lumpur

Proposed net expenditure **Kshs. 109,539,218**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 1, 450, 000** from administrative fees and charges and sale of vehicles and transport equipment.

Observations: Generally the expenditure has increased from **Kshs. 88,762,544** in 2011/2012 to **Kshs. 109,539,218** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 109,539,218** be allocated to the Ministry for the expenditure proposed in the items under Head 0140 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 1, 450, 000** to finance its programmes under Head 0140.

Head 0141: Kuwait

Proposed net expenditure **Kshs. 101,616,009**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 1, 500, 000** million from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 84,272,396** in 2011/2012 to **Kshs. 101,616,009** in 2012/2013. The increases are mainly on account of basic wages, rentals of produced assets, other operating expenses.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 101,616,009** be allocated to the Ministry for the expenditure proposed in the items under Head 0141 and that the Ministry be allowed to raise **A-I-A** of **Kshs. 1, 500, 000** to finance its programmes under Head 0141.

Head 0142: Dublin

Proposed net expenditure **Kshs. 106,940,693**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 1, 500,000** from administrative fees and charges.

Observations and recommendation: The Committee noted that this mission should be closed down because it does not serve any significant diplomatic and economic purpose and any money allocated to the mission be reallocated to other deserving missions. The Committee proposes that the amount of Kshs. 106,940,693 provided in the estimates for the mission should be reallocated and used to open a new consulate in Jedah (Saudi Arabia) on the following grounds (among others):

- a) The need to take services closer to Kenyans working/living in Saudi Arabia and to address their challenges and concerns; and
- b) The need for recognition that it is one of the largest economic and commercial centres..

The Ministry should NOT be allowed to raise A-I-A of Kshs. 1, 500, 000 provided in the estimates to finance its programmes under Head 0142.

Head 0143: Madrid

Proposed net expenditure **Kshs. 153,568,976.**

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 7, 550, 000** from administrative fees and charges; VAT on domestic goods and services and sale of plant and equipment.

Observations: Generally the expenditure has slightly decreased from **Kshs. 153,804,900** in 2011/2012 to **Kshs. 153,568,976** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 153,568,976** be allocated to the Ministry for the expenditure proposed in the items under Head 0143 and that the Ministry be allowed to raise **A-I-A of Kshs. 7, 550, 000** to finance its programmes under Head 0143.

Head 0144: Seoul

Proposed net expenditure **Kshs. 168,438,628.**

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 5, 500, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 106, 139,768** in 2011/2012 to **Kshs. 168,438,628** in 2012/2013. The increase is mainly on account of basic wages, domestic travel and subsistence.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 168,438,628** be allocated to the Ministry for the expenditure proposed in the items under Head 0144 and that the Ministry be allowed to raise **A-I-A of Kshs. 5, 500, 000** to finance its programmes under Head 0144.

Head 0145: Kigali

Proposed net expenditure **Kshs. 85,587,056.**

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 1,210, 000** from administrative fees and charges and VAT.

Observations: Generally the expenditure has increased from **Kshs. 77,140,298** in 2011/2012 to **Kshs. 85,587,056** in 2012/2013. The decrease is mainly on account of basic salaries, scholarships, purchase of vehicles and other transport equipment.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 85,587,056** be allocated to the Ministry for the expenditure proposed in the items under Head 0145 and that the Ministry be allowed to raise A-I-A of Kshs. 1,210,000 to finance its programmes under Head 0145.

Head 0146: Canberra

Proposed net expenditure **Kshs. 171,741,736**.

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 32, 000, 000** from VAT and administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 133,986,788** in 2011/2012 to **Kshs. 171,741,736** in 2012/2013. The increases are mainly on account of basic wages, personal allowances paid as part of salary, rentals of produced assets.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 171,741,736** be allocated to the Ministry for the expenditure proposed in the items under Head 0146 and that the Ministry be allowed to raise A-I-A of Kshs. 32, 000, 000 to finance its programmes under Head 0146.

Head 0147: Tehran

Proposed net expenditure **Kshs. 107,247,705**.

The Ministry proposes to raise **Appropriation-In-Aid** totalling **Kshs. 2,020, 000** from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 79,475,206** in 2011/2012 to **Kshs. 107,247,705** in 2012/2013. The increases are mainly on account of personal allowance paid as part of salary, domestic and foreign travel, and other operating expenses.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 107,247,705** be allocated to the Ministry for the expenditure proposed in the items under Head 0147 and that the Ministry be allowed to raise A-I-A of Kshs. 2,020,000 to finance its programmes under Head 0147.

Head 0148: Windhoek

Proposed net expenditure **Kshs. 88,494,304**.

The Ministry proposes to raise **Appropriations In Aid** totalling **Kshs. 2,000,000** from administrative fees and charges, rents and VAT on domestic goods and services.

Observations: Generally the expenditure has increased from **Kshs. 82,966,924** in 2011/2012 to **Kshs. 88,494,304** in 2012/2013. The increases are mainly on account of basic salaries and purchase of vehicles and other transport equipment.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 88,494,304** be allocated to the Ministry for the expenditure proposed in the items under Head 0148 and that the Ministry be allowed to raise A-I-A of **Kshs. 2,000, 000** to finance its programmes under Head 0148.

Head 0149: Brasilia

Proposed net expenditure **Kshs. 204,643,057**.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 1,200, 000 from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 143,521,493** in 2011/2012 to **Kshs. 204,643,057** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 204,643,057** be allocated to the Ministry for the expenditure proposed in the items under Head 0149 and that the Ministry be allowed to raise A-I-A of Kshs. 1,200, 000 to finance its programmes under Head 0149.

Head 0150: Bangkok

Proposed net expenditure **Kshs. 86,054,298**.

The Ministry proposes to raise Appropriation-In-Aid totalling Kshs. 2,800,000 from administrative fees and charges.

Observations: Generally the expenditure has decreased from **Kshs. 103,639,568** in 2011/2012 to **Kshs. 86,054,298** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 86,054,298** be allocated to the Ministry for the expenditure proposed in the items under Head 0150 and that the Ministry be allowed to raise A-I-A of Kshs. 2,800, 000 to finance its programmes under Head 0150.

Head 0151: Gaborone

Proposed net expenditure **Kshs. 93,569,682**.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 1, 980, 000 from VAT and administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 76,091,221** in 2011/2012 to **Kshs. 93,569,682** in 2012/2013. The increases are mainly on account of basic salaries, hospitality supplies and services, routine maintenance – other assets.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 93,569,682** be allocated to the Ministry for the expenditure proposed in the items under Head 0151 and that the Ministry be allowed to raise A-I-A of Kshs. 1, 980, 000 to finance its programmes under Head 0151.

Head 0152: Tripoli

Proposed net expenditure **Kshs. 92,178,160**.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 100, 000 from administrative fees and charges.

Observations: Generally the expenditure has increased from **Kshs. 79,166,178** in 2011/2012 to **Kshs. 92,178,160** in 2012/2013. The increases are mainly on account of basic salaries, communication, supplies and services, domestic and foreign travel, insurance costs, fuel oil and lubricants and scholarships.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 92,178,160** be allocated to the Ministry for the expenditure proposed in the items under Head 0152 and that the Ministry be allowed to raise A-I-A of Kshs. 100, 000 to finance its programmes under Head 0152.

Head 0153: Juba

Proposed net expenditure **Kshs. 116,654,240**.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 15,000,000 from administrative fees and charges.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 116,654,240** be allocated to the Ministry for the expenditure proposed in the items under Head 0152 and that the Ministry be allowed to raise A-I-A of Kshs. 15,000, 000 to finance its programmes under Head 0153.

Head 0154: Doha

Proposed net expenditure **Kshs. 117,610,157**.

Observations: Generally the expenditure has increased from **Kshs. 93,871,163** in 2011/2012 to **Kshs. 117,610,157** in 2012/2013. The increases are mainly on account of basic salaries, rentals of produced assets.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 3,000, 000 from administrative fees and charges.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 117,610,157** be allocated to the Ministry for the expenditure proposed in the items under Head 0154 and that the Ministry be allowed to raise A-I-A of Kshs. 3,000, 000 to finance its programmes under Head 0154.

Head 0155: Muscat

Proposed net expenditure **Kshs. 83,622,778**.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 3,000, 000 from administrative fees and charges.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 83,622,778** be allocated to the Ministry for the expenditure proposed in the items under Head 0155 and that the Ministry be allowed to raise A-I-A of Kshs. 3,000, 000 to finance its programmes under Head 0155.

Head 0156: Turkey

Proposed net expenditure **Kshs. 80,491,604**.

Observation: The Committee commends the Ministry for implementing its previous recommendation regarding establishment of new mission in Turkey.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 80,491,604** be allocated to the Ministry for the expenditure proposed in the items under Head 0156.

Head 0201: United Nations Organisations

Proposed net expenditure **Kshs. 127,700,000**. The allocation is for Membership Fees and Dues and Subscriptions to International Organisation.

Observations: Generally the expenditure has remained constant as that of 2011/2012.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 127,700,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0201.

Head 0202: Commonwealth

Proposed net expenditure **Kshs. 43,000,000**. The allocation is for Membership Fees and Dues and Subscriptions to International Organisation

Observations: The expenditure has increased from **Kshs. 29, 000, 000** in 2011/2012 to **Kshs. 43,000,000**.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 43,000,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0202.

Head 0203: African Union

Proposed net expenditure **Kshs. 164,500,000**. The allocation is for Membership Fees and Dues and Subscriptions to International Organisation

Observations: Generally the expenditure has remained constant as that of 2011/2012. The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 164, 500, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0203.

Head 0204: Grants to International Organisations

Proposed net expenditure Kshs. **18,100, 000**. The allocation is for Membership Fees and Dues and Subscriptions to International Organisation

Observations: The expenditure has decreased from Kshs. **Kshs. 33,300, 000** in 2011/2012 to Kshs. **18,100, 000** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **18,100, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0204.

Head 0206: Dubai Consulate

Proposed net expenditure **Kshs. 83,807,000**.

The Ministry proposes to raise Appropriations In Aid totalling Kshs. 17,000, 000 from administrative fees and charges.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 83,807,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0155 and that the Ministry be allowed to raise A-I-A of Kshs. 17,000, 000 to finance its programmes under Head 0206.

5.10.2 ANALYSIS OF THE DEVELOPMENT ALLOCATION

The net Development Estimate for the Ministry for the Financial Year 2012/2013 amounts to **Kshs. 727,000,000** up from **Kshs. 870,032,000**. This represents a decrease in allocation. The allocation is for capital expenditure, including general administration and planning and diplomatic representation.

Head 0001: Headquarters Administrative Services

Proposed net Expenditure for the Head is **Kshs. 151,000,000**.

Observations: The expenditure has increased from Kshs. **Kshs. 65,032,000** in 2011/2012 to **Kshs. 151,000,000** in 2012/2013. The increase is on account of training expenses and foreign travel.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 151,000,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0001.

Head 0104: New York

Proposed net Expenditure for the Head is **Kshs. 35,000,000**.

Observations: The expenditure represents an increase from **Kshs. 5, 000, 000** in the FY 2011/12 to **Kshs. 35,000,000** in the FY 2012/13. **The Committee noted that the amounts proposed are not adequate for purchase of chancery building which requires Kshs. 800,000,000. The Committee proposes that an amount of Kshs.**

800,000,000 provided for the estimates of NSIS be reallocated to cater for this shortfall.

The Committee recommends that the proposal by the Minister that "a sum not exceeding Kshs. 35,000,000" be amended by providing for an additional Kshs. 800,000,000, resulting to Kshs. 835,000,000 to be allocated to the Ministry for the expenditure proposed in the items under Head 0104.

Head 0105: Washington

Proposed net Expenditure for the Head **Kshs. 10,000,000.**

Observations: The expenditure has decreased from **Kshs. 12, 000, 000** in 2011/2012 to **Kshs. 10, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 10,000,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0105.

Head 0106: London

Proposed net Expenditure **Kshs. 20, 000, 000**

Observations: The expenditure has reduced from **Kshs. 30, 000,000** in FY 2011/12 to **Kshs. 20, 000, 000** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 20, 000, 000** be allocated to the Ministry for the proposed refurbishment of buildings in the London Mission.

Head 0108: Addis Ababa

Proposed net Expenditure **Kshs. 50, 000, 000.**

Observations: The expenditure has increased from **Kshs. 33, 000, 000** in 2011/2012 to **Kshs. 50, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 50, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0108.

Head 0109: Berlin

Proposed net Expenditure **Kshs. 10,000,000.**

Observations: The expenditure has increased from **Kshs. 5, 000, 000** in 2011/2012 to **Kshs. 10, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 10, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0109.

Head 0110: Kinshasa

Proposed net Expenditure **Kshs. 5, 000, 000**

Observations: The expenditure has decreased from **Kshs. 10, 000,000** in 2011/2012 to **Kshs. 5, 000, 000** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 5,000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0110.

Head 0111: Lusaka

Proposed net Expenditure **Kshs. 6,000,000.**

Observations: The expenditure has decreased from **Kshs. 10, 000, 000** in 2011/2012 to **Kshs. 6, 000, 000** in 2012/2013. The decrease is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 6,000,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0111.

Head 0112: Paris

Proposed net Expenditure is **Kshs. 5, 000, 000.**

Observations: The expenditure has reduced from **Kshs. 15, 000, 000.** in 2011/2012 to **Kshs. 5, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 5, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0112.

Head 0114: Stockholm

Proposed net Expenditure is **Kshs.11, 000, 000.**

Observations: The expenditure has reduced from **Kshs. 20, 000, 000** in 2011/2012 to **Kshs.11, 000,000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs.11, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0114.

Head 0115: Abuja

Proposed net Expenditure **Kshs. 50, 000, 000.**

Observations: The expenditure has decreased from **Kshs. 196, 000, 000** in 2011/2012 to **Kshs. 50, 000, 000** in 2012/2013. The decrease is on account of construction of Building.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 50, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0115.

Head 0117: Riyadh

Proposed net Expenditure **Kshs. 2, 000, 000.**

Observations:

New Entry

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 2, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0117.

Head 0118: Brussels

Proposed net Expenditure **Kshs. 5, 000, 000.**

Observations: The expenditure has decreased from **Kshs. 11, 000, 000** in 2011/2012 to **Kshs. 5, 000, 000** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 5, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0118.

Head 0119: Ottawa

Proposed net Expenditure **Kshs. 85, 000, 000.**

Observations: The expenditure has increased from **Kshs. 40,000, 000** in 2011/2012 to **Kshs. 85, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 85, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0119.

Head 0120: Tokyo

Proposed net Expenditure **Kshs. 16,500,000.**

Observations: The expenditure has increased from **Kshs.3,000,000** in 2011/2012 to **Kshs. 16,500,000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that **Kshs. 16,500,000** is allocated under Head 0120.

Head 0121: Beijing

Proposed net Expenditure **Kshs. 2, 000, 000.**

Observations: The expenditure has decreased from **Kshs.4,000,000** in 2011/2012 to **Kshs. 2,000,000** in 2012/2013

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 2,000,000** be allocated to the Ministry for the expenditure proposed in the items under Head 0121.

Head 0122: Rome

Proposed net Expenditure **Kshs. 15, 000, 000.**

Observations: The expenditure has increased from **Kshs. 10, 000, 000** in 2011/2012 to **Kshs. 15, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 15, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0122.

Head 0124: Kampala

Proposed net Expenditure **Kshs. 2,000,000.**

Observations: The expenditure has decreased from **Kshs.3,000,000** in 2011/2012 to **Kshs. 2,000,000** in 2012/2013. **The Committee noted that the amounts proposed are not adequate for purchase of chancery building which requires Kshs. 450,000,000. The Committee proposes that an amount of Kshs. 450,000,000 provided for the estimates of NSIS be reallocated to cater for this shortfall.**

The Committee recommends that the proposal by the Minister that "a sum not exceeding Kshs. 2,000,000" be amended by providing for an additional Kshs. 450,000,000, resulting to Kshs. 452,000,000 to be allocated to the Ministry for the expenditure proposed in the items under Head 0124.

The Committee is agreeable to the proposal by the Minister that **Kshs. 2,000,000** is allocated to the Ministry under Head 0124.

Head 0127: Harare

Proposed net Expenditure **Kshs. 5, 000, 000.**

Observations: The expenditure has decreased from **Kshs.7,000,000** in 2011/2012 to **Kshs. 5, 000, 000** in 2012/2013.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 5, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0127.

Head 0130: Dar Es Salaam

Proposed net Expenditure **Kshs. 33, 000, 000.**

Observations: The expenditure has increased from **Kshs. 5,000, 000** in 2011/2012 to **Kshs. 33, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 33, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0130.

Head 0131: Islamabad

Proposed net Expenditure **Kshs. 12, 000, 000.**

Observations: The expenditure has increased from **Kshs. 10, 000, 000** in 2011/2012 to **Kshs. 12, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 12, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0131.

Head 0132: The Hague

Proposed net Expenditure **Kshs. 19, 500, 000.**

Observations: The expenditure has increased from **Kshs. 15, 000, 000** in 2011/2012 to **Kshs. 19, 500, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 19, 500, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0132

Head 0133: Geneva

Proposed net Expenditure under this head is Zero.

Observations

The Committee is agreeable to the proposal by the Minister that no money is allocated to the Ministry for the expenditure proposed in the items under Head 0133.

Head 0137: Tel aviv New Entry

Proposed net Expenditure **Kshs. 2, 000, 000.**

Observations:

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 2, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0137

Head 0138: Pretoria

Proposed net Expenditure **Kshs. 130,000,000.**

Observations: The expenditure has increased from **Kshs. 5,000,000** in 2011/2012 to **Kshs. 130, 000, 000** in 2012/2013. The increase is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that **Kshs. 130,000,000** is allocated to the Ministry under Head 0138.

Head 0145: Kigali New entry

Proposed net Expenditure **Kshs. 20,000,000.**

Observations: The expenditure is on account construction of buildings.

The Committee is agreeable to the proposal by the Minister that **Kshs. 20,000,000** is allocated to the Ministry under Head 0145.

Head 0148: Windhoek

Proposed net Expenditure **Kshs. 5, 000, 000.**

Observations: The expenditure has decreased from **Kshs. 356, 000, 000** in 2011/2012 to **Kshs. 5, 000, 000** in 2012/2013. The decrease is on account of refurbishment of buildings.

The Committee is agreeable to the proposal by the Minister that a sum not exceeding **Kshs. 5, 000, 000** be allocated to the Ministry for the expenditure proposed in the items under Head 0148.

Head 0149: Brazilia

Proposed net Expenditure **Zero.**

Observations

The Committee is agreeable to the proposal by the Minister that no money is allocated to the Ministry for the expenditure proposed in the items under Head 0149.

Head 0153: Juba

Proposed net Expenditure **Kshs. 20, 000, 000.** (New Entry)

Observations: The Committee noted that the amounts proposed are not adequate for the new projects proposed to develop the mission in recognition of its economic potential. The Committee proposes that an amount of Kshs. 150,000,000 provided for the estimates of NSIS be reallocated to cater for this shortfall.

The Committee recommends that the proposal by the Minister that “a sum not exceeding Kshs. 20,000,000” be amended by providing for an additional Kshs. 150,000,000, resulting to Kshs. 170,000,000 to be allocated to the Ministry for the expenditure proposed in the items under Head 0153.

5.10.3 OBSERVATIONS

The Committee observed the following:-

- (i) Volatility of the exchange rate of major currencies leads to huge foreign exchange losses amounting to millions when remitting funds to missions abroad.
- (ii) The Government directive to reduce visa fees by 50% has impacted negatively on the performance of the Ministry whose Missions abroad rely on AIA accrued from visa fees.
- (iii) Late disbursement of exchequer releases by treasury constraints the operations and implementation of the Ministry’s programmes. The delay leads to failure to meet contractual obligations.
- (iv) Disharmony between the Public Procurement and Disposal Act, 2005 and the procurement in countries where Missions are located abroad leads to delays in implementing procurement plans.
- (v) Parliament approves the Ministry’s Budget subject to the proposed amendments.
- (vi) The Ministry of Finance should expedite release of exchequer so as to enable the Ministry implement its operations and programmes as well as to meet contractual obligations.
- (vii) The Ministry of Foreign Affairs should be moved from the Public Administration sector to the national Security Sector in line with its responsibilities in Government.

MINUTES OF THE 173RD SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS HELD ON THURSDAY, 3RD MAY, 2012 IN THE MEMBERS' LOUNGE, MAIN PARLIAMENT BUILDINGS AT 10.00 A.M

PRESENT

Hon. Adan Keynan, M.P - Chairperson
Hon. Benedict Fondo Gunda, M.P - Vice Chairperson
Hon. Wilson Litole, M.P
Hon. Charles Kilonzo, M.P

ABSENT WITH APOLOGY

Hon. Martin Ogindo, M.P
Hon. Mohamed Hussein Ali, M.P
Hon. Peter Edick O. Anyanga, M.P
Hon. George Omari Nyamweya, MBS, M.P
Hon. Jeremiah Kioni, M.P
Hon. Kiema Kilonzo, M.P

IN ATTENDANCE: NATIONAL ASSEMBLY

Mr. Julius Ariwomoi	Second Clerk Assistant
Ms. Leah Wanjiru	Third Clerk Assistant
Mr. Fredrick Muthengi	Parliamentary Budget Officer
Ms. Maureen Mwendwa	Parliamentary Intern

MIN.NO. 670/2012:

BRIEFING BY THE BUDGET OFFICE ON THE BUDGET ESTIMATES FOR THE FY 2012/13

Introduction

In line with the requirement by the standing order no. 152 the Annual Estimates, upon being laid, were committed to the respective Departmental Committee as per their mandate. The Departmental Committee on Defence and Foreign Relations is therefore expected to scrutinize the Annual Estimates of the Ministry under it and thereafter submit its report to the House within 21 days after they were first laid before the House.

In order to get the highlights of the total budget for the FY 2012/13 the Committee resolved to get a briefing from the budget office, invite the budget. The analysis by the Committee is meant to investigate the coherence between the Ministry's sector priorities and the Government funding going into these categories according to the budget estimates for 2012/13. The Analysis is based

on the Annual Estimates of expenditure for recurrent and development for 2012/13 and the Medium term.

The Committee was informed as follows:

- i) The proposed total budget estimates for the FY 2012/13 is 1,454,856,588,272 (approximately Kshs. 1.45 Billion) which represents a growth of 26% in the total budget estimates from Kshs. 1,152,933,392,823 in the FY 2011/12 total estimates. This is composed of Ksh. 657,185,449,813 recurrent expenditure, Kshs. 345,987,755,401 for consolidated fund services (CFS) and Kshs 451,683,383,058 for development expenditure;
- ii) There is a 65% increase in CFS allocation from Kshs. 209.5 billion in FY 2011/12 Annual Estimates to Kshs. 345 billion in the proposed FY 2012/13 estimates. This increase in allocation is attributed to the increase in allocation for repayments of public debts which is proposed at Kshs. 303.6 billion in FY 2012/13 from Kshs. 173.3 billion in FY 2011/12 Annual Estimates;
- iii) The Allocation for development and recurrent votes is growing at a constant rate while CFS has experienced a drastic increase in the proposed estimates FY 2012/13. The growth in CFS may continue to rise in the medium term as more Constitutional Offices get fully established and operational and as the country repays its debts;
- iv) The highlights of the Ministry under the review by the Committee is as here below enumerated:

Ministry of Foreign Affairs

- a) The Ministry of Foreign Affairs gross recurrent budget estimates for the FY 2012/13 is approximately Kshs. 9.86 billion. Exchequer revenues will be Kshs. 8.889 million whereas Appropriation –in –Aid will be Kshs. 972 million;
- b) The broad classification of this budget in 4 economic clusters reveals that compensation to employees take up 42% while use of good and service take up the biggest portion of 45.5%. Transfers take up 10% while acquisition of capital goods takes the least portion of only 2.5%;
- c) The estimated salaries and wages for the FY 2012/13 is about Kshs. 478, 467,960 representing about 4.8% of the gross expenditure estimates.
- d) The Headquarters administrative service is the single largest expenditure unit about 14% of the total recurrent expenditure estimates ;
- e) The various embassies and missions abroad represent about 84.68% of the recurrent expenditure gross recurrent expenditure budgets estimates;

- f) The Ministry had, in FY 2011/12 , proposed a number of programmes to be funded and its is based on the output of these programs that the Ministry can justify the funding they require for the FY 2012/13 ;
- g) The Ministry's development estimate is Kshs. 727 million down from Kshs.892.52 in FY 2011/12. In terms of distribution, the biggest expenditure unit goes to the head quarters administrative services which will receive Kshs. 151,000,000 about 20.78 % of the budget estimates. This is followed by the Kenyan embassy in Pretoria which will be allocated Kshs. 130,000,000 about 17.89 Of the Annual Estimates ; and
- h) Refurbishments of building accounts for the biggest part of development expenditure for the Ministry of Foreign of about 74% of the Annual Estimates.

Committee's observations

- i) Despite the recommendation by the Committee for the allocation of Foreign Service Allowance (FSA) (during the Budget Policy Statement scrutiny), the Committee was concerned that the component had not been factored in then Budget Estimates FY 2012/13 ;
- ii) The Ministry should evaluate and rationalize foreign missions with a view to providing allocations based on economic viability and reinforcing those with national importance. To this extent, the Ministry should consider closing down the mission in Ireland as it serves minimal purpose in advancing Kenya's economic interests. Further, the Government should consider apportioning development allocation for the mission in Uganda, Juba and New York ;
- iii) The Ministry should hasten completion of all the pending projects ; and
- iv) Finally, the Government should consider acquisition of properties in missions abroad through mortgage principal (paying in installments for acquisition of the property) as opposed to paying rent in perpetuity.

Ministry of State for Defence

- i) The Ministry's of State for Defence priority is to maintain and safeguard national security by securing our national boundaries;
- ii) In the BPS proposal the Ministry had been allocated Kshs. 64. 283 billion in total However, a total Kshs. 70,004.4 billion(5.26 % of the national budget) has been allocated in the printed estimates ;
- iii) Under vote Head 175 (Headquarters and Administrative services), a provision of Kshs. 1,304.97 billion has been earmarked for the General Administration and planning, with the major subhead (headquarters) being allocated Kshs.743.38 million. Further, a new

sub head (National Space Secretariat) has been established and a total of Kshs. 550 million has being allocated. However, no details on the current grants to this new body ;

- iv) The current grants to KDF amount to Kshs. 68,619,422,973. However, as per the proposal by the House to have the separation of the allocations of the three arms of the Armed forces to reflect each allocation of all the three entities, this has not been considered in the FY 2012/13 Estimates. The Ministry's allocation has been put in one vote;

Committee's observations

- a) The National Space Secretariat has been allocated Kshs. 550 million and the Government should resolve the jurisdictional conflict between the Ministry of State for Defence and the Ministry of Higher Education, Science and Technology as far as taking the lead management in the San Marco Space Applicants Centre in Malindi ;
- b) The Ministry should delineate their budget to clearly show projects that are under modernization, re-equipping and refurbishments. The lack of clear delineation has resulted to misuse and abuse of funds ;
- c) The funds on the purchase of Kenya Navy Oceanographic vessel, MV Jasiri has not been factored in the 2012/13 Budget. This issue has been pending for a long time and therefore Treasury should provide funds to conclude the payment forthwith ;
- d) The Ministry should separate funds for the three arms Defence ; and
- e) The personnel of the Defence Forces (not involved in any form of peace keeping or enforcement missions) should be deployed in disaster stricken areas to manage calamities like floods. They should also be involved in construction of roads, bridges, water dams and civil works.

National Security Intelligence Service

The National Security Intelligence Service budget is all under the recurrent vote grouped under headquarters field services, training and liaison services. It is a one line budget transfer and the details of expenditure are not availed.

The allocation for the FY 2012/13 for NSIS IS Kshs. 13, 414 million , which is an increase of Kshs. 300 from the approved expenditure for the F 2011/12 of Kshs. 13, 146 million.

Committee's Observations

In line with the requirement of the Constitution on accountability the NSIS should be made to produce an expenditure breakdown for the resources allocated to them.

Ministry for East African Community vote

Highlights of the FY 2012/13 Budget Estimates

- i) The gross recurrent budget estimates for the FY 2012/13 IS Kshs. 1,263.7 million. This is a 19.4% increase from the previous FY 2011/12 gross recurrent budget estimates of Kshs. 1,058.5 million ;
- ii) The gross development expenditure on the other hand is Kshs. 66.4 million. This represents a 10.8 % decrease from the previous year's gross development approved budget of Kshs. 74.4 million ;
- iii) The biggest portion of the Recurrent expenditure has been allocated to transfers International bodies and pensions(i.e 45.5 % of the recurrent Budget Estimates) while use of goods and services, compensation to employees and acquisition of capital goods take 40 %,12.5 % and 2% respectively ;
- iv) The Ministry is mandated to coordinate East African Community Affairs. This is done through:
 - a) Consolidation of sustained implementation of a fully fledged EAC customs union and operationalisation of EAC common market protocol. The Key outputs are increased trade and cross border investments opportunities through free movement of persons, labour, capital, goods and services, right of establishment and residence and operational regional integration centres.
 - b) Laying the foundation for the EAC Monetary union and Political Federation. The Key outputs include the fast tracking EAC political federation and establishment of high level task force on monetary union and harmonization of exchanges rates, fiscal and monetary policies and eventual establishment of one EAC Central Banks.
 - c) Participation in EAC cross -cutting regional integration activities including harmonization of EAC-SADC –COMESA Trade regimes. The Key outputs include identification of Trade agreements in line with EAC framework and bilateral and multilateral engagements.
- v) The Ministry is projecting to spend Kshs. 66,400,000 in development expenditure for the year 2012/13. The Appropriation in Aid is about Kshs. 65,400,000 bringing the net expenditure for the Ministry to about Kshs 1,000,000.
- vi) In terms of distribution, the biggest expenditure unit is Head quarters administrative services which will receive Kshs. 31,700,000 (47.74% of the Budget Estimates). The second highest expenditure is Trade Mark East Africa Program which is proposed to receive Kshs. 17,000,000 (25.6% of the Budget Estimates).

Committee's concerns

Technical cooperation fund

The Committee noted that despite the recommendation by the Committee to introduce a component in the budget known as the Regional Technical Cooperation fund, this has not being factored in the Budget Estimates 2012/13. The Committee acknowledges the role this fund will play in terms of positioning Kenya as the leading nation in the East African region. Further, the Committee recommends that Treasury allocates this fund. The Ministry requires Kshs. 250 Million to launch this fund.

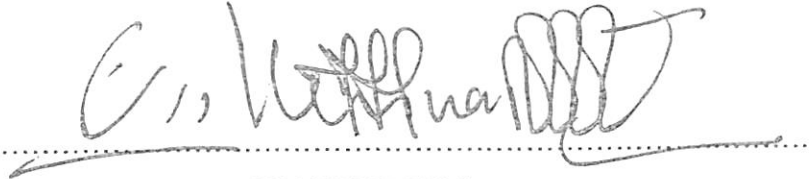
East African Legislative Assembly funding

The Committee noted that the lack of funding to the E.A.L.A. has continuously dented Kenya's image. The E.A.L.A (K) chapter, while appearing before the Committee had raised the issue of lack of funds to facilitate the Kenya Tour.

MIN.NO.671/2012: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 11.15 a.m.

Signed.....



(CHAIRPERSON)

Date.....

15/5/2012

MINUTES OF THE 174TH SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS HELD ON THURSDAY, 3RD MAY, 2012 IN THE COMMITTEE ROOM 9, MAIN PARLIAMENT BUILDINGS AT 3.00 P.M

PRESENT

Hon. Adan Keynan, M.P - Chairperson
Hon. Benedict Fondo Gunda, M.P - Vice Chairperson
Hon. Charles Kilonzo, M.P
Hon. Jeremiah Kioni, M.P
Hon. George Omari Nyamweya, MBS, M.P

ABSENT

Hon. Martin Ogindo, M.P
Hon. Wilson Litole, M.P
Hon. Mohamed Hussein Ali, M.P
Hon. Peter Edick O. Anyanga, M.P
Hon. Kiema Kilonzo, M.P

IN ATTENDANCE: NATIONAL ASSEMBLY

Mr. Julius Ariwomoi	Second Clerk Assistant
Ms. Leah Wanjiru	Third Clerk Assistant
Ms. Maureen Mwendwa	Parliamentary Intern

MINISTRY OF FOREIGN AFFAIRS

Hon. Prof. Sam Ogeri, E.G.H, M.P	- Minister for Foreign Affairs
Mr. Thuita Mwangi, CBS	- Permanent Secretary
Mr. Kariuki Mugwe	- Head Accounts
Mr. Wilfred Musau	- Head / HRM
Mr. Daniel W. Wambura	- Head/ Legal
Mr. A.M Kihurani	- Deputy PDS
Amb. P.S Wamoto	- Political & Diplomatic Secretary
Mr. Zaddock Zyongoh	- Policy Advisor
Ms. Beatrice N. Kungu	- Assistant Director of Public Communication
Mr. B. Khadiagala	- Senior Chief Finance Officer
Dr. Margaret Gachuru	- Head/ Asset Management Unit
Mr. J.K Ndathi	- Secretary, Foreign Service Administration

MIN.NO. 672/2012:

MEETING WITH MINISTRY OF FOREIGN AFFAIRS- SCRUTINY OF THE BUDGET ESTIMATES FOR THE FY 2012/13

The Committee held a meeting with the Minister of Foreign Affairs and was informed as follows:

- i) The Ministry of Foreign Affairs takes the lead role in formulating, articulating and implementing the country's Foreign Policy including its review ;
- ii) Further, the Ministry promotes the interest of the people of Kenya globally through effective diplomatic engagement. It is in this regard that the Ministry has placed greater emphasis on trade and economic diplomacy, as a result of economic issues having acquired increased prominence in the world today ;
- iii) The Ministry has therefore focused on programmes and activities that are geared towards the achievement of rapid economic development hence keeping in line with the principles and objectives of the Kenya Vision 2030 ;
- iv) To achieve the Ministry's goal the Ministry needs to be adequately funded. This has however, not been the case as the Ministry has continuously been strained in the budgetary allocation. This can be attributed to the slow economic growth and the ever increasing competition for the limited public resources ;
- v) The Ministry has embarked on a Restructuring and Rationalization process in order to address the challenges posed by the funding constraints, whereby the priorities and choices made by the Treasury in its budgetary allocations are determined by the competing demands on dwindling resources. The Restructuring and Rationalization process is aimed at instituting reforms in its strategic direction, policy and business operations, to ensure more prudent use of public resources. This process has further, enabled the Ministry to reduce expenditure on non core areas and redirect more resources to the core functions in line with the Ministry's strategic plan ;
- vi) The mandate of the Ministry of Foreign Affairs is spelt out in the Presidential Circular No.1 of May 2008. It encompasses: Foreign Policy, bilateral and multilateral relations, international and regional organizations, Kenyan Embassies abroad, foreign missions in Kenya, Treaties, conventions and agreements, state and official visits, diplomatic privileges and immunities, protocol matters, consular services, Joint Commissions with other countries, peace initiatives, Government's spokesman on foreign affairs and global issues, Commonwealth Affairs, Kenyans in the Diaspora, international jobs office and the Foreign Service institute.

TOTAL NET EXPENDITURE FROM THE EXCHEQUER

During the Sector Working Group (SWG) 2012/13 meetings, the Ministry presented its total budget request of Kshs 16.7 billion. Out of this, Kshs. 13.6 billion was proposed for the recurrent vote, constituting 81.4 % of the Ministry's total budget. The share proposed for the development vote was Kshs. 3.1 billion representing 18.6 % of the total budget request.

However, the Ministry was allocated Kshs. 8, 888, 944,300 and Kshs.2, 156,000,000 for the recurrent and development votes respectively. This translated into a shortfall of Kshs. 4, 711,

055, 700 under the recurrent and Kshs. 944,000,000 under the development vote. The Ministry therefore registered an overall shortfall of Kshs. 5, 655, 055, 700 which translates to 33.86 % of the total budget request.

In the printed estimates, the development vote was further subjected to a reduction of Kshs. 1,429,000,000 leaving the Ministry with only Kshs. 727,000,000 for the implementation of development projects in the coming FY 2012/13.

KEY EXPENDITURE AREAS FOR THE FINANCIAL YEAR 2012/13

Recurrent vote- Kshs. 8,888,944,300

ITEM	DESCRIPTION	AMOUNT ALLOCATED (KSHS)
Personnel Emoluments	Foreign Service Allowance	2,194,576,706
	local staff salaries	1,099,160,261
	Basic Salaries	478,467,960
	Medical expenses	174, 26,938
	Contributions to social benefits	
	Sub-Total	4,144, 218,358
Rents for leased properties		1, 690, 051, 067
Education supplement for children of Officers on Posting		565 , 700 , 000
Contributions to International Organizations		353 , 300 ,000
Purchase of fixed capital	Motor vehicles	84,200,000
	Office furniture	73,147, 500
	Household furniture	62, 540 , 000
Operations and Maintenance	1,915,787,375	

Opening of an Embassy Office in Mogadishu, Somali		70,000,000
Establishment of Liaison Office in Hargeisa		30,000,000

The establishment of the Mission in Somalia is a special case which requires additional funding to address the following specific areas:

- i) Armored vehicles- B6 with security features;
- ii) Hire of Aircrafts for emergency cases;
- iii) Posting of 4 soldiers; and
- iv) Installation of CCTV equipment and a security fence among others.

The total of Kshs. 100,000,000 for establishment of Kenya's presence in Somalia (Mogadishu and Hargeisa) is included under the total recurrent vote of Kshs. 8,888,944,300.

Development vote -Kshs. 727,000,000

ITEM	AMOUNT ALLOCATED (KSHS)	
Construction of the Chancery and High Commissioner's residence in Abuja	50,000,000	
Purchase of software for asset management at headquarters	100,000,000	
Refurbishments of the Ministry Headquarters	41,000,000	
Refurbishments of the High Commissioner's residence in Ottawa	85,000,000	
Capacity building of the Diaspora Directorate in the Ministry	10,000,000	Funded by a grant from Word Bank
Refurbishments of the Government property in New York	35,000,000	
Refurbishments of the Government property in Addis Ababa	50,000,000	
Refurbishments of the Government property in Dar es Salaam	33,000,000	

Redevelopment of Government property in Pretoria	130,000,000	
<u>Other Refurbishments</u>		
Washington	10 Million	
London	20 Million	
Berlin	10 million	
Kinshasa	5 million	
Lusaka	6 million	
Paris	5 million	
Stockholm	11 million	
Riyadh	2 million	
Brussels	5 million	
Tokyo	16.5 million	
Beijing	2 million	
Rome	15 million	
Kampala	2 million	
Harare	5 million	
Islamabad	12 million	
The Hague	19.5 million	
Tel Aviv	2 million	
Kigali	5 million	
Windhoek	5 million	
Juba	20 million	
Total	193 million	

COMPARISON OF THE LAST THREE YEARS' ALLOCATIONS

- i. The Ministry's total budget for the Financial Year 2012/2013 has gone down by Kshs. 178,693,200 from the Approved Estimates of 2011/2012, comprising of Recurrent Kshs 135,661,200 and development Kshs. 43,032,000.
- ii. The Recurrent Vote increased gradually over the last three years before being reduced in the coming Financial Year, 2012/2013. However, the increase is mainly as a result of additional sums being given to the Ministry during the Revised Estimates to cover issues such as State Visits, Foreign Exchange losses, and adjustments in rents for leased properties abroad. There was also an increase in the AIA in 2011/2012 due to the reinstatement of the full payment of Visa fees by tourists visiting Kenya. The Ministry therefore is underfunded and thus has had to put on hold, expenditure in some priority areas

- iii. The Ministry's Development Estimates, were decreased between the 2009/2010 and 2010/2011 Financial Years, then rose in 2011/2012, but declined by Ksh. 43,032,000 in the 2012/2013 Printed Estimates. Further, with a reduction from the earlier amount of Kshs. 2.156 Billion allocated in the Sector Working Group to Kshs. 727 Million, the Ministry lost over two thirds of its Development Vote.

ABSORPTION CAPACITY OVER THE LAST THREE YEARS

On average, the absorption capacity of the ministry has been above 80% over the last three years. The Ministry's utilization level ranges from 92.09 % to 98.2% for the Recurrent and 57.92% to 85.46% for the Development Votes respectively. This is due, amongst other factors to procurement procedures which apart from being lengthy are also difficult to apply for many Missions abroad, as well as time taken to communicate documents back and forth with some Missions.

CONCERNS

Relocation to the National Security Sector

The Minister explained to the Committee the need to relocate the Ministry's Sector Working Group from Public Administration Sector to the National Security Sector, noting the very nature and mandate of the Ministry that requires sustained and predictable funding.

In addition, the unforeseen activities, such as the evacuations of Kenyans from Egypt, Libya and Japan, as well as the expenditure for the shuttle diplomacy last financial year, and subsequently, a diplomatic strategy in order to build support for Kenya's military intervention in Somalia has continuously affected the budget allocation for the Ministry.

Creation of a Foreign Exchange Cushioning Fund/Vote

The Minister further noted the need to cushion the Foreign Service Officers from the effects of deterioration of Kenya Shilling against the major hard currencies. Loss on foreign exchange earnings during remittances to our Missions is substantial and sustained and this has had a considerable impact, not only on the ability of Missions to meet their contractual obligations, such as payment of rents, utilities, salaries and allowances, etc, but also on their ability to carry out their representational functions and programs. As a result, the Ministry is saddled with huge pending bills at the end of the financial year.

Procurement challenges

The Ministry of Foreign Affairs continues to encounter major challenges in implementing programmes and projects, especially in Missions abroad due to the fact that some of the provisions of the Public Procurement and Disposal Act 2005 are inapplicable in most countries where the Government has Missions.

Review of Foreign Service Allowance (FSA)

The Ministry had requested for Kshs. 437 Million to meet the cost of review of the Foreign Service Allowance (FSA) which was supposed to be implemented in the F/Y 2011/12. However, it was only granted Kshs.410 Million. This amount was not factored into the Foreign Service and Public Administration Sector Ceilings for the 2012/2013 Financial Year.

Purchase of Representational Motor Vehicles

Since the Government implemented the new transport policy on procurement of motor vehicles, funding for purchase of vehicles has been centralized at the Treasury. Consequently, the Ministry has not been able to replace the aging fleet of vehicles at the Headquarters, for the last four years, while in the Missions, the Ministry requires approximately 51 Million to purchase replacement vehicles in Paris, Cairo, Vienna, Tokyo, Pretoria, Addis Ababa and Burundi.

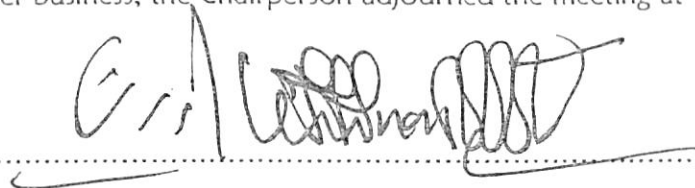
Technical Cooperation Fund

The Minister emphasized the need to establish a Fund for Regional Technical Cooperation as a strategic soft power instrument in the pursuit of our Foreign policy goals. The fund is proposed to be used to provide scholarships, technical support and capacity building in conflict resolution and peace support in the region. Kenya is the Eastern Africa's biggest economy and a regional leader, various responsibilities fall upon Kenya and it is important for the country to acknowledge and demonstrate this leadership position and therefore consolidate bilateral relations through means where it has a comparative advantage, such as capacity building. To launch this programme, the Ministry approximately Kshs. 250 Million which would be supported by other collaborating partners with the said counterpart funds.

MIN.NO.673/2012: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 4.15 p.m.

Signed.....



(CHAIRPERSON)

Date.....

15/5/2012

MINUTES OF THE 175TH SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS HELD ON TUESDAY, 8TH MAY, 2012 IN THE COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS AT 10.00 A.M

PRESENT

Hon. Adan Keynan, M.P - Chairperson
Hon. Benedict Fondo Gunda, M.P - Vice Chairperson
Hon. Charles Kilonzo, M.P
Hon. George Omari Nyamweya, MBS, M.P
Hon. Wilson Litole, M.P
Hon. Mohamed Hussein Ali, M.P
Hon. Peter Edick O. Anyanga, M.P

ABSENT

Hon. Jeremiah Kioni, M.P
Hon. Martin Ogindo, M.P
Hon. Kiema Kilonzo, M.P

IN ATTENDANCE: NATIONAL ASSEMBLY

Mr. Julius Ariwomoi	Second Clerk Assistant
Ms. Leah Wanjiru	Third Clerk Assistant
Ms. Maureen Mwendwa	Parliamentary Intern

MINISTRY OF STATE FOR DEFENCE

Hon. David Musila, MP	Assistant Minister
Amb. Nancy Kirui, CBS	Permanent Secretary
Lt. Gen. S.J Mwathathe	Vice Chief of Defence
Brig. SN Thuita	Chief of Logistics
C,K, Muhia	Senior Chief Finance Officer
E.N Murimi	Principal Accounts Controller
Col. J.N Mugwiria	Col. Budget
Dr. John Kimani	Lead Scientist

MIN.NO. 674/2012:

MEETING WITH MINISTRY OF STATE FOR DEFENCE-
SCRUTINY OF THE BUDGET ESTIMATES FOR THE FY 2012/13

Introduction

The National Assembly Standing Orders Article 152 (1) and 152 (2) requires the Departmental Committee on Defense and Foreign Relations to receive, examine and interrogate estimates for 2012/2013 Budget of the Ministry of State for Defence. It is for this reason the Minister appeared

before that Committee to deliberate on this matter. The Minister, in his submission to the Committee informed as follows:

Update of the Cost so far incurred by the Ministry on the Security Operations in Somalia

The Committee was informed that a total of Kshs.14,650,000,000.00 has been provided for emergency security Operations in Somalia between the financial years 2010/2011 and 2011/2012. During the financial year 2010/2011, Kshs. 3.7 billion was provided while in the current financial year Kshs. 10.95 billion has been availed. This amount has been expended for the following priority areas:

	Utilisation of the Allocated Funds	Kshs.
1.	Kenya Army (Pol & Ration)	1,184,762,932.00
2.	Kenya Air Force (Pol & Ration)	433,000,000.00
3.	Kenya Navy (Pol & Ration)	472,800,000.00
4.	Equipments, Ammo & Intelligence	12,461,437,068.00
5.	Chief of Medical (Purchase of Drugs)	78,000,000.00
6.	DFMH (Specialized Medical Treatments)	20,000,000.00
	TOTAL	14,650,000,000.00

ii. Status of the Implementation of the Ministry's Budget Estimates in the current financial year and the Ministry's proposals for the coming financial year

The Ministry's budget summary for the financial year 2011/12 is as follows:

	Amount Kshs:
Printed Estimates	45,230,144,830.00
After Corrigendum	52,016,698,310.00
After Revised Estimates	64,543,917,310.00

The Ministry's budget for 2011/2012 was initially printed at Kshs.45,230,144,830 but was revised to Kshs.52,016,698,310 through the issuance of a Corrigendum by Treasury. Out of the additional Kshs.6.8 billion which was provided in the corrigendum, Kshs. 4.5 billion was to address the Review of Salaries and Allowances for the Kenya Defence Forces while Kshs.2.3 billion was to address the emergency Security Operations in Somalia. Treasury also reallocated Kshs. 530 million from the Sub-head on National Space Secetariat to Head 554. In the approved Supplementary budget, the Ministry's expenditure was revised to Kshs.64,543,917,310, an increase of Kshs. 12.5 billion. The Kshs. 12.5 billion comprises of Kshs. 11.2 billion for Emergency Security Operations and Kshs. 1.2 billion for the Oceanographic Vessel.

The Ministry has been undertaking the following programmes in the current financial year:

a) Maintenance and safeguarding of National Security

This is the main programme of the Kenya Defence Forces that caters for all other military operations, as well as the salary component.

b) Military Modernization Programme

The Ministry has been implementing the Military Modernization Programme since 2004/05 financial year. In the current financial year, Kshs. 7.8 billion was provided for the programme. This amount has been expended on on-going contractual obligations and to initiate new programmes.

c) Aid to Civil Authority

The Kenya Defence Forces have been involved in a number of activities in aid to civil authority. These include: construction and rehabilitation of schools and roads, restoration of peace and order, distribution of relief supplies, disaster mitigation and environmental conservation.

d) Sub-Vote 080 – General Administration and Planning

The Committee was informed that the Sub-Vote caters for the civilian arm of the Ministry which provides support services to the Kenya Defence Forces. The approved budget for this Sub-vote for the Financial Year 2011/12 was Kshs.802,195,895.00.

Exchequer Position:

So far the Ministry has received total exchequer totaling Kshs.50,407,336,128.25 leaving a balance of Kshs. 14,136,581,181.80 which is expected before the closure of the financial year. The amount received so far totals to about 75% of the expected funding.

2. Ministry's Budgetary Proposals for the 2012/2013 Financial Year:

The Ministry of State for Defence plans to continue with the implementation of the following Priority Programmes in the 2012/13 – 2014/15 MTEF period:

1. Defence and Protection of the Republic;
2. Aid to Civil Authority;
3. General Administration for Defence Forces; and
4. National Space Secretariat.

The Ministry has the following Sub-Programmes:

- a) Defence Policy and Co-ordination;
- b) Land Defence;
- c) National Airspace Defence;
- d) Territorial Waters Defence; and
- e) Military Modernisation.

The main objectives of the Ministry's programmes are the following:

- i) Maintenance of sovereignty and protection of territorial integrity;
- ii) Promotion of Regional and International Peace; and
- iii) Formulation, Co-ordination and Implementation of Policies.

The Ministry of State for Defence was allocated a ceiling of Kshs.50.869 billion in the financial year 2012/13 against a budgetary requirement of Kshs. 81 billion, leaving a shortfall of Kshs. 30.28 billion.

Growth of Ministry's Budget

The budget for the Ministry of State for Defence has grown considerably over the years. The growth can be attributed to the implementation of the Military Modernisation Programme, the funding of the on-going Emergency Security Operations in Somalia, the implementation of the latest Report of the Armed Forces Pay Review Board, provision of funds for subsistence allowance for AMISON Mission in Somalia and the implementation of the Agreement between the Kenya Government and Euromarine on the acquisition of the Oceanographic Vessel.

Following further consultation with Treasury after the Public Sector hearings the Budget for the Ministry of State for Defence has been adjusted upwards by Kshs. 19,171,420,100.00 to Kshs.70,040,420,100.00.

The additional funding of Kshs. 19,171,420,100.00 billion is to enable the Ministry address the following challenges which could not be accommodated in the initial ceilings although they are of high priority.

a) AMISOM: Mission Subsistence Allowance – Kshs. 4.43 Billion:

The Ministry has been undertaking the `Operation Linda Nchi` in and around Somalia for the last six months. The Kenya Defence Forces troops deployed in Somalia have since been rehatted to AMISOM and are receiving Mission Subsistence Allowance as they continue with this operation under the command of AMISOM. The Ministry of State for Defence will be expected to pay the allowance to the troops and thereafter seek reimbursement for the amount paid from the AU/UN system. The amount refunded will be surrendered to Treasury as Revenue in line with the existing policy.

b) Monetised Allowances – Kshs. 4.1 Billion:

A total of Kshs. 4.1 billion will be required to cushion members of Kenya Defence Forces from taxation of monetised allowance in the financial year 2012/13. The total amount was over and above the initial ceiling given by Treasury and will be paid back to Treasury as Taxes.

c) Emergency Security Operation – Kshs. 1 Billion:

The Ministry had sought for Kshs. 3 billion for maintenance and sustenance of the KDF Troops deployed along the Kenya Somali border on the Kenyan side for close and rear operations, but Treasury has only provided Kshs. 1 billion. The amount provided will not be adequate to sustain the rear operations.

d) Modernization Programme – Kshs. 9.45 Billion:

The Ministry had proposed to Treasury that the remaining Kshs.9.45 billion for Military Modernization Programme be provided in full in the FY 2012/13 however this was not provided. To cater for the Military Modernization Programme only Kshs. 6.65 billion has been factored as additional funds.

In the next financial year the KDF strength will be 3,810 troops. The Ministry will be required to field fighting systems/equipment which must meet pre-determined United Nations standards so as to accrue maximum reimbursement. There is need therefore, to ensure that our equipment are in the highest state of serviceability. The United Nations will also require that we provide to

AMISOM other equipment which are not available at the moment, due to inadequate funding and the Ministry is obligated to procure and avail the same. The Ministry requires the remaining balance of Kshs. 2.8 billion to be able to carry out this task.

e) Oceanographic Vessel: Implementation of the Terms of Settlement Agreement – Euro 26.9 Million

The Ministry has negotiated with Euromarine and both parties have agreed on the payment terms and the delivery schedule of the Naval Vessel. In total the Government of Kenya is required to pay Euros 34 million so that the ship can be delivered by 2nd July, 2012. The Treasury provided Euros 10.2 million in the Supplementary Budget as part payment per the terms of Settlement Agreement. The remaining balance of Euro 26.9 million has been prioritized in the budget for the financial year 2012/13.

f) Migration of Microwave Communication Network – Kshs. 1 Billion:

The Ministry plans to surrender CCK frequencies that are currently being used. This requires migration to Microwave Communication Network, which is a joint project between this Ministry, National Security and Intelligence Service and Communication Commission of Kenya (CCK). The project has not yet to be implemented due to lack of funding. The Ministry had factored a total of Kshs. 1 billion in the last financial year but the same could not be availed due to other pressing priorities.

g) Armed Forces Canteen Organization (AFCO) Tax Administration – Kshs. 1 Billion:

The East African Community (EAC) Member States entered into an agreement to provide a budgetary allocation to cater for duty in respect of imports by AFCO. The Ministry requires Kshs. 1 billion to cater for goods imported for AFCO, in the financial year 2012/13.

h) Single Accommodation for Kenya Defence Forces
Kshs. 7.2 Billion:

There is an acute shortage of accommodation for approximately 10,000 junior soldiers. The Ministry had to forego the recruitment of soldiers in the current financial year 2011/12. Ministry has been discussing the issue of Single Accommodation for Kenya Defence Forces with Treasury and the Government was considering to have the same funded from off-shore borrowing so that it can be undertaken as a `turn key` project. The Ministry has estimated the low costing single accommodation to cost about Kshs.7.2 billion. The Ministry considers this requirement to be of emergency in nature and one half of the total requirement, i.e. Kshs.3.6 billion would start off in financial year 2012/13.

Committee's Concerns

- i) The Committee appreciated the Ministry effort in carrying out the modernization programme. The Committee however, noted that some of the projects were not really under modernization. The Committee therefore recommends that the project be properly categorized as either refurbishment or re-equipping.
- ii) Further, the Committee notes that while the Kenya Defence Forces is ensuring that Somalia is safe, more security should be provided to Kenyans within the Country and that

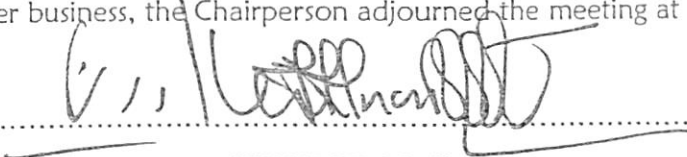
the rear borders be tightly secured. The Committee noted that it would not be justified to spend billions of shillings in securing Somali while creating insecurity in Kenya. The Government should also come up with a way of ensuring that the defectors from Transitional Federal Government Forces (TFG) do not create more security problems.

- iii) The Committee directed that the Commander of the KDF in Somalia should be present in the next meeting in order to adequately update the Committee on the real situation on the ground.
- iv) Further, the Ministry should provide details of the actual expenditure on each item contained in the emergency equipments.
- v) The Committee noted that the House Resolution to segregate the Ministry's budget into three arms of Defence forces had been negated in the FY 2012/13. The lack of segregation of the budget has resulted in the Navy and Air forces being underfunded.
- vi) The Committee sought to know if there was any external assistance being accorded to the KDF. The Committee further directed that the details of the any external assistance be submitted by Friday, 11th May, 2012.
- vii) Treasury should provide funds in order to address the issue of accommodation for the 10,000 junior soldiers.

MIN.NO.675/2012: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 12.10 p.m.

Signed.....



(CHAIRPERSON)

Date.....

15/5/2012

MINUTES OF THE 176TH SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS HELD ON TUESDAY, 9TH MAY, 2012 IN THE COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS AT 3.30 P.M

PRESENT

Hon. Adan Keynan, M.P - Chairperson
Hon. Benedict Fondo Gunda, M.P - Vice Chairperson
Hon. Mohamed Hussein Ali, M.P
Hon. Peter Edick O. Anyanga, M.P
Hon. Jeremiah Kioni, M.P

ABSENT

Hon. Martin Ogindo, M.P
Hon. Kiema Kilonzo, M.P
Hon. Wilson Litole, M.P
Hon. Charles Kilonzo, M.P
Hon. George Omari Nyamweya, MBS, M.P

IN ATTENDANCE: NATIONAL ASSEMBLY

Mr. Julius Ariwomoi	Second Clerk Assistant
Ms. Leah Wanjiru	Third Clerk Assistant
Ms. Maureen Mwendwa	Parliamentary Intern

MINISTRY OF EAST AFRICAN COMMUNITY

Hon. Musa Sirma, MP	- Minister of East African Community
Mr. Chiboli I. Shakaba	- Ag. Permanent Secretary
Mr. Francis Ongaki	- Senior Deputy Secretary
Mr. Barrack Ndegwa	- Integration Secretary
Ms. Pauline Luganjo	- Chief Finance Officer
Mr. David Njoka	- Director
Ms Agnes K. Sila	- Director Social Affairs
Mr. Miginjo Richard	- Deputy Chief Finance Officer
Mr. L.K Kimemia	- Ag. Personal Assistant
Mr. Peter Njoroge	- Deputy Director

MIN.NO. 676/2012:

MEETING WITH MINISTRY OF EAST AFRICAN COMMUNITY-
SCRUTINY OF THE BUDGET ESTIMATES FOR THE FY 2012/13

Introduction

The National Assembly Standing Orders Article 152 (1) and 152 (2) requires the Departmental Committee on Defense and Foreign Relations to receive, examine and interrogate estimates for 2012/2013 Budget of the Ministry of East African Community. It is

for this reason the Minister appeared before that Committee to deliberate on this matter. The Minister, in his submission to the Committee informed as follows:

- i. The Budget of the Ministry of the East African Community was arrived at after extensive consultations with various stakeholders when preparing MTEF Budget under the General Economic, Commercial and Labour Affairs (GECLA) Sector Working Group. It is also extensively informed by the priorities of Vision 2030, the Medium Term Plan, and the Revised Strategic Plan of the Ministry covering the period 2008-2012, and the EAC Treaty, and Protocol programmes.
- ii. The Budget for this Financial Year will assist the Ministry to improve on its coordination role, raise its profile, broaden its operations beyond Nairobi and EAC Secretariat, create and strengthen regional offices at entry and exit border posts, and strengthen the information, education, and communications aspects of the Ministry. This Budget will enable the Ministry to implement key reforms that have been identified and which constitute the strategic focus of the Ministry in the next twelve months.
- iii. The Ministry of EAC does not have any Autonomous and Semi Autonomous Government Agencies.
- iv. The role of the Ministry involves coordination of these 17 areas as well as participation in multi-lateral trade related issues such as EAC-EU and ESA-EU Economic Partnership Agreements (EPAs), World Trade Organization and the Tripartite Agreements between COMESA, EAC and SADC. The Ministry also participates in bilateral meetings with EAC and other countries having interest in Kenya. Each of the five (5) Partner States has a fully fledged Ministry in charge of East African Community Affairs that coordinates the EAC Affairs. The functions of EAC Ministry as stated above are unique and do not overlap with the functions of other Ministries.
- v. In order to establish institutional structures and managerial arrangements that respond closely to the various delivery areas outlined in the Presidential Circular and the Ministry's Strategic Plan (2008-2012), the Ministry recruited 31 Integration officers in 2010. This capacity enhancement though not optimal has improved the coordinating role of the Ministry and in particular the implementation of the Customs Union, Common Market Protocol and the ongoing negotiations of the Monetary Union.
- vi. Kenya is the current Chair of the EAC Policy Organs since November, 2011. Kenya's tenure will last for a year until November, 2012. It is a tradition that the Chair normally hosts at least one EAC Heads of State Summit meeting. The Summit is preceded by Council of Ministers. This has a budgetary implication since the Ministry will have to coordinate the preparatory meetings, Security for Heads of State, Accommodations, Venues of meetings and Hire of VIP's vehicles.

TOTAL BUDGET REQUESTED FROM THE EXCHEQUER AND ALLOCATED FUNDS FOR THE PERIOD 2012/2013

The total budget the Ministry requested from the exchequer for Recurrent and Development vote during Financial Year 2012/13 is Kshs.1,771,000,000.00. This included Kshs.1,705,600,000.00 from Government of Kenya and the Donor Commitment by DFID of Kshs.65,400,000.00. However, the total budgetary allocation for the FY 2012/2013 is Kshs.1,341,400,000.00 comprising of Recurrent vote of Kshs1,265,000,000.00 and Ksh.76,400,000.00 for Development. The Development vote is further disaggregated into Kshs.65,400,000.00 Donor Commitment and Kshs.11,000,000.00 GOK component. It may be noted that the allocation of Kshs.1,341,400,000.00 has left a deficit of Kshs.429,600,000.00.

RECURRENT BUDGET ANALYSIS

The priority spending areas for Recurrent Budget are on the following:-

- (i) Participation in the negotiations of the EAC Monetary Union and Political Federation

- (ii) Participation in the EAC cross cutting issues: EAC – EU EPA, ESA-EU, WTO, bilateral issues and
- (iii) COMESA – EAC – SADC tripartite negotiations
- (iv) Monitoring the elimination of non tariff barriers
- (v) Consolidate Customs Union
- (vi) Implementation of the Common Market

An analysis of the Recurrent Budget indicates a deficit of Kshs. (429,600,000) in 2012/2013 Budget. The most affected Items are;

- i. Statutory EAC contribution Kshs. (195,000,000)
 - The EAC Treaty obligates Partner States to honour her mandatory statutory obligations.
 - As a Ministry we have to honour as Performance Contract
- ii. Hospitality Kshs.(89,108,150),
 - The Ministry will host several preparatory meetings to get to Country Position
 - Kenya is expected to host one EAC Summit as the Chair.
- iii. Foreign Travel Kshs.(15,000,000),
 - As the Chair the Ministry's delegation to EAC meetings will increase.
- iv. Operation and Maintenance Kshs.(114,911,790)
 - Due to expanded capacity, the Ministry will need additional office space and more funding.

DEVELOPMENT BUDGET

In the 2012/2013 Financial Year Allocation, in the Development Budget includes the following projects and programs:-

- (i) Establish and Operationalize Regional Integration Centres namely: Lunga Lunga, Malaba and Isebania
- (ii) Strengthening National Publicity and Advocacy for EAC Integration
- (iii) Strengthening of the Research Reference and Documentation Centre
- (iv) To undertake research on Knowledge, Attitude and Practice (KAP) on Common Market
- (v) Strengthening the expanded mandate of the Central Planning Project Monitoring and evaluation Unit to undertake research, monitoring and evaluation activities
- (vi) Strengthening of the Directorate of Information, Education and Communications

2.6 Analysis of Development Vote in percentages

SUMMARY OF THE 2012/13 BUDGET (Development)				
ITEM	Amount Requested Details	Requested Amount (Kshs.)	ALLOCATED AMOUNT(Kshs.)	VARIANCE

Administrative Expenditure	Includes printing, advertising and information supplies and services, training, hospitality, research, feasibility and appraisal studies	36,061,696	36,061,696	0
Regional Integration Centers	Includes acquisition of land and building of construction	2,000,000	2,000,000	0
Research/Reference Document Centers	Includes purchase of specialized materials, education and library supplies	7,638,304	7,638,304	0
East African Community	Includes printing, advertising and information supplies and services, training, hospitality, research, feasibility and appraisal studies	13,700,000	13,700,000	0
Trade Mark EA Programme	Technical assistance and support	17,000,000	17,000,000	0
Total		76,400,000	76,400,000	0

OUTSTANDING ISSUES IN THE MINISTRY'S 2011/2012 BUDGET

1. In the current Financial Year 2011/2012 the Ministry remitted Ksh.515 million to EAC Secretariat being the country's statutory contribution. The deficit amounts to Kshs.40 million occasioned by the weakening of the Kenya shilling against the US dollar.
2. Kshs. 5 million cater for a historical Bill on Somali talks in Eldoret.
3. Kshs. 350 million (arrears) owed to inter university council of East African (IUCEA) by Ministry of Higher Education, Science and Technology which was to be channeled via Ministry of East African Community – Pursuant to EAC Council resolutions.
4. Kshs. 65 million owed to ASIS Hotel Limited, Eldoret, on Somalia peace talk (HCC. No. 194 of 2009).
5. Kshs. 100 million requested in December, 2011 to cater for Kenya's ascension to EAC Chairmanship not provided for in the current Financial Year and therefore the Ministry is facing challenge of effectively exceeding the role of the Chairmanship.
6. Requested Treasury for Kshs.150 million to cater for hosting the 14th Ordinary Summit of EAC Heads of States.
7. Kshs.100 million to cater for the 12th Extra Ordinary Summit in June, 2012.

All outstanding issues amounts to Kshs. 810,000,000.00 have not been catered for by the Treasury and therefore will make it difficult for the Ministry to meet its financial obligation.

EMERGING ISSUES AND CHALLENGES

Four emerging issues have been identified and require attention. They include:-

1. Inadequate Budgetary allocation to the Ministry which is impacting on core programmes including Statutory obligations;
2. Failure to allocate what the Ministry had requested means it will have a shortfall of Kshs. (429,600,000.00)
3. Funding and implementation of the devolved Government in compliance to Constitutional dispensation; The Ministry intends to open two more offices in addition to the already two opened. This may now not be possible in view of low budgetary allocations
4. Transfer of officers to operationalize four new integration centres, Namanga, Busia, Isebania and Lungalunga.

The Ministry's Budget for the Financial Year 2011/2012 and 2012/2013 has a short fall of 810 million which is segregated into 140 million and 670 million respectively. For the current Financial Year the shortfall is mainly on statutory contributions of 40 million and 100 million for the 12th Extra Ordinary Summit scheduled for June, 2012.

The Financial Year 2012/2013 the Ministry will also have a budget shortfall to the tune of 670 million. This will pose a challenge to the Ministry to perform its mandate optimally. The Ministry will be able to remit Kenya's contribution to the EAC Secretariat of Kshs. 515 million though with a shortfall of Kshs. 195,000,000.00

Thirdly, the Ministry will have a strong sensitization program as well as Monitoring and Evaluation required for better implementation of the integration process Agenda.

Fourthly, Kenya stands to gain from the East African Community through:

- (i) A market size of 133 million people
- (ii) Combined GDP (normal) of US dollars 79.2 billion
- (iii) Employment opportunities for the following workers:
 - Professionals
 - Administrators and Managers
 - Technical and Associate professionals
 - Craft and related workers
- (iv) Opportunities for increased trade in goods and opportunity to trade in services in the following sectors:
 - Professional and Business Services
 - Distribution Services
 - Education Services
 - Financial Services
 - Tourism and Travel related services
 - Transport services
- (v) Increased opportunities to mobilization of capital through the following categories of capital on a regional basis:
 - Equity and portfolio investments
 - Bonds and other debt instruments
 - Money market instruments

- Collective investment schemes
- Derivative products
- Bank transactions
- Direct investments

(vi) Projects and programmes for example: the completed Arusha – Namanga – Athi river road, EAC Electricity Master plan, Transboundary Resource Management, Standard gauge railway line.

Committee's Concern

The Committee noted that the issue of pending bill owed to ASIS Hotel Limited, Eldoret, on Somalia peace talk, needed to be resolved promptly to avoid further accrual to the original amount of Kshs. 47 million which as at now stands at Kshs. 65 million. The Committee however needs justification as to why the pending bill (that was initially under the Ministry of Foreign Affairs) had not been taken over by the Ministry of Foreign Affairs, even as the mandate of the Somali Peace talk was taken back to the Ministry of Foreign Affairs. The Committee resolved to hold a joint meeting with the Ministries of Finance and East African Community to deliberate on this issue.

MIN.NO.677/2012: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 4.45 p.m.

Signed.....



(CHAIRPERSON)

Date.....

15/5/2012

MINUTES OF THE 178TH SITTING OF THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS HELD ON TUESDAY, 15TH MAY, 2012 IN THE COMMITTEE ROOM 7, MAIN PARLIAMENT BUILDINGS AT 12.00 NOON

PRESENT

Hon. Adan Keynan, M.P - Chairperson
Hon. Benedict Fondo Gunda, M.P - Vice Chairperson
Hon. Charles Kilonzo, M.P
Hon. Wilson Litole, M.P
Hon. Martin Ogindo, M.P
Hon. George Omari Nyamweya, MBS, M.P

ABSENT

Hon. Mohamed Hussein Ali, M.P
Hon. Peter Edick O. Anyanga, M.P
Hon. Jeremiah Kioni, M.P
Hon. Kiema Kilonzo, M.P

IN ATTENDANCE: NATIONAL ASSEMBLY

Mr. Julius Ariwomoi	Second Clerk Assistant
Ms. Leah Wanjiru	Third Clerk Assistant
Ms. Maureen Mwendwa	Parliamentary Intern

MIN.NO. 682/2012: PRELIMINARY

The Chairman called the meeting to order. Thereupon, the meeting commenced with word of prayer

MIN.NO. 683/2012: CONFIRMATION OF MINUTES

The minutes of the 173rd, 174th, 175th and 176th sittings were confirmed as a true records of the proceedings as follows:

173rd sitting

Proposed - Hon. Charles Kilonzo, M.P
Seconded - Hon. George Omari Nyamweya, MBS, M.P

174th sitting

Proposed - Hon. Charles Kilonzo, M.P
Seconded - Hon. George Omari Nyamweya, MBS, M.P

175th sitting

Proposed - Hon. George Omari Nyamweya, MBS, M.P
Seconded - Hon. Charles Kilonzo, M.P

176th sitting

Proposed - Hon. Charles Kilonzo, M.P

Seconded - Hon. George Omari Nyamweya, MBS, M.P

MIN.NO. 684/2012: CONSIDERATION AND ADOPTION OF THE REPORT ON THE BUDGET ESTIMATES FY 2012/13

The Committee considered all the recommendations as here below outlined and agreed to adopt the report for consideration as follows:

- a) The Committee noted that the amounts allocated to NSIS, i.e. Kshs. 13,414,000,000 should be reduced (by Kshs. 2,798,000,000) to Kshs. 10, 616, 000, 000 (being the amounts requested in the previous year) since the entity has also not proved that it is accountable to the people of Kenya through Parliament.

The Committee proposed that the balance of Kshs. 2,798,000,000 be reallocated to the following votes and Heads as indicated:

- i) Ministry of State for Defence, Vote 108 Head 0001 Headquarters Administrative Services; Kshs. 688,000,000 for construction of housing units for 10,000 junior soldiers;
- ii) Ministry of East African Community, Vote R. 124, Head 0008; Kshs. 240,000,000 to cater for the deficit to EAC subscriptions that arose from depreciation of Kenya shilling, effectively cater for Kenya's ascension to EAC Chairmanship and hosting of the 12th Extra Ordinary Summit of EAC;
- iii) Ministry of Foreign Affairs, Vote R. 104, Head 0001 Headquarters and Administrative Services, Kshs. 470,000,000 to cater for foreign service allowance to staff;
- iv) Ministry of Foreign Affairs, Vote D. 104, Head 0104 New York, Kshs. 800,000,000 to cater for Purchase of Chancery building;
- v) Ministry of Foreign Affairs, Vote D. 104, Head 0124 Kampala, Kshs. 450,000,000 to cater for Purchase of Chancery building; and
- vi) Ministry of Foreign Affairs, Vote D. 104, Head 0153 Juba, Kshs. 150,000,000 to cater for Development of the Mission.
- b) The Mission in Dublin (Ireland) should be closed down because it does not serve any significant diplomatic and economic purpose and any money allocated to it should not be allowed by Parliament.

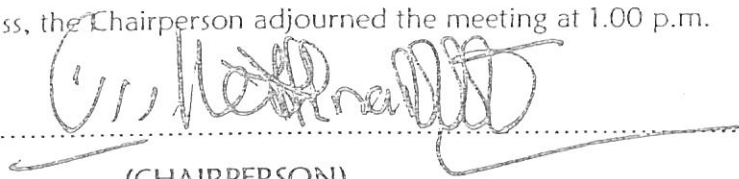
The Committee proposed that the amount of Kshs. 106,940,693 provided in the estimates for the mission should be reallocated and used to open a new consulate in Jedah, Saudi Arabia.

- d) **Adoption:** all the Members present unanimously adopted the report as follows:
Proposed - Hon. George Omari Nyamweya, MBS, M.P

MIN.NO.685/2012: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 1.00 p.m.

Signed.....



(CHAIRPERSON)

Date.....

15/5/2012

