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ELEVENTH PARLIAMENT - FOURTH SESSION - 2016

NATIONAL ASSEMBLY

A COMPENDIUM OF COMMITTEE RECOMMENDATIONS ON BUDGET
POLICY STATEMENT 2017

Paper Laid on the
Table of the
House by
the Chairperson of
the Budget and
Appropriations
Committee on Tuesday
20th December 2016

in the Afternoon.

December 2016

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REPUBLIC OF KENYA



NATIONAL ASSEMBLY

11TH PARLIAMENT – FOURTH SESSION - 2016

DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND NATIONAL
SECURITY

REPORT ON THE CONSIDERATION OF THE BUDGET POLICY STATEMENT
2017/18

DIRECTORATE OF COMMITTEE SERVICES,
CLERK'S CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI

DECEMBER, 2016

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EXECUTIVE SUMMARY

The Budget Policy Statement (BPS) was submitted to the House on Thursday 24th November, 2016 pursuant to Standing order 232(1) and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

The second schedule of the standing orders for the National Assembly mandates the Departmental Committee on Administration and National Security to consider matters relating to National security, Police services, Home Affairs, Public Administration, Public Service, prisons, Immigration and the management of natural disasters. It is from this perspective that this Committee is now mandated to scrutinize the estimates under the Presidency, State Department of Interior and Border Management, and State Department for Correctional Services, the Public Service Commission, the Public Service Transformation programme under the State Department for Public Service and Youth Affairs the National Police Service Commission and the Independent Police Oversight Authority.

The Committee recommends that the House approves the ceilings of **KShs 8, 791,000,000** for the Presidency, vote 1011; **KShs 119, 682,000,000** for the State Department of Interior, vote 1021; **KShs. 21,646,800,000** for the State Department of Correctional Services, vote 1022; **KShs 1, 269,000,000** for the Public Service Commission, vote 2071; **KShs 486,000,000** for the National Police Service Commission vote 2101; **KShs 7,211,000,000** for the Public Service Transformation programme in the State Department for Public Service and Youth Affairs vote 1211 and **KShs 524,000,000** for the Independent Police Oversight Authority vote 2151 for FY 2017/2018

1.0 PREFACE

The Budget Policy Statement (BPS) was submitted to the House on Thursday 24th November, 2016 pursuant to Standing order 232(1) and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

1.1 Mandate of the Committee

The Departmental Committee on Administration and National Security is established pursuant to the provisions of Standing Order No. 216 (1) and (5) with the following terms of reference:-

- i. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
- ii. 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;
- iii. to study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- iv. to study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- v. to investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister.
- vi. study and review all legislation referred to it

1.2 Committee subjects

The Committee is mandated to consider the following subjects:-

- i. National security
- ii. Police services
- iii. Public Administration
- iv. Public Service
- v. Prisons
- vi. Immigration
- vii. Management of natural disasters

1.3 Oversight

In executing its mandate, the Committee oversees the following Government Departments and agencies, namely:-

- i. The Presidency;
- ii. The State Department of Interior;
- iii. The State Department for Coordination of National Government;
- iv. The Public Service Commission;
- v. The National Police Service Commission; and
- vi. The Independent Police Oversight Authority

1.4 Members of the Committee

Chairperson Hon. Asman Kamama, MGH, OGW, MP

Vice Chairperson Hon. Alois M. Lentoimaga, MP

Hon. Joseph Lekuton, MP

Hon. Alice Wahome, MP

Hon. Zakayo K. Cheruiyot, MP

Hon. Timothy W. Wetangula, MP

Hon. Patrick Ole Ntutu, MP

Hon. Ali Isaack Shaaban, MP

Hon. Samuel Moroto, MP

Hon. (Dr.) Humphrey Njuguna, MP

Hon. Francis K. Mwangangi, MP

Hon. Rashid J. Bedzimba, MP

Hon. David Gikaria, MP

Hon. Mohamed Shidiye, MP

Hon. Jane Machira, MP

Hon. Ibrahim Abdi Saney, MP

Hon. Joseph O. Ndiege, MP

Hon. Wanjiku Muhia, MP

Hon. Akuja Protus Ewesit, MP

Hon. Joseph M. Kahangara, MP

Hon. Grace Kiptui, MP

Hon. George Theuri, MP

Hon. James Bett, MP

Hon. Benard Shinali, MP

Hon Charles Nyamai, MP

Hon Fatuma Ibrahim Ali, MP

Hon. (Dr.) Makali Mulu, MP

Hon. Peter Kaluma, MP

Hon. James Wandayi, MP

1.5 Committee Observations

The Committee in its deliberation of the BPS 2017 observed

- 1) A lack of status report on progress on reforms and modernization of security as outlined in the previous BPS
 - Housing Units for the National Police Service and Prisons
 - Establishment of Security Integrated Infrastructure Development Fund in 2015
 - Leasing of motor vehicles for the police
 - Status of guidelines for installation of CCTV systems in all urban buildings which were to be developed by the National Government in collaboration with the county governments
- 2) That unlike the previous BPS, the BPS 2017 does not commit on targets to be achieved. For instance, it does not set targets for key Police Modernization programmes such as Police Housing, Leasing of Motor Vehicles, and construction and equipping of forensic laboratory among others.
- 3) That there is no link between the ceilings as passed by Parliament with subsequent resource allocation i.e. the BPS ceilings over the past years has never informed the estimates as required by the Public Finance Management Act 2012. This was noted to be the case for the Presidency and State Departments of Interior and Correctional Services.
- 4) That the ceilings provided for development spending for State Department of Interior and Correctional Services are not indicative of the approved ceilings for the two outer years as approved in 2016 and 2015, contrary to PFM regulations part 27(5)
- 5) That there is no adherence to Medium Term plan when implementing projects. For instance it was noted that the State Department of Correctional Services are constructing 17 prisons which are all ongoing but according to the Second Medium Term Plan, they were to prioritize construction of 6 prisons. It is for this reason that all the 17 prisons

under construction are less than 40 per cent complete yet the government is soon launching the third Medium Term Plan.

1.6 Committee Recommendations

The Committee recommends that the House approves the ceilings of **KShs 8, 791,000,000** for the Presidency, vote 1011; **KShs. 119, 682,000,000** for the State Department of Interior, vote 1021; **KShs. 21,646,800,000** for the State Department of Correctional Services, vote 1022; **KShs 1,269,000,000** for the Public Service Commission, vote 2071; **KShs 486,000,000** for the National Police Service Commission vote 2101; **KShs 7,211,000,000** for the Public Service Transformation programme under State Department for Public Service and Youth Affairs vote 1211 and **KShs 524,000,000** for the Independent Police Oversight Authority vote 2151 for FY 2017/2018

Other Recommendations

- 1) It has been reported that under the leasing of police motor vehicles programme, the fueling of such vehicles is done far away from police stations making far flung areas to be vulnerable in case of an emergency. There is need to carry out an audit on the value for money for this particular programme. There should be fueling points of the motor vehicles in all the counties and work progressively towards having the same in the sub counties.
- 2) The policy on construction of police housing should be reviewed with the aim of setting realistic targets which are achievable. Currently the rate of acquiring houses for the police is low yet the Police force keeps on expanding. Over the last four years, the Service has been recruiting 10,000 officers yet they have managed to acquire less than 1,500 houses over the last four years. It is recommended that the National Police Service sets realistic targets of constructing their houses so that the excess allocation be allocated to Independent Policing Oversight Authority (IPOA) and further be used to reduce the overall budgetary deficit.
- 3) Section 3(3) of the IPOA Act requires the Authority to de-centralise its services to counties in accordance with Article 6 of the Constitution. It is recommended that IPOA

sets up eight regional offices in line with the structure of defunct provinces and progressively work towards having their offices in all the 47 counties.

2.0 BACKGROUND

The Budget Policy Statement is published in accordance with Section 25 of the Public Finance Management Act, 2012. In preparing the Budget Policy Statement, the National Treasury is required to set out the broad strategic priorities and policy goals that will guide the National Government and County Governments in preparing their budgets both for the following financial year and over the medium term. The National Treasury is required to include the following in the Budget Policy Statement:-

- (a) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
- (b) The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
- (c) The proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicative transfers to county governments; and
- (d) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.

The submission and processing of the BPS by the National Assembly is anchored in Standing Order No 232. The Standing order requires among other things the budget policy statement (BPS) to indicate total resources to be allocated to individual programmes and projects within a sector and indicate the outputs expected from each such programme or programme during the period.

The second schedule of the standing orders for the National Assembly mandates the Departmental Committee on Administration and National Security to consider matters relating to National security, Police services, Home Affairs, Public Administration, Public Service, prisons, Immigration and the management of natural disasters. It is from this perspective that this Committee is now mandated to scrutinize the estimates under the Presidency, State Department of Interior and Border Management, and State Department for Correctional Services, the Public Service Commission, the Public Service Transformation programme in the State Department for

Public Service and Youth Affairs, the National Police Service Commission and the Independent Police Oversight Authority.

The Committee is equally tasked with the responsibility of scrutinizing the budget related policies, programmes and their objectives and the effectiveness of their implementation. This brief serves to guide the Committee as it accomplishes this role. The Administration and National security Committee consists of seven votes namely vote 1011: the Presidency Vote 1021: State Department for Interior, Vote 1022: State Department of Correctional Services, Vote 2071: The Public Service Commission, Vote 2101: Public Service Transformation programme in the State Department for Public Service and Youth Affairs, Vote 1211; National Police Service Commission and Vote 2151; The Independent Police Oversight Authority.

The mandate of the Agencies under the purview of the Committee includes management of State House Affairs, Appointment of Cabinet Secretaries and Principal Secretaries, National Government Coordination, Internal Security affairs, Registration of persons, Kenya Prison services among others. The Ministries derive their mandate from Executive order No. 2 of 2013.

The Role of the Administration and National Security Sector in Economic Growth

- 1) The National security Sector's mission is to forewarn, prevent, deter and defend the nation against internal and external threats, in pursuit of the protection of the sovereignty, territorial integrity and stability of the Republic.
- 2) The sector provides a secure and stable environment by defending and protecting the country against internal and external aggression, availing timely and actionable security intelligence and conducting effective counter intelligence.
- 3) A secure environment that is safe and conflict free promotes public confidence and also integrates the various sectors of the economy. A secure environment therefore attracts

investment to a country as no investor would want to invest in a trouble and conflict infested society.

4) Indeed these are the foundations of Vision 2030 which is anchored on three pillars: Economic; Social and Political Governance. The Economic pillar aimed at achieving 10% economic growth per annum

5) The following table shows the contribution of these agencies combined directly or indirectly into the economy in the period 2010-2016.

Envisaged Outputs for 2017/2018

MDA	Vision 2030/MTP II	Sector Report 2017	BPS 2017
The Presidency	Coordination of all projects related to LAPSET, National Values and Ethics	Fulfillment of Constitutional Mandates of the President, Improved infrastructure	Overall policy, leadership and Oversight in economic and devolution management
Interior	Completion of the Forensic Laboratory, Installation of CCTV cameras, Complete Modernization including housing projects	Improved security by installing 2,000 cameras, Recruitment of more police officers, Acquiring 3,000 houses	Improving security to create a conducive business environment that encourages innovation, investment, growth and expansion of economic and employment; modernization of the policing services
Correctional Services	Completion of the construction of 6 prisons	Improved inmates welfare Improved prisons infrastructure e,	Improved inmates welfare Improved prisons infrastructure,
PSC	Public Service Transformation Strategy, Training and Capacity Building	Enhanced Staff Capacity	

NPSC	better trained and equipped Police and their operational capability improved	Automated police Policies and regulations on appeals and disciplinary developed services,	

Source: MTP II, Sector Working Group Report, 2016 and BPS

Analysis of Resource Requirements against resources allocated in KShs. Millions							
MDA	2017/2018		2018/2019		2019/2020		% Allocation to requirement 2017/2018
	Required	Allocated	Required	Allocated	Required	Allocated	
The Presidency	8,083	8,593	9,216	9,216	9,454	9,454	106.3
Interior	173,639	121,681	156,782	128,830	154,951	133,865	70.1
Correctional Services	31,510	21,046	35,602	22,310	40,898	23,353	66.8
PSC	1,268	1,209	2,103	1,246	2,280	1,281	95.3
NPSC	650	485	714	499	721	514	74.6
IPOA	850	524	865	539	900	555	61.6
Public Service Transformation	7,213	7,213	7,486	7,486	7,610	7,610	100.0

- Recruitment, training and deployment of 10,000 police officers
- Establishment of 90 new community policing centres
- Acquire/lease 1,200 motor vehicles and 4 aircrafts

Provide 80% of officers with communication equipment

Efficient and faster crime investigation and resolution;

- Complete the construction of the forensic laboratory and initiate the process of equipping
- Train 2,500 officers on various specialized courses
- Deploy 750 intelligence officers

Improved police welfare;

- Continued Implementation of the comprehensive medical cover and group life insurance for all officers
- Acquire 3,000 more NPS housing units

Improved population and registration services

- Issue 2.6 Million Identity cards, 160,000 passports and 1.5 million birth certificates
- Increase birth and death coverage to 90%
- Connect 20 more Agencies to IPRS
- Issue 23,000 work permits and 160,000 passport
-

To implement the above targets the State Department required **Kshs 178.45 Billion**. It was however allocated **Kshs 119.56 Billion** during the just concluded Sector Working Group held in Mombasa; representing a financing deficit of **Kshs 58.89Billion**. Initially the development budget had a proposed allocation of **Kshs 16,911.79 Million** which went down by **Kshs 2 billion** to **Kshs 14,911.79 Million**. This is due to the transfer of border securitization allocation of **Kshs 2 billion** to Ministry of Defence.

2.1.3 State Department of Correctional Services

The State Department ceiling has been set at **KShs. 21,646,800,000** against a resource requirement of **KShs. 35,602,000,000** in the 2017/18 Financial Year,

The State Department of Correctional Services has not achieved some targets which were part of Medium Term Plan as shown below:

- Construction of penal facilities
- Staff Houses/Prison Wards/Health facilities
- Prison Staff Housing project
- Security in Penal Institutions

Key Projects for the State Department of Correctional Services				
	BPS 2014 Achieved BPS 2014	Achieved	BPS 2015	Achieved
Completion of the construction of 6 prisons	Complete construction of prisons	17 prisons are being constructed at different level of completion from 10% to 70 with majority being below 40%	45% completion level	The 17 prisons are 40% complete
Construction of Borstal Institution(BI) /Office blocks/Prison Staff Training college	Complete construction of BI	The BI is at 25% completion rate. Constructed 35 office blocks	90% completion level	The BI was 80% complete
Staff Houses/Prison wards/Health Facilities	Construct 9000 staff houses			355 staff houses completed/ 75 prison wards completed/ 5 health

- Construction of high security (maximum) prisons, kitchen facilities, dining halls, sewerage systems, offices, water supply systems, electrical systems and security installations (under Strategic interventions)
- Review the terms and conditions of service of all prisons staff to allow them live in humane and conducive environment
- Lease 600 appropriate vehicles to address the acute shortage at the state department
- Develop specific rehabilitation programmes based on criminogenic needs and introduce more training courses for inmates.
- Provide sufficient funding to cater for travelling costs, fuel oil and lubricants and vehicle maintenance for the State Department
- Reinstate, review and implement Prisoners Earning Scheme.
- Modernize Prison Industries and Farms
- Fast-track revision of Prisons Act, Borstal Institutions Act and operationalize the recently enacted legislations incidental to containment and rehabilitation of inmates such as Persons Deprived of Liberty Act and the Transfer of Prisoners Act.
- Modernize the communication equipment and integrate the information management system encompassing the computerization of prison data to determine the levels of recidivism and its causes.
- Develop the capacity of prison staff to handle the 21st century prisoner. Build halfway houses to accommodate released prisoners to give them room to get ready for re-integration.

2.1.3 Public Service Commission

The Public Service Commission ceiling has been set at **KShs 1,269,000,000** against resource requirements of **KShs 2, 103,000,000** in the 2017/18 Financial Year.

During the MTEF 2013/2014 – 2015/2016, The Commission implemented the following programs general administration, planning and support services; human resource management and development and governance and national values in the public service. Indeed these are the programmes the Commission will be implementing the MTEF 2016/2017-2018/2019. According

to sector working group report 2016, The major achievements made during the period under review included; two benchmark surveys on national values and principles of public service throughout the service; assisted MDAs in the formulation of the organizational structures and facilitated the capacity and restructuring programme in the entire civil service; strengthened delegated powers to authorized officers in MDAs on management of human resources up to level of job Group P with exclusion of new entrants at graduate level; and, upgraded several systems.

2.1.5 National Police Service Commission

The National Police Service Commission ceiling has been set at **KShs 486,000,000** against resource requirements of **KShs 714, 000,000** in the 2017/18 financial year.

During the period under review, the Commission developed recruitment guidelines and manuals; participated in recruitment of 30,000 police constables; developed vetting tools and regulations, and commenced vetted senior Police officers up to the rank of Superintendent of Police.

2.1.6 The independent Police Oversight Authority

The Authority's ceiling has been set at **KShs 524,000,000** against resource requirements of **Kshs. 865,000,000** in 2017/18 financial year.

The independent Police Oversight Authority received 3,247 complaints of which 141 were investigated and 21 were recommended for prosecution by the Director of Public Prosecution.

3.0 COMMITTEE OBSERVATIONS

The Committee in its deliberation of the BPS 2017 observed as follows:-

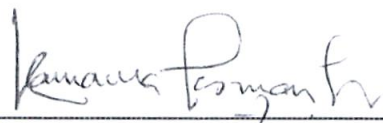
1. A lack of status report on progress on reforms and modernization of security as outlined in the previous BPS
 - Housing Units for the National Police Service and Prisons;
 - Establishment of Security Integrated Infrastructure Development Fund in 2015;
 - Leasing of motor vehicles for the police;
 - Status of guidelines for installation of CCTV systems in all urban buildings which were to be developed by the National Government in collaboration with the county governments.
2. That unlike the previous BPS, the BPS 2017 does not commit on targets to be achieved. For instance, it does not set targets for key Police Modernization programmes such as Police Housing, Leasing of Motor Vehicles, and construction and equipping of forensic laboratory among others.
3. That there is no link between the ceilings as passed by Parliament with subsequent resource allocation i.e. the BPS ceilings over the past years has never informed the estimates as required by the Public Finance Management Act 2012. This was noted to be the case for the Presidency and State Departments of Interior and Correctional Services.
4. That the ceilings provided for development spending for State Department of Interior and Correctional Services are not indicative of the approved ceilings for the two outer years as approved in 2016 and 2015, contrary to PFM regulations part 27(5).
5. That there is no adherence to Medium Term plan when implementing projects. For instance it was noted that the State Department of Correctional Services are constructing 17 prisons which are all ongoing but according to the Second Medium Term Plan, they were to prioritize construction of 6 prisons. It is for this reason that all the 17 prisons

under construction are less than 40 per cent complete yet the government is soon launching the third Medium Term Plan.

4.0 COMMITTEE RECOMMENDATIONS

- 1) The Committee recommends that the House approves the ceilings of **Kshs 8, 791,000,000** for the Presidency, vote 1011; **KShs. 119, 682,000,000** for the State Department of Interior, vote 1021; **KShs. 21,646,800,000** for the State Department of Correctional Services, vote 1022; **KShs 1,269,000,000** for the Public Service Commission, vote 2071; **KShs 7,211,000,000** for the Public Service Transformation programme under the State Department for Public Service and Youth Affairs vote 1211; **KShs 486,000,000** for the National Police Service Commission vote 2101 and **KShs 524,000,000** for the Independent Police Oversight Authority vote 2151 for 2017/2018.
- 2) It has been reported that under the leasing of motor vehicles programme, the fueling of such vehicles is done far away from other police stations making far flung areas to be vulnerable in case of an emergency. There is need to carry out an audit on the value for money for this particular programme. There should be fueling points of the motor vehicles in all the counties and work progressively towards having the same in the sub counties.
- 3) The policy on construction of police housing should be reviewed with the aim of setting realistic targets which are achievable. Currently the rate of acquiring houses for the police is low yet the Police force keeps on expanding. Over the last four years, the Service has been recruiting 10,000 officers yet they have managed to acquire less than 1,500 houses over the last four years. It is recommended that the National Police Service sets realistic targets of constructing their houses so that the excess allocation be allocated to Independent Policing Oversight Authority (IPOA) and further be used to reduce the overall budgetary deficit.
- 4) Section 3(3) of the IPOA Act requires the Authority to de-centralise its services to counties in accordance with Article 6 of the Constitution. It is recommended that IPOA sets up eight regional offices in line with the structure of defunct provinces and progressively work towards having their offices in all the 47 counties.

Date: 14/12/2016

Signature: 

The Hon. Asman Kamama, MGH, OGW, MP
Chairperson Departmental Committee Administration and National Security

REPUBLIC OF KENYA



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ELEVENTH PARLIAMENT - FOURTH SESSION - 2016

THE NATIONAL ASSEMBLY

DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK AND
COOPERATIVES

REPORT ON 2017/2018 BUDGET POLICY STATEMENT (BPS)

DIRECTORATE OF COMMITTEE SERVICES,
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS,
NAIROBI

DECEMBER, 2016

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EXECUTIVE SUMMARY

The Departmental Committee on Agriculture, Livestock and Cooperatives is established and mandated under Standing Order No. 216 to inter alia investigate, inquire into and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments.

The Budget Policy Statement (BPS) is published in accordance with section 25 of the Public Finance Management Act, 2012. In this case, therefore, the 2016 BPS under the revised budget calendar on account of the 2017 general elections refers to 2017/18 period as the immediate fiscal year after the current 2016/17, and 2018/19 and 2019/20 being the three-year Medium Term Expenditure Framework (MTEF).

Parliament is required to scrutinize the BPS and the programmes that the various spending agencies are undertaking with a view of establishing whether the resources being requested for relate to specific outputs that will lead to results as intended and as provided in the national agenda which is the vision 2030.

The second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Agriculture, Livestock and Cooperatives the mandate to consider matters related to

- i. The State department of Agriculture
- ii. The State Department of livestock
- iii. The State Department for fisheries
- iv. The State Department of Cooperatives
- v. The State Department of Irrigation.

It is from this perspective that this committee is now mandated to scrutinize the BPS and estimates proposals for the above mentioned State Departments. The Committee is equally

tasked with the responsibility of scrutinizing the budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

On behalf of the Departmental Committee on Agriculture, Livestock and Cooperatives, and pursuant to Standing Orders No.199 of the National Assembly, I now have the honor to present the Report thereto for adoption pursuant to the provisions of standing orders of the National Assembly.

Being the Chairperson of the Committee, I take this opportunity to thank all the Members of the Committee for their useful contributions during the long hours under tight schedules which enabled us to complete the task within the stipulated period.

The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee, their efforts made the work of the Committee and the production of this report possible.

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Agriculture, Livestock and Cooperatives, to present this report to the House pursuant to the provisions of Standing Orders of the National Assembly.

MANDATE OF THE COMMITTEE

The Committee under Standing Order 227 is mandated to respond to the petitioner by way of a report addressed to the petitioner or petitioners and laid on the floor of the House

The Committee is established in accordance with the provisions of Standing Order No. 216, with the following terms of reference: -

- i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- ii. To study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- iii. To study and review all legislation referred to it;
- iv. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- v. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister;
- vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments); and
- vii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

COMMITTEE SUBJECTS

The Committee is mandated to consider the following subjects:-

- i. Agricultural services
- ii. Livestock services
- iii. Fisheries
- iv. Cooperatives

OVERSIGHT

In executing its mandate, the Committee oversees the following Government Departments and agencies, namely:-

- vi. The State department of Agriculture
- vii. The State Department of livestock
- viii. The State Department for fisheries
- ix. The State Department of Cooperatives
- x. The State Department of Irrigation

MEMBERS OF THE COMMITTEE

Chairperson The Hon. Adan M. Nooru, MBS, CBS, MP

Vice Chairperson The Hon. Kareke Mbiuki, M.P

Members The Hon. Daniel Maanzo, MBS,
The Hon. Silas Tiren, M.P
The Hon. Maison Leshoomo, M.P
The Hon. Mary Wambui, M.P

The Hon. (Dr.) Victor Munyaka, M.P

The Hon. Korei Ole Lemein, M.P

The Hon. John B. Serut, M.P

The Hon. Peter N. Gitau, M.P

The Hon. Florence Mutua, M.P

The Hon. John Kobado, M.P

The Hon. Benjamin Washiali, M.P

The Hon. Patrick Wangamati, M.P

The Hon. Jmaes Opiyo Wandayi, M.P

The Hon. Raphael Letimalo, M.P

The Hon. Ayub Savula Angatia, M.P.

The Hon. Waititu Munyua, M.P

The Hon. Kimani Ichung'wah, M.P

The Hon. Ferdinand Wanyonyi, M.P

The Hon. Kabando Wa Kabando, M.P

The Hon. Justice Kemei, M.P

The Hon. Benjamin Andayi, M.P

The Hon. Millie Odhiambo - Mabona, M.P

The Hon. Jude Njomo, M.P

The Hon. Fredrick Outa, M.P

The Hon. Aisha Jumwa, M.P

The Hon. Alfred Kiptoo Keter, M.P

The Hon. Paul Simba Arati, M.P

COMMITTEE SECRETARIAT

First Clerk Assistant	Mr. Benjamin Magut
Clerk Assistant	Ms. Naserian Lotuai
Clerk Assistant	Mr. Ahmad Guliye
Legal Counsel	Ms. Brigita Mati
Research & Policy Analyst	Mr. David Ngeno
Fiscal Analyst	Ms. Lucy Makara

1.0 INTRODUCTION

The Budget Policy Statement (BPS) is published in accordance with section 25 of the Public Finance Management Act, 2012. In this case, therefore, the 2016 BPS under the revised budget calendar on account of the 2017 general elections refers to 2017/18 period as the immediate fiscal year after the current 2016/17, and 2018/19 and 2019/20 being the three-year Medium Term Expenditure Framework (MTEF).

Parliament is required to scrutinize the BPS and the programmes that the various spending agencies are undertaking with a view of establishing whether the resources being requested for relate to specific outputs that will lead to results as intended and as provided in the national agenda which is the vision 2030.

The second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Agriculture, Livestock and Cooperatives the mandate to consider matters related to Agriculture, Livestock, Fisheries, Cooperatives, and Irrigation.

It is from this perspective that this Committee is mandated to scrutinize the BPS and estimates proposals for the Ministry of Agriculture, Livestock and Cooperatives. The Committee is equally tasked with the responsibility of scrutinizing the budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

1.1 THE ROLE OF THE SECTOR IN OVERALL ECONOMIC GROWTH

- 1) The State Departments of Agriculture, Livestock and Fisheries and Blue Economy belong to the Agriculture, Rural and Urban Development (ARUD) sector which is among the sectors aimed at delivering 10% economic growth rate under the vision 2030.
- 2) According to the economic survey of 2016 and as shown in table 1, the sub-sectors of Agriculture, Livestock and Fisheries have constantly contributed 25% to the overall GDP at market prices for the 2012 -2013 but the contribution increased to 26% in 2014 and 29% in 2015. The 29% contribution in 2015 was valued at **Kshs. 1.78 trillion**.
- 3) On average, the subsector contributes 27% to the Country's GDP through linkages with others like manufacturing, distribution and service related sectors. The subsector also contributed 57% of the total exports, 14% of the formal employment and 60% of total employment.
- 4) Table 1 bellow shows the contribution of the sector to the GDP for the period 2011-2015.

	2012	2013	2014	2015
contribution of Agriculture, livestock and fishing	1,055,821	1,186,239	1,400,432	1,786,401
Appropriation Account (overall expenditure)	1,275,863	1,472,394	2,099,370	2,043,909
National budgetary allocation Agri., Liv & Fisheries	34,674	45,811	47,837	45,286*
budgetary allocation by Counties	0	2,876	14,200	23,102
Total Expenditure on Agriculture	34,674	48,687	62,037	68,388
% of Agriculture expenditure on overall expenditure	3%	3%	3%	3%
GDP at Market Prices	4,261,151	4,745,439	5,398,020	6,224,369
% contribution to GDP	25%	25%	26%	29%

Source: KNBS, Treasury & PBO Calculations

2.0 SUBMISSIONS ON THE BUDGET POLICY STATEMENT

2.1 SUBMISSIONS FROM THE PARLIAMENTARY BUDGET OFFICE

The Parliamentary Budget Officer made the following submissions:

2.1.1 LINKING THE SECTOR PRIORITIES TO THE OVERALL NATIONAL AGENDA

- 5) The medium term plan (2013-17) of the vision 2030 envisages increased job creation especially for the youth, commercialized agriculture to provide higher rural incomes and affordable food. This is to be achieved through increased acreage of land under irrigation, subsidized farm inputs to raise productivity, establishment of disease free zones in livestock producing areas, increased value addition and employment in fisheries and exploitation of rich marine resources as well as revival of cooperatives.

Sector's vision and Mission

- 6) Table 2 below shows the vision and mission of the sector over the years. It's observed that the sector pursued the same vision and mission over the years

Table 2: sector's vision and mission					
Vision (MTP2)	2030	2014	2015	2016	2017

Increased acreage under irrigation	Vision: A food secure nation with sustainable land management, modern urban infrastructure and affordable and quality housing.	Vision: A food secure nation with sustainable land management, modern urban Infrastructure and affordable and quality housing.”	Vision : A food secure and wealthy nation with sustainable management and Utilization of land and the blue economy.	Vision : A food secure and wealthy nation with sustainable management and Utilization of land and the blue economy.
Mechanize agricultural production				
Subsidize farm inputs to raise productivity			Mission: to improve the livelihood of Kenyans through attainment of food security, utilization of blue economy and sustainable land development	Mission: to improve the livelihood of Kenyans through attainment of food security, utilization of blue economy and sustainable land development
Reviving cooperatives and farmers unions	Mission: To facilitate attainment of food security, affordable housing, modern urban infrastructure and sustainable land management for socio economic development	Mission: To facilitate attainment of food security, affordable housing, modern Urban infrastructure and sustainable land management for socio-economic development.”		

Source: Sector Reports, MTP2

SECTOR PRIORITIES

- 7) As shown in table 3 the sector priorities have been more or less the same for the Financial Years 2013/14 – 2016/17. However, the Bps for 2017/18 and over the medium term lists the priorities only for the State Department for Agriculture and State Department for Fisheries prioritizing exploitation of the Blue Economy Sustainably.
- 8) The Budget Policy Statement (BPS Nov. 2016) is silent on the priorities for the Livestock sub-sector. It is further noted that the Galana/Kulalu Food Security Project has been an explicit priority in the previous Budget Policy Statements but not so in this Year’s BPS.
- 9) Table 3 shows the priorities for respective State Departments in the Sector for the period 2013/14 – 2016/17 and priorities envisaged in the Bps for 2017/18 and over the medium term.

MDA	Table 3: Sector priorities over the years	BPS Nov. 2016
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					priorities
	2013/14	2014/15	2015/16	2016/17	2017/18 -2019/20
State Depart ment for Agricul ture	Constructio n and rehabilitatio n of irrigation schemes Invest more in Agriculture Research and Developme nt Strategic Food Reserves for draught mitigation	Irrigation of GKFSP Supporting community groups to address issues on food security, procurement of 1.8 bags million for SFR,	increase agricultural production through input subsidy, mechanized and irrigated agriculture, increasing and expanding strategic food reserves , research and extension services , reorganization of farmers in to viable cluster groups for economies of scale, establishment of crop insurance scheme	establish a fertilizer manufactur ing plant, GKFSP economic transformat ion , research and extension services, reorganizat ion of farmers in to viable cluster groups for economies of scale	Increase productivity and outputs in the sector , Improve market access and trade, Enhance national food security, Enhance the role of youth and women in the sector

State Department for Livestock	Enhancement of Livestock restocking Fund	Establishment of disease free zones , Modernization of KMC, Development and dissemination 18 policies, bill and legal notices, Establishment of livestock insurance scheme	livestock disease free zones ,livestock insurance schemes, finalizing 18 policies, bill and legal notices,	establishment of disease free zone, livestock insurance schemes	-
State Department for Fisheries and Blue Economy	Intensified patrol to curb illegal fishing , Promote Sustainable Aquaculture , Reduce post-Harvest losses	Development of policies, marine and fisheries research, assurance of fish safety and value addition	exploitation of deep sea fisheries, increased aquaculture productivity, acquisition of OPV	finalize the offshore Patrol Vessel	Exploit the Blue Economy Sustainably

Source: National Treasury

10) The Medium Plan of the vision 2030 prioritizes increasing investment in Irrigation to reduce the Country's dependence of rain-fed Agriculture, developing strategies to Mechanize Agriculture, Reviving cooperatives

and farmers unions, subsidizing farm inputs and emphasizing on Value addition in the production and supply chain.

- 11) According to the sector report 2016, the key expected results in the medium 2017/18-2019/20 MTEF include subsidizing 53500 MTs of fertilizer, diversifying strategic food reserves to include 1500 MTs of powdered milk and 1000 MTs of corned beefs, production and distribution 6.2 million straws of bull semen and 250 million doses of assorted vaccines.
- 12) Other expected outputs are; expansion of livestock insurance scheme to 8 counties aimed at covering 300,000 tropical livestock units and insurance of 150,000 farmers under crop insurance scheme, installation of 990 milk coolers in 45 counties and operationalization of the offshore patrol vessel (OPV) and the research vessel (RV Mtafiti).
- 13) The sector's priorities are by and large in tandem with its vision of a food secure and a wealthy nation with sustainable management and utilization of land and blue economy.

2.1.3 Audit Queries

- 14) A review of the Auditor General reports for the most recent four financial years of 2011/12, 2012/13, 2013/14 and 2014/15 shows a worrying trend in relation to unsupported expenditure, un surrendered imprest, pending bills and failure to ascertain value for Money. In the Financial year 2011/12 the auditor general qualified Kshs. 791.5 million under the state department for Agriculture of which Kshs. 773 million was un surrendered imprest or not accounted for after completion of the activity for which the imprest was advanced and Kshs. 18 million was reported as pending bill.
- 15) In 2012/13 the state department for agriculture made an attempt to address the audit issues relating imprest management but again reported a worsened pending bills and unsupported expenditures together with other two state departments. The auditor reported at ministerial level (MoALF) for 2013/14 with an unsupported expenditure of Kshs. 1.3 billion and a pending bill of kshs. 2.7 billion.
- 16) For the FY 2014/15 the report worsened on the State Department for Agriculture where it reported unsupported expenditure of Kshs 2.5 billion of which Kshs. 2.13 billion was expenditure on purchase and transportation of subsidized fertilizer whose propriety could not

be confirmed, un-surrendered imprest of Kshs. 1.6 million and Kshs. 1.772 billion being the value of obsolete and unfit stock of maize held at various depots of the National Cereals and Produce Board (NCPB). The pending bills stood at Kshs. 4.593 billion for the state department of Agriculture and Kshs. 259.6 million for state department of Livestock. Failure by the spending agencies to settle the bills in the financial year in which they relate adversely affects the budget for the subsequent year to which they have to be charged.

- 17) The increase in both the qualified amount and the pending bills is an indication of lack of any effort by the State Department for Agriculture to address audit issues going forward. Table 5 summarizes queries by the Auditor General for the last four Financial Years.

Table 5: issues by the Auditor Generals relating to accounts of the spending Agencies				
	unsupported Expenditure			
Votes	2011/2012	2012/2013	2013/2014	2014/2015
state Department for Agriculture	-	27,234,093	1,289,737,385	2,489,807,582
state Department for Livestock		5,708,754		-
state Department for Fisheries	-	31,590,580		-
	Unsupported/un-surrendered Imprest			
state Department for Agriculture	773,306,609	-	5,050,728	1,628,404
state Department for Livestock	110,837,279	-		1,100,393
state Department for Fisheries	-	-		
	Pending Bills			
state Department for Agriculture	18,246,448	212,494,963	2,681,683,989	4,593,870,216
state Department for Livestock	-	413,622,179		259,636,678
state Department for Fisheries	-	-		-
	value for money			
state Department for Agriculture	-	-	-	2,025,755,670
state Department for Livestock	-	-	-	
state Department for Fisheries	-	-	-	-

Source: KENAO

2.1.4 Evaluation of Predictability and Credibility of Budget Policy Documents

18) As shown in table 6, various policy documents which guides the budgeting process of each financial year does not inform one other and gives completely different projections for the outer years. This causes unpredictability often resulting in unnecessary reviews and supplementaries in the course of a financial year.

Table 6: Analysis of the Effectiveness of Policy Documents									
Vote Details	Approved estimates 2015/16	resource requirement 2016/17	BPS Feb. 2016/17 ceilings	Estimates 2016/17	2017/18 projections		2018/19 projections		BPS Nov.2016 alloc.
					BPS Feb. 2016	est. 2016/17	BPS Feb.2016	Est.2016/17	
State Department for Agriculture	17,919	49,308	23,327	21,613	24,500	19,356	24,594	18,298	17,429
State Department for Livestock	7,119	13,344	6836	13,282	8,403	10,743	8,810	8,038	12,812
State department for Fisheries & blue Economy	4,508	9,503	4,695	4,183	5,108	3,248	5,226	3,317	3,879
State Department for Irrigation	16,856	0	13,857	13,179	17,173	14,718	16,794	13,819	15,738
State Department for Cooperatives	267	849	394	2,820	545	385	524	396	907

Source: National Treasury

19) **Challenges:** According to the Sector report 2016, some of the challenges the sector faces include inadequate funding and delayed exchequer releases, competing land use, low uptake

of technology, inadequate markets and infrastructure, plant and livestock diseases, impact of climate change, limited value addition, high production cost.

- 20) **Opportunities:** Despite the above, the sector has a viable opportunity in devolved Governments since each county can have its resources to concentrate on areas it has a comparative advantage over the other counties. Livestock rearing counties can now easily skew their budget towards development and promotion of the Livestock sub-sector and vice versa. This will unlock the potential of inter-county trade and enhance own revenue to supplement their budgets.

2.1.5 The Hard Budget Constraint

- 21) As shown in table 7 below, in the Financial Year 2014/15 the State Department for Agriculture requested for Kshs. 52,457 million but approved allocation was KShs. 39,004 million and managed to spend Kshs. 30,033 million translating to 77% absorption rate. The Key Programme of irrigation and drainage infrastructure recorded the lowest absorption at 57%.
- 22) The approved budget for the state department was reduced to Kshs. 22,102 million in the Financial Year 2015/16 mainly due to the transfer of the irrigation and drainage infrastructure to the State Department for Irrigation. The State Department managed to spend Kshs. 19,639 million translating to 89% of the approved with the critical Programme of crop development and management recording the lowest absorption at 79%.
- 23) For the Financial Year 2017/18, the State Department requested for Kshs. 41,180 million against the indicative BPS ceiling is Kshs. 17,429 representing 42% of the requested amount. Therefore the sector needs to priorities its activities within the available resources.
- 24) The other State Departments requests and their indicatives ceilings for 2017/18 is as summarized in table 6. The State Department for Irrigation was allocated 32% of the total requested amount while State Department for Fisheries got 95% of the amount it requested.

An analysis of Past Requests, Allocations, Actuals and BPS Ceilings

Table 7: Requests, Approved And Actual Expenditure Kshs. Millions											
Programme	2014/15			2015/16			2016/17		2017/18		
	Req uest	App rove d	Act ual	Req uest	App rove d	Act ual	Req uest	Vote d	Req uest	BpsN ov.20 16	%

										Ceiling	
General Administration, Planning and Support Services	2,757	1,837	1,447	3,122	1,373	1,167	9,999	3,445	9,118	4,916	54%
Crop Development and Management	17365	16561	14833	13,753	9257	7,311	37145	17,040	29,482	11,292	38%
Agribusiness and Information Management	10,960	4,769	4,663	-	5,977	5,666	2,164	1,128	2,580	1,221	47%
Irrigation and Drainage Infrastructure	21375	15,897	9,090	13,753	5,495	5,495	0	0	0	0	0%
Total	52,457	39,064	30,033		22,102	19,639	49,308	21,613	41,180	17,429	42%
Livestock Resource Management	5,301	5,625	5,167	7,122	6,080	5,162	7,417	13,282	18,596	12,812	69%
Fisheries Development and Management	14,671	3,218	3,157	5,944	3,724	3,585	5,355	4,183	4,063	3,879	95%
Irrigation and Drainage Infrastructure	21,375	15897	9,090	11,371	13,385	8,172	0	13,179	48,633	15,737	32%
Cooperatives Development and management	614	842	783	334	1,049	1,049	849	2,821	1,756	907	52%

Source: National Treasury

2.1.5.4 Policy Options for the Sub Sectors

- Relook in to the viability of the Fertilizer Subsidy Programme and its implementation at the national level. The qualification by the Auditor General of a whopping amount of Kshs. 2.13 billion relating to purchase and transportation of subsidized fertilizer coupled with complaints from the farmers over the quality of the same, puts into doubt the efficiency of the Programme. There is need to transfer these resources to the County Governments probably as a conditional Grants to food producing Counties.

- ii. The importance of the sector to the developing economies was underpinned in the Maputo declaration requiring at least 10% of total National Budget allocation and other National policy documents like the MTP 2 and Vision 2030. Therefore, there is need to increase the budgetary allocation with a view of attaining the 10 % Maputo declaration to unlock the sectors potential.
- iii. Direct more resources to value addition and Mechanization to replace the labour intensive methods of farming in the Country and make it attractive to the Youth and Women with a view of addressing the problem of aging farmers.

2.2 SUBMISSIONS FROM THE MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES

2.2.1 SUBMISSIONS FROM THE CABINET SECRETARY

Appearing before the Committee, the Cabinet Secretary, Ministry of Trade, Industry and Cooperatives submitted before the Committee the budget policy statement of the State Department of Cooperative Development for the financial year 2017/2018 as follows;

- I. The State Department was allocated a budget ceiling of Kshs. 907M of which Kshs. 416M is Recurrent and Kshs. 491M is Development for 2017/18 financial year in the Medium Term Expenditure Framework (MTEF) period.
- II. The State Department's development allocation in the Budget Policy Statement for 2017/18 was rationalized downwards by Kshs. 139M, from Kshs. 630M to Kshs. 491M.
- III. The tables below indicate the 2017/2018 BPS allocation versus resource requirement;

a) RECURRENT BUDGET

Sub-Programme	Amount Allocated FY 2016/17 Kshs.(M)	Absorption Rate as per today 6.12.2016 (%)	Request forwarded for FY 2017/18 budget Kshs.(M)	Amount proposed for allocation by BPS Kshs.(M)	Remarks
Programme :Co-operative Development and Management					

Sub-Programme	Amount Allocated FY 2016/17 Kshs.(M)	Absorption Rate as per today 6.12.2016 (%)	Request forwarded for FY 2017/18 budget Kshs.(M)	Amount proposed for allocation by BPS Kshs.(M)	Remarks
S.P 4.1: Co-operative governance and Accountability	51	5	64	64	31M not spent under recurrent is salaries which is being paid under State Department for Industry and Investment since the payroll is yet to be separated. Procurement process is ongoing for the remaining balance
S.P 4.2: Co-operative advisory Services	2,554	28	489	194	We have requested for exchequer from Treasury for the payment to Co-operative bank STABEX fund.
S.P 4.3: Co-operative Marketing, Value Addition and Research	16	5	23	23	8M not spent under recurrent is salaries which is being paid under State Department for Industry and Investment since the payroll is yet to be separated. Procurement process is ongoing for the remaining balance
S.P 4.4: Co-operative Management and Investment	500	0	0	0	We have requested Treasury to appoint a team to do validation of the milk farmer's debts before the funds are transferred to New KCC for payments.
S.P 4.5 General Administration, Planning and Support Services	0	0	230	135	Administration's O&M funds were captured under the State Department for Industry and Investment. However, during Supplementary 1 FY 2016/17, the

Sub-Programme	Amount Allocated FY 2016/17 Kshs.(M)	Absorption Rate as per today 6.12.2016 (%)	Request forwarded for FY 2017/18 budget Kshs.(M)	Amount proposed for allocation by BPS Kshs.(M)	Remarks
					anomaly has been rectified.
Total for Programme 4	3,121	23	806	416	

b) DEVELOPMENT BUDGET

Sub-Programme	Amount Allocated FY 2016/17 Kshs.(M)	Absorption Rate as per today 6.12.2016 Kshs.(M)	Request forwarded for FY 2017/18 budget Kshs.(M)	Amount proposed for allocation by BPS Kshs.(M)	Remarks
Programme :Co-operative Development and Management					
S.P 4.1: Co-operative governance and Accountability	0	0	80	0	Under Development Kshs 80M was meant for the NSE project for which Treasury ceiling could not accommodate.
S.P 4.2: Co-operative advisory Services	60	25	500	230	Kshs 500M was required for CMIS system (200M), RBS (100M) and revitalization of cotton ginneries (200M). However, as per BPS, CMIS system was allocated 150M and RBS allocated 80M. The cotton ginneries project will not be funded.
S.P 4.3: Co-operative Marketing, Value Addition and Research	0	0	120	61	The Co-operative Development Project on value addition in horticultural produce required Kshs. 120M but by BPS only Kshs 61M was allocated. It will not be possible to acquire one mobile processing unit which was to be used for

Sub-Programme	Amount Allocated FY 2016/17 Kshs.(M)	Absorption Rate as per today 6.12.2016 Kshs.(M)	Request forwarded for FY 2017/18 budget Kshs.(M)	Amount proposed for allocation by BPS Kshs.(M)	Remarks
					demonstration.
S.P 4.4: Co-operative Management and Investment	470	50	250	200	The New KCC required Kshs 250M to modernize its equipment and machinery in Kiganjo, Kitale and Miritini. However, the Kshs 200M allocated will only cater for Kitale and Miritini.
Total for Programme 4	530	47	950	491	

c) Implementation status of projects and Key Outputs

Project/Programmes	Achievements By 2016/17	Budget Requirement FY 2017/18 Kshs.(M)	Budget Allocation FY 2017/2018 Kshs.(M)	Budget Allocation FY 2017/2018 As Per BPS	Variance (Requirement Vs BPS)	Remarks
Transformation of New KCC into a leading regional dairy processor	Procurement of milk processing equipment and machinery in Eldoret for Yoghurt and mala line	250	250	200	(50)	The shortfall will affect upgrading of Kiganjo evaporation unit
Co-operative Management Information System (CMIS) Digitization of Co-operatives Services	Developed Concept notes, updated registration register and captured registration data in excel format	200	200	150	(50)	The CMIS system will not be completed

Development and implementation of Risk Based Supervision Framework	Risk Based System framework developed and tested	100	100	80	(20)	Rolling out of the RBS will not be completed
Co-operative Development Project-Value addition in horticultural produce	Concept notes Developed	80	80	61	(19)	Acquisition of mobile processing unit will not be done
Modernization of Co-operative Cotton Ginneries.	Concept notes Developed	200	0	0	(200)	
Establishment Of Co-operative Share Trading Platform on NSE	Concept notes Developed	120	0	0	(120)	
TOTAL		950	630	491	(459)	

2.2.2 COMMITTEE OBSERVATION

The Committee made the following observation;

- I. The whole State Department was allocated less than a billion shillings.
- II. Modernization program of the new KCC is effective and will help stabilize the milk sector in the country.
- III. SASRA as a regulatory body plays a vital role in the cooperative subsector hence its budgetary allocation should commensurate its weighty role.
- IV. The authority of the Committee is limited with regard to additional budgetary allocations to the State Department because of the sector ceilings set by the National Treasury.
- V. The Ministry to consult and revert to the Committee where additional funds to SASRA will be reallocated from.

2.3 SUBMISSIONS FROM THE MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES

The Cabinet Secretary informed the meeting of the challenges that was experienced in financial year 16/17 and it was stated as follows:

- a) **Inadequate funding to the Ministry:** He said that the Ministry appreciates the ceilings provided by the national treasury which informs the budget proposal. We note that it is difficult to accommodate some legal administrative commitments and the need to increase performance and revenues generated in the Ministry.
- b) **Delays in disbursement of exchequer and donor funds:** Delays of exchequer releases have impacted negatively on implementation of the sector program resulting in delay in completion of projects as scheduled and pending bills
- c) **Lengthy process in approval of policies and enactment of bills:** Lengthy processes in the approval of policies and enactment of bills in the ministry have affected issues of compensation and execution of its mandate
- d) **Limited use of appropriate technology:** The potential of research and development in the Ministry is not fully exploited. Although the country has a well-developed research and development infrastructure, there is limited funding which has resulted in weak research-extension linkage and low adoption of technology and innovations. This has led to low productivity and inefficiency in the Ministry
- e) **Impact of Climate Change:** Climate change is as a result of global warming. The manifestation of climate change includes extreme and unpredictable weather patterns and rise of sea level. This is causing challenges such as frequent and prolonged droughts, frost, floods and emerging new pests and diseases which impact negatively on the sustainability of the ministry's activities
- f) **Inadequate office accommodation:** Establishment of new institutions under the ministry including the National Development and Promotion Services under the Livestock sub-sector; KFS, KPMA and KFAC under the State Department of Fisheries and the Blue Economy have made worse the already tire need for office space that the older institutions have been crumpling with. Many of these institutions are renting out office space at very high rates and have proposed construction of their own office blocks. To this end, consolidation of individual office blocks to one office complex that can house all the SAGAs under each State Department

2.4 ANALYSIS OF THE TOTAL RESOURCE REQUIREMENT VERSUS ALLOCATION PER PROGRAMME FOR THE FY2017/18;

In order to implement the prioritized programmes, Budget Policy Statement (BPS) has allocated the Ministry Ksh 38.7 billion, Ksh 41.2 billion and Ksh 42.2 billion for the Financial Years 2017/2018, 2018/2019 and 2019/2020 respectively. Recurrent expenditure allocation is Ksh 12.3

billion, Ksh 12.7 billion and Ksh 13.0 billion for FY 2017/18, FY 2018/19 and FY 2019/20 respectively, whereas development expenditure for the same period is Ksh 26.4 billion, Ksh 28.5 billion, and Ksh 29.2 billion.

2.4.1 STATE DEPARTMENT OF AGRICULTURE

Recurrent Vote-Kshs.million

Programme Name	Printed Estimates FY 2016/17	Resource Requirement FY 2017/18	Resource Ceiling FY 2017/18	Variance
General Administration and Planning Support Services	2,557.0	6,113	2,776	3,337
Crop Development and Management	5829.2	6,532	2,446	4,086
Agribusiness and Information Management	199.8	241	207	34
Total	8,586	12,886	5,429	7,457

Development Vote-Kshs.million

Programme Name	Printed Estimates FY 2016/17	Resource Requirement FY 2017/18	Resource Ceiling FY 2017/18	Variance
General Administration and Planning Support Services	888.0	2,942	1,541	1,401
Crop Development and Management	10,861.2	22,949	9,998	12,951
Agribusiness and Information Management	929.1	2,339	1,015	1,324
Total	12,678	28,230	12,554	15,676

2.4.2 STATE DEPARTMENT OF LIVESTOCK

Recurrent Vote-Kshs.million

Programme Name	Printed Estimates FY 2016/17	Resource Requirement FY 2017/18	Resource Ceiling FY 2017/18	Variance
Livestock Resources Management and Development	1,890	8,645	4,959	3,686
Total	1,890	8,645	4,959	3,686

Development Vote-Kshs.million

Programme Name	Printed Estimates	Resource Requirement	Resource Ceiling	Variance
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	FY 2016/17	FY 2017/18	FY 2017/18	
Livestock Resources Management and Development	11,742	9,951	7,852.9	2,098.1
Total	11,742	9,951	7,852.9	2,098.1

2.4.3 STATE DEPARTMENT OF FISHERIES AND THE BLUE ECONOMY

Recurrent Vote-Kshs.million

Programme Name	Printed Estimates FY 2016/17	Resource Requirement FY 2017/18	Resource Ceiling FY 2017/18	Variance
Fisheries Development and Management	1,537	1,607.7	1,607.7	0
General Administration and Planning Support Services	117	217	119.4	97.6
Development and Coordination of the Blue Economy	-	57	57	-
Total	1,654	1,881.70	1,784.10	97.6

Development Vote-Kshs. million

Programme Name	Printed Estimates FY 2016/17	Resource Requirement FY 2017/18	Resource Ceiling FY 2017/18	Variance
Fisheries Development and Management	2,530	2,229	2,229	0
General Administration and Planning Support Services	0	200	0	200
Development and Coordination of the Blue Economy	0	50	50	0
Total	2,530	2,479	2,279	200

The above resource requirements against the proposed ceilings, the ministry has a very huge variance (resource gap) of Kshs.29, 214.6 million for both Current and Capital. Mr. Chairman, you may wish to note that during the Public Sector hearing there was concern about the deficit budget and the public felt the budget of the Agriculture Sector needs to be reviewed upwards, we are requesting this committee to consider providing resources to the following key priority areas within the Ministry in the FY 2017/18 as highlighted below;

2.5 KEY PRIORITIES IN RESOSOURCE PROVISION

2.5.1 STATE DEPARTMENT OF AGRICULTURE

1. Fertilizer Subsidy

An additional of Ksh. **3.9 billion** is required to expand the beneficiaries of the subsidized fertilizer to include key cash crops mainly coffee, tea and sugarcane. This will ensure that more farmers' uptake fertilizer to boost their farm incomes and improve production of

critical food crops especially maize and other cereals. To benefit a substantial number of the targeted small scale farmers and also significantly stabilize fertilizer prices in the open market, there is need to subsidize 30% (195,000 metric tons) of the annual fertilizer consumption (650,000 metric tons) in the country. Currently, the subsidized fertilizer stands at 21% of the national requirement. To bridge this gap there is need to inject an additional Ksh.3.9billion into Programme-Crop Development and Management.

2. Strategic Food Reserve(SFR)

An additional Ksh.1billion is required to increase the SFR stock from Ksh.1.5billion to Ksh.2.5billion. Currently, there are only 700,000 bags of maize against the required 4 million bags. The Fund targets to purchase 2 million bags of maize at a price of Ksh. 2,300 per bag and a rebate of Ksh. 700 per bag. This creates a funding gap of Ksh. 1 billion to be added to Programme -Crop Development and Management.

3. Current Transfer to SAGAs

An additional Ksh.1billion is required to harmonize salaries of employees in SAGAs. Salary disparities were caused by the merger of various parastatals into AFA and KALRO. Increase Transfer to SAGAs in Recurrent Budget from Ksh.2.5billion to Ksh.3.5billion in Programme-General Administration Planning and Support Services.

4. Food security and Crop Diversification.

This requires an additional Ksh.800million to cater for purchase and distribution of drought tolerant seeds, traditional high value crops, and diversify food crops. This will boost food security, provide income and livelihood to low income earners. The additional funds should be added to Programme -Crop Development and Management.

5. During the Agriculture Summit Meeting this year in Kenya, H.E the President committed Ksh.2billion for promotion of youth Agribusiness over a period of two years. For this Financial Year we propose to spend ksh.500 million towards establishment of Agricultural Economic Zones where youth will be engaged in Agribusiness enterprise.

2.5.2 STATE DEPARTMENT OF LIVESTOCK

1. Kenya Agriculture Livestock Research Organization (KALRO) which was formed through Amalgamation of several SAGAs under the Ministry including Kenya Agriculture Research Institute, Coffee Research Foundation and Kenya Sugar Research among others. These SAGAs had different salary scales that need to be harmonized and requires Kshs.1.2 Billion for the same.

2. National Livestock Development and Promotion Service was established vide Legal notice 87 of June 2016 to coordinate matters relating to the Development, Promotion and Marketing of livestock and livestock products within and outside Kenya. The new cooperation requires Kshs. 40 Million to operationise it. Going forward, the Agency will need more money to address its mandate which include Disease control, Livestock breeding, Livestock marketing, Range Management among others.

2.5.3 STATE DEPARTMENT OF FISHERIES AND THE BLUE ECONOMY

1. New mandate for the Blue Economy under the State Department for Fisheries and Blue Economy requires an additional Kshs. 2 billion to carry out the seventeen (17) new functions as enumerated in the Executive Order No. 1/2016 of May 2016. Among them are as follows;

- a. Development of policy framework for Kenya's Maritime Blue Economy
- b. Development of Legal, Regulatory and Institutional framework for the Blue Economy
- c. Maritime Spatial Planning and integrated Coastal Zone Management
- d. Protection of aquatic ecosystems
- e. Promotion of Kenya as a centre for Agro-based Blue Economy

The additional funding will also be used by the State Department to Operationalize the Fisheries Management and Development Act 2016 especially setting up new SAGAs/Funds namely;

- (i) Kenya Fisheries Services,
- (ii) Kenya Fish Marketing Authority,
- (iii) Kenya Fisheries Advisory council,
- (iv) Fisheries Research development fund and
- (v) Fish Levy Trust fund.

2.6 SUBMISSIONS FROM THE MINISTRY OF WATER AND IRRIGATION

2.6.1 SUBMISSION BY THE CABINET SECRETARY

The Cabinet Secretary, Ministry of Water and Irrigation appearing the Committee presented the following;

- I. He apologized for failing to appear before the Committee on several occasions and informed the Committee that he was either out of the Country or on other official duties outside Nairobi.
- II. He will be submitting quarterly reports on budget implementation and progress reports on the programs implemented by the Ministry.
- III. The State Department was allocated the following in the 2017 Budget Policy Statement as indicated in the summary expenditure below;

Sector/Vote/Programme Details	2016/17 Estimates			2017/18 Ceiling		
	Current	Capital	Total	Current	Capital	Total
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES	19,556.4	69,442.9	88,999.4	21,739.0	48,183.8	69,922.8
1103 State Department for Water Services	3,624.6	39,606.1	43,230.7	3,656.0	25,580.6	29,236.6
1001000 P.2 General Administration, Planning and Support Services	560.2	56.0	616.2	580.0	56.0	636.0
1004000 P.3 Water Resources Management	3,064.4	39,550.1	42,614.5	784.0	2,236.0	3,020.0
P3. Water and Sewerage Infrastructure Development	-	-	-	2,292.0	23,288.6	25,580.6
1104 State Department for Irrigation	933.0	18,107.9	19,040.9	947.0	14,790.6	15,737.6
1014000 P.4 Irrigation and Land Reclamation	933.0	12,277.9	13,210.9	937.0	8,960.6	9,897.6
1015000 P.1 Water Storage and Flood Control	-	5,830.0	5,830.0	-	5,830.0	5,830.0
Programme 1: General Administration and Support Services	-	-	-	10.0	-	10.0

- IV. National Irrigation Board requires an additional KES 3.951 billion to cater for counterpart funds for donor funded irrigation Projects as indicated in the table below;

No.	Project name	Cost (m KES)	GoK funds required (m KES)	Amount allocated	Deficit	Remarks
1	Galana Model Farm	7,294	771	615	121	16 % VAT & 3 % Withholding tax
2	Galana (Training funds)	20	20	0	20	flight tickets for trainees to Israel
3	Bura	7,356	4200	500	3,700	Government contributes 70% of the Project cost
4	Mwea	19,967	460	350	110	land compensation and deficit on the JICA loan
5	Rwabura	880	50	30	20	land compensation
6	Thwake dam	22,874	2,200	1,600	600	Land compensation
	Total	32,800	2.277	3,095	4,571	

- V. The State Department of Irrigation had requested for KES 48.809 billion to finance various Projects and Programmes but was allocated KES 14.790 billion with only KES 8.175 billion as GOK allocation.
- VI. The huge reduction will impact negatively the implementation of the ongoing irrigation Projects and will pose a challenge to the objective of having one million acres under irrigation.

3.0 COMMITTEE OBSERVATIONS

The Committee made the following observations;

1. **Budgetary allocation:** Despite the indispensability of the sector to the economy, the budgetary allocation to the Agricultural Sector constantly remained at 3% of the total national budget. However the allocations by the Devolved units have been increasing from Kshs. 2.8 billion in 2013/14 to 23.1 billion in 2015/16 Financial Year.
2. **Introduction of New Programmes:** The state Department for Fisheries and Blue Economy introduced two new programmes namely; General Administration, planning and support services and Development and Coordination of the Blue Economy. This is despite the State Department requesting less than what it was allocation for the financial Year 2016/17 to implement only one Programme called Fisheries Development and Management.
3. **Audit Queries:** a review of the reports of the Auditor General reveals that little effort is made towards addressing those issues in the subsequent years. notable queries relating to 2014/15 Financial Year for the State Department of Agriculture is where the report flagged out unsupported expenditure of Kshs 2.5 billion of which Kshs. 2.13 billion was expenditure on purchase and transportation of subsidized fertilizer whose propriety could not be confirmed, un-surrendered imprest of Kshs. 1.6 million and Kshs. 1.772 billion being the value of obsolete and unfit stock of maize held at various depots of the National Cereals and Produce Board (NCPB).
4. **Pending Bills:** The pending bills stood at Kshs. 4.593 billion for the state department of Agriculture and Kshs.259.6 million for state department of Livestock. Failure by the spending agencies to settle the bills in the financial year in which they relate adversely affects the budget for the subsequent year to which they have to be charged.
5. **Resource Ceilings:** The State Department for Agriculture requested for Kshs. 41,180 million and was allocated a ceiling of Kshs. 17,429 million representing 42% of the requested amount. The state department for Livestock was allocated a ceiling of Kshs. 12,812 million against a request of Kshs. 18,596 million representing 69% of the request while the State Department for Fisheries requested for Kshs. 4,063 million and received a ceiling of Kshs, 3,879 million representing 95% of the request. The newly created State Departments of Irrigation and Cooperatives Development requested for Kshs. 48,633 million and Kshs. 1,756 million and allocated a ceiling of Kshs. 15,737 million and Kshs. 907 million representing 32% and 52% respectively.

6. The proposed budget ceiling for the State Department for Agriculture is reduced by Kshs. 3,835 million from the Kshs.21, 264 million it was allocated in the financial year 2016/17 to Kshs. 17,429 million representing 18% reduction. Crop development and management is the most affected with a reduction of Kshs. 5,398 million comprising of Kshs.3,383 million reduction in recurrent and Kshs.2,015 million in Development. However, it is important to note that the Fertilizer subsidy Programme and the Strategic food reserves which raised most audit queries in FY2014/15 are implemented under this Programme.

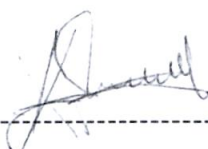
4.0 COMMITTEE RECOMMENDATIONS

The Committee recommends the following;

1. That the Budget and Appropriations Committee approves the ceiling of Ksh. 17,428.8 million for the financial year 2017/2018 for the State Department of Agriculture under the Ministry of Agriculture, Livestock and Fisheries as proposed by the National Treasury in the Budget Policy Statement for 2017/2018.
2. That the Budget and Appropriations Committee approves the ceiling of Ksh. 12,811.9 million for the financial year 2017/2018 for the State Department of livestock under the Ministry of Agriculture, Livestock and Fisheries as proposed by the National Treasury in the Budget Policy Statement for 2017/2018.
3. That the Budget and Appropriations Committee approves the ceiling of Ksh. 3,879.5 million for the financial year 2017/2018 for the State Department of Fisheries and Blue Economy under the Ministry of Agriculture, Livestock and Fisheries as proposed by the National Treasury in the Budget Policy Statement for 2017/2018.
4. That the Budget and Appropriations Committee approves the ceiling of Ksh. 907 million for the financial year 2017/2018 for the State Department of Cooperative Development under the Ministry of Trade, Industry and Cooperatives as proposed by the National Treasury in the Budget Policy Statement for 2017/2018.
5. That the Budget and Appropriations Committee approves the ceiling of Ksh. 15,737.6 million for the financial year 2017/2018 for the State Department of Irrigation under the Ministry of Water and Irrigation as proposed by the National Treasury in the Budget Policy Statement for 2017/2018.

Signed: _____

Date: _____


ADAN ALFRED KETER M.P. MANDI HILLS

THE HON. ADAN MOHMAED NOORU, MBS, CBS, MP,

**CHAIRPERSON, DEPARTMENTAL COMMITTEE ON AGRICULTURE,
LIVESTOCK AND COOPERATIVES**



REPUBLIC OF KENYA
THE KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
DEFENCE AND FOREIGN RELATIONS

REPORT ON
THE BUDGET POLICY STATEMENT, 2017 FOR VOTES:
1041 – MINISTRY OF DEFENCE;
1051 – MINISTRY OF FOREIGN AFFAIRS AND INTERNATIONAL
TRADE;
1231 –
NATIONAL INTELLIGENCE SERVICE; AND
1183 – THE STATE DEPARTMENT OF EAST AFRICAN COMMUNITY
INTERGRATION

PARLIAMENT BUILDINGS

NAIROBI

DECEMBER 2016

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CHAIR'S FOREWORD

On Thursday, 24th November 2016, the Budget Policy Statement (BPS) was laid on the floor of the House by the Majority Leader pursuant to the provisions of the Standing Order No. 232 of the Kenya National Assembly and section 25 of the Public Finance Management Act (2012).

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15th February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'. The Departmental Committee is to deliberate on the Budget Policy Statement according to its mandate and make recommendations to the Budget and Appropriations Committee.

The meetings held with ministries and departments and the BPS itself informed this report. In MTEF Sector classifications, the Ministry of Defence and the National Intelligence Service are classified under the National Security Sector. The Ministry of Foreign Affairs and International Trade is classified under the Public Administration and International Relations, whereas the State Department of East African Community Integration is classified under the General Economic, Commercial and Labour Affairs (GECA) Sector under the medium Term Expenditure Framework (MTEF). The sectors are key in the delivery of goals and objectives of the three Pillars of Vision 2030 and the Sustainable Development Goals.

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its Sittings. Therefore on behalf of the Committee, it is therefore my pleasant duty and privilege, to lay this report on the 2017 Budget Policy Statement and Medium Term Plan for the Government Ministries and the State department and State Agency under the purview of the Departmental Committee on Defence And Foreign Relations Pursuant to provisions of the PFM Act and the S.O of the National Assembly.

Signed.....

Date.....

08/12/2016

THE HON. NDUNG'U GETHENJI, M.P.

CHAIRPERSON.

EXECUTIVE SUMMARY

The purpose of this report was to consider the 2017 Budget Policy Statement and Medium term plan for the Government Ministries and State Agencies under the Purview of the Departmental Committee on Defence and Foreign Relations and thereafter forward the recommendations to the Budget and appropriation Committee for its consideration.

In considering the 2017 Budget Policy Statement and the Medium Term Plan for the government Ministries and State Agencies and departments under its purview, the committee held a total six sittings. The committee received a comprehensive brief from the Parliamentary Budget office regarding the most critical issues on the BPS 2017.

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

In considering the Budget Policy Statement, the Budget and Appropriations Committee shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.

Following the tabling of the BPS, the Committee held sittings with the Ministry of Defence, the Ministry of Foreign Affairs, the State Department of East African Community Integration and the National Intelligence Service. The Committee Sittings took place on the 6th, 7th and 8th December 2016 to consider the Budget Policy Statement and thereafter adopted this report on 8th December 2016.

The report concludes that the Budget and Appropriation Committee Approves the ceilings of the various government ministries and state agencies as contained in the BPS 2017 and thereafter makes amendments as contained in the list of the recommendation.

Establishment and Mandate of the Committee

The Departmental Committee on Defence and Foreign Relations is established under Standing Order No. 216. Its mandate pursuant to SO 216 (5) with the following terms of reference: -

- i) *investigate, inquire into and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;*
- ii) *study the programme and policy objectives of the Ministries and Departments and the effectiveness of the implementation;*
- iii) *study and review all legislation after First Reading subject to the exemptions under Standing Order 101 A (4);*
- iv) *study and review all legislation referred to it;*
- v) *study, assess and analyse the relative success of the Ministries and Departments as measured by the results obtained as compared with its stated objectives;*
- vi) *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*
- vii) *make reports and recommendations to the House as often as possible, including recommendations of proposed legislation.*

The Committee is mandated to consider the following subjects:-

- i. Defence
- ii. intelligence,
- iii. foreign relations
- iv. diplomatic and consular services,
- v. international boundaries,
- vi. international relations,
- vii. agreements,
- viii. treaties and
- ix. conventions.

Oversight

In executing its mandate, the Committee oversees the following government Ministries, departments and or agencies, namely:

- i. Ministry of Defence
- ii. Ministry of Foreign Affairs
- iii. The National Intelligence Service
- iv. The State Department for East African Community Integration.

MEMBERS OF THE COMMITTEE

Chairperson **The Hon. Ndungu Gethenji, M.P.**

Vice Chairperson **The Hon. Elias Bare Shill, M.P.**

Members

The Hon. Adan Keynan, CBS, M.P.

The Hon. Jakoyo Midiwo, MGH, M.P.

The Hon. Katoo Ole Metito, EGH, MGH, M.P.

The Hon. Christantus Wamalwa, CBS, M.P.

The Hon. Nyiva Mwendwa, EGH, M.P.

The Hon. Gonzi Rai, MGH M.P.

The Hon. Joel Onyancha, MGH, M.P.

The Hon. Richard Onyonka, M.P.

The Hon. Wafula Wamunyinyi, M.P.

The Hon. Lekuton Joseph, OGW, M.P.

The Hon. Joseph Kiuna, M.P.

The Hon. Joseph Gitari, M.P.

The Hon. David Pkosing, M.P.

The Hon. Col (Rtd.) Ali Dido Rasso, MBS, M.P.

The Hon. Beatrice Nyaga, HSC, M.P.

The Hon. John Lodepe Nakara, M.P.

The Hon. Roselinda Soipan, M.P.

The Hon. Annah N. Gathecha, M.P.

The Hon. David Wafula, M.P.

The Hon. Elisha Busienei, M.P.

The Hon. Abass S. Mohammed, M.P.

The Hon. Ibrahim Sane, M.P.

The Hon. Joyce Wanjalah Lay, M.P.

The Hon. Dennitah Ghati, M.P.

The Hon. Elijah Memusi, M.P.

The Hon. Suleiman Murunga, MP

The Hon. Jacob Macharia, MP

COMMITTEE SECRETARIAT

Senior Clerk Assistant	Mr. Oscar Namulanda Wesonga
Clerk Assistant	Mr. Douglas Katho
Clerk Assistant	Ms. Hellen Kina
Legal Counsel	Ms. Colleta Sigilai
Research & Policy Analyst	Mr. Eugene Apaa
Fiscal Analyst	Mr. Edison Odhiambo

LIST OF RECOMMENDATIONS

The Committee recommends the following to the Budget and Appropriation Committee:

The National Intelligence Service 2017 BPS

- i. The Committee recommends that the Budget and Appropriation Committee approve the ceiling of Kshs. 26.604 billion.
- ii. The Committee further recommends an additional Kenya Shillings 5B to cover the deficit of Kshs. 8.496B in Key priority areas of Security Intelligence and counter Intelligence, Modernization and Expansion of Surveillance System.

The Ministry of Foreign Affairs 2017 BPS

- i. The Committee recommends that the Budget and Appropriation committee approves the ceiling of Kshs. 19.509 billion as it appears in the BPS. The Ministry should adopt austerity measures and rationalize their staffing levels in foreign missions.

The Ministry of Defence 2017 BPS

- i. The Committee proposes to that Budget and Appropriation committee approves the resource ceiling of Kshs.103.6 Billion to discharge its mandate effectively the FY 2017/2018.
- ii. The Committee recommends that a further Kshs. 7.3 billion be sourced from any other government department to enable the ministry recruit personnel and to modernize its facilities to carry out its operational and administrative roles effectively to secure the country.

The State Department of East African Community Integration 2017 BPS

- i. The Committee proposes that the Budget and Appropriation committee approves the resource ceiling of Kshs.1.617 Billion to discharge its mandate effectively.
- ii. The Committee further proposes that an additional Ksh. 76.394 million be allocated to the State Department of EAC Integration based on the observations to cover the additional mandate it has been assigned.

1.0 INTRODUCTION

1. On Thursday, 24th November 2016, the Budget Policy Statement (BPS) was laid on the floor of the House by the Majority Leader pursuant to the provisions of the Standing Order No. 232 of the Kenya National Assembly and section 25 of the Public Finance Management Act (2012).
2. According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15th February of every year.
3. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'.
4. The Standing Order No 232 (4) further provides that the Departmental Committee is to deliberate on the Budget Policy Statement according to its mandate and make recommendations to the Budget and Appropriations Committee.
5. In considering the Budget Policy Statement, the Budget and Appropriations Committee shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.
6. Following the tabling of the BPS, the Departmental Committee on Defence and Foreign Relations, moved to hold consultative meetings with the Ministries it exercises oversight. The Committee meetings took place on the 6th, 7th and 8th December 2016 to consider the Budget Policy Statement and thereafter adopted this report on 8th December 2016.
7. The Ministries and departments under the purview of the Committee are-
 - (i) Ministry of Foreign Affairs and International Trade
 - (ii) National Intelligence Service
 - (iii) Ministry of Defence
 - (iv) State Department of East African Community Integration.

8. The meetings held with ministries and departments and the BPS itself inform this report. In MTEF Sector classifications, the Ministry of Defence and the National Intelligence Service are classified under the National Security Sector. The Ministry of Foreign Affairs and International Trade is classified under the Public Administration and International Relations, whereas the State Department of East African Community Integration is classified under the General Economic, Commercial and Labour Affairs (GECA) Sector under the medium Term Expenditure Framework (MTEF). The sectors are key in the delivery of goals and objectives of the three Pillars of Vision 2030 and the Sustainable Development Goals.

2.0 THE BUDGET POLICY STATEMENT, 2017

9. The BPS sets out the governments programs to be implemented in the Medium Term Expenditure Framework (MTEF) under a devolved system of Government. It seeks to address the challenges that continue to hold the economy back from achieving its full potential by setting out priority programs to accelerate and sustain a broad based economic growth.
10. The BPS is published in accordance with Section 25 (2) of the Public Finance Management Act, 2012 which requires that the National Treasury submit the Budget Policy Statement to Parliament by the 15th February each year and section 232 (1) of the Standing Orders which requires that each year not later than the 15th February the Cabinet Secretary responsible for finance submits to the Assembly a Budget Policy Statement.

3.0 STRATEGY FOR THE BPS FOR 2017

3.1. The role of the BPS

11. The Budget Policy Statement (BPS) sets out the broad strategic priorities and policy goals that guide the two levels of Government in preparing their budgets for the next financial year and in the medium term. It provides a valuable podium for a review of fiscal policy in the light of emerging challenges and opportunities and thus accords an evaluation of the efficacy of the existing policy. It offers policy makers and government at large an opportunity to modify its macroeconomic parameters and adjust its expenditure and revenue along more suitable lines for accelerating service delivery to the citizens.

3.2 Strategy and Pillars for the BPS 2017

12. The strategy for the Medium Term Budget Policy Statements (BPS) for 2017 emphasizes on ‘Consolidating economic gains in an environment of subdued global demand’. The BPS 2017 has also emphasized on incorporating the post 2015 development agenda, the Sustainable Development Goals into the Medium Term Plan III and the County Integrated Development Plans (CIDPs). The reforms envisaged in BPS 2017 are clustered in five thematic areas of

- (i) Sustaining Conducive Business Environment for Investment Opportunities
- (ii) Continued Spending in Infrastructure to Unlock Constraints to Growth
- (iii) Sustaining Sectoral Spending for Employment Creation
- (iv) Sustained Investment in Social Services for the welfare of Kenyans
- (v) Enhancing Service Delivery through Devolution

13. As stated in the 2016 BPS, the objective of the reforms under Pillar I continue to focus on sustaining conducive business environment by maintaining macro-economic stability and enhancing security, so as to promote sustainable growth and encourage investment opportunities in the country. This has been the overriding objective in all the BPSs since 2013 which has laid emphasis on strengthening coordination among security agencies, scaling up investments towards modernization, enhancing security operations and

investigations, building professional capacity of the force and strengthening partnership with communities.

3.3 Overall Resource Ceilings

14. The total resource allocation to the various spending agencies and the County Government for the period 2017/2018 financial year is estimated at **Kshs 1.904 trillion** comprising of **Kshs 1.551 trillion** for National Government; **Kshs 30.9 billion** for Parliament; **Kshs 18.0 billion** to Judiciary; and **Kshs 333.1 billion** to County Government

3.4 Medium Term Plan

15. The BPS is based on the Government Development Strategy geared toward achieving economic transformation for a shared prosperity, the Constitution and Second Medium Term Plan (MTP II) It sets out the Government's priority programs to be implemented in the Medium Term Expenditure Framework (MTEF) under a devolved system of Government. The BPS seeks to address the challenges that continue to hold the economy back from achieving its full potential by setting out priority programs to accelerate and sustain a broad-based economic growth. The document is expected to guide public debate on economic and development matters.

3.5 Format and content of the BPS 2015

16. Section 25 of the Public Finance Management (PFM), Act, 2012 requires the National Treasury to include in the Budget Policy Statement an assessment of the current state of the economy and the financial outlook over the medium term; the financial outlook with respect to Government revenues, expenditures and borrowing for the financial year and borrowing over the medium term; the proposed expenditure limits for the National Government, Parliament and Judiciary and indicative transfers to county government and the fiscal responsibility principles and the financial objectives over the medium term. In addition to these, the Standing Orders, Section 232 captures the above in addition to the BPS containing the total resources to be allocated to individual programs and projects within the sector, ministry or department for the period identified indicating the outputs expected from each

sub-programs or project. The table below gives the analysis of the BPS based on the aforementioned parameters.

Table I: Format and content of the BPS 2017		
Public Finance Management Act, 2012	National Assembly Standings Orders	BPS 2015
Section 25(2)- submit the BPS by 15 th February	Section 232(1)	Yes
Section 25 (4) –An assessment of the current state of the economy	Section 232(2) a	Yes
Section 25 (4), b- the financial outlook with respect to government revenues, expenditures and borrowing	Section 232(2) b	Yes
Section 25 (4),c-proposed expenditure limits for the three arms of government and county governments	Section 232(2) c	Yes
Section 25 (4), d- fiscal responsibility principles and financial objectives	Section 232(2) d	Yes
-	Section 232(2) e-outputs expected from each sub-programme	Yes

4.0 SCRUTINY OF BUDGET POLICY STATEMENT WITH MINISTRIES

17. The Committee held consultative meetings with the two ministries, one government agency and one state department under its purview in which it sought to understand how the BPS provided for their requirements in order to make observations and recommendations on the proposed ceilings.
18. The meetings were held as per the dates given at paragraph 08 of this report. The submissions received from the departments reflected varied reactions and concerns that the ceilings presented in the BPS render the government Ministries and the departments under this committee unable to satisfactorily meet expenditures for the planned priority programs and projects, and to implement the performance contracts for the departments.
19. The Ministries and departments therefore submitted that enhanced funding to the National Security Sector for the case of Defence and National Intelligence service; and the Public Administration and International Relations sector as is the case with the Ministry of Foreign Affairs and International Trade, and General Economic Affairs sector as is the case with the state department of East African Community Integration, would ensure progress towards achievement of SDGs, improved socioeconomic welfare of the people and sustainable development.

5.0 MANDATE OF THE MINISTRIES UNDER THE PURVIEW OF THE DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS.

5.1 Ministry of Defence

24. The Ministry's mandate as spelt out in the Presidential Circular No. 1 of, 2016 includes national defence and management of national defence policy; protection of national boundaries; support for civil authorities and defence intelligence.

5.2 Ministry of Foreign Affairs and International Trade Mandate

25. The Ministry's mandate as spelt out in the Presidential Circular No. 1 of 2016 include foreign policy, bilateral and multilateral relations, international and regional organizations; Kenya Embassies abroad; foreign missions in Kenya; Treaties, conventions and agreements; diplomatic privileges and immunities; state and official visits; protocol matters; consular services; Joint Commissions; Government spokesman on the foreign affairs; peace initiatives; commonwealth affairs; Kenyans in the Diaspora; international jobs and the Foreign Service Institutes.

5.3 National Intelligence Service (NIS) Mandate

26. The National Intelligence Service (NIS) was established under Article 242 of the Constitution of Kenya to be responsible for security intelligence, counter intelligence and perform any other function as prescribed by National legislation. The mandate has been operationalized through the National Intelligence Service (NIS) Act, 2012.

5.4 State Department of East African Integration

27. The mandate of SDEAI is derived from the Presidential Circular No.1 of 2016 and includes Formulation of policy on the East African Community (EAC); Coordination of government participation in the EAC meetings and institutions; Coordination of implementation of the EAC regional programmes; Implementation of Treaty establishing the EAC; and Promotion and fast tracking of East African integration. The SDEAI does not have any Autonomous and Semi Autonomous Government Agencies.

5.5 Review of Programmes and Targets of the Ministries, government agency and state department under the purview of the Committee

(i) Ministry of Defence.

28. The Ministry of Defence has been running three programmes namely: Defence, Civil Aid and General Administration, Planning and Support Services with Defence programme taking 99 per cent of the resources.

29. The following outputs were achieved:

- Defence operations undertaken
- Timely actionable security intelligence and intelligence provided
- Modern Infrastructural facilities constructed, equipment and technology acquired and improved
- Increased military diplomacy and peace keeping missions

30. Despite all the achievements, it is noted that during the period under review, Kenya faced terror attacks including in; Westgate Shopping Mall in Nairobi (September 2013), Eastleigh in Nairobi (April, 2014), Thika Highway attack (May, 2014) Gikomba Market attack (May 2014), Mpeketoni attack in Lamu (June, 2014), Mandera Bus attack (November 2014) Mandera Quarry workers attack (December 2014) and Garissa University College attack (April, 2015)

(ii) Ministry of Foreign Affairs and International Trade.

31. The Ministry started the Programme Based Budget with two programmes in 2013/2014 namely Foreign Relations and Diplomacy and Foreign Policy and Management, However in 2014/2015, the Ministry changed to three programmes namely General Administration, Planning and Support Services; Foreign Relation and Diplomacy and International Trade and Investments.

32. While the Ministry will continue prioritizing the programme on General Administration, Planning and Support Services, Foreign Relations and Diplomacy and Foreign Policy Management. The Ministry however has added a third programme of Economic Diplomacy. Analysis of the outputs and targets for the programme however reveals it is the same programme as International Trade and Investment, which was transferred to the Ministry of Industrialization and Enterprise Development through the last Executive Order on the reorganization of government. The Ministry is therefore duplicating functions which are already allocated resources elsewhere.

33. According to the sector working group report, the ministry has reported achievement of all targets set in the 2013/2014 and the medium term. However an analysis of the programmes based budgets reveals that the Ministry targeted to open fully fledged missions in Algeria, Morocco, Angola, Malawi, Senegal, Djibouti and Cuba and consulates in Arusha, Kismayu, Hargesia, Garowe, Lagos and Goma. The Ministry managed to open fully-fledged missions in Algeria and Angola only. There was no consulate opened as was envisaged.

34. The Ministry also targeted to construct a new headquarters, which is off track up to date, and construction of Chanceries in Kigali, Bujumbura, and Kinshasa. Some of the constructions that ought to have been completed but are still ongoing are shown below.

Table 2: Key projects for the Ministry of Foreign Affairs and International Trade in Ksh. Million					
Name of Project	Start Date	Scheduled Completion date	Contract sum/Estimated cost	Amount expended	Allocation in 2016/2017
Construction of new HQ building	July 2014	June 2018	-	-	0
Pretoria	June 2013	January 2017	1,100	-	532.5
Mogadishu	July 2015	July 2017	180	-	82
Islamabad	May 2008	March 2016	446.5	559.7	25
New York	July 2015	June 2017	2,200	-	2,000

Source: Ministry of Foreign Affairs

35. According to MTP II, the Ministry was to open Trade Commission in key commercial capitals. They included New York (USA), Shanghai (China), Frankfurt (Germany) Johannesburg (South Africa) Brussels (Belgium). This has not been achieved.
36. It is noted however that some of these priorities have never been achieved in the past (e.g building of a new Ministry Headquarter and opening of 9 fully fledged missions and consulates)
37. The table below shows the efficiency of the ministry in executing some of its programmes and projects. From the analysis, it is noted the Ministry has an efficiency rate of 61 per cent on the delivery of set targets.

Table 3 : Efficiency in Achievement of set Targets

Programme	Key output	Performance Indicators	Planned target	Achieved Target	Efficiency Percentage
Administration services	Enhance Kenya's influence at international level	County candidatures in decision making bodies	18	14	77%
	JCC's monitored/Initiated	JCCs concluded	12	10	83%
Management of Kenya's mission abroad	Expanded Kenya's influence abroad	New missions, consulates and Liason offices opened	14	3	21%
	Honorary consuls vetted and appointed	Number of Honorary consuls appointed	15	7	47%
Infrastructure Development for Missions	Improved image and work environment in Kenyan missions	Number of Chanceries and official residence refurbished	15	8	53%
International Trade		Number of BTAs signed	16	14	88%

Source: Ministry of Foreign Affairs and International Trade

38. In the 2017/2018 and the medium term, the Ministry of Foreign Affairs will prioritize Articulation of Kenya's Foreign Policy at the International, Continental, Regional and

Multilateral Forums; Strengthening and Expanding Kenya's Diplomatic Footprint and Representation; Promotion of Economic and Commercial Diplomacy; Foreign Policy Research and Technical Cooperation and Infrastructure Development and Modernization. Modernization is a new priority area

(iii) State Department of East African Community Integration.

39. The State Department will continue implementing the Customs Union Protocol, the Common Market Protocol and the Monetary Union Protocol. This has been the core programme run by the state department not only in Kenya but in all the six East African Community Partner States. Indeed the creation and the mandate of the Ministry/State Department is anchored in the EAC protocol.

6.0 SALIENT ISSUES OF CONCERN TO THE COMMITTEE

40. The BPS is scanty on policies the Ministries, Departments and Agencies (MDAs) under the purview of the Committee will inform the budgetary allocations for these MDAs. There is no direct correlation between the programmes to be implemented by these MDAs and the five pillars as outlined in the BPS for the Ministry of Foreign Affairs and International Trade.

41. The resource requirement for the MDAs vis-a-vis the ceilings set out by the BPS for some MDAs is too high. For instance the Ministry of Foreign Affairs ceiling stands at 50 per cent of its total resource requirements. The Ministry of Foreign Affairs needs to reprioritize where to establish foreign missions and ensure that strategic places are prioritized in order to enable the country attains its socio-economic development needs amidst the competing limited resources. The table below gives a summary of the outputs and targets of the agencies.

SUMMARY OF PROGRAMMES, OUTPUTS AND TARGETS			
MDA	Program	Key Outputs	Targets
Ministry of Foreign Affairs and International Trade	General Administration Planning and Support Services	Foreign policies Signed JCCs and JPCs	Implementation and review of performance of policies, bills and plans. 8 JCCs/JPCs
	Foreign relation and diplomacy	Multilateral and Bilateral agreements,	Open new missions and consulates
	Economic Cooperation and Commercial Diplomacy	Bilateral Trade and Investment Agreements	Sign 10 Bilateral Trade agreements and 5 Investment agreements
	Foreign Policy Research, Capacity		

	Development and Technical Cooperation		
Ministry of Defence	Defence	Secured territorial borders and sovereignty integrity	Timely response
	Civil Aid	Humanitarian assistance	Timely response
	General Administration, Planning and Support Services	Effective and efficient service delivery	Mid-annual reports
National Intelligence Services	National Security Intelligence	Actionable intelligence	Actionable intelligence
State Department of East African Community Integration	East African Affairs and Regional Integration	Free movement of persons, Reduced NTBs, harmonized EAC tariffs.	- Quarterly reports on regional integration - Sensitize 15% of Kenyans on EAC matters - Ratify the East African Monetary Union - Establish 1 institution as per the EAC Monetary Union protocol. Coordinate removal of 2 NTBs hold 6 Joint cross border sensitization workshop
	General administration, Planning and support services	Monitoring and Evaluation	

7.0 KEY OBSERVATIONS AND RECOMENDATIONS BY THE COMMITTEE

National Intelligence Service

Observations:

42. The dynamism of the threat environment requires more innovative ways in order to arrest the situation, necessitating the use of modern technology. This calls for enhancement of financial, human and material resources.
43. Some of the programmes and activities earmarked for implementation include Expansion of intelligence collection capabilities, counter terrorism operations, securing the Kenya-Somalia border, through acquisition and establishment of border control systems, strengthening of multi-agency collaboration and coordination, Modernization of intelligence operational equipment, systems and tools including surveillance system.
44. The total budgetary requirement for the Service in the FY 2017/2018 amounts to KShs. 35.10 billion against a BPS ceiling of KShs 26.604 billion. This has resulted to a financing gap of KShs. 8.496 billion. This will affect priority areas such as Security Intelligence and counter Intelligence, Modernization and Expansion of Surveillance System.
45. Considering that 2017 is an election year, when the pillars of the national security are challenged, the national Intelligence budget needs to be enhanced.

Recommendation

46. The Committee recommends that the Budget and Appropriation Committee approve the ceiling of Kshs. 26.604 billion.
47. The Committee further recommends an additional Kenya Shillings 5B to cover the deficit of Kshs. 8.496B in Key priority areas of Security Intelligence and counter Intelligence, Modernization and Expansion of Surveillance System.

Ministry of Foreign Affairs:

Observations

48. Over the last four years the Ministry's recurrent budget has been increasing progressively, however the development allocation has not been consistent. It is also important to note that the Ministry's mandate and presence globally has increased since more missions have been opened abroad calling for more funds to achieve the government's objective of expanding international relations and economic diplomacy.
49. According to MTP II, the Ministry was to open Trade Commission in key commercial capitals. They included New York (USA), Shanghai (China), Frankfurt (Germany) Johannesburg (South Africa) Brussels (Belgium). This has not been achieved as the second Medium Term Plan comes to an end due to lack of exchequer. The Ministry's development budget has been reduced on most occasions through supplementary budget.
50. It was also observed that the ministry's policy of expanding Kenya's diplomatic presence has not made significant headway due to inadequate funding. Some of the Missions that are yet to be opened include Morocco, Malawi, Senegal, Djibouti and Cuba and consulates in Arusha, Kismayu, Hargesia, Garowe, Lagos and Goma.
51. It was also observed that the Ministry faces the challenge of assisting Kenyans in distress abroad. In countries with civil strife and wars, the Ministry is expected to evacuate and late release of funds for this purpose forces the ministry to use its own budget thus hinder implementation of planned programmes. In some cases, the Ministry does get any budgetary support.
52. It was also observed that the fluctuation of the foreign exchange/ depreciation of the shilling against foreign currencies impact negatively on their budget.
53. The cost of renting and leasing of buildings to house chanceries, ambassadors' residences and staff houses abroad is very high and such costs are unsustainable in the long run. This is because rents and leases alone account for 20 per cent of the total budget in Kenyan

missions. In order to reduce such expenditures, the ministry plans to acquire either through construction or purchase, for Embassy/Mission Offices and staff houses.

54. It was further observed that some provisions of the Public Procurement and Disposal Act 2015 in most times are not applicable in foreign countries. Some inapplicability issues include; different procurement practices in foreign countries, varied financial years, high advertisement costs, non-recognition of Kenya's contractual documents. In addition, in some countries Missions are required to make advance payments, in some countries tenders are submitted in foreign language and the translated document may not be necessarily identical which causes delays in the procurement. These challenges have led to slow implementation of planned projects.

Recommendation

55. The Committee recommends that the Budget and Appropriation committee approves the ceiling of Kshs. 19.509 billion as it appears in the BPS. The Ministry should adopt austerity measures and rationalize their staffing levels in foreign missions.

Ministry of Defence

Observations

56. The security situation the world over was dynamic, and calling for multidimensional approach and constant review, necessitating the mobilization of huge resources to address these challenges.
57. It was also observed that the Ministry has taken over the project of securitization of the Kenya-Somali border and the Boni security operations from the Ministry of Interior and Coordination of National Government.
58. In its National Security Report, the Ministry had requested for KShs. 155.45 billion against a BPS ceiling of KShs. 103.60 billion resulting in a financing gap of KShs. 51.85 billion. Some of the areas to be affected with the gap include Personnel Emoluments for additional recruitment by KShs. 2.3 billion, Modernization programme by KShs 37.9 billion,

maintenance of equipment and related infrastructure and National Space agency at KShs. 367 million

Recommendation

59. The Committee proposes to that Budget and Appropriation committee approves the resource ceiling of Kshs.103.6 Billion to discharge its mandate effectively the FY 2017/2018.
60. The Committee recommends that a further Kshs. 7.3 billion be sourced from any other government department to enable the ministry recruit personnel and to modernize its facilities to carry out its operational and administrative roles effectively to secure the country.

State Department of East African Community Integration

Observations

61. The Committee observed that the State Department of the East Africa Community Integration in addition to its core functions has been charged with the following:
 - Procuring of EAC flag, music booklets, compact disks, flag posts to distribute to all public institutions in the country.
 - Popularising the EAC anthem and flag to the citizenry and this will involve sensitisation in both national and county government institutions.
 - Partnering with the Ministry of Education in the requirement of teaching students in primary and secondary schools to sing the EAC anthem.

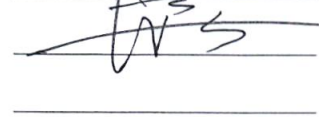
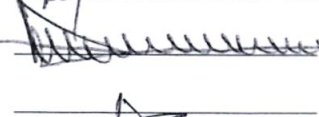
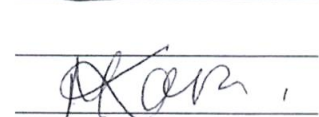
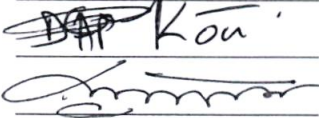
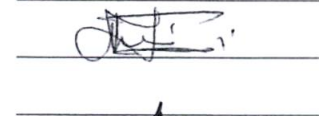
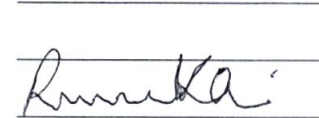
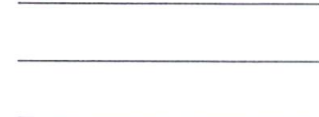
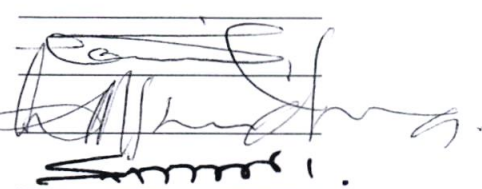
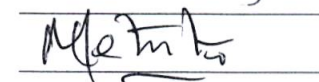
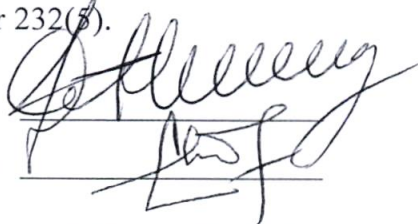
Recommendation

62. The Committee proposes that the Budget and Appropriation committee approves the resource ceiling of Kshs.1.617 Billion to discharge its mandate effectively.
63. The Committee further proposes that an additional **Ksh. 76.394 million** be allocated to the State Department of EAC Integration based on the observations to cover the additional mandate it has been assigned.

Adoption of the Report

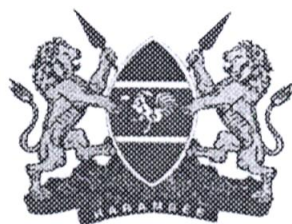
The members of the Departmental Committee on Defence and Foreign Relations have today *Thursday, December 08, 2016* (Day and date) adopted this Report on the 2017 Budget Policy Statement and the medium term for consideration by the Budget and Appropriation Committee and reporting to the House Pursuant Standing Order 232(8).

1. The Hon. Ndung'u Gethengi, M.P. – **Chairperson**
2. The Hon. Elias Bare Shill, M.P. – **Vice Chairperson**
3. The Hon. Adan Keynan, CBS, M.P.
4. The Hon. Katoo Ole Metito, EGH, MGH, M.P.
5. The Hon. Jakoyo Midiwo, MGH, M.P.
6. The Hon. Christantus Wamalwa, CBS, M.P.
7. The Hon. Nyiva Mwendwa, EGH, M.P.
8. The Hon. Gonzi Rai, MGH M.P.
9. The Hon. Wafula Wamunyinyi, M.P.
10. The Hon. Lekuton Joseph, M.P.
11. The Hon. Joel Onyancha, MGH, M.P.
12. The Hon. Richard Onyonka, M.P.
13. The Hon. Joseph Kiuna, M.P.
14. The Hon. Joseph Gitari, M.P.
15. The Hon. David Pkosing, M.P.
16. The Hon. Col (Rtd.) Ali Dido Rasso, MBS, M.P.
17. The Hon. Beatrice Nyaga, HSC, M.P.
18. The Hon. John Lodepe Nakara, M.P.
19. The Hon. Roselinda Soipan, M.P.
20. The Hon. Annah N. Gathecha, M.P.
21. The Hon. David Wafula, M.P.
22. The Hon. Elisha Busienei, M.P.
23. The Hon. Abass S. Mohammed, M.P.
24. The Hon. Ibrahim Sane, M.P.



- 25. The Hon. Joyce Wanjalah Lay, M.P.
- 26. The Hon. Dennitah Ghati, M.P.
- 27. The Hon. Memusi Kanchory, MP
- 28. The Hon. Suleiman Murunga, M.P.
- 29. The Hon. Jacob W. Macharia, M.P.

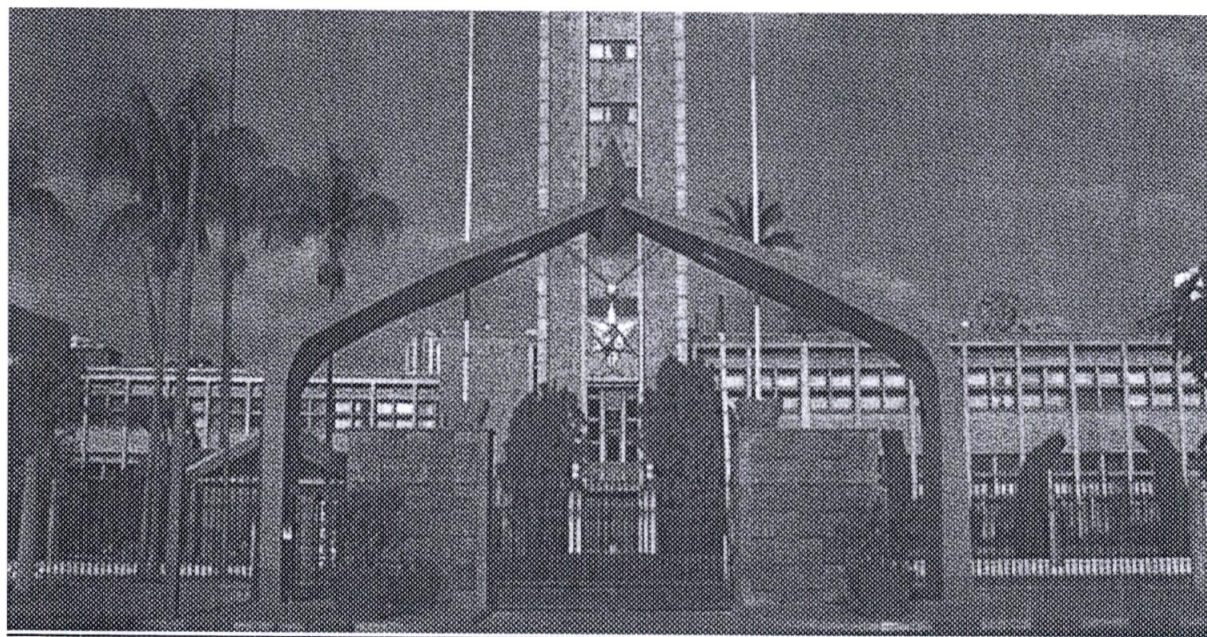
The image shows four handwritten signatures on a set of horizontal lines. The first signature is at the top, followed by three more. The signatures are written in dark ink and vary in style, with some being more cursive and others more blocky. The lines are evenly spaced and extend across the width of the text area.



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY- ELEVENTH PARLIAMENT

DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH AND TECHNOLOGY



**CONSIDERATION OF THE BUDGET POLICY STATEMENT FOR THE FY 2017/18 FOR
THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY & TEACHERS
SERVICE COMMISSION**

Directorate of Committees Services
Clerks Chamber
National Assembly
NAIROBI

December, 2016

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CHAIRPERSONS FORWARD

On Thursday, 24th November 2016, the Budget Policy Statement (BPS) was laid on the floor of the House by the Majority Leader pursuant to the provisions of the Standing Order No. 232 of the National Assembly and section 25 of the Public Finance Management Act (2012). Pursuant to the provisions of Standing Order No 232 (4), the BPS was subsequently committed to each Departmental Committee.

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15th February of every year. Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently '**shall stand committed to each Departmental Committee without question put**'. The Departmental Committee is to deliberate on the Budget Policy Statement according to its mandate and make recommendations to the Budget and Appropriations Committee.

The Committee is thankful to the office of the Speaker and the Clerk of the National Assembly for the logical and technical support accorded to it during its Sittings. Therefore on behalf of the Committee, it is therefore my pleasant duty and privilege, to lay this report on the 2017 Budget Policy Statement and Medium Term Plan for the State Departments and Commission in the Ministry of Education under the purview of the Departmental Committee on Education, Research and Technology Pursuant to provisions of the PFM Act and the S.O of the National Assembly.

Signed.....

Date..... 14/12/16

THE HON. SABINA CHEGE, M.P,
CHAIRPERSON

EXECUTIVE SUMMARY

The purpose of this report was to consider the 2017 Budget Policy Statement and Medium term plan for the Government Ministries and State Agencies under the Purview of the Departmental Committee on Education, Research and Technology and thereafter forward the recommendations to the Budget and appropriation Committee for its consideration.

In considering the 2017 Budget Policy Statement and the Medium Term Plan for the government Ministries and State Agencies and departments under its purview, the committee held a total three sittings. The committee received a comprehensive brief from the Parliamentary Budget office regarding the most critical issues on the BPS 2017.

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

In considering the Budget Policy Statement, the Budget and Appropriations Committee shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.

The report concludes that the Budget and Appropriation Committee Approves the ceilings of the various government ministries and state agencies as contained in the BPS 2017 and thereafter makes amendments as contained in the list of the recommendation.

Establishment and Mandate of the Committee

The Committee on Education, Research and Technology is one of the Committees of the National Assembly established under Standing Order 216 and mandated:

- i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
- ii. To study the programme and policy objectives of ministries and departments and the effectiveness of the implementation.
- iii. To study and review all legislation referred to it;
- iv. To study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
- v. To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary and as may be referred to them by the House;

- vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments); and
- vii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

Committee Membership

The Committee comprises the following Members:-

Chairperson	Hon. Sabina Chege, M.P
Vice Chairperson	Hon. Julius Melly, MP
Members	Hon. Yusuf Chanzu, M.P
	Hon. (Prof.) Helen Sambili, M.P
	Hon. (Dr.) Wilber Ottichillo, M.P
	Hon. (Dr.) Christine Ombaka, M.P
	Hon. (Dr.) Susan Chebet, M.P
	Hon. Cecilia Ng'etich, M.P
	Hon. Muriuki Njagagua, M.P
	Hon. Eric Keter, M.P
	Hon. Joseph Meruaki, M.P
	Hon. Joseph Manje, M.P
	Hon. Kenneth Okoth, M.P
	Hon. Halima Ware Duri, M.P
	Hon. Silverse Lisamula Anami, M.P
	Hon. Richard Makenga, M.P
	Hon. Opiyo Jared Odhiambo, M.P
	Hon. Geoffrey Makokha Odanga, M.P
	Hon. Anthony Kimaru, M.P
	Hon. Banticha Abdullahi, M.P
	Hon. Moses Injendi, M.P
	Hon. Mohamed Adan Huka, M.P
	Hon. Harrison Kombe, M.P
	Hon. Zulekha Hassan Juma, M.P
	Hon. Rose Rwamba Mitaru, M.P
	Hon. Mary Seneta, M.P
	Hon. Michael Kisoi Munyao, M.P
	Hon. Ibren Nasra Ibrahim, M.P
	Hon. Andrew Mwad

Committee Secretariat

Leah Wanjiru	First Clerk Assistant
John Mugoma	Third Clerk Assistant
AbdiazizShobay	Third Clerk Assistant
Doreen Karani	Legal Officer
AnncetaGaacheri	Research Officer
Eric Kanyi	Fiscal Analyst

LIST OF RECOMMENDATIONS

The Committee having scrutinized and reviewed the Budget Policy Statement 2017 recommends the following:

1. That Committee approves the Budget Ceilings as provided in the Budget Policy Statement for various votes under the purview of the Committee, that is, State Department for Basic Education, State Department for University Education, State Department for Vocational and Technical Training and the Teachers Service Commission;
2. The Committee recommends that the Budget Committee consider allocating TSC an additional **Kshs 13.7 Billion** to Teachers Service Commission to take care of the Collective Bargaining Agreement.

1.0 INTRODUCTION

On Thursday, 24th November 2016, the Budget Policy Statement (BPS) was laid on the floor of the House by the Majority Leader pursuant to the provisions of the Standing Order No. 232 of the Kenya National Assembly and section 25 of the Public Finance Management Act (2012).

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the BPS in the House on or before 15th February of every year.

Pursuant to the provisions of the Standing Order No 232 (4), the BPS subsequently **'shall stand committed to each Departmental Committee without question put'**.

In considering the Budget Policy Statement, the Budget and Appropriations Committee shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.

Following the tabling of the BPS 2017, the Departmental Committee on Education, Research and Technology was briefed on the BPS 2017 by the Parliamentary Budget Office and thereafter proceeded to hold consultative meetings with the Teachers Service Commission which took place on the 7th December, 2016. The State Departments for Basic Education, University Education and Vocational and Technical Training presented written submissions on policy issues contained in the Budget Policy Statement to the Committee. The Committee deliberated on the issues on 13th December, 2016 and thereafter adopted the report.

Standing Order No 232 (4) further provides that *the Departmental Committees shall deliberate on the Budget Policy Statement according to their respective mandates and make recommendations to the Budget and Appropriations Committee. In considering the Budget Policy Statement, the Budget and Appropriations Committee shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.*

The State Departments and Commission under the purview of the Committee are-

- (i) The State Departments of Basic Education
- (ii) The State Department of University Education
- (iii) State Department of Vocational and Technical Training
- (iv) Teachers Service Commission

1.1 The Overall Education Sector Allocations

The proposed ceiling for the Education sector according to the Budget Policy Statement 2017 is **Kshs 372.5 Billion** which represents a **Kshs 32.6 Billion** budget enhancement compared to the current financial year. This allocation is meant to support the implementation of various programmes under the four spending agencies in the sector in 2017/18. The Breakdown of the Budget Ceilings for various spending agencies is as indicated below:

	BPS 2017 Ceiling (KshsMlns)
Education Sector Votes	
State Department of education	65,686.00
Primary education	20,380.00
Secondary Education	35,956.00
Quality Assurance and Standards	4,456.00
General Administration ,Planning and Support Services	4,894.00
State Department for University Education	98,344.00
University Education	93,889.00
Research, Science, Innovation and Management	3,788.00
General Administration ,Planning and Support Services	667.00
State Department for Vocational and Technical Training	6,824
Technical Vocational Education and Training	6,456.00
Youth Training	165.00
General Administration ,Planning and Support Services	203.00
Teachers Service Commission	201,699.00
Teacher Resource Management	195,301.00
Governance and Standards	95.00
General Administration ,Planning and Support Services	6,303.00
TOTAL EDUCATION SECTOR (VOTES)	372,553.00

Some of the key areas to be supported by this budget allocation is recruitment of 5,000 teachers, continued support to free primary and free day secondary education, funding university education including establishing seven more universities and support to Technical and vocational training among other key interventions.

Further, the allocation to the sector represents 23.3% of the total resources allocated to all the ten sectors. Therefore, in terms of prioritization among the ten sectors of the economy, the Education sector is placed second in terms of resource allocation after the Energy, Infrastructure and ICT sector. This is an indication that the government is cognizant of the importance the sectors plays and is directing substantial resources to support it.

2.0 MEETING WITH THE TEACHERS SERVICE COMMISSION

a) Teachers Service Commission submissions

The Committee held a consultative meeting with the Teachers Service Commission regarding the proposals in the BPS 2017 on 7th December 2017. TSC submitted as follows, that:-

- i.) The proposed budget allocation to TSC in the 2017/18 financial year is **Ksh.201.7 billion** and is largely made up of Personnel Emoluments.
- ii.) The Kshs 201.7 Billion does not include the cost of implementing the newly signed Collective Bargaining Agreement projected at **Kshs.13.7 billion** per annum.
- iii.) The recruitment of additional 5,000 teachers is provided at a cost of **Kshs.2.5billion**. In addition, the Medical Insurance for teachers is provided at **Kshs.6.5 billion**.
- iv.) In the second Medium Term Plan (2013-2017) the Commission had committed to recruit 25,000 additional teachers to bring the total number of teachers' to 310,000 at the end of the period. The Commission has consistently met this target through recruitment of 5,000 new teachers every year and so far 20,000 teachers have been brought on board. The balance of 5,000 will be recruited during the 2017/18 financial year and have been factored in the budget policy statement figure at Kshs.2.5billion.
- v.) In terms of integration of ICT in Education, in the last four years the Commission has trained over 70,000 teachers on basic computer literacy. The most recent training on Digital Literacy Program was based on Microsoft Certified Educator (MCE) an entry course to basic computing. The Commission also intends to move to the second phase of device training in order to ensure proper utilization of the tablets issued to Primary schools.
- vi.) The activities and programmes to be implemented by the Commission on 2017/18 budget are:-
 - i. Recruitment of 5,000 additional teachers with an allocation of **Ksh.2.5 billion**.
 - ii. Construction of county office accommodation with an allocation of **ksh.118 million**.
 - iii. Teachers' medical scheme with an allocation of **Ksh.6.5 billion**. This did not factor growth in the number of teachers.
 - iv. Performance management in school at a cost of **Ksh. 200million**.

- v. Implementation of ICT projects (bulk sms and mobile applications) at a cost of Kshs. **200million.**
- vi. Implementation of the Teachers Professional Development (modules) will be enhanced. It is premised on the concept of cost sharing. The Commission projects that it will require **Kshs.250million.**
- vii. The quality assurance of curriculum implementation by teachers will be enhanced in the financial year. This will entail the deployment and facilitating TSC County Quality Assurance Officers and Curriculum Support Officers. Provision of laptops plus other ICT equipment and motor bike will be enhanced.

3.0 SUBMISSIONS BY MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY

The Ministry of Education did not appear before the Committee during the processing of the Budget Policy Statement. However the Ministry made submissions in writing regarding the Budget Policy Statement 2017. The following is a summary of the submissions made.

3.1 State Department of Basic Education

The Ministry submitted as follows regarding the State Department for Basic Education, that:

- i.) During the 2017/18 - 2019/20 MTEF period, the Basic Education Sub-sector will implement the following programmes; primary education, Secondary Education, Quality Assurance and Standards and General administration and planning.
- ii.) The State Department had pending Bills amounting to **Kshs 31.9 Million** in 2015/16 and that the State Department has since addressed majority of the pending bills by treating the 2015/16 pending as first charge during the 2016/17 FY as stipulated by National Treasury Circular.
- iii.) Some of the areas which are likely to face funding challenges due to resource constrain are school feeding programme, Free Day Secondary Education and curriculum reform among others areas and that the Ministry will seek additional funding in the course of the financial year.

3.2 State Department of University Education

The Ministry submitted as follows regarding the State Department for University Education, that:

- i.) The State Department will implement three programmes in 2016/17 namely: university education, Research and innovation and General Administration programme;
- ii.) The Public Private Partnerships envisioned in the Universities entail Building, Operating and Maintaining Hostels of varied bed capacities and that Public- Private Partnership arrangements is costly to the University which is required to pay the Transactional Advisor.
- iii.) The PPP is being undertaken in the following public universities: **Egerton University**, 6000 new bed capacity envisioned at a cost of USD 61.5M; **South Eastern Kenya**

University, 5400 new bed capacity envisioned at a cost of USD 54.6M ; **Moi University**, 11000 new bed capacity envisioned a cost of USD 140.2M and **University of Embu (Build, Operate and Maintain)**, 4,000 new bed capacity envisioned at a cost 37.9M

- iv.) Some of the challenges in implementing the 2016/17 FY Budget are: Delayed release of exchequer and uploading of the first quarter budget; Budget cuts within the financial year disrupt infrastructural projects that have already commenced; Inability of universities to fully fund their current payrolls with the monthly capitation they receive and rationalization of the budget even before the budget had began to be implemented and introduction of new procedures in the design & implementation of the Procurement plan
- v.) The following universities have been constituted and are pending gazettelement in the 2017/18 financial year and that their first budget allocation is in the 2016/17 financial year was meant to enable them put up adequate structures. The Universities are as follows:-

- i) Mama Ngina University College that is being mentored by Kenyatta University. The university is currently captured as a campus in 2016/2017 budget.
- ii) Turkana University College that is currently being mentored by MasindeMuliro University of Science and Technology and captured in 2016/2017 budget
- iii) SamoeiKoitalel University College that is being mentored by University of Nairobi and already in 2016/2017 budget.
- iv) Bomet University College that is being mentored by Moi University and already in 2016/2017 budget.

3.3 State Department for Vocational and Technical Training

The Ministry submitted as follows regarding the State Department for Vocational and Technical Training, that:

- I. The State Department continuing the implementation of the two key programmes namely: Technical and Vocational Education and Training; Vocational Education and Training;
- II. Some of the achievements for the State Department are:
 - i. The State Department has been able to disburse all grants payable to the Polytechnics, TTIs and SAGAs for operationalisation of their activities.

- ii. Fully implemented the Presidential directive on payment of pending bills for services rendered by Youth, Women and Persons with disabilities through the Access to Government Opportunities (AGPO) programme.
 - iii. The procurement processes of donor funded projects (Kenya-Italy Debt for Development Program - KIDPP) earmarked in the following Vocational Training Centers; Ebusiraro, Nyagwethe, Mfangano, Mbaaini, Lucy Onono and Vitengeni have been finalized and awaiting formal award.
 - iv. The state department finalized the installation of smart classrooms under the GoK – Netherlands project in 6 National Polytechnics.
 - v. Fifty Technical and Vocational Colleges (TVCs) completed, ten TVCs fitted with smart classrooms, Suppliers procured to supply thirty two TVCs with equipment
 - vi. Construction of Seventy Technical and Vocational Colleges (70 TVCs) on course and completion of 12 other TVCs under construction on course
- III. That some of the challenges the State Department faced in the implementation of the 2016/17 budget include:
- i. **Lack of adequate budgetary provisions:** Being a new State Department, the National Treasury only allocated Kshs 50 million for operations and maintenance which was grossly inadequate for the department to fulfill its mandate.
 - ii. **Pending Bills-** The State Department inherited pending bills amounting to Kshs 50 million which had to be settled as a first charge on the budget of 2016/2017. This curtailed the ability of the Department to implement ongoing programs.
 - iii. **Long procurement Procedures-** Due to the need to adhere to the Public Procurement and Disposal Act 2015 there have been delays in implementing Development Projects especially donor financed projects whereby in some instances, getting the 'no objection' approval from the development partners takes time.
 - iv. **Delays in Exchequer releases-** there are delays in getting exchequer from the National Treasury which contributes in the low absorption of allocated funds.

In 2017/2018 financial year, the State Department operations will be geared towards realization of the following six (6) strategic objectives:

- i) To enhance access, equity, quality and relevance of education and training at all levels.
- ii) To strengthen linkages between TVET institutions and other higher education and

- training institutions with communities and industry.
- iii) To undertake quality assurance and review standards of education and training at all levels.
 - iv) To create new knowledge and technologies.
 - v) To promote and integrate Information and Communication Technology (ICT) in Curriculum delivery and at all levels of education and training
 - vi) To undertake quality assurance and review standards of education and training for the teaching service

The State Department has prioritized implementation of the following activities during the 2017/2018 financial year:

- i. Develop Guidelines on management of Technical and Vocational Colleges (VTCs)
- ii. Develop a framework for conducting skill gap analysis in the Vocational sector
- iii. Develop Guidelines in ICT Integration in VTCs
- iv. Develop Guidelines on capacity building of County staff in the Vocational Training sector
- v. Build capacity of county vocational training staff
- vi. ICT Integration in Vocational Centers
- vii. Infrastructure development
 - a. Complete Phase II construction of 70 Technical and Vocational Colleges (TVCs) in constituencies without any Technical and Vocational Colleges.
 - b. Equipping of 142 new Technical and Vocational Colleges (TVCs)
- viii. Recruit trainers in all Technical and Vocational Colleges (TVCs) and National Polytechnics
- ix. Build capacity of trainers and management of TVET institutions to implement competence based curriculum
- x. Establish TVET data base and information Management System
- xi. Rebrand TVET through holding TVET fairs, Robot contests and Africa Tech Challenge
- xii. Develop Policy guidelines on fees for TVET institutions
- xiii. Establish Smart classrooms in 20 additional TVET institutions
- xiv. Connect 100 Technical and Vocational Colleges to fibre optic cable
- xv. Construction of 87 TTIs in constituencies without ant TTI under Phase III project

4.0 KEY OBSERVATIONS BY THE COMMITTEE

(i) Teachers Service Commission

- 1) The Committee notes that the implementation of the Collective Bargaining Agreement between the Teachers Service Commission and the teachers union was not factored in the Budget Policy Statement FY 2017/18. It was clarified by TSC that Treasury had undertaken to avail resources to the Commission in the course of the financial year to implement the agreement;
- 2) The Committee observes that the Teachers Service Commission didn't achieve its target for the first quarter of the financial year on quality assurance and standards, teacher professional development, teacher capacity development and teacher resource management in the first and second quarter.
- 3) The Committee is concerned that most of Teachers Service Commission services are not automated and this slows down the operations and service delivery at the Commission;
- 4) The Committee further observed that 5,000 teachers were recruited in the FY2016/17 and additional five thousand teachers will be recruited in the FY2017/18. The Committee also observed that the Commission will achieve the set target of recruiting 25,000 in the second medium term plan with the last batch being recruited in 2017/18.
- 5) That though TSC has made commendable work in recruiting 25,000 teachers as had planned under the second medium term plan (2013-17) with the last batch of 5,000 being recruited in 2017/18, the Committee noted that there was need for TSC to recruit more teachers to achieve the required teacher to students ratio and alleviate the teachers shortage in schools.
- 6) The Committee notes that the TSC requires additional Kshs. 765M to pay for advocates fee in the 1997 retired teachers case and if left unattended could earn penalties and costs which will push the figure higher.
- 7) That the TSC requires more funds for performance management in schools to ensure that the quality of services teachers offers are up to the required standards.

(ii) State Departments of Basic Education, University Education and Vocational and Technical Training

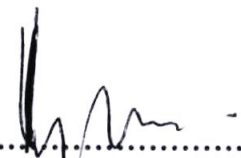
1. Universities should be adequately funded to avert crisis in Universities as a result of increased enrolments and government policy on establishing new Universities;
2. The Committee observed that there are public Universities engaged in Public Private Partnership (PPP) and information regarding these partnerships is scanty. The State Department for University Education needs to provide more information regarding these partnerships especially that the State Department submitted that the engagements are costly to the universities.
3. The Committee further observed the State Department for Vocational and Technical Training should equip all the newly constructed and completed TTI's through their budgetary to fully operationalize them.
4. The Committee noted that the budgetary allocation towards basic infrastructure improvement under the primary education programme is not effectively utilized since most primary schools lack basic infrastructure facilities.

5.0 RECOMMENDATIONS

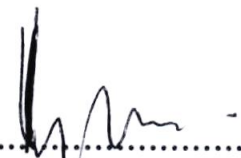
The Committee having scrutinized and reviewed the Budget Policy Statement 2017 recommends the following:

1. That Committee approves the Budget Ceilings as provided in the Budget Policy Statement for various votes under the purview of the Committee, that is, State Department for Basic Education, State Department for University Education, State Department for Vocational and Technical Training and the Teachers Service Commission;
2. The Committee recommends that the Budget Committee consider allocating TSC an additional **Kshs 13.7 Billion** to Teachers Service Commission to take care of the Collective Bargaining Agreement.

SIGNED


.....
HON.SABINA CHEGE, MP – (CHAIRPERSON)

DATE


.....
14/12/16.

5

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT - FOURTH SESSION, 2016

THE DEPARTMENTAL COMMITTEE ON ENERGY, COMMUNICATION
AND INFORMATION

REPORT ON THE BUDGET POLICY STATEMENT FOR THE FY 2017/18
FOR THE MINISTRY OF ENERGY AND PETROLEUM AND THE MINISTRY
OF INFORMATION, COMMUNICATION AND TECHNOLOGY

DIRECTORATE OF COMMITTEE SERVICES
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

DECEMBER, 2016

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CHAIR'S FORWARD

The 2017/18 Budget Policy Statement was tabled in the House on Thursday, 24th November, 2016, and thereafter referred to the Departmental Committees for consideration.

Upon a brief from the Parliamentary Budget office, the Committee called for a meeting with both Ministries and its various agencies to consider the Budget Policy Statements for the Ministry of Energy and Petroleum and the Ministry of Information, Communication and Technology.

The Committee therefore appreciates the assistance provided by the Office of the Speaker and the Clerk of the National Assembly that enabled it to discharge its functions in considering the policy document setting the stage for the preparation and submission of the annual Estimates.

On behalf of the Committee and Pursuant to Standing Order 232 it is my duty to forward the Committee report to the Budget and Appropriation Committee for further action.

THE HON. JAMLECK KAMAU, EGH, M.P.

EXECUTIVE SUMMARY

The Departmental Committee on Energy, Communication and Information is established and mandated under Standing Order No. 216 to inter alia investigate, inquire into and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments.

The Budget Policy Statement (BPS) is submitted and published in accordance with section 25 of the Public Finance Management Act, 2012. In this case, therefore, the submitted BPS under the revised budget calendar on account of the 2017 general elections refers to 2017/18 fiscal year as the immediate fiscal year after the current 2016/17, and 2018/19 and 2019/20 being the three-year Medium Term Expenditure Framework (MTEF).

Parliament is required to scrutinize the BPS and the programmes that the various spending agencies are undertaking with a view of establishing whether the resources being requested for relate to specific outputs that will lead to results as intended and as provided in the national agenda which is the vision 2030.

The second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Energy, Communication and Information the mandate to consider matters related to fossil fuel exploration; development, production, maintenance and regulation of energy; communication, information, broadcasting and Information Communication Technology (ICT) development and management.

It is from this perspective that this committee is mandated to scrutinize the BPS and estimates proposals for the Ministry of Energy and Petroleum, and the Ministry of Information, Communication and Technology. The Committee is equally tasked with the responsibility of scrutinizing the budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

On behalf of the Departmental Committee on Energy, Communication and Information, I now have the honor to present the Report to the Budget and Appropriation Committee of the National Assembly for consideration and onward transmission to the House.

Being the Chairperson of the Committee, I take this opportunity to thank all the Members of the Committee for their useful contributions during the long hours under tight schedules which enabled us to complete the task within the stipulated period.

The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee, their efforts made the work of the Committee and the production of this report possible.

ESTABLISHMENT OF THE COMMITTEE

The Departmental Committee on Energy, Communication & Information is one of the twelve Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates pursuant to the *Standing Order 216 (5)* are as follows:

- a) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
- b) To study the programme and policy objectives of ministries and departments and the effectiveness of their implementation;
- c) To study and review all the legislation referred to it;
- d) To study, access and analyse the relative success of the ministries and departments measured by the results obtained as compared with their stated objective;
- e) To investigate and inquire into all matters relating to the assigned ministries and departments as may be deemed necessary, and as may be referred to it by the House or a Cabinet Secretary;
- f) To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments); and
- g) To make reports and recommendations to the House as often as possible, including recommendations of proposed legislation.

MANDATE OF THE COMMITTEE

In accordance with Second Schedule of the Standing Orders, the Committee is mandated to oversee:-

Fossil fuels exploration, Development of energy, Production of energy, Maintenance and regulation of energy, Communication, Information, Broadcasting, Information Communications Technology (ICT) development and management.

In executing its mandate, the Committee oversees the following government Ministries, namely:

- i. Ministry of Energy and Petroleum
- ii. Ministry of Information, Communication and Technology

COMMITTEE MEMBERSHIP

The Committee on Energy, Communication and Information was constituted by the House in May, 2013 and comprises of the following Members:-

Chairperson	The Hon. Jamleck Kamau, EGH, MP
Vice Chairperson	The Hon. Jackson Kiptanui, MP
	The Hon. Mohammed Elmi, EGH, MP
	The Hon. Edick Anyanga, MP
	The Hon. Mithika Linturi, MP
	The Hon. Mary Mbugua, HSC, MP
	The Hon. (Eng.) Vincent Musau, MP
	The Hon. Zebedeo Oporo, MP
	The Hon. Aramat Lemanken, MP
	The Hon. Arthur Odera, MP
	The Hon. Banticha Abdullahi, MP
	The Hon. Esther Gathogo, MP
	The Hon. Fathia Mahbub, MP
	The Hon. James Lomenen, MP
	The Hon. Cecily Mbarire, MP
	The Hon. Nicholas Ngikor, MP
	The Hon. Onesmus Njuki, MP
	The Hon. Rachael Amolo, MP
	The Hon. Roba Duba, MP
	The Hon. Ndung'u Gethenji, MP
	The Hon. William Kisang, MP
	The Hon. Richard Tongi, MP
	The Hon. Moses Kuria, MP
	The Hon. Silverse Anami, MP
	The Hon. Charles Nyamai, MP
	The Hon. Joseph Magwanga, MP
	The Hon. William Mtengo, MP
	The Hon. Mishi Mboko, MP
	The Hon. Abdikadir Ore Ahmed, MP

COMMITTEE SECRETARIAT

Lead Clerk Assistant	Mr. Amos Kiangwe Sikweya
Clerk Assistant	Mr. Jimale Mohammed
Clerk Assistant	Ms. Laureen Wesonga
Legal Counsel	Ms. Jemimah Waigwa
Research & Policy Analyst	Mr. Donald Manyala
Fiscal Analyst	Mr. Abdirahman Gorod

1 INTRODUCTION

The Budget Policy Statement (BPS) is published in accordance with section 25 of the Public Finance Management Act, 2012. Parliament shall not later than 14 days after the BPS is submitted to Parliament, table and discuss a report containing its recommendations and pass a resolution to adopt it with or without amendments. In this case, therefore, the 2016 BPS under the revised budget calendar on account of the 2017 general elections refers to 2017/18 period as the immediate fiscal year after the current 2016/17, and 2018/19 and 2019/20 being the three-year Medium Term Expenditure Framework (MTEF).

The second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Energy, Communication and Information the mandate to consider matters related to fossil fuel exploration; development, production, maintenance and regulation of energy; communication, information, broadcasting and Information Communication Technology (ICT) development and management.

It is from this perspective that this committee is now mandated to scrutinize the BPS and estimates proposals for the ministry of Energy and Petroleum, and the Ministry of Information, Communication and Technology. The Committee is equally tasked with the responsibility of scrutinizing the budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

The Committee oversees the following votes namely , Vote 1152 (State Departments of Energy) ,Vote 1153 (State Department for Petroleum) , Vote 1123 (State Department for Broadcasting & Telecommunications), and Vote 1122 (State department for Information Communication & Technology & Innovation) and the SAGAS under the purview of respective ministries.

Further on the Standing Orders 232 (4), upon being laid in the House, the Committee is to deliberate on the BPS according to the mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly and is expected to submit a report containing its recommendations to Budget and Appropriations Committee.

2 SUBMISSIONS ON THE BUDGET POLICY STATEMENT

2.1 SUBMISSIONS FROM THE PARLIAMENTARY BUDGET OFFICE

The Parliamentary Budget Officer made the following submissions:

2.1.1 Highlights on the Sub Sectors Priorities

The most critical priority in the Energy and Petroleum sub sector is to ensure continued implementation of the +5000 plan MW, street lighting and last mile connectivity and fast-tracking of delayed transmission lines critical towards evacuation of generated power and supporting the connectivity agenda.

With regards to ICT, innovation and broadcasting, sub sectors, priority is to ensure the complete roll out of the Digital Literacy Programme, fast tracking of the county connectivity and National

Optic Fiber Backbone Infrastructure, Phase II and establishment of constituency connectivity and innovation hubs as well as fast tracking the completion of the Konza Metropolis city.

An assessment of the sectors priorities contained in the second MTP, sector report 2016 and the BPS 2017 indicates that the priorities in the BPS 2017 are consistent and linked with the priorities as highlighted in the sector report and second MTP. However, there is need to ensure consistency in target achievements and reported outputs so as to gauge programme performance and subsequent allocations.

2.1.2 Budgeting for results: predictability and efficiency

It is important to note that the government of Kenya introduced Program Based Budgeting five years ago. The key objective behind program based budgeting is to ensure that the focus in resource allocation is the expected results or outputs as well as outcomes. The imperative therefore is to scrutinize the various programs with a view of establishing that the resources being requested for relate to specific outputs that will lead to results/impacts as intended and as provided in the national agenda - which is the vision 2030 - and that most importantly the same is provided in the Programme Based Budget (PBB) and the BPS.

As result of the reforms the PBB framework for the sub sectors are embedded in the budget system making it easier for result based tracking and evaluation including value for money and resource utilization levels.

However, respective State Departments in the sub sector need to strengthen further the PBB framework with respect to having a comprehensive and responsive set of indicators, key outputs and realistic targets and proper costing of programmes that is anchored on the Itemized Budget. These guards against in year reviews of program outcomes and unnecessary supplementary considerations often with substantial allocation or variations from approved levels and enhances predictability in budget implementation

In the last three financial years, the sub sectors have registered growth in resource allocation increasing from Kshs 73.6 billion in FY 2013/14 to Kshs 96.7 Billion in 2015/16 and with total approved figures for the FY 2016/17 at Kshs 121.5 billion. Similarly, the flow of resources to the sector has been steady when compared to the approved budget.

This is demonstrated by comparing the resource allocation vis a vis the actual spending for the two sub-sectors. However, it is notable that all approved allocations have not been fully utilized given the critical role the sector plays, making a case for high opportunity costs considering that the sector has substantial development partners funds.

On average, the Energy and Petroleum sub sector utilized 71 % of its budgetary allocation in the last three fiscal years financial years partly on account of implanting its flagship projects meant to scale up power generation and electricity connectivity particularly in primary schools. However, while the resource allocation has been steadily predictable, the utilization of the

development spending has been relatively lower than approved especially under the transmission component meaning that completion of critical transmissions have been delayed. It may be necessary to fast track completion projects such as the Nairobi- Mombasa and Nanyuki- Isiolo, Loyangalani - Suswa power evacuation lines, among others.

With regards to the ICT Sub sectors, and in view of the programme performance, the allocation towards the ICT Infrastructure Development has been on upward trend. This is due to the key projects under the ministry such as the Konza development, digital literacy and Fibre cable (NOFBI PhaseII), County Connectivity presidential digital initiatives, among others. While there is notable progress in terms achieving the indicate targets ¹ some of the projects like development of the Horizontal infrastructure in the Konza Technopolis and the fibre connectivity needs to be fast tracked to achieve the targets envisioned in the MTPII.

2.1.3 Audit issues raised by the Auditor General (for the period 2014/15)

Ex Post review of Resource utilization and management

This section briefly looks at, by way of summary, the audit issues as raised in the reports by the Auditor General for the FY 2014/15 with a view to gauge or give an indication of resource utilization and management, emerging risks of allocated resources to the programmes under implementation and enhance fiduciary oversight to mitigate against adverse effects and enhance prudent fiscal management and reporting.

Based on end of year audit reports by the Auditor General for the period 2014/15, the following Tables 1 and 2 contain a summary of the audit issues in each of the respective reports with respect to the two sub sectors.

Ministry of Energy and Petroleum

Table 1: Audit issues and policy issues and implication on resource allocations

Audit Issue	2014/15 (Kshs Mlns)	Remarks
Accumulation and uncommitted funds for the Ministry Headquarters operated by the National Oil Corporation of Kenya (NOCK) had an uncommitted balance of Kshs.589,821,694 as of 30 June, 2015.	589.82	Not prudent in light of the scarce resource available for competing priorities
As reported in prior year, the Ministry does not have title deeds for some of the parcels of land in Kericho, Kisii, Migori, Bukura, UasinGishu, Kitui, Wambugu and Mitunguu Energy Centres.	-	This issue is subject of annual audit reviews and seems not to be settled since it affects 50% of the energy centres across the country. It puts to risk the investment (or future allocations) towards the centres.
Petroleum Training Levy Fund - Over Expenditure on use of Goods and Services: incurred expenditure totaling Kshs.219,967,601 on payments for use of goods and services against an approved budget of Kshs.80,000,000. Resulting in a budget overrun of Kshs.139,967,601 or 175%.	139.96	The audit review indicates over expenditure in the funds and thus contravention of the Public Financial Management Act 2012 Section 43(2) (c) which stipulates seeking supplementary approval for approved expenditure exceeding 10%.

Source: Auditors report for the FY 2014/15

¹ 2016 sector reports

Ministry of ICT

Table 2: Audit issues and policy issues and implication on resource allocations

Audit Issue	2014/15 (Kshs Mlns)	Remarks
Over payment to the Connected East Africa Summit to Information Communication Technology Authority (ICTA).	10	Audit reporting of double payment to the conference and, although the audit reports that the Ministry was fully aware of the above anomaly, there seems to be no evidence of any efforts being made to recover the excess amount of Kshs.10,000,000 from the Authority as the same was not availed for audit review.
Records available at the Ministry indicates that a total of Kshs.104,335,548 was spent on Purchase of Motor vehicles during the year under review against a budgetary provision of Kshs.91,200,000 resulting in an unauthorized over expenditure of Kshs.13,135,548.	13.13	Reported over expenditure which calls for proper audit review and ensure the ministry adheres to approved levels.
Under collection of revenue	19.071	Clear case of not being accountable for estimates given and thus need for Ministry to ensure submitted estimates are as close to the expected amounts.
Misapplication of grants transfers and lack of accountability for transfer to agencies under the ministry	34.8	Approved grants and transfers to agencies and the Ministry need to be administered as per the approved levels and approval sought for any extra transfers.

Source: Auditors report for the FY 2014/15

2.1.4 Opportunities and challenges

The sub sectors are critical enablers and a source of growth especially towards enhancing the productive capacity and competitiveness of the country. Considering that the sub sector is part of the wider infrastructure sector, where it accounts for 27% of the proposed Development and Recurrent ministerial budget and therefore also drives or contribute to the borrowing levels, it is critical that the various projects under implementation are fast tracked and delivered within the reasonable timeframe and cost estimates.

Some of the challenges in the sub sectors, however, include lower than budgeted absorption capacity of approved allocations and more so of development partner funds thus occasioning longer project periods, vandalism of major energy and ICT installations and equipment and inefficiencies resulting from monopolies in the sub sectors such as Kenya Power, telecom telephony companies with dominant market share often making it difficult to pass benefits of reforms and capacity enhancements and technological to the general consumers.

Other challenges in the sub sector, which also tend to stretch the available resources and thus contribute to opportunity costs include:

1. too many projects going on at the same time especially in the energy sub sector making it difficult to complete planned projects in time,
2. frequent transfer of critical projects between different votes and more often under different management like the case of Digital Literacy Programme and other ICT related projects,
3. high costs of compensation to project affected persons which is a reason for delaying project completion,

4. Susceptibility to and vulnerability of infrastructure projects to vagaries of climate change and vandalism of infrastructure facilities.
5. management challenges whereby there is a disconnect between key planning and policy documents, for instance, the lack of linkages between budget performance targets and performance contract, making the implementation of planned programmes to fall short and often miss agreed targets. This is evident in projects not being completed on time with approved costs.
6. Accumulating pending bills where according to the 2016 Sector Report pending bills in the subsector (ICT and broadcasting) broken as Kshs. 1.2 billion under KBC, Kshs 435 million under the Government Advertising Agency and Kshs 32.4 million under the Kenya year Book.
7. Fiscal risks and contingent liabilities that may arise from Public Private Partnership Projects (PPPs) in the energy sector in view of the letter of support covering political risks and guarantees should the risk associated with such PPPs. This means that the energy and petroleum sub sector must recognize these substantial and potential risk and contingent liabilities and have it pronounced in its key policy documents with a view to ensure that there are also adequate policy measures to cushion against these major downside risks.

2.1.5 The Hard Budget Constraint and 2017/18 BPS Proposed Ceilings by Programmes

2.1.5.1 Overall Resource Ceiling (Arms of Government)

The total resource allocation to the various spending agencies and the County Government for the period 2017/2018 financial year is estimated at Kshs 1.904 trillion comprising of Kshs 1.551 trillion for National Government; Kshs 30.9 billion for Parliament; Kshs 18.0 billion to Judiciary; and Kshs 304.2 billion to County Government.

Details	2016/2017	2017/2018	2018/2019	2019/2020
National Government	1,628,448.90	1,551,057.10	1,676,069.20	1,735,731.40
Parliament	31,480	30,915.10	31,693.50	32,646.10
Judiciary	17,758.50	18,006.60	19,372.90	20,430.30
County Government*	284,784.60	304,236.20*	328,512.10	354,875.80
Total	1,962,472	1,904,215	2,055,647.70	2,143,683.70

Source :2017 BPS, National Treasury

*Inclusive of forgone user fees and level 5 hospital

2.1.5.2 Energy and Petroleum sub sector

In view of the proposed 2017 BPS for the FY 2017/18, the proposed overall allocations to the sector stand at Kshs 426 billion. Moreover, share of the ministry allocation against total national

government ministerial expenditure for FY 2015/16 and 16/17 remains at approximately 6 percent mainly to support the generation of electric power and construction of medium and high voltage transmission networks.

The table below gives a breakdown of resource allocation by programme and votes vis a vis resource requirements for the sub sectors

Budget Constraint-Resource requirements vis-a- vis resource allocation and proposed ceilings								
Energy and petroleum sub sectors	2016/17		2017/18		2018/19		2016/17 Allocation as a % of resource request	2017 BPS Ceiling as % of resource request
	Resource Needs	2016/17 Estimates	Resource Needs	BPS Ceiling	Resource Needs	BPS Ceiling		
State Department for Energy	207,571	117,261.9	276,340.0	83,144.7	120,589.0	117,335.0	56.5%	30.1%
Administration Planning and Support Services	499.0	453.7	1,436.0	575.0	700.0	480.0	90.9%	40.0%
Power Generation	43,368	22,288.1	92,647.0	31,126.0	46,781.0	36,766.0	51.4%	33.6%
Power Transmission and Distribution	162,686	93,459.8	180,830.0	50,358.7	71,756.0	79,021.0	57.4%	27.8%
Alternative Energy Technologies	1,018	1,060.3	1,427.0	1,085.0	1,352.0	1,068.0	104.2%	76.0%
State Department for Petroleum	1,972.0	4,299.6	5,996.0	4,575.9	5,084.0	4,920.1	218.0%	76.3%
Petroleum Exploration and Distribution	1972	4,299.6	5,996.0	4,575.9	5,084.0	4,920.1	218.0%	76.3%
Total sub – Sector	209,543.0	121,561.5	282,336.0	87,720.6	125,673.0	122,255.1	58.0%	31.07%

Source: 2016 and 2017 BPS Reports and various Sector Reports

While the government seems cognizant of its priorities in the energy sub sectors, there is need for greater prioritization by the Ministry in light of the reduced proposed allocation. This may also have been informed by the lower than expected absorption capacity observed over the years.

With regards to the petroleum sub sector, the resource allocation is quite inline with request levels, a situation the Ministry envisages to undertake all programmed activities that are critical to the development of petroleum exploration and distribution.

It is notable, while the Ministry's programmes remain the same; the Ministry has been reorganized into State Departments each with its set of programme(s) with the imperative to implement programmed activities and projects with enhanced efficiency and improved performance. This structural change is also evident in the proposed 2017 BPS in terms of respective votes and programmes. However, there is need to ensure that these structural change are fully reflected in all planning and performance documents to actualize the intentions of the changes and enhance the Ministry's performance especially in view of the absorption of resources and completion rate of projects.

2.1.5.3 ICT broadcasting & telecommunications sub sector

In view of the proposed 2017 BPS for the FY 2017/18, the proposed overall allocations to the sector stands at Kshs 426 billion, of which the share for the ICT sub-sector is Kshs 23.0 billion or approximately 6%. Moreover, share of the Ministry allocation against total National Government ministerial expenditure for FY 2015/16 and 16/17 remains at approximately 2% mainly towards the ICT Infrastructure Development where the notable projects are the Digital Literacy Program and county connectivity as well as the development of Konza.

This proposed ceiling for the Ministry represents **31 percent** out of the total resource requirement of **Kshs 50.4 billion** meaning that the ministry is expected to undertake major prioritization and focus on critical projects within the approved programmes. Similarly the proposed allocation under this subsector reflects are marginal reduction.

The table below gives a breakdown of resource allocation by programme and vote vis-a-vis resource requirements for the sub sectors

Budget Constraint-Resource requirements vis-a- vis resource allocation and proposed ceilings								
ICT Sector	2016/17		2017/18		2018/19		2016/17 Allocation as a % of resource request	2017BPS Ceiling as % of resource request 2017/18
	Resource Needs	2016/17 Estimates	Resource Needs	BPS Ceiling	Resource Needs	BPS Ceiling		
State Department of ICT and innovation	52,154.0	23,222.5	44,803.0	20,246.4	44,559.0	23,320.1	44.5%	45.2%
General Administration ,planning and support Services	1,364	287.9	575.0	350.7	850.0	358.8	21.1%	60.9%
ICT Infrastructure Development	50,790	22,441.2	42,925.0	19,197.5	42,264.0	22,259.8	44.2%	44.7%
e government	0.0	493.4	1,303.0	698.2	1,445.0	701.5	-	53.6%
State Department for Broadcasting & Telecommunications	2,112.0	2,708.2	5,631.0	2,853.0	5,352.0	2,767.0	128%	50.7%
General Administration ,planning and support Services	-	287.9	328.0	309.0	338.0	328.0	-	94.2%
Information and Communication Services	1,640	1,982.8	4,587.0	2,116.0	4,572.0	2,186.0	121%	46.1%
Mass Media Skills Development	472	437.5	716.0	428.0	442.0	253.0	93%	59.8%
TOTAL ICT SECTOR	54,266	25,931	50,434	23,099	49,911	26,087	47.8%	45.80%

Source: 2016 and 2017 BPS Reports and various Sector Reports

In view of the proposed allocation, ICT Infrastructure Development programme and the Information and Communication Services are proposed to be allocated the largest share of the

total sub sector budget with e-government, as new program²; underscoring the need for affordable connectivity and access to government services and improve innovation, is proposed to be allocated the third largest share.

Even though the BPS is not clear on the target out of the programme allocations, some of the key projects expected to be considered under ICT Infrastructure Development programme, according to the 2016 sector report, is the continued roll out of the Digital Literacy Programme (1.2 million devices), completion of the Konza complex and further construction of associated horizontal infrastructure, connection of constituency innovation hub (80), further support to 400 cohorts of Presidential Digital Talent youth interns (400), phase II Fibre expansion (500 Kms) and further construction of (331Kms), among others.

Information Communication and Technology Authority, alongside the infrastructure undertakings, will also be responsible, as the Delivery Unit, to implement the e-government agenda such as upgrading data center (GDC), implementation of the National Cyber Security Master Plan and Strategy, E-registries/ Digitization, among others.

Allocation under the Mass media Skills Development programme is cater for procurement of training equipment and modernization facilities and facilitate the training of 350 media practitioners through Kenya Institute of Mass Communication, among others.

2.1.6. Policy Options for the Sub Sectors

Structural

Entrenching Structural Changes and Harmonizing processes and systems: While the recent reorganization of the ministries by having relevant State Departments with the impetus to boost performance and efficiency is a step in the right direction, there is need to ensure that respective planning and budgeting activities as well as performance contracting are harmonized and linked appropriately with a view to boosting the efficiency level alongside with the structural changes, is actualizing, to full effect, the Controller of Budget Act, 2016 requirement that reporting on actual programme performance alongside the fiscal returns be done. This makes the case for proper monitoring and results based resource utilization and enhance value for money.

Fiscal Risks and Contingent Liability: In light of the potential fiscal risks and contingent liabilities³ associated with energy projects under the PPP framework and IPPs, there is need for the Ministry to scale up its reporting responsibilities within the monitoring and evaluation structures and further ensure that there are adequate mitigation factors by way of ensuring compliance and performance by relevant parties.

² The e-programme was initial a sub programme under the main programme of Information and Communication Services, (Sector Report 2015)

³ According to the 2017 BPS all the PPPs have no Call on Guarantees though with respect to Kinangop Wind Power, it is recognized that a claim under the Government Letter of Support was lodged and before an arbitration panel under ICC rules

This element of appraisal is currently not reflected in the sector reporting, a key ministerial financial performance review and outlook document, and in essence may be discounting the potential effects of these risks from the perspective of the ministry and respective agencies/parties that are tasked with implementation of key projects. In this regard, there might be need for a comprehensive submission on the IPPs and the existing PPPs to ensure there is compliance and while focusing on the least cost power framework

Full implementation of the USF as per its objective: With the Communication Authority having undertaken an ICT Access Gaps Study to map out the gaps in voice, data, broadcasting and postal & courier services at sub-location level across all counties in Kenya and with accumulated USF levies approximately at Kshs. 4.32 billion⁴ as collected by the authority, there is urgent need to implement the Fund with a view to improving telecommunication and connectivity access across the country. This may actually require a structured framework that supports the implementation and proper monitoring of projects and programmes.

Non-Financial Options

Strengthening the Programme Based Budget framework: There is need for the Ministries to further strengthen the link between the Programme Based Budget framework and Itemized Budget. Though much progress is evident in the Programme Based Budget Framework, It is notable from the supplementary and to a large extent during submissions of the BPS that the targets and the key indicators of the sub sectors are not comprehensive, inadequate and often not submitted alongside with proposed resource ceilings. This practice puts into doubt the actual costing of sub sector programmes and projects and thus the overall resource allocation.

Financial Options

Absorption Capacity: To improve budget performance and efficiency, the sub sectors need to further improve the absorption capacity of approved allocations and minimize supplementary appropriations to a level justifiable only to the extent such expenditure are unforeseen or are due to inadequate provisions.

Prioritization and fast tracking of Delayed Projects: In view of the huge resource requirement visa vis the proposed allocation thereby occasioning a huge shortfall, Ministries may need to prioritize allocations among the various programmes and also scale down on non-priority areas. In addition, the sub sectors have a number of delayed projects, such as the County connectivity and the fibre optic backbone infrastructure, development of Konza, power evacuation and transmission lines, among other, due to issues around compensation and wayleave, lack of clear timelines and slow implementation pace which require to be fast tracked in order to realize the benefits of such projects.

Budget Predictability and Consistency: The revised fiscal framework, mainly in the BPS, is usually subject to substantial variations mainly on the external resources component where the same is also not similar to the actual revised submitted estimates for approval as was the case for

⁴ Communication authority of Kenya

the 2016 BPS. These inconsistencies compromise budget credibility and reflects on poor planning and budgeting and affects programme performance.

Pending Bills: The Ministry of ICT should ensure adequate budget provisions for key activities and projects within given programmes so as to avoid pending bills and make effort to clear overdue bills including having appropriate measures to ensure the veracity of such bills and mitigating the issue of pending bills in the future.

2.2 SUBMISSIONS FROM THE MINISTRY OF ENERGY AND PETROLEUM

The Ministry of Energy and Petroleum submitted the following brief to the Committee.

That the Ministry is committed to ensuring that the realizations of development objectives are achieved through implementation of relevant programs as follows:

1. make progress towards generation of 5000 MW of power in order to reduce the cost of power. To date a total of 2,300 MW is available on the national grid,
2. raise power production by further exploiting the vast geothermal, wind, and solar resources that the country is endowed with, as a way of increasing the clean energy mix,
3. invest in the construction of more electricity sub-stations, transmission lines, and distribution transformers in order to boost availability of electricity and sustain the demand. The additional power will widen access to power, reduce cost of doing business, and spur growth of enterprises,
4. improve access to clean alternative energy through connection of more public institutions with solar energy, installation and maintenance of wind masts and data loggers, install street lights in towns to promote 24 – hour economy,
5. Undertake exploration and appraisal in oil blocks and early oil pilot scheme to enhance commercialization of the crude oil discoveries.

2.2.1 Budgetary Allocations and Resource Requirement for the Period 2017/18 – 2019/20

Budgetary allocations and resource requirement for the period 2017/18 – 2019/20 are summarized in the table below.

Sub- Sector	Printed Estimates	BPS Ceiling	Projections	
	(Kshs-million)	(Kshs-million)	(Kshs-million)	
	2016/17	2017/18	2018/19	2019/20
Baseline Ceiling	1,677,687.4	1,599,979.2	1,727,136.4	1,788,807.4
Energy, Infrastructure & ICT	529,162.9	426,957.8	491,344.4	507,931.0
Energy	117,261.9	83,144.7	117,335.0	117,139.4
% of Sectors Resource Envelope	23%	20%	24%	23%
% of Baseline Ceiling	7%	6%	7%	7%
Resource Requirement	138,772.4	166,144.7	140,539.0	140,373.0
Financing Gap	21,510.5	196,195.3	23,204.0	23,233.6

As you will note from this analysis, the State Department of Energy has continued to experience huge financing gap hence impacted negatively on project implementation. The highest being during the 2017/18 financial year, which has been brought about by a drop in resource allocation and introduction of new projects which have not been funded.

This will result to number of critical projects being either underfunded or not funded at all. Such projects include; Outstanding pending bills of Kshs. 19.5b, Increased coverage of street lighting to more urban centres Kshs. 7.7b, Scaling up of electricity access under GPOBA program Kshs. 5.4b, Installation of transformers in constituencies Kshs. 3.7b, Rural electrification program Kshs. 10.2b, Geothermal Development projects Kshs. 7.2b, Installation of key transmission lines Kshs. 28.9b, Counter Part funding for the foreign financed projects Kshs. 0.4b and Exploration and appraisal in oil blocks and early pilot scheme kshs.2.1 b.

2.2.2 Overview of Implementation of MTP II in Energy and Petroleum Sub-sectors

The energy sector plays a critical role in the socio-economic development of a country. The level and the intensity of energy use in a country is a key indicator of economic growth and development. The Kenya Vision 2030 identified energy as one of the infrastructure enablers of its economic pillar. The Energy and Petroleum sector vision is to have affordable and reliable energy for all citizens. In order to realize this vision the Government is keen in ensuring that the country's energy services are clean, sustainable, affordable, reliable and secure and are offered at least cost while protecting the environment.

Achievements

Increasing Electricity Availability through Power Generation

The MTP II target is to increase installed electricity capacity by 5,538MW by 2017. Overall, 61% of the total power generation capacity is expected to come from renewable sources.

THE 5000 + MW Project Overview

In the year 2013/14 it was anticipated that electricity demand will rise sharply as new county Governments take shape and numerous economic activities spring up in the counties. In particular, energy intensive activities such as heavy manufacturing industries, agriculture, operation of petroleum pipelines and rail lines among others would require a lot of power. In order to provide affordable electricity for these activities which are expected to sharply transform economy a roadmap to raise the generation capacity by 5,538 MW from 1691MW in 2011/12 FY to slightly over 6,700 MW by 2016 was proposed. Through this road map shown in the table 1 below the generation cost US\$ cents was expected to be reduced from 11.30 to 7.41, commercial/industrial tariff from 14.14 to 9.00 and domestic tariff from cents 19.78 to 10.45.

Installed Electricity Generation Capacity

During the period under review, the total installed power generation capacity increased by 38.4% from 1,691MW in 2011/12 to 2,341MW as at 30th June 2016. The table below shows the increase in installed power generation capacity.

Installed Electricity Generation Capacity

	Unit	2011/12	2012/13	2013/14	2014/15	2015/16
Installed Capacity	MW	1691	1765	1975	2299	2341
Percent increase	%		4.4	16.8	36.0	38.4

Major power generation projects commissioned during the period are as indicated in the table below.

Completed Generation Projects within MTP II

	Project	Type	MW	Commissioned
1.	Thika Power	MSD	87	Aug-13
2.	Triumph	MSD	83	June 2016
3.	OrPower4 plant III	Geothermal	17.6	Feb-14
4.	Olkaria IV Units 1&2	Geothermal	140	Aug-14
5.	Olkaria I additional units Units 4&5	Geothermal	140	Feb-14
6.	Gikira Small Hydro	Hydro	0.5	Jan-15
7.	Gulf Power	MSD	80	Dec-14
8.	Ngong 1 Phase II	Wind	20.4	Jan-15
9.	KenGen Wellheads	Geothermal	50.6	Apr-15
10.	Kindaruma optimization	Hydro	4	Jun-13
11.	Triumph Power	MSD	83	Jul-15
12.	Orpower4 plant IV	Geothermal	29	Jan-16
13.	Biojoule	Biogas	2	Jan-16

Other major projects which are almost complete and are expected to come on bond during the period under review include;

- Olkaria I - Unit 670MW Geothermal
- 70MW KenGen Wellhead Generation Geothermal;
- 100MW Meru Wind;
- 140 MW Olkaria V- units 1&2;
- 140MW Olkaria VI - units 1&2;
- 105MW Menengai Geothermal;
- 60MW MenengaiGeothermal;
- 51MW Olkaria I Refurbishment Geothermal;
- 1050 MW Lamu Coal Fired Power plant
- 300MW Lake Turkana wind power plant;

Mui Basin , Coal Development for Block A; Block B; Block C & Block D

For Block C and D Environmental and Social Impact Assessment (ESIA) initiated by concessionaire and Land adjudication and registration are ongoing. For Block A and B Negotiation are ongoing with Concessionaire.

Lake Turkana Wind Power Plant

The wind farm site covers 40,000 acres (162 km²) and is located in Loyangalani District Marsabit County. The 310 MW project is the largest wind farm in Africa, consisting of 365 Turbines of 850 KW each the largest single wind turbine order ever.

Construction commenced on 25 October 2014 and it's expected to be completed by June 2017.

Increased Access to Electricity

The aim of the MTP II is to increase access to electricity through upgrading and expansion of the national power transmission and distribution network to improve supply and reliability, reduce losses and connect 2 million new customers and 6,304 public facilities by 2017/18.

New Customer Connected to Grid

The total number of customer connected to electricity increased from 2,038,625 in 2011/12 FY to 4,865,100 as at 30th June 2016. This represents a growth of 138.6%. Accelerated connectivity has been achieved through transformer maximization, pre investment scheme in densely populated areas, ease of connection costs, Global Partnership on Output Based Aid (GPOPA) for electrification of low income high density settlements.

The government target is to achieve 705 access rates by 2017 and attain universal access rate by 2020.

Over the same period 14,619 public primary schools were connected to electricity majority to the national grid while some were provided with solar power systems. This figure is over 230% of the MTP II target of 2017/18. The government targets to connect the remaining 1,300 public primary schools by the June 2016. Therefore, access to electricity is on course to significantly exceed the MTP II target by 2017/18.

Digital Literacy Programme

This programme was rolled out in July 2013. The main aim was to;

- Improve access of electricity across the counties ;
- Improve learning conditions in schools.
- Ensure all public primary schools are ready for the Digital Literacy Programme

As at 30th June 2016, 13,965 schools had been connected to electricity under this programme increasing the total number of public primary schools connected to electricity to 22,245.

Install street lighting in Nairobi and other major Cities and Towns

The project commenced in 2014/15 financial year which was initially aimed at covering only Nairobi city. However the scope was extended later to cover other major cities and towns. As at 30th June 2016 a total number of 35,916 Street lighting points had been installed.

Distribution Lines and Transmission lines

Increase in the number of customers connected necessitated an increase in length of Distribution Lines and transmission lines. More line extension was achieved in the rural areas where new customers are more widely dispersed.

Notable major transmission lines and associated substations completed includes;

- 328km 220kV line and substations at Malindi, Garsen and Lamu
- 250Km of 250Km 132kV Kindaruma-Mwingi-Garissa transmission line;
- 65Km of 65Km 132kV Eldoret-Kitale transmission line; and
- 67 km 132kV Kilimambogo- Thika Transmission Line
- 40km 132kV Thika – Nyaga (Kiganjo) Transmission Line
- 69 substations were completed between 2012/13 to march 2016.

Other major transmission lines and associated substations that are almost complete and expected to be completed within the MTP II include;

- 482km 400/220kV double circuit Mombasa-Nairobi line;
- 25Km 220kV Olkaria I–Suswa and 25km 220kV Olkaria IV–Suswa lines;
- 132kV Meru-Isiolo-Nanyuki line;
- 40.04Km of 44Km 132kV Kisii-Awendo line
- 100km 400kV Suswa-Isinya double circuit lines;
- 428km 400kV double circuit Loiyangalani-Suswa Line;
- 13Km 132kV Menengai-Soilo;
- 80Km 132kV Nanyuki-Nyahururu;
- 65Km 132KV Lessos-Kabarnet; Olkaria-Narok;
- 153Km 132kV Mwingi-Kitui-Sultan Hamud-Wote;
- 33Km 132kVBomet-Sotik line;
- 26 Km 132kV Ishiara-Kieni lines;
- 153km 132kV Machakos-Konza-Kajiado- Namanga;
- 90km 220kV single circuit Turkwel – Ortum – Kitale Line;
- 100km 132kV single circuit Sondu -Homa Bay -Awendo Line;
- 300km 400kV Olkaria-Lessos and 220kV Lessos-Kisumu double circuit line;
- 127km 400kV double circuit Lessos-Tororo line
- 612km 500kV HVDC bi-pole Ethiopia-Kenya line (Eastern Electricity Highway);
- 94km 400kV double circuit line Kenya to Tanzania (Kenya – Tanzania Power interconnector Project)

The increased growth in transmission lines and associated substations construction is geared towards evacuating power from new generating plants; increase power stability; reduce losses; open up new geographical areas which were previously without access to the national grid; and interconnect neighboring countries to facilitate regional power trade.

1. Construction of Sub-Stations

This are aimed at reducing power losses and increasing access of electricity to more customers. Between march 2013 and march 2016, approximately 69 sub-stations had been completed across the country. Works on several others are ongoing.

OIL AND GAS EXPLORATION , DISTRIBUTION AND MARKETING

Petrol Stations

To ensure security of petroleum supply and access to quality and affordable petroleum products for all Kenyans a total number of 25 petrol stations were constructed between march 2013 to march 2016 which was aimed at increasing Government owned NOCK market share in oil and gas.

LPG Storage Facilities

To enhance LPG access in the Country and increasing the access to quality and affordable cooking fuel LPG filling and Storage Plant in Nairobi and LPG Mini filling and storage terminal in Thika were completed. Civil works completed for LPG skid in Eldoret, UasinGishu County.

Fuel storage Facilities

Additional fuel storage capacity at Nairobi-KPC Terminal Construct four (4) tanks each with storage capacity of 33,328 cubic metres are ongoing.

1. Hoima-Lokichar-Lamu Crude Oil pipeline

Phase I involves crude oil pipeline routing while Phase II is Extended Pre-FEED (Front End Engineering Design).

Feasibility study and preliminary engineering design were carried out in June 2015.

Also the following activities were completed;

- Due diligence on the ports and pipeline routes commenced on 23rd March, 2016 and ended on 30th March 2016.
- The Kenya Joint Venture (Tullow and Africa Oil) awarded Wood Group Kenny (WGK) the contract to carry out Pre-FEED under which the North Route was optimized. TTC intends to review the WGK optimized route in comparison with the Consultant's North Route. The TOR for FEED were prepared as part of the Feasibility/Pre-FEED Study.
- Construction of the electric power transmission line to service key LAPSSET Corridor areas such as Garissa, Isiolo and Turkana had commenced which includes;
 - a. Construction of the 220kV Rabai-Lamu transmission line completed.
 - b. Construction of 220kV transmission line from Garsen to Garissa.
 - c. Construction of Masinga-Isiolo 132kV transmission line was ongoing.
 - d. Kamburu-Isiolo 220kV transmission line was in progress.
 - e. Construction of a 132kV transmission line from seven-folks/Kindaramua to Garissa was ongoing.

- f. Construction of a 132kV transmission line from Mount Kenya to Isiolo is in progress.
 - g. Preparation for construction of 400kV from L. Turkana to Suswa was at an advanced stage.
 - h. Lamu-Garissa-Isiolo-Lokichar 220kV transmission line was at an advanced stage.
- The government has awarded concession to Amu Power Ltd to construct and operate a 1050MW coal power plant in Lamu. The construction of the power plant will be completed in 3 years. The Contractor is on site. Preliminary activities completed, land acquisition is nearly completed.

2. Mombasa-Nairobi refined petroleum oil products pipeline

(454km (Mainline 450Km and spur line KOSF to PS1 4Km) 20- inches diameter)

The pipeline will replace the 37 year old 14 inch diameter pipeline and increase product flow from the current 730,000 litres to 1 million litres per hour. The project includes the laying of a high capacity (96 core) fiber optic cable. This project is on course.

As at 30th June 2016 the status update on Line 5 was as follows.

- Mainline pipes totaling 458.322km had been delivered to site;
- A total of 433.5 km right of way surveyed cleared and graded;
- A total of 432.43 km of pipes stringing along the right of way had been completed;
- 391.64 km of pipe has been welded;
- A total of 32,970 Non-destructive testing (NDT) of welded joints was done;
- A total of 15,343 joints were coated and holiday tested;
- A total of 155.805 km of pipe was lowered and 152.518 km backfilled;
- Setting out at pump stations PS 1, PS 2, PS 3, PS5 and PS 7 had been completed;
- Construction of control room and process area ongoing in PS 1, 3, 5 & 7; and
- Order for mainline pumps, pipelines and most of the valves, electrical and I&C equipment's have been confirmed with vendors.

Overall work progress was at 49% as at the end of 2015/16 FY.

Oil Exploration

The following works was completed;

Drilling of oil and gas exploration wells Block13T; A total of over thirteen (13) exploration and appraisal well were drilled to completion in Block 103T.

Drilling of oil and gas exploration wells Block10BB; From march 2013 to March 2016 a total of over twelve (12) exploration and appraisal well were drilled to completion in Block 10BB

Drilling of oil and gas exploration wells Block12A; Cheptuket exploration well has been drilled to completion

Drilling of oil and gas exploration wells Block 10BA; One (1) exploration well was drilled to completion in Block 10BA

Drilling of oil and gas exploration wells Block L10A; One (1) exploration well was drilled to completion in Block L10A

Drilling of oil and gas exploration wells Block 9; A total of two(2) exploration wells were drilled to completion in Block 9

Kenya Petroleum Technical Assistance Project (KEPTAP)

This was aimed at developing capacity of Kenyan's in the oil and gas sector. A total of 163 citizens have been trained in various oil and gas courses.

Early Oil Monetization Project

This aims at early commercialization of the crude oil discoveries made in Northern Kenya. The project is ongoing. The Government and the oil companies who have so far discovered crude oil in the South Lokichar Basin have agreed to conduct extended well tests with the objective of producing early oil from selected fields and transport it to Mombasa for export utilizing a road and rail infrastructure network. In order to facilitate the early oil project, the parties have also agreed to prepare and execute Early Oil Pilot Project Agreement to set out the terms and conditions for operationalizing the Project by June 2017.

FLAGSHIP PROJECTS FOR OIL AND GAS IN THE MINISTRY OF ENERGY AND PETROLEUM

Sub-division and creation of new petroleum exploration blocks based on technical data

The Ministry created and demarcated seventeen (17) new petroleum blocks from the relinquished acreages. It has also revised the existing block co-ordinates, prepared new exploration block map.

The Ministry gazetted the petroleum blocks which has increased from forty six (46) to sixty three (63). So far 60 Expression of Interest (EOI) have been and response letters with Government minimum terms have been prepared and disbursed.

Enhance primary data acquisition, analysis and interpretation in the open blocks so as to make them attractive to investors

36 Blocks have been licensed to 18 International Oil Companies (IOCs), Block 14T is licensed to National Oil Corporation of Kenya. These companies are in different exploration periods and data collected from the blocks is presented to this Ministry.

Establish a national petroleum data centre

All Petroleum Data is stored at National Data Center (NDC) which is a platform that enables archival and retrieval of regional, national, or governmental Exploration and Production data. Currently NDC is housed at National Oil Corporation of Kenya but it will be transferred to UPRA.

Skills development and enhancement of local expertise in petroleum exploration and production through training, technical collaboration with exploration companies and universities

Kenya Petroleum Technical Assistance Project (KEPTAP) is a six (6) year project aimed at strengthening GoK's capacity to manage the petroleum sector and wealth for sustainable development. The project is financed through credit facility for a tune of USD 67.7 million.

- World Bank 50 million USD loan,
- Canada 11.1 million USD loan and
- DFID 6.6 million USD as grant.

KEPTAP has twenty one (21) beneficiary agencies clustered under three (3) Project Implementation Teams (PIT) namely;

- Ministry of Energy & Petroleum (MEP),
- The National Treasury and Ministry of Industrialization and
- Enterprise Development (MoIED)

To date, a total of 260 Kenyan citizens from various government agencies have been trained and a total of USD 1,664,509 have

Lokichar-Lamu Crude Oil Pipeline

The pipeline was to be constructed from Hoima-Lokichar-Lamu but its implementation delayed due to routing decisions among the Partner States. High level meetings were held between the Partner States to address the emerging issues in routing and based on the outcome of these meetings, GoK will implement the Lokichar – Lamu pipeline (Kenyan part).

Joint Development Agreement (JDA) has been formed between Gok and International Oil Companies (IOCs). EOI was issued and prequalified shortlist of bidders adopted by parties under

the Joint Development Agreement (JDA). Parties to the Joint Development Agreement (JDA) will issue Request for Proposal (RFP) for Front End Engineering and Design (FEED).

Early Oil monetization

Government to early monetize the crude oil by loading the crude in insulated tank-trailers then truck from Lokichar to Eldoret for transportation by rail to Mombasa where it will be loaded to export ship via the existing Kipevu Oil terminal (KOT).

Modifications to be done at the current receiving, storage and transport facilities at the Kenya Petroleum Refineries Ltd (KPRL) at a cost of up to USD 31 million and will take nine (9) months to procure and undertake the modifications. Consultancy services will be sourced to undertake preliminary studies to facilitate taking Final Investment Decision (FID), consultancy services may cost up to kshs 120 million.

Policy Legal and Institutional Reforms

National Energy and Petroleum Policy, Petroleum (Exploration and Production) Act (Cap 308) and Energy Bill has been revised. The new Petroleum (Exploration and Production) Bill 2015 has gone through National Assembly and Senate.

DEVELOPMENT OF NEW AND RENEWABLE ENERGY

A number of initiatives are being undertaken for the development of new and renewable sources of energy including solar, wind, small hydros, hybrid power generation involving solar and wind, biogas resources, re-afforestation of water towers, promotion of improving cooking stoves, and biofuel value chain development.

The following were achieved in renewable energy technologies between 2012/13 FY to 2015/16;

- To provide electricity to public institutions in order to enhance social services, numerous Solar Photovoltaics Installation in Schools, Health Facilities, Administrative, County and Sub-County offices in Arid and Semi Arid Lands Counties were completed by march 2016.
- Two (2) 400M³ and 200M³ Pilot projects on production of biogas for electricity generation from flower waste completed and commissioned.
- A sewage fed 200 M³ biogas digester constructed at Kaimosi Teachers' was completed and commissioned.
- A cow dung fed biogas digester 100 M³ Biogas digester at College of Agriculture and Veterinary Sciences was completed and commissioned.
- Two charcoal kilns were constructed as a pathway to sustainable charcoal production.

- Two improved cook stove in each of the 25 schools were installed in eleven (11) counties.
- As for Solar water pumping Systems, installation of solar modules with control unit at shallow water wells and boreholes in ASAL Counties was completed . It also included water storage.
- 41.9Ha of hydro power Water Catchments' areas was afforested as at march 2016. Afforestation of other water catchment areas is ongoing.

NUCLEAR POWER DEVELOPMENT

Capacity building for the nuclear power programme is ongoing. Kenyans are being educated internationally and locally in PHD and Masters. The aim is

- A well trained workforce to safely construct, operate and decommission a nuclear power plant;
- Improve the human capital in the country on the high end technological areas; and
- Introduction of the nuclear related courses in our local universities

Technical Evaluation of Kenya's Electric Grid to Support Kenya's Nuclear Power Plant is also ongoing.

2.2.3 State Department for Energy

BPS 2014/15/16 -2016/17 and 2017/18-2019/20 recurrent ceiling requirements by programme vs. allocation amount in (Kshs. millions)

PROGRAMME	APPROVED BUDGET	APPROVED BUDGET	PRINTED ESTIMATES	REQUIREMENTS			ALLOCATION		
				2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
PROGRAMME 1: POWER GENERATION	733	741	797	1,560	1,911	2,378	798	835	854
PROGRAMME 2: POWER TRANSMISSION AND DISTRIBUTION	839	834	798	1,756	2,091	2,502	798	799	800
PROGRAMME 3: ALTERNATIVE ENERGY TECHNOLOGIES	116	136	160	160	166	172	164	175	190
PROGRAMME 4: ADMINISTRATION, PLANNING AND SUPPORT SERVICES	310	359	324	344	357	370	333	341	350
TOTAL	1,998	2,070	2,079	3,820	4,526	5,424	2,093	2,150	2,194

BPS 2014/15 -2016/17 and 2017/18-2019/20 development ceiling requirements by programme vs allocation amount in (Kshs. millions)

PROGRAMME	APPROVED BUDGET	APPROVED BUDGET	PRINTED ESTIMATES	REQUIREMENTS			ALLOCATION		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
PROGRAMME 1: POWER GENERATION	19,530	22,011	21,492	91,087	44,870	40,403	30,328	35,930	36,119
PROGRAMME 2: POWER TRANSMISSION AND DISTRIBUTION	67,010	70,196	92,564	179,074	89,665	93,261	49,562	78,222	77,661
PROGRAMME 3: ALTERNATIVE ENERGY TECHNOLOGIES	405	749	898	1,267	1,186	1,135	921	892	1,026
PROGRAMME 4: ADMINISTRATION, PLANNING AND SUPPORT SERVICES	130	180	229	1,092	343	150	241	141	139
TOTAL	87,075	93,136	115,183	272,520	136,013	134,949	81,052	115,185	114,945

2.2.4 State Department for Petroleum

2.2.3.1 BPS 2014/15/16 -2016/17 AND 2017/18-2019/20 recurrent ceiling requirements by programme vs. allocation amount in (Kshs. millions)

PROGRAMME	APPROVED BUDGET	APPROVED BUDGET	PRINTED ESTIMATES	REQUIREMENTS			ALLOCATION		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2017/18	2018/2019	2019/20
PROGRAMME : Exploration and Distribution of Oil and Gas									
SUB-PROGRAMME 1: Oil and Gas Exploration			91.1	278	311	345	92.02	93.85	95.73
SUB-PROGRAMME 2: Oil and Gas Distribution									
TOTAL			91.1	278	311	345	92.02	93.85	95.73

2.2.3.2 BPS 2014/15/16 -2016/17 and 2017/18-2019/20 development ceiling requirements by programme vs. allocation amount in (Kshs. millions)

PROGRAMME	APPROVED BUDGET	APPROVED BUDGET	PRINTED ESTIMATES	REQUIREMENTS			ALLOCATION		
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2017/18	2018/2019	2019/20
PROGRAMME: Exploration and Distribution of Oil and Gas									
SUB-PROGRAMME 1: Oil and Gas Exploration			1,990.1	2,768	3,373	1,056	1813.5	2950	1056
SUB-PROGRAMME 2: Oil and Gas Distribution			2,273.0	3021	1400	4100	2850	1823	3667
TOTAL			4,263	5,718	4,773	5,156	4,663	4,773	4,723

Challenges

Some of the challenges in the energy sector included the following:

- The high cost and long lead time in the development of energy generation projects; and
- Challenges in obtaining way leaves. In some cases, electricity transmission projects have been delayed by resistance from communities along the routes.
- Poor road network in some regions making it difficult to take the materials on site.
- Vandalism of the construction materials.

2.2.5 Policy Measures to Address 2014/15 Audit Queries

The Policy measures the Ministry is undertaking to address the concerns raised in the audit report for the FY 2014/15 to safeguard against potential risks to approved allocations and ensure implementation and delivery;-

That the Ministry would like to confirm to the Committee that the Ministry has put in place stringent measures to address adequately the issues raised as here below;-

- ❖ That the Financial and Management Act 2012 acts as a guide to the Ministry for prudent financial management.
- ❖ That the entity's funds received are used for the eligible purposes for which they are intended and are properly accounted for.
- ❖ Constant interaction between the National Treasury and National Audit Office and Accounts Department of the Ministry to ensure issues are dealt with expeditiously and promptly before they get out of hand.
- ❖ That expenditure are incurred within the ambit of the vote and based on activity/programme budgets.

- ❖ This Ministry has since ensured that Vouchers and other related documents required by the Auditors are availed for perusal and verification by the auditors.
- ❖ That ensured that officers carry out monthly reconciliation of financial statements of the Ministry.
- ❖ Ensured that my officers attend various capacity building programs on Integrated Financial Management Systems (IFMIS) as arranged by the National Treasury. This is in addition to sponsoring Accounts Staff for Professional Programs such as CPA and MBA to sharpen their skills.

2.3 SUBMISSIONS FROM THE MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

The Ministry of Information, Communication and Technology presented the following brief to the Committee.

That the strategic goals/objectives are:

1. To formulate, review and implement appropriate ICT policies, legal and institutional frameworks that improve efficiency of service delivery.
2. To collect, collate and disseminate credible information to promote a competitive knowledge based society through informed citizenry.
3. To train, build and strengthen the ICT and mass media skills development.
4. To develop a world class ICT infrastructure that ensures availability, efficient, reliable and affordable ICT services,
5. Upgrading the national ICT infrastructure,
6. Improving public service delivery,
7. Upgrading ICT human resource capacity,
8. Promoting Government and public participation in democracy, governance and accountability so as to ensure national transformation through Vision 2030's economic, social and political pillars,
9. Ensuring integration, co-ordination and standardization of Public Communications under devolved governance,
10. Promoting and sustain a positive Kenya brand and image nationally and internationally,
11. Providing positive information about Kenya so as to promote patriotism, national pride and unity.

That the key flagship projects and priority projects are as listed below:

- ❖ KRA 1: Knowledge based economy

Digital Literacy Programme (Laptops) roll out

Konza Techno City phase 1 Establishment

❖ KRA 2: ICT Infrastructure and Connectivity

National Optic Fibre Backbone Infrastructure Construction

County Connectivity Project roll out

Implementation of Eastern Africa Regional Transport, Trade and Development Facilitation programme

❖ KRA 3: Increased Radio and TV Population Coverage

Analogue to Digital TV Broadcast Migration

Migration from Medium Wave to FM Radio Transmission

❖ KRA 4: Increased Number of Multimedia sites

Broadband Connectivity to Constituency Innovation Hubs

Establish and Operationalize Studio Mashinani Initiatives

❖ KRA 5: Implement the Presidential Digital Talent programme

Mass Media Skills Development

Implement increased ICT Skills Talent Pool

theAjira Skills programme

❖ KRA 6: Policy and Institutional Reforms

Restructure Kenya Broadcasting Corporation, Postal Corporation of Kenya and Government Advertising Agency

Formulate Computer and Cyber Security Crime bill 2016 , National Language Policy, National Information Security Policy, Review the National ICT Policy 2016

Modernize Kenya News Agency

Operationalize ICT Directorate

❖ KRA 7: Universal Access to ICT Services

Implement Secondary Schools Broadband Project

Roll out of Basic Voice Service Infrastructure

2.3.1 BPS 2017 ceiling allocation vs requirements

State department of ICT and Innovation

VOTE: 1122		NAME: STATE DEPARTMENT OF ICT AND INNOVATION			
VOTE	Printed Estimates Kshs Millions	REQUIREMENT Kshs Millions	ALLOCATION Kshs Millions	DEFICIT Kshs Millions	REMARKS
Programme	2016/17	2017/18	2017/18		
General Administration and Support Services	288	575	351	224	Affect the development of Cybercrime legislations
E-Government Services	493	1,303	698	605	Affect the establishment of the ICT Directorate
ICT and Infrastructure	22,441	59,198	19,198	40,000	Affect the construction of Konza Infrastructure
TOTAL		61,076	20,247	40,829	

State department of broadcasting and telecommunications

VOTE: 1023		NAME: STATE DEPARTMENT OF BROADCASTING AND TELECOMMUNICATIONS			
VOTE	Printed Estimates Kshs Million	REQUIREMENT Kshs Million	ALLOCATION Kshs Million	DEFICIT	REMARKS
Programme	2016/17	2017/18	2017/18		
General Administration and Support Services	288	328	309	19	Will affect policy development and institutional reforms
Information and Communication Services	1,983	4,587	2,116	2,474	Will delay digital migration, refurbishment of field offices, Restructuring of GAA
Mass Media Skills Development	437	716	428	288	Construction of multi-purpose hall and finalization of modernization of training facilities

2.3.2 2014/15 – 2015/16 allocations versus absorptions

	Budgetary Allocations			Expenditure for the year		Absorption level in %	
	Programme	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
1	General Administration, Planning and Support Services	1,150	2,059	1,078	1,803	93.7	87.6
2	Information and Communication Services	1,810	3,150	1,486	1,983	82.1	63.0
3	ICT and Mass Media Skills Development	356	322	334	322	93.8	100.0
4	ICT Infrastructure Development	6,982	12,162	4,802	12,066	68.8	99.2
	Total for the Ministry	10,298	17,693	7,700	15,174	74.8	91.4

State department of ICT and innovation

	Programme	Allocation Kshs.(Million)	Expenditure Kshs. (Million)	Absorption level in %
Vote 1122: State Department of ICT and Innovation				
1	General Administration, Planning and Support Services	342	72	21%
2	E-Government Services	695	103	15%
3	ICT Infrastructure	22,185	13,941	63%
	Sub total	23,222	14,116	61%

State department of broadcasting and telecommunications

	Programme	Allocation	Expenditure	Absorption level in %	Remarks
Vote 1122: State Department of Broadcasting and Telecommunications					
1	General Administration, Planning and Support Services	288	78	27	
2	Information and	1,983	601	30	

	Communication Services				
3	Mass Media Skills Development	437	213	49	
	Subtotal	2,708	892	33	

2.3.3 Project implementation status

Capital Projects under programmes	Project Status
KBC Analogue to Digital TV Migration.	58% Of the population and 70% of the land mass covered with digital terrestrial signal - Installation of Digital Transmitters in 11 Sites ongoing - TV stations increased from 14 to 70
KBC Rollout of Studio Mashinani	Contract for establishment of 5 Studios in Nairobi, Mombasa and Kisumu awarded. Plans underway to establish additional 15 studios subject to availability of funds in the supplementary estimates
Migration from medium wave to FM Radio Transmission	27 Radio stations migrated from medium wave to radio transmission - Installed 46 radio transmitters
Government Advertising Agency	- Government Advertising Agency operational - The Government has reduced the cost of Public Advertising from Kshs 7 Billion to Kshs.1 Billion
Modernize Kenya News Agency	KNA Business case in place
450 bed capacity five building - KIMC	Construction ongoing
Modernization of KIMC Film	450 Students undergoing training in Mass Communications at KIMC Training equipment modernized
Constituency Innovation Hubs	Proof of concept setup in Limuru Contract Awarded
(ICT Authority) - IBM Research Laboratory	Operational since 2013
NOFBI Phase II – 2100KM of Fibre	1,393km Backbone fiber completed 263 metro fiber completed 46/46 counties design completed and approved 4/44 site survey and design pending
Konza Techno City Phase 1 Establishment	Construction Of 12. 1 Kilometers Of Access Roads Completed
	Foundation Laying For Konza Complex Ongoing
	Draft Konza land deposition policy and bill in place
	Negotiations for the Signing of Investment Agreements with 5 Investors for the following projects on going - National Data Centre - Engineer, Procure, Construct and Finance (EPCF) of Key Phase

	Infrastructure Projects • Korean Advanced Institute of Science and Technology (KAIST) • National Construction Authority 2 Local Universities
County Connectivity Project (CCP) Phase I	• 28 County headquarters connected to high capacity broadband
Presidential Digital Talent	• Cohort 1: 100 trained and deployed • Cohort 2: 400 recruited and undergoing training
Ajira Digital Program	• Online platform launched – 5,000+ enrolled • 320 youth officers trained and deployed countrywide
East Africa Trade and Transport Facilitation Project (EATTFP)	• Development of design for laying of 600km fibre optic cable along the Eastern Africa Regional Transport, Trade and Development facilitation project from Eldoret in Kenya to Nandabal in South Sudan ongoing
Digital Literacy Programme	• 505,065 devices manufactured • 77,000+ teachers trained, • 22,000 primary schools connected to power • 400 PDTP interns distributed countrywide • 19 CSs and 37 PSs participated in school launches in October • 5 Subjects official curriculum for standard 1&2 developed and loaded
Universal Service Fund (USF) Secondary Schools Broadband Project	• Contract awarded for provision of Broadband connectivity to 984 secondary schools in the marginalized areas
USF: Voice Infrastructure	• Contract awarded for the roll out of voice infrastructure in the 78 sub locations/wards to bridge the digital gap in the underserved areas

2.3.4 Policy Measures to Address 2014/15 Audit Queries

The 2014/15 audit report of the Auditor General raised the following policy concerns on the Ministries Expenditure:

- ❖ Compliance to PFM Act 2012 and Regulations 2015 in release of funds to Departments and SAGAS,
- ❖ Compliance to Public Procurement and disposal Act 2005 and Regulation 2006
- ❖ Compliance to Treasury Circulars

The ministry has undertaken the following policy measures to address the concerns to safeguard against potential risks to approved allocations.

- ❖ All advances to staff are granted, surrendered and recovered within time lines given by relevant laws and regulations.
- ❖ Operationalization of audit committee and other oversight committees
- ❖ Expenditures are within budget and authorized allocation
- ❖ Monitoring of expenditures by SAGAs in the Ministry

3 COMMITTEE OBSERVATIONS

3.1 MINISTRY OF ENERGY AND PETROLEUM

- ❖ Under the Ministry of energy and petroleum the Committee observed that the proposed allocation of Kshs 87.72 billion for both State Departments is a substantial reduction as compared to the current baseline allocation of kshs 121.56 billion.
- ❖ That the reductions mainly affected the key programmes of Power Transmission and Distribution, and Power Generation under the State Department of Energy, while the Programme of Petroleum Exploration and Distribution under the State Department of Petroleum received a marginal increase as compared to the current allocation for the FY 2016/17.
- ❖ That the ministry is seriously underfunded in light of the resource requirements for the medium term and the various key flagships programmes and projects implementation.
- ❖ That the Power costs reduction through 5000+MW road map the Government expected to reduce the generation cost in US\$ cents from 11.30 to 7.41, commercial/industrial tariff from 14.14 to 9.00 and domestic tariff from cents 19.78 to 10.45. However reduction in average tariffs between June 2014 and September 2015 was as follows:
 - ❖ Industrial from US\$cts 19.0 to 16.56 per KW/h (20.5%)
 - ❖ Domestic from US\$cts 15.1 to 13.06 KW/h (21.13%)

3.2 MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

- ❖ The Committee observed that the proposed allocation of kshs 23.09 billion for both State Departments is a marginal reduction as compared to the current allocation for the FY 2016/17 of Kshs 25.93 billion.
- ❖ That Compared to the overall resource needs, the Ministry is substantially underfunded meaning that the key ICT infrastructure envisioned in MTP II such as the development of Konza City may not be realized within the planned timelines
- ❖ That the digital literacy programme is currently under implementation with the ministry undertaking to further prioritizing further allocation in the next fiscal year of 2017/18.

- ❖ That the Committee observes that the ministry's absorption capacity is in the range of 88% for the last three fiscal years though much needs to be done to fully utilize allocated resources.
- ❖ With regards to Konza Technopolis, the Committee observed that there's need for more targeted allocations to ensure that this critical project is fast tracked and completed within the medium term.

4 RECOMMENDATIONS

4.1 MINISTRY OF ENERGY AND PETROLEUM

- ❖ The Committee recommends that the proposed ceilings for the ministry be maintained as proposed and approved.
- ❖ The Committee further recommended, that in light of the resource needs and the obtaining shortfall affecting critical flagship projects, the ministry and especially the State Department of Energy be considered for more allocation towards the programmes of Transmission and Distribution and Power Generation.
- ❖ That the ministry prioritizes allocation towards critical flagship projects especially under the State Department of Energy and further improves its overall absorption capacity of especially development partner resource.
- ❖ On account of the summary submissions the status of the Plus 5000MW, there is need to further evaluate the gains and shortcomings of the policy plan with a view to ensure that there is concrete measures to, among other things, create and stimulate power demand including industrial needs. That the Committee will further engage the ministry to determine whether there is actual benefits and complete pass through to consumers in light of the additional capacity mainly from renewable sources and tariff reduction.
- ❖ That the ministry needs to mitigate against fiscal risks and contingent liabilities by ensuring all PPPs under the energy and petroleum sub sector are managed and implemented as per the agreements and planned schedules and that associated projects such as transmission lines necessary to augment and complement the successful rollout of PPPs are also fast tracked.

4.2 MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY

- ❖ The Committee recommends that the proposed ceilings for the ministry be maintained and approved.
- ❖ That the ministry prioritizes allocation towards critical flagship projects especially

towards the ICT Infrastructure projects such as the Development of Konza Technopolis, and further improves its overall absorption capacity with much focus on development partner resource.

- ❖ That the ministry plans and provides for pending bills under the subsector as this is likely to affect the funding of the ministry in the future.
- ❖ That the Ministry ensures that all infrastructure projects are fast tracked and delivered as per indicated timelines.



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION - 2016

THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL
RESOURCES

REPORT ON THE 2017 BUDGET POLICY STATEMENT

FOR

THE MINISTRY AND THE DEPARTMENT OF:-

- I. State Department for Environment and Natural Resources (Vote 145)
- II. State Department for Water Services (Vote 146)
- III. Ministry of Mining

DIRECTORATE OF COMMITTEE SERVICES,
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

DECEMBER, 2016

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COMMITTEE MANDATE

The Departmental Committee on Environment and Natural Resources is established under the National Assembly Standing Orders No. 216 (1). The functions and mandate of the Committee are also contained under the National Assembly Standing Orders, No. 216(5) as:-

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

The subject matter of the Departmental Committee on Environment and Natural Resources are stated in the Second Schedule of the National Assembly Standing Orders No. 216 (f) as follows: climate change, environment management and conservation, forestry, water resource management, wildlife, mining and natural resources, pollution and waste management.

OVERSIGHT

In executing its mandate, the Committee oversees the following Government Ministries and Departments namely:-

- i. The State department for Water Services;
- ii. The State Department of Environment;
- iii. The State Department for Natural Resources; and
- iv. The Ministry of Mining

MEMBERS OF THE COMMITTEE

The Committee comprises the following Members:

Chairperson	Hon. Amina Abdalla, CBS, M.P
Vice Chairperson	Hon. Alexander. K. Kosgey, M.P.
	Hon. Alice Ng'ang'a, M.P.
	Hon. Samuel Ndiritu, M.P.
	Hon. Opiyo Wandayi, M.P.
	Hon. (Dr.) Ejidius Njogu Barua, M.P.
	Hon. Jude Njomo, M.P.
	Hon. Moitalel Ole Kenta, M.P.
	Hon. Kathuri Murungi, M.P.
	Hon. Sunjeev Birdi, M.P.
	Hon. Jackson K. Rop, M.P.
	Hon. Abdi Noor Ali, M.P.
	Hon. Joyce Emanikor, M.P.
	Hon. Abdulaziz Farah, M.P.
	Hon. Ronald Tonui, M.P.
	Hon. (Dr.) Reginalda Wanyonyi, M.P.
	Hon. Gideon Mwiti, M.P.
	Hon. Hassan Dukicha, M.P.
	Hon. Chachu Ganya, M.P.
	Hon. Richard Makenga, M.P
	Hon. Charles Geni. Mongare, M.P.
	Hon. (Dr.) Wilber K. Ottichilo, M.P.
	Hon. George Ogalo, M.P.
	Hon. (Major) Muluvi Mutua, M.P.
	Hon. Mohamed, Diriye M.P.
	Hon. Peter Kinyua, MP.
	Hon. Shukran Hussein Gure, M.P
	Hon. Joyce Lay, M.P
	Hon. Zuleikha Hassan Juma, M.P

SECRETARIAT

The Committee is serviced by the following Members of Staff:

Ms. Tracy Chebet Koskei	Clerk Assistant II
Mr. Hassan Arale	Clerk Assistant III
Ms. Amran Mursal	Fiscal Analyst III
Mr. Ronald Walala	Legal Counsel II
Mr. James Muguna	Research Officer III

CONSIDERATION OF THE BUDGET POLICY STATEMENT

The Budget Policy Statement was tabled in the House on 24th November, 2016 and was referred to departmental Committees pursuant to Standing Order 232 (4). The Committee held four sittings in which it deliberated on the Budget Policy Statement including meeting with the Parliamentary Budget Office, the Ministry of Water and Irrigation, the Ministry of Environment & Natural Resources and the Ministry of Mining.

COMMITTEE RECOMMENDATIONS

The Committee recommends that:-

1. For the sovereignty of the country and in its interest, the nationwide geophysical survey should be done by Kenyan geologists and funds should be allocated through the exchequer for the Ministry of Mining to carry out the much needed Nationwide Airborne Geophysical Survey which will enhance the revenue collection by the Ministry.
2. The Budget and Appropriations Committee should order that all government institutions that require to carry out surveys to use the services of the Directorate of Survey and Remote sensing under the Ministry of Mining in order to enhance the directorate's revenue collection and utilization of the government's investments on the heavy equipment's such as the Lidar scanner and the Hyper-Spectral sensor in the directorate;
3. The **Kshs. 2.53 billion** allocated to the State Department of Irrigation under the Programme of water storage and flood control should be moved to National Water Conservation and Pipeline Corporation and the Water Services Boards, since they have the legal mandate to undertake the development of national public water works for water resources storage and flood control.

4. The Government in light of Vision 2030 of access to water for all should increase its funding to the water sector given the huge reduction (**Kshs. 14billion**) of donor funding. Further, given that the external sources of financing have decreased, the sector MDAs should improve resource mobilization strategies and strengthen partnerships with public and private enterprises in order to fully implement their mandate.
5. **Kshs. 3.4 billion** to be allocated to State Department of Water Services to clear pending bills which are as a result of carry-over from the Financial Years 2013/2014, 2014/2015 and 2015/2016;
6. There is need to harmonize the water sector such that oversight of projects is more coordinated. If project implementation is being monitored by many players it becomes difficult to keep track of the projects;
7. There is need to reconsider the Scrapping of the Environment Impact Assessment fees and use the polluter pays approach rather than further burdening the tax payers. In addition, the Committee has ordered the National Environment Management Authority to submit the regulations on environmental bonds to Parliament within 21 days.
8. The Ministry of Environment and Natural Resources should work on a stand-alone legislation on waste management which will force the counties to comply to the standards;
9. The Ministry of Environment and Natural Resources should be allocated **Kshs. 1.5 billion** for compensation of Human-wildlife conflict. The Committee has started amending the Wildlife Conservation and Management Act, 2013 and has proposed to remove snake bites from the lists of compensation; this will greatly reduce the number of compensation claims. Further, the Committee proposes the review of the said Act to determine whether there is need of having County Wildlife Conservation and Compensation Committees in every county as opposed to counties with wildlife, this is because the Committees require over **Kshs. 135 million** for them to fully implement their functions;
10. **Kshs. 500 million** be allocated to the Ministry of Environment and Natural Resources for the construction and maintenance of electric fences in Kenya Wildlife Service Parks and Reserves. This will help in reducing cases of human wildlife conflict, the Committee has already received three petitions on the matter this year;
11. **Kshs. 129 million** be allocated to the Kenya Water Tower Agency for recruitment of technical staff and for the agency to deal with Masai Mau and other water towers;

12. There is need to ensure that in future budget considerations, all MDAs should do their presentations in the presence of responsible officers from the National Treasury to align communication from the National Treasury and the MDAs;

ACKNOWLEDGEMENTS

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 Chairperson of the Committee takes this opportunity to thank all Members of the Committee and officials from the Ministries and SAGAs (Semi Autonomous Government Agencies) during its sittings of 6th and 7th December, 2016.

Finally it is now my pleasant duty, on behalf of the Committee, to present and recommend this report on the Budget Policy Statement to the Budget and Appropriations Committee for consideration as directed by the Speaker of the National Assembly.

Thank you.

Hon. Amina A. Abdalla, CBS, MP

1.0. BACKGROUND

- 1) The PFM Act section 25 (2) states that the National treasury shall prepare and submit the Budget Policy Statement by the 15th February each year. However, in view of the fact that the Country's General Elections will be held in August 2017, the calendar for preparation of the FY 2017/2018 and the Medium Term Budget has been aligned to this date to avoid delays that could arise from election related activities.
- 2) The Budget Policy Statement is published in accordance with Section 25 of the Public Finance Management Act, 2012. In preparing the Budget Policy Statement, the National Treasury is required to set out the broad strategic priorities and policy goals that will guide the national government and county governments in preparing their budgets both for the following financial year and over the medium term. The National Treasury is required to include the following in the Budget Policy Statement:-
 - i.) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
 - ii.) The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
 - iii.) The proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicative transfers to county governments;
 - iv.) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.
- 3) The submission and processing of the BPS by the National Assembly is anchored in Standing Order No 232. The Standing order requires among other things the budget policy statement (BPS) to indicate total resources to be allocated to individual programmes and projects within a sector and indicate the outputs expected from each such programme or projects during the period.

A. The role of the Environment Protection, Water & Natural Resources in the overall growth strategy of the Country.

- 4) The Environment Protection, Water and Natural Resources Sector is crucial for the realization of economic growth and sustainable development and plays a significant role in the attainment of the targeted annual GDP growth rate of 10% in the Kenya Vision 2030.
- 5) The Economic Survey reported that over 50% of the country's Gross Domestic Product (GDP) is derived from natural resource-based sectors. Environmental conservation and management of natural capital is pivotal to the socio-economic development of the economy hence this calls for sound management and governance structures in the sector

- 6) As shown in table 1, the sector is an enabler directly and indirectly for almost all of the key sectors that contribute to over 50 percent of GDP growth of the economy. This sector is a key enabler of Agriculture through provision of fresh water used for farming; with Tourism through conservation of natural eco-systems for the wildlife; with Manufacturing and Energy through provision of the natural resources that these sectors depend on such as water, minerals, geothermal power among others.

Table 1: Contribution to GDP 2010-2015

Industry	2010	2011	2012	2013	2014	2015
Agriculture, Forestry & Fishing	24.8	26.3	26.1	26.4	27.3	30.0
Mining & Quarrying	0.8	0.9	1.1	0.9	0.8	0.9
Water supply sewerage, waste management	0.9	0.9	0.9	0.9	0.8	0.8
Manufacturing	11.3	11.8	11.0	10.5	10.0	10.3
Tourism	1.6	1.3	1.3	1.2	0.9	0.8
Education	5.5	5.3	5.4	5.3	5.2	5.0
Health & Social Work	2.1	1.8	1.7	1.6	1.7	1.7
Wholesale & Retail trade	7.7	8.1	7.8	8.0	8.0	7.5
Total % Contribution to GDP	54.7	56.4	55.3	54.8	54.7	57.0

Source: Economic Survey 2016, KNBS

2.0 CONSIDERATION OF THE BUDGET POLICY STATEMENT 2017/2018

ANALYSIS OF BPS 2017 FOR THE ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES SECTOR

- 7) The budgetary allocation for the sector increased by 21% from Kshs. 47.87 Billion in 2013/14 to Kshs. 57.91 Billion in the FY 2014/15. In the FY 2015/2016 the allocation increased by a further 3% to Kshs. 59.68 Billion. The sector also recorded an increase in allocation of 24% leading to an allocation of Kshs. 73.82 Billion in the FY 2016/2017.

- 8) In the FY 2013/2014, the sector reported an absorption rate of 89%, 73% in the FY 2014/2015 and 77% in the FY 2015/2016. The MDAs in the sector attribute the less than 100% absorption rate to the delay/non –disbursement of funds by the National Treasury.
- 9) The low absorption rate for the sector is mainly in the state department for water especially under the water supply infrastructure sub-Programme. The water supply infrastructure had an absorption of 87% in the FY 2013/2014, 62% in the FY 2014/2015 and 64% in the FY 2015/2016.
- 10) As shown in table 6, the sector had a total allocation of **Kshs. 73.82 billion** in the FY 2016/2017 of which the state department for environment was allocated **Kshs. 22.14 billion**, State department for water was allocated **Kshs. 43.23 billion**, the Integrated Regional Development was allocated **Kshs. 3.86 billion** and the Ministry of Mining had an allocation of **Kshs. 4.59 billion**.
- 11) The BPS ceiling for the FY 2017/2018 for the sector is **Kshs. 58.05 billion** out of which the state department of environment has a proposed allocation of **Kshs. 23.31 billion**, State department for water is **Kshs. 29.24 billion**, the Integrated Regional Development with an allocation of **Kshs. 3.86 billion** and the Ministry of mining has an allocation of **Kshs. 1.64 billion**. The total proposed allocation for the sector has decreased by 21% from the allocation of **Kshs. 73.82 billion** in the FY 2016/2017.
- 12) The state department for environment has a proposed reduction of **Kshs. 363.8 million** against its allocation of **Kshs. 7.23 billion** allocated in the FY 2016/2017. This is mainly in the environment management & Protection Programme which has decreased from **Kshs. 4.65 billion** in the FY 2016/2017 to **Kshs. 4.24 billion**. However the Meteorological services Programme has increased from **Kshs. 2.17 billion** to a proposed allocation of **Kshs. 2.22 billion** while the General Administration Programme has increased by **Kshs. 9 million**.
- 13) Despite the decrease in the proposed allocation, the environment management & Protection Programme has increased targets. For example the no. of KM of riparian areas rehabilitated under the Nairobi River restoration and rehabilitation has increased from 10 km in 2016/2017 to 20km in 2017/2018, no. of seedlings planted has also increased from 100,000 to 200,000. Outputs and targets are as shown in the separate annex provided.
- 14) The state department for natural resources has an increase of Kshs. 1.54 billion in their proposed ceilings the increase is under the Natural resources management & protection Programme which increased from **Kshs. 14.91 billion** to **Kshs. 16.45 billion** in 2017/2018. Some of the targets that have increased are KMs of forest roads maintained

which increased from 1,400 KM to 2,650 km and the No. of forest rangers camps rehabilitated from increased from 15 to 250. In the ranger housing Programme, the no. of ranger houses constructed and rehabilitated increased from 70 in the current year to 390 houses in the FY 2017/2018. Outputs and targets are as shown in the separate annex provided.

- 15) The State department for water services has a proposed major decrease of **Kshs.14 billion** from the **Kshs. 43.23 billion** allocation in 2016/2017 to **Kshs. 29.24 billion** proposed allocation representing 32% decrease in the FY 2017/2018.
- 16) The major decrease was in the water resources management Programme which decreased by Kshs. 14 billion from the **Kshs. 42.61 billion** allocated in the FY 2016/2017 to the proposed allocation of **Kshs. 28.60 billion** for the FY 2017/2018.
- 17) The Ministry of mining has a decrease of Kshs. 3 billion in its proposed allocation which decreased from Kshs. 4.59 billion to Kshs. 1.64 billion. The reduction was in the mineral resources management which had an allocation of Kshs. 3.79 billion in the FY 2016/2017 and for the FY 2017/2018 the proposed allocation is Kshs. 796 million. However, in the FY 2016/2017 the Ministry was to undertake phase I of the nationwide airborne geophysical survey. It is difficult to ascertain the outputs/projects the decrease will affect due to the non-submission of the expected outputs for the Ministry by the National Treasury.

Table 6: Expenditure performance FY 2013/2014-2016/2017											
	Approved Budget 2013/2014	Actual Expenditure 2013/2014	Absorption rate	Approved Budget 2014/2015	Actual Expenditure 2014/2015	Absorption rate	Approved Budget 2015/2016	Actual Expenditure 2015/2016	Absorption rate	Approved Budget 2016/2017	BPS Ceiling 2017/2018
General Administration, Planning and Support Services	706.00	687.00	97%	867.00	631.00	73%	944.00	896.00	95%	400.76	409.00
Environment and Natural Resource Management and Protection	14,555.00	13,494.00	93%	14,906.00	11,949.00	80%	18,110.00	16,739.00	92%	19,568.19	20,684.60
Meteorological Services	1,788.00	1,387.00	78%	2,477.00	2,322.00	94%	2,097.00	2,034.00	97%	2,171.08	2,217.00
TOTAL VOTE ENVIRONMENT	17,049.00	15,568.00	91%	18,250.00	14,902.00	82%	21,151.00	19,669.00	93%	22,140.03	23,310.60
General Administration, Planning and Support Services	978.00	892.00	91%	901.00	815.00	90%	762.00	694.00	91%	616.19	636.00
Water Resources Management	23,933.00	20,813.00	87%	32,781.00	21,759.00	66%	36,832.00	24,736.00	67%	42,614.47	28,600.60
Integrated Regional Development	4,411.00	4,297.00	97%	4,014.00	3,279.00	82%	51.00	51.00	100%	3,861.90	3,862.00
TOTAL VOTE WATER	29,322.00	26,002.00	89%	37,696.00	25,853.00	69%	37,645.00	25,481.00	68%	47,092.56	33,098.60
General Administration, Planning and Support Services	348	174	50%	261	240	92%	373	315	84%	278.72	322.00
Resources Surveys and Remote Sensing	390	362	93%	642	527	82%	325	239	74%	517.63	520.00
Mineral Resources Management	758	617	81%	1057	617	58%	190	138	73%	3,791.34	796.00
TOTAL VOTE MINING	1,496.00	1,153.00	77%	1,960.00	1,384.00	71%	888.00	692.00	78%	4,587.68	1,638
TOTAL SECTOR PERFORMANCE	47,867.00	42,723.00	89%	57,906.00	42,139.00	73%	59,684.00	45,842.00	77%	73,820.28	58,047.20

Source: The National Treasury¹

i. Challenges and opportunities by the MDAs under the Environment protection, Water & Natural Resources

- 18) Population Pressure/Encroachment on wildlife corridors, forest areas & water towers :**
Kenya is experiencing an increasing population leading to increased competition for land uses i.e. agriculture, conservation, mining, industrial and urbanization among others resulting to degradation of the environment. The increased population pressure on land resources for livelihoods has led to increased demand for fuel wood, destruction of forests land and wildlife/ human conflict.

¹Environment protection, water & Natural Resources Sector Report, Sep 2016

- 19) The Wildlife Conservation and Management Act, 2013 came into force on 10th January 2014. Section 25 of the Act provides for compensation for personal injury, death or damage to property or crops or predation by wildlife. Since the enactment of the Act, the number of claims has proven to be unsustainable given the compensation levels provided for in the Act. For example, the Act provides for Ksh5 million as compensation for death but the budgetary provision is insufficient to cater for the claims
- 20) Inadequate funding towards planned Programmes and projects: The new Water Act, 2016 and Mining Act, 2016 pose major reorganization in the Water and Mining sub-sectors that will require additional financial resources for proper implementation- With the enactment of various Acts in the sector such as the Mining Act 2016, the Water Act 2016 etc. there is bound to be resistance from the communities either due to resettlement to give way for initiation of projects or resistance to the reforms as proposed in the Acts being enacted in the sector
- 21) Delay in release of allocated funds: Despite the insufficient allocation of resources when compared to the sector requirements, the MDAs do not receive disbursements of both exchequer and donor funds within the required period, hence delaying the implementation of projects which may further lead to under achievements in the targeted outputs.
- 22) Despite the challenges faced, the sector has opportunities such as the constitutions obligation on the human right to clean and health environment, safe water and reasonable standards of sanitation. Abundant skilled and unskilled labor force, good relations and support from development partners as well as being a member of various regional and international treaties, protocols and conventions

(i) An evaluation of Resources needs versus available resource

- 23) As shown in the table below, the funding level against the sector requirement for the FY 2014/2015 was 51%, 33% in 2015/2016, 65% in 2016/2017 and 30% in the proposed estimates for the FY 2017/2018. This low allocation against the requirement and the slow release of the available funds by the national treasury affects the service delivery and achievement of the sector priorities which is in line with the vision 2030 objectives.

Table 10 : Analysis of BPS ceilings, Allocations and Actual Expenditure incurred in KShs. Mil. 2014/2015- 2017/2018														
	2014/2015				2015/2016				2016/2017				2017/2018	
	Sector requirement	2014 BPS ceiling	Approved	Actual	Sector requirement	2015 BPS ceiling	Approved	Actual Expenditure	Sector requirement	2016 BPS ceiling	Approved	Actual Expenditure	Sector requirement	Draft Nov 2016 BPS ceiling
State Department for environment & Natural Resources	23,471	54,896	19,377	14,193	33,805	17,781	20,230	19,669	56,927	26,296	22,140	-	51,726	23,311
Ministry of water	89,198		37,696	25,853	137,042	31,370	37,564	25,481	44,390	46,284	47,093	-	123,158	29,443
Ministry of Mining	2,690	2,183	1,960	1,380	3,585	2,327	1,305	692	6,083	1,975	4,588	-	6,746	1,638
TOTALS	115,359	57,079	59,033	41,426	174,432	51,478	59,099	45,842	107,400	74,555	73,820	-	181,630	54,391

Source: National Treasury²³

24) It is also noted from the table that over the years there has been a gap between the allocations to the MDAs against the approved Budget Policy Statement Ceilings. In the FY 2014/2015 the approved ceiling for the sector by parliament was Kshs. 57.08 billion while the sector received Kshs. 59.03 billion, FY 2015/2016 Bps ceiling was Kshs. 51.47 billion while the approved allocation was Kshs. 59.10 billion, In the FY 2016/2017 the BPS ceiling was Kshs. 74.56 billion while the approved budget was Kshs. 73.82 billion. The difference in the BPS ceiling and the approved budget indicates that the ceiling set by parliament is not adhered to when passing and implementing the budget.

25) Further analysis shows that the actual expenditure reported by the MDAs under this sector has been low compared to the approved budget allocation. In the FY 2014/2015 the sector had an expenditure of Kshs. 41.43 billion against an allocation of Kshs. 59.03 billion representing an absorption rate of 70% while in the FY 2015/2016 actual expenditure was Kshs. 45.84 billion against an approved budget of Kshs. 59.10 billion representing absorption of 78%.

² Budget estimate books (various)

³ Environment, water & Natural Resource Sector Report 2016

- 26) The under absorption of the funds can be attributed to the delay in release of funds from exchequer as well as the donors which is a great impediment to the implementation of planned targets by the MDAs and leads to accumulation of unnecessary pending bills.

SALIENT ISSUES

- 27) According to the BPS, development expenditures have been shared out using criteria such as ongoing projects, in which emphasis is given to the completion of ongoing capital projects as well as counterpart Funds this is the portion of funds in which the government must finance in support of the projects financed by development partners. However in the case of the state department for water services there is a huge decrease in the proposed funds allocated, the committee needs detailed information on the ongoing projects whose implementation will be affected by the major decrease
- 28) According to the Programme and Sub-Programme outputs annexures provided by the National Treasury, there is a de-link between the expected outputs for the FY 2017/2018 for the water resource management Programme and the huge decrease in the allocation for the Programme. See separate annex attached
- 29) The BPS 2016 November, states that due to the natural disaster impact on social welfare and its effects on essential amenities, the government may feel obligated to prevent social welfare reduction by incurring cost of returning normalcy after an occurrence. The government being privy to some past occurrences has been providing a contingency fund to cushion the fiscal framework from the risks. It would be important for the committee to be notified on how much funds go to the contingency account to cater for environment related risks.
- 30) In sharing out the development expenditures, priority was given to policy interventions covering the entire nation, regional integration, social equity and environmental conservation. It is important for the committee to be informed on the projects under the Environment, water and natural resource sector that fall under this. Further to this it would also be important to know whether the National Geophysical survey can be financed under this policy.

3.0 COMMITTEE OBSERVATIONS

The Committee observed that:-

1. The Ministry of Mining was allocated Kshs. 3 billion for conducting the first phase of the nationwide airborne geophysical survey in the FY 2016/2017, in the proposed budget for the Ministry of Mining in the FY 2017/2018 there is no allocation for the activity to be conducted. The Ministry has been advised by the National Treasury to consider external financing for the said project. It is of the opinion of the Committee that external financing is not the best option in conducting this very sensitive and important activity of mapping the country's mineral resources.
2. The Directorate of Survey and remote sensing under the Ministry of Mining is under-utilized and the committee in its previous reports indicated that the institutions such as Kenya Wildlife Service, Kenya Forest Service, Ministry of Lands etc. should use the services of the directorate rather than outsourcing the survey needs to other consulting companies.
3. In the budget estimates for the FY 2016/2017 the National water harvesting and ground water exploitation project has been allocated **Kshs. 2 billion** which for ease of implementation and monitoring the Committee moved to the National Water Conservation and Pipeline Corporation (now set to become the National Water Harvesting and Storage Authority following the Water Act, 2016) and Water Service Boards. The executive order No. 1/2016 on the organization of the Government of the Republic of Kenya on May 2016 removed the water storage and flood control sub-Programme from the state department of water services and transferred it to the state department of Irrigation. However, the function and resources were transferred while the implementing agency remained under the water services department.
4. The Committee is concerned that the headquarters (Ministry of Irrigation) is implementing the function of water storage and flood control when the National Water Conservation and Pipeline Corporation and the Water Services Boards under the State Department of Water Services have both the Human Resources and technical and equipment capacity to carry out the function.
5. There is reduction of donor funding to the water sector which has been occasioned by a shift in focus by donors from Aid to Trade. This is set to further decrease now that the country has been upgraded as a middle income country;
6. The Committee is concerned with structure of the water sector; the State Department of Water Services is oversighted by the Departmental Committee on Environment and Natural Resources, the State Department for Irrigation is oversighted by the Departmental Committee on Agriculture, Livestock and Fisheries while the Regional Development

Authorities under the Ministry of Planning and Devolution are oversighted by the Departmental Committee on Finance and Trade. Water services being placed across makes monitoring and evaluation of the ongoing projects difficult;

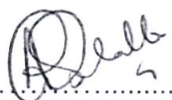
7. Human wildlife conflict claims are on the rise with the estimated claims from 2014-2016 standing at **Kshs. 4.5 billion**, compensation deaths and injuries to snake bites alone are unsustainable. There is also need for funding to operationalize the County Wildlife Conservation and Compensation Committee that have been set up in every county as provided for in the Wildlife Conservation and Management Act, 2013.
8. The scrapping of the Environmental Impact Assessment (EIA) fees which used to be paid to the National Environment Management Authority amounts to Wanjiku subsidizing the private sector. The problem is further exacerbated by lack of regulations requiring businesses to deposit an Environmental Performance bond that would have been used to rehabilitate any potential impact to the environment.
9. Delay in release of allocated funds: Despite the insufficient allocation of resources when compared to the sector requirements, the MDAs do not receive disbursements of both exchequer and donor funds within the required period, hence delaying the implementation of projects which may further lead to under achievements in the targeted outputs.
10. It is also noted from the table that over the years there has been a gap between the allocations to the MDAs against the approved Budget Policy Statement Ceilings. In the FY 2014/2015 the approved ceiling for the sector by parliament was Kshs. 57.08 billion while the sector received Kshs. 59.03 billion, FY 2015/2016 Bps ceiling was Kshs. 51.47 billion while the approved allocation was Kshs. 59.10 billion, In the FY 2016/2017 the BPS ceiling was Kshs. 74.56 billion while the approved budget was Kshs. 73.82 billion. The difference in the BPS ceiling and the approved budget indicates that the ceiling set by Parliament is not adhered to when passing and implementing the budget.
11. During the meetings with the MDAs the Committee was concerned that some of the MDAs were using the draft BPS document rather than the final document. It is the view of the Committee on the lack of communication between the National Treasury and the Ministries, Departments and Agencies hence no quality assurance on the credibility of information from the executive to Parliament.

4.0 COMMITTEE RECOMMENDATIONS

The Committee recommends that:-

1. For the sovereignty of the country and in its interest, the nationwide geophysical survey should be done by Kenyan geologists and funds should be allocated through the exchequer for the Ministry of Mining to carry out the much needed Nationwide Airborne Geophysical Survey which will enhance the revenue collection by the Ministry.
2. The Budget and Appropriations Committee should order that all government institutions that require to carry out surveys to use the services of the Directorate of Survey and Remote sensing under the Ministry of Mining in order to enhance the directorate's revenue collection and utilization of the government's investments on the heavy equipment's such as the Lidar scanner and the Hyper-Spectral sensor in the directorate;
3. The **Kshs. 2.53 billion** allocated to the State Department of Irrigation under the Programme of water storage and flood control should be moved to National Water Conservation and Pipeline Corporation and the Water Services Boards, since they have the legal mandate to undertake the development of national public water works for water resources storage and flood control.
4. The Government in light of Vision 2030 of access to water for all should increase its funding to the water sector given the huge reduction (**Kshs. 14billion**) of donor funding. Further, given that the external sources of financing have decreased, the sector MDAs should improve resource mobilization strategies and strengthen partnerships with public and private enterprises in order to fully implement their mandate.
5. **Kshs. 3.4 billion** to be allocated to State Department of Water Services to clear pending bills which are as a result of carry-over from the Financial Years 2013/2014, 2014/2015 and 2015/2016;
6. There is need to harmonise the water sector such that oversight of projects is more coordinated. If project implementation is being monitored by many players it becomes difficult to keep track of the projects;
7. There is need to reconsider the Scrapping of the Environment Impact Assessment fees and use the polluter pays approach rather than further burdening the tax payers. In addition, the Committee has ordered the National Environment Management Authority to submit the regulations on environmental bonds to Parliament within 21 days.

8. The Ministry of Environment and Natural Resources should work on a stand-alone legislation on waste management which will force the counties to comply to the standards;
9. The Ministry of Environment and Natural Resources should be allocated **Kshs. 1.5 billion** for compensation of Human-wildlife conflict. The Committee has started amending the Wildlife Conservation and Management Act, 2013 and has proposed to remove snake bites from the lists of compensation; this will greatly reduce the number of compensation claims. Further, the Committee proposes the review of the said Act to determine whether there is need of having County Wildlife Conservation and Compensation Committees in every county as opposed to counties with wildlife, this is because the Committees require over **Kshs. 135 million** for them to fully implement their functions;
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11. **Kshs. 129 million** be allocated to the Kenya Water Tower Agency for recruitment of technical staff and for the agency to deal with Masai Mau and other water towers;
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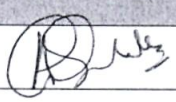
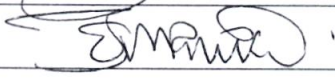
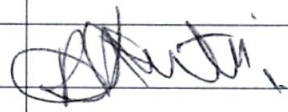
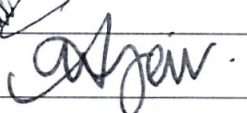
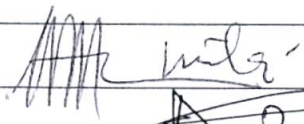
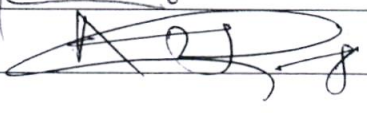
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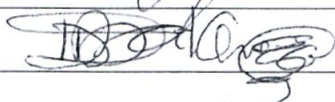
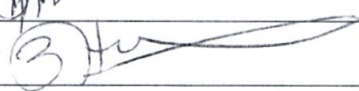
Hon. Amina A. Abdalla, CBS, MP

Chairperson, Departmental Committee on Environment and Natural Resources

**COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES
NATIONAL ASSEMBLY**

**ADOPTION LIST OF THE REPORT ON THE BUDGET POLICY STATEMENT
2017/18, IN CPA ROOM**

	NAME	SIGNATURE
1	Hon. Abdalla, Amina, MP, CBS-CHAIRPERSON	
2	Hon. Alexander Kosgey, MP Vice Chairperson	
3	Hon. Dukicha, Hassan Abdi, MP	
4	Hon. Emanikor, Joyce Akai, MP	
5	Hon. Ganya, Francis Chachu, MP	
6	Hon. Geni, Charles Mongare, MP	
7	Hon. Gure, Shukra Hussein, MP	
8	Hon. Ole Kenta, Richard Moitalel, MP	
9	Hon. Mohamed, Diriye Abdullahi, MP	
10	Hon. Murungi, Kathuri, MP	
11	Hon. Ogalo, George Oner, MP	
12	Hon. Sunjeev Kour Birdi, MP	
13	Hon. Tonui, Ronald Kiprotich, MP	
14	Hon. Dr. Wanyonyi, Reginalda N, MP	
15	Hon. Farah, Abdulaziz Ali, MP	
16	Hon. Dr. Barua, Ejidius Njogu, MP	
17	Hon. Irea, Gideon Mwit, MP	
18	Hon. Muluvi, Marcus Mutua, MP	
19	Hon. Wandayi James Opiyo, MP	
20	Hon. Ndiritu, Samuel Mathenge, MP	
21	Hon. Ottichilo, Wilber Khasilwa, MP	

22	Hon. Rop, Jackson Kipkorir, MP	
23	Hon. Abdinoor, Mohammed Ali, MP	
24	Hon. Ng'ang'a, Alice Wambui, MP	
25	Hon. Peter Kinyua, MP	
26	Hon. Richard Makenga, MP	
27	Hon. Jude Njomo, MP	
28	Hon. Joyce Lay, M.P	
29	Hon. Zuleigha Hassan, M.P	

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE

ON

FINANCE, PLANNING & TRADE

**REPORT ON THE SCRUTINY OF THE 2017 BUDGET POLICY STATEMENT FOR
THE FOLLOWING SPENDING AGENCIES:**

The National Treasury
Ministry of Devolution & Planning
Ministry of Tourism
Ministry of Industry, Trade & Cooperatives
Salaries and Remuneration Commission
Commission on Revenue Allocation
Controller of Budget

DIRECTORATE OF COMMITTEE SERVICES

CLERKS CHAMBERS

PARLIAMENT BUILDINGS

NAIROBI

DECEMBER, 2016

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ABBREVIATIONS

ASAL	-	Arid and Semi-Arid Lands
BPS	-	Budget Policy Statement
CIDC	-	Constituency Industrial Development Centre
EPZ	-	Export Processing Zone
IFMIS	-	Integrated Financial Management System
KIRDI	-	Kenya Industrial Research Development Institute
KITI	-	Kenya Industrial Training Institute
MDAs	-	Ministries, Departments and Agencies
NGO	-	Nongovernmental Organization
NYS	-	National Youth Service
PBO	-	Parliamentary Budget Office
CEO	-	Chief Executive Officer
TARDA	-	Tana&Athi River Development Authorities
RDAs	-	Regional Development Authorities
EU	-	European Union
ICT	-	Informational Communication Technology
CS	-	Cabinet Secretary
M&E	-	Monitoring and Evaluation
GoK	-	Government of Kenya
SDGs	-	Social Development Goals
CIDPS	-	County Integrated Development Plans
ITRC	-	Intergovernmental Technical Relations Committee

1.0 INTRODUCTION

1.1 Mandate

The Departmental Committee on Finance, Planning & Trade is one of the twelve departmental committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:

- (a) 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;
- (f) To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (*Committee on Appointments*); and
- (g) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

The Departmental Committee on Finance, Planning and Trade oversees the following Ministries/Departments/Agencies:

1. The National Treasury
2. Ministry of Devolution and Planning
3. Ministry of Industry, Trade & Cooperatives
4. State Department of Commerce and Tourism
5. Commission on Revenue Allocation
6. The Salaries and Remuneration Commission
7. The Controller of Budget

1.2 Membership

Chairman	The Hon. Benjamin Langat, MP
Vice Chairman	The Hon. Nelson Gaichuhie, MP
Members	The Hon. Dr. OburuOginga, MP
	The Hon. Jimmy NuruAngwenyi, MP
	The Hon. Eng. Shadrack Manga, MP
	The Hon. Ahmed ShakeelShabbir Ahmed, MP
	The Hon. Sammy Koech, MP
	The Hon. Sammy Mwaita, MP
	The Hon. Tiras N. Ngahu, MP
	The Hon. Abdikadir Ore Ahmed, MP
	The Hon. Abdullswamad Sheriff, MP
	The Hon. Abdul Rahim Dawood, MP
	The Hon. Alfred W. Sambu, MP
	The Hon. Anyanga Andrew Toboso, MP
	The Hon. Daniel E. Nanok, MP
	The Hon. Dennis Waweru, MP
	The Hon. JoashOlum, MP
	The Hon. Jones M Mlolwa, MP
	The Hon. Joseph Limo, MP
	The Hon. Kirwa Stephen Bitok, MP
	The Hon. LatiLelelit, MP
	The Hon. Mary Emase, MP
	The Hon. Ogendo Rose Nyamunga, MP
	The Hon. Patrick MakauKing'ola, MP
	The Hon. Ronald Tonui, MP
	The Hon. Sakaja Johnson, MP
	The Hon. Sakwa John Bunyasi, MP
	The Hon. SumraIrshadali, MP

1.3 Committee Secretariat

First Clerk Assistant	Evans Oanda
Third Clerk Assistant	Nicodemus Maluki
Third Clerk Assistant	Fredrick Otieno
Legal Counsel II	BrigitaMati
Research Officer III	Eric Ososi
Research Officer III	Sharon Rotino

1.4 Tabling of Budget of the BPS

The 2017 Budget Policy Statement was tabled on the floor of the House by the Leader of the Majority Party On 24th December 2016 and committed to the Budget and Appropriations Committee for consideration in consultation with the relevant departmental Committees.

1.5 Committee proceedings

Upon receipt of the Budget Policy Statement (BPS), the Departmental Committee on Finance, Planning & Trade invited all the line ministries for briefing sessions. The Committee held seven (7) sittings during the consideration of the 2017 budget estimates.

2.0 CONSIDERATION OF THE BUDGET ESTIMATES

2.1 BRIEFING FROM THE PARLIAMENTARY BUDGET OFFICE (PBO)

On 29th November 2016, the Parliamentary Budget Office briefed the Committee on the 2017 BPS under the purview of the Committee. In their presentation, they highlighted the following:

- a) The Auditor General had raised the following issues in his FY 2013/14 and 14/15 audit reports:

Table 4 : Audit Queries		
MDA	2013/2014	2014/2015
The National Treasury	Qualified opinion Unsupported expenditures-Ksh.300M Pending bills-Kshs.333M Unreconciled bank statements-Ksh.769 M(recurrent) Unsupported Consultancy Contracts-Ksh.12M Unexplained Variance between Revenue Statements and Exchequer Records-Ksh.2B	Qualified Opinion -: Pending Bills- KShs.632M Unaccounted for fuel for leased vehicles Ksh.18M Eurobond: Issue raised is noncompliance with article 206 of the Constitution and Section 17(2) of the PFM Act.
State Department for Investment and Industry	Qualified Opinion Pending Bill-Kshs.124 M	Qualified Opinion- Direct Procurement for Consultancy Services on Ease of Doing Business Improvement Programme-Phase II(Kshs.5M) and Business Environment Delivery Unit (Strathmore School) at Ksh.6M Irregular reallocation of Development grant Recurrent expenditure- Ksh.200 M Loss of Constituency Industrial Development Centres (CIDC) Equipment and Tools at KIRDI-60M. Pending Bills-295 M Textile and Leather Working Machinery and Equipment (KITI Nakuru)-Ksh.215 M not installed, no Value for Money.
Tourism	Qualified Opinion -	Disclaimer of opinion – Payments towards Ronald NgalaUtalii Academy: Contractual illegality : Ksh.500M Pending Bills : Ksh.91 M
Devolution & Planning	Qualified Opinion Incomplete construction Project (NYS Vocational Training institute at Industrial Area)-Ksh.7M. Unconfirmed Transfer To Other Government Entities-Ksh.2.9B Unaccounted for imprests-Ksh.12M	Qualified Opinion Pending Bills- Ksh.3 B. Unreconciled cash and bank balances: Ksh.300M. Women Enterprise Fund: Non performing loans not provided for. Ksh.93 M Other Capital Grants and Transfers: Non submission of Expenditure returns and receipts

	Pending Bills-1.1B	from donors hence not captured in IFMIS: Ksh.2.3B.
COB	No issue raised hence unqualified opinion	No issue raised hence unqualified opinion
	Unqualified Opinion	Unqualified Opinion
SRC	No issue raised hence unqualified opinion	No material issues raised hence unqualified opinion
	Unqualified Opinion	Unqualified Opinion
CRA	No issue raised hence unqualified opinion	No material issue raised hence unqualified opinion

b) Contributions of both the Manufacturing and the Tourism sector to the economy

Sub Sector	Indicators of Performance	Earnings from various contributors in KShs. billions				
Tourism						
	Tourism Earnings	97.9	96	94	87.1	84.6
	% of GDP	2.60%	2%	2%	1.60%	1.40%
	Budgetary Allocations (billions)	4.225	4.554	3.154	4.184	5.215
	% of Allocations to the Total Budget	0.2	0.15	0.2	0.2	0.2
Industrialization	Manufacturing	437.8	469.5	498.4	539.4	644.1
	% of GDP	11.7	11	10.5	10	10.3
	Budgetary Allocations	2.341	3.354	5.758	7.872	8
	% of Allocations to the Total Budget	0.2	0.2	0.3	0.4	0.4

c) Summary of resource ceilings

MDA/ Programmes	2016/17 Estimates			2017/18 Ceilings			Total Variation
	Current	Capital	Total	Current	Capital	Total	

The National Treasury							
General Administration, Planning and support services	30,623.8	4,717.0	35,340.8	57,279.0	4,717.0	61,996.0	26,655.2
Public financial management	4,644.0	39,450.7	44,094.7	4,644.0	32,897.7	37,541.7	-6,553.0
Economic and financial policy formulation and management	1,084.5	1,362.4	2,447.0	1,085.0	1,362.0	2,447.0	0.0
Market competition	340.0	0.0	340.0	340.0	0.0	340.0	0.0
Government clearing services	48.5	0.0	48.5	49.0	0.0	49.0	0.5
TOTAL	36,740.8	45,530.1	82,271.0	63,397.0	38,976.7	102,373.7	20,102.7
State Department of Planning and Statistics							
Economic policy and national planning	1,082.8	37,077.8	38,160.6	1,209.0	38,887.0	40,096.0	1,935.4
National statistical information services	1,833.3	1,464.5	3,297.9	2,333.0	1,465.0	3,798.0	500.1
Monitoring and evaluation services	53.0	112.0	165.0	149.0	212.0	361.0	196.0
NGO Regulatory services	125.2	0.4	125.5	125.0	0.0	125.0	-0.5
Integrated Regional Development	1,044.9	2,817.0	3,861.9	1,045.0	2,817.0	3,862.0	0.1
General Administration, Planning and support services	578.1	34.6	612.7	578.0	0.0	578.0	-34.7
TOTAL	4,717.3	41,506.3	46,223.6	5,439.0	43,381.0	48,820.0	2,596.4
State Department for Trade							
Trade Development and Promotion	2,354.2	4,842.0	7,196.2	2,865.0	3,671.0	6,536.0	-660.2
TOTAL	2,354.2	4,842.0	7,196.2	2,865.0	3,671.0	6,536.0	-660.2
State department of devolution							
General and Administration, Planning and Support Services	134	120	254	246	20	266	12
Devolution services	515	2,304	2,819	783	2,414	3,197	378

TOTAL	649	2,424	3,073	1,029	2,434	3,463	390
State Department for Investment and Industry							
General and Administration, Planning and Support Services	542.7	373.6	916.3	449.0	303.0	752.0	-164.3
Industrial Development and Investment	1,221.1	3,803.4	5,024.5	1,251.0	3,426.0	4,677.0	-347.5
Standard and Business Incubation	905.0	1,202.8	2,107.8	905.0	985.0	1,890.0	-217.8
TOTAL	2,668.8	5,379.8	8,048.6	2,605.0	4,714.0	7,319.0	-729.6
Ministry of Tourism							
Tourism Development and Promotion	2,354.2	4,842.0	7,196.2	2,865.0	3,671.0	6,536.0	-660.2
TOTAL	2,354.2	4,842.0	7,196.2	2,865.0	3,671.0	6,536.0	-660.2
State Department of Special Programmes							
Special initiatives	697.2	0.0	697.2	1,163.0	0.0	1,163.0	465.8
Accelerated ASAL Development	708.6	5,111.3	5,820.0	710.5	4,201.2	4,911.7	-908.3
General and Administration, Planning and Support Services	0.0	0.0	0.0	276.8	18.1	294.0	294.0
TOTAL	1,405.8	5,111.3	6,517.2	2,150.3	4,219.3	6,368.7	-148.5
Controller of Budget							
Control and Management of Public Finances	561.3	0.0	561.3	575.0	0.0	575.0	13.7
TOTAL	561.3	0.0	561.3	575.0	0.0	575.0	13.7
Salaries and Remuneration Commission							
Salaries and Remuneration Management	533.0	0	533.0	546.0	0.0	546.0	13.0
TOTAL	533.0	0.0	533.0	546.0	0.0	546.0	13.0
Commission on Revenue Allocation							
Inter-governmental Revenue	355.8	0.0	355.8	365.0	0.0	365.0	10.0

and Financial Matters							
TOTAL	355.8	0.0	355.8	365.0	0.0	365.0	10.0

d) Salient issues

- **Resource gaps:** There are significant variances when the resource requirements are compared with the proposed ceilings.
- **Pending Bills:** The auditor general's report has been pointing out pending bill issues in some MDAs as shown in the table above. Pending bills being first charges in the budgeting process needs to be considered and interrogated so that the planned outcomes of the various programmes are not impaired.
- **Significant increase in the proposed ceiling:** Using the current financial year estimates as a base line, there is a material increase of Ksh.20 billion (an increase by 24.4%) in the proposed ceilings for National Treasury. This increase is majorly in the programme of General administration, planning and Support services.
- **Proposed Reduction in development ceilings in the State department for Investment and Industry:** The BPS ceiling intends to reduce the estimates by Ksh.700 Million. The reduction is majorly in the development vote. Why such a reduction is deemed prudent whereas this sector should be enhanced so as to create the much needed employment opportunities in the economy?
- **Enhanced oversight:** There is need to enhance the oversight of budget implementation by the Committee. This will be with the noble intent of hastening the completion of projects as some of the projects have dragged for way too long. Such examples under state department of Investment and Industry include the DongoKundu in Mombasa, various Industrial Parks and the construction of the textile and apparel industrial buildings at EPZ Athi river (reportedly at 65% of completion-reference: BPS. Such project visits should also be done in other MDAs.
- **Special Programme:** The programme of Accelerated ASAL Development has been receiving substantial allocation (Ksh.5.8B in the current year) and a ceiling proposal of

Ksh.4.9 B. There are indications that the mitigation and response to drought disasters appears ineffective, a case in point is the recent/current drought in ASAL areas.

- The proposed recurrent expenditure for the state department for devolution has astronomically increased from Ksh.649 M to Ksh. 1,029 M. This is albeit hiving off of Special initiative programme.

2.2 CONSIDERATION OF THE SALARIES AND REMUNERATION BUDGET

On 6th December 2016, the Committee met with the Vice Chairperson of the Salaries and Remuneration Commission to consider her 2017 Budget Policy Statement.

2.2.1 Presentation from the Vice Chairperson, SRC

- Tabular presentation of the SRC's 2017/2018 budget

2110100	Basic Salaries - Permanent Employees	146,217,628	150,604,157	155,122,282	159,775,950
2110101		146,217,628	150,604,157	155,122,282	159,775,950
2110300	Personal Allowances paid as part of Salary	55,792,451	57,466,225	59,190,211	60,965,918
2110301	House Allowance	26,322,000	27,111,660	27,925,010	28,762,760
2110313	Entertainment Allowance	1,783,500	1,837,005	1,892,115	1,948,879
2110314	Transport Allowance	9,672,000	9,962,160	10,261,025	10,568,856
2110315	Extraneous Allowance	12,040,071	12,401,273	12,773,311	13,156,511
2110317	Domestic Servant Allowance	188,000	193,640	199,449	205,433
2110319	Top-up House Allowance	4,586,880	4,724,486	4,866,221	5,012,208
2110320	Leave Allowance	1,200,000	1,236,000	1,273,080	1,311,272
2120100	Employer Contributions to Compulsory National Social Security Schemes	25,719,920	26,491,518	27,286,263	28,104,851
2120101	Employer Contributions to National Social Security Fund	933,120	961,114	989,947	1,019,645
2120103	Employer Contribution to Staff Pensions Scheme	24,786,800	25,530,404	26,296,316	27,085,206
	TOTAL COMPENSATION TO EMPLOYEES	227,729,999	234,561,899	241,598,756	248,846,719

USE OF GOODS AND SERVICES					
2210200	Communication, Supplies and Services	12,040,000	12,280,800	12,894,840	13,539,582
2210201	Telephone, Telex, Facsimile and Mobile Phone Services	8,400,000	8,568,000	8,996,400	9,446,220
2210202	Internet Connections	2,070,000	2,111,400	2,216,970	2,327,819
2210203	Courier & Postal Services	1,570,000	1,601,400	1,681,470	1,765,544
2210300	Domestic Travel and Subsistence, and Other Transportation Costs	16,967,236	17,306,581	18,171,910	19,080,505
2210301	Travel Costs (airlines, bus, railway, mileage allowances, etc.)	5,319,667	5,426,060	5,697,363	5,982,232
2210302	Accommodation - Domestic Travel	5,233,786	5,338,462	5,605,385	5,885,654
2210303	Daily Subsistence Allowance	6,117,695	6,240,049	6,552,051	6,879,654
2210304	Sundry Items (e.g. airport tax, taxis, etc?)	296,088	302,010	317,110	332,966
2210400	Foreign Travel and Subsistence, and other transportation costs	2,700,000	2,754,000	2,891,700	3,036,285
2210401	Travel Costs (airlines, bus, railway, etc.)	725,520	740,030	777,032	815,884
2210402	Accommodation	173,440	176,909	185,754	195,042
2210403	Daily Subsistence Allowance	1,707,350	1,741,497	1,828,572	1,920,000
2210404	Sundry Items (e.g. airport tax, taxis, etc?)	93,690	95,564	100,342	105,359
2210500	Printing , Advertising and Information Supplies and Services	11,500,000	9,112,500	9,568,125	10,046,531
2210502	Publishing & Printing Services	10,000,000	7,500,000	7,875,000	8,268,750
2210503	Subscriptions to Newspapers, Magazines and Periodicals	1,500,000	1,612,500	1,693,125	1,777,781
2210600	Rentals of Produced Assets	32,000,000	32,000,000	32,000,000	32,000,000
2210603	Rents and Rates - Non-Residential	32,000,000	32,000,000	32,000,000	32,000,000
2210700	Training Expenses	6,500,000	14,625,000	15,356,250	16,124,063
2210701	Travel Allowance	500,000	1,125,000	1,181,250	1,240,313

2210704	Hire of Training Facilities and Equipment	2,500,000	5,625,000	5,906,250	6,201,563
2210710	Accommodation Allowance	2,000,000	4,500,000	4,725,000	4,961,250
2210711	Tuition Fees Allowance	1,500,000	3,375,000	3,543,750	3,720,938
2210800	Hospitality Supplies and Services	93,202,800	95,066,856	98,155,949	100,375,746
2210801	Catering Services (receptions), Accommodation, Gifts, Food and Drinks	5,981,850	6,101,487	6,406,561	6,726,889
2210802	Boards, Committees, Conferences and Seminars	35,470,950	36,180,369	37,989,387	39,888,857
2210809	Board Allowance	51,750,000	52,785,000	53,760,000	53,760,000
2210900	Insurance Costs	22,750,000	25,806,250	27,096,563	28,451,391
10901	Group Personal Insurance	4,000,000	4,300,000	4,515,000	4,740,750
2210903	Plant, Equipment and Machinery Insurance	750,000	806,250	846,563	888,891
2210910	Medical Insurance	18,000,000	20,700,000	21,735,000	22,821,750
2211000	Specialised Materials and Supplies	1,225,000	1,316,875	1,382,719	1,451,855
2211009	Education and Library Supplies	725,000	779,375	818,344	859,261
2211016	Purchase of Uniforms and Clothing - Staff	500,000	537,500	564,375	592,594
2211100	Office and General Supplies and Services	8,170,625	8,783,422	9,222,593	9,683,723
2211101	General Office Supplies (papers, pencils, forms, small office equipment etc)	3,000,000	3,225,000	3,386,250	3,555,563
11102	Supplies and Accessories for Computers and Printers	4,927,225	5,296,767	5,561,605	5,839,685
2211103	Sanitary and Cleaning Materials, Supplies and Services	243,400	261,655	274,738	288,475
2211200	Fuel Oil and Lubricants	2,074,340	2,250,659	2,363,192	2,481,351
2211201	Refined Fuels and Lubricants for Transport	2,074,340	2,250,659	2,363,192	2,481,351
2211300	Other Operating Expenses	90,080,000	83,681,600	87,627,000	89,969,670
2211305	Contracted Guards and Cleaning Services	3,780,000	3,855,600	3,855,600	3,855,600
2211306	Membership Fees, Dues and Subscriptions to Professional	900,000	918,000	963,900	1,012,095

	and Trade Bodies				
2211308	Legal Dues/fees, Arbitration and Compensation Payments	3,500,000	3,570,000	3,748,500	3,935,925
2211310	Contracted Professional Services	81,000,000	74,420,000	78,141,000	80,248,050
2211321	Parking charges	900,000	918,000	918,000	918,000
2220100	Routine Maintenance - Vehicles	3,125,000	3,359,375	3,527,344	3,703,711
2220101	Maintenance Expenses - Motor Vehicles	3,125,000	3,359,375	3,527,344	3,703,711
2220200	Routine Maintenance - Other Assets	3,075,000	3,034,500	401,625	421,706
2220201	Maintenance of Plant, Machinery and Equipment (including lifts)	375,000	382,500	401,625	421,706
2220202	Maintenance of Office Furniture and Equipment	200,000	204,000	214,200	224,910
2220205	Maintenance of Buildings and Stations -- Non-Residential	1,200,000	1,224,000	1,285,200	1,349,460
2220210	Maintenance of Computers, Software, and Networks	1,200,000	1,224,000	1,285,200	1,349,460
2220205	Maintenance of Buildings and Stations -- Non-Residential	100,000	-	-	-
4110400	House and Car Loans for Staff	-	-	-	-
4110403	House Loans	-	-	-	-
411405	Car Loans	-	-	-	-
		305,410,001	311,378,417	320,659,808	330,366,119
GROSS		533,140,000	545,940,316	562,258,564	579,212,837

➤ **Affected programme by the shortfall**

The Car and Mortgage Loan Schemes for staff is one of the programmes that will be greatly affected by the shortfall. The Commission has since inception faced challenges of retention of staff with the requisite skills to help it achieve its mandate mainly because of a lack of variety in its staff compensation policies. National Treasury letter Ref. No. ZZ/MOF 26/03 'A' (11) dated 21st January, 2015 and the subsequent gazette regulations in the Kenya Gazette Supplement No.

22 on the 6th March, 2015 directed that State Corporations, Constitutional Commissions, Independent Offices and other Government Agencies should independently manage the House Mortgage and Car Loans for their employees. However, unlike other institutions in the same category as the Commission, it (the Commission) has not been able to establish its scheme due to lack of funding in this vote. The Commission therefore sought **Kshs.300 million** in the 2017/18 FY for application towards setting up of the two schemes. This was not availed and therefore forms the main programme that is affected in the 2017/2018 FY.

➤ **Budget absorption 2013/2014, 2014/2015 and 2015/2016**

The total allocation to the Commission during the period 2013/14 to 2015/16 financial years was **Kshs. 2.317 billion** and the actual expenditure during the same period was **Kshs.1.825 billion**. This represents an absorption rate of **80%**. During the medium term period, the allocation to the Commission increased by **66%** in the financial years 2013/14 to 2014/15 and in the period 2014/15 to 2015/16 the increase was 15%. In terms of actual expenditure the absorption rates were **85%, 79% and 75%** in the financial years 2013/14, 2014/15 and 2015/16 respectively. This shows a mixed trend in actual expenditure during the medium term period with the lowest being in the financial year 2015/16.

The main cause of the increased allocation and the corresponding expenditure was the ongoing Job Evaluation Exercise in the public sector, which commenced in July 2015 and has not been completed. The absorption capacity for the Commission during the last three years averaged 80%. The Commission has been undertaking the job Evaluation exercise since July 2015. However, no funding has been allocated for the exercise during the Financial year 2015/2016 prompting the Commission to seek for additional funding during the supplementary estimates. However, the timing of the release of the supplementary estimates and the logistical challenges related to the procurement of consultants to guide the process meant that much of the funding allocated to the JE towards the end of the FY have lapsed as per the PFM Act, 2012 since payments could not be made before delivery. This is the reason the average absorption has been lower than the expected 100%.

➤ **Request from the Commission**

- The Commission should be given at least Kshs 100m to start the car loan and mortgage loans like other public officers

2.2.2 Committee Observations on SRC Budget

- The Commission has been allocated Kshs. 546million against a requirement of Khs. 914 million. The short fall will affect car loan and mortgage for officers working for the Commission (300m)
- The Commission has no pending bills
- The Commission's absorption capacity for 2015/16 FY was 75%
- It is wrong for the Commission to develop a new strategic plan when it has one already. It can only be reviewed given that SRC's mandate has not changed.
- The Committee raised concerns of the now exhausted Members of Parliament's exhausted medical outpatient facility. The Commission was urged to urgently conclude the matter to avoid.

2.2.3 Committee recommendation on SRC Budget

- The Commission should be allocated an extra Ksh. 100m to start implementation of the car loan and mortgage programmes like other public servants.

2.3 CONSIDERATION OF THE CONTROLLER OF BUDGET'S BUDGET

On 6th December 2016, the Committee met with the Controller of Budget to consider her 2017 Budget Policy Statement.

2.3.1 Presentation from the Controller of Budget

The Proposed 2017/18 Budget allocation for the Office of the Controller of Budget was Kshs. **584,691,212** comprising of Personnel Emoluments of Kshs**294,381,124** and Operations and Maintenance of Kshs. **290,310,089**.The National Treasury rationalized the budget downwards by Kshs.**9,443, 006** due to budget ceilings in Personnel Emoluments. Hence the reduction of the Proposed Budget from Kshs **584,691,212** to Kshs**575,248,206**

- 2110100- 2110300- Personnel Emoluments Kshs. 284,938,118 to cater for Basic Salaries and Personal Allowances for staff.

- 2210100 – Utilities, Supplies and Services. Kshs. 981,000 to cater for electricity and water bills at the County Offices.
- 2210200 – Communication, Supplies and Services. Kshs. 13,182,200 to cater for telephone costs, internet costs and courier services for the office both at the Headquarters and County offices.
- 2210300 – Domestic Travel, Subsistence and Other Transportation Costs. Kshs. 22,048,280 to cater for increased monitoring of budget implementation activities especially at county level and public sensitization forums.
- 2210400 – Foreign Travel and Subsistence, and Other Transport costs. Kshs. 5,681,500 to cater for foreign travel expenses while attending specialized training and International conferences.
- 2210500 – Printing, Advertising and Information Supplies and Services. Kshs. 66,591,103 to cater for printing of Quarterly National Budget Implementation Review Reports, Quarterly County Budget Implementation Review Reports and Financial Statements in accordance with Article 228(6) of the Constitution of Kenya, 2010 and the Public Financial Management, Act 2012.
- 2210600 – Rentals of Produced Assets. Kshs. 2,062,000 to cater for lease payments for Lamu and Tana River County offices and rental for car parking space for Headquarters staff.
- 2210700 - Training Expenses Kshs. 21,639,000 to cater for training and capacity building for staff.
- 2210800 - Hospitality Supplies and Services Kshs. 14,477,800 to cater for hospitality supplies and meeting expenses for staff both at the Headquarters and County Offices. The Office holds many meetings with key stakeholders and county governments on budget implementation related issues and mediation.
- 2210900 - Insurance Costs Kshs. 41,305,987 to cater for insurance costs for medical cover for staff, Group Personal Cover for staff, Work Injuries Benefits Act for staff and insurance policies for motor vehicles and other assets.
- 2211000 - Specialised Materials and Supplies Kshs. 2,022,920 to cater for purchase of education and library supplies and uniforms for staff

- 2211100 - Office and General Supplies and Services Kshs. 12,855,000 to cater for general office supplies both at the Headquarters and County offices.
- 2211200 - Fuel Oil and Lubricants Kshs. 5,500,000 to cater for fuel expenses incurred during monitoring and evaluation activities and normal office operations.
- 2211300 - Other Operating Expenses Kshs. 13,110,000 to cater for bank charges, membership subscriptions to professional bodies, legal fees and contracted professional services.
- 2220100 - Routine Maintenance -Vehicles and Other Transport Equipment Kshs. 5,050,000 to cater for repairs and maintenance of motor vehicles most which are over 3 years old.
- 2220200 - Routine Maintenance - Other Assets Kshs. 4,535,000 to cater for maintenance of office furniture, buildings, computers and equipment.
- 2710100 - Gratuity civil servants Kshs. 38,943,698 to cater for the Pension Scheme for staff.
- 3110300 - Refurbishment of Buildings Kshs. 1,500,000 to cater for office painting at the Headquarters
- 311000 - Purchase of Office Furniture and General Equipment Kshs. 9,824,600 to cater for purchase of furniture, computers and general office equipment for new staff who are being recruited and equipment replacement of equipment both at the Headquarters and the County offices.
- 3111000 - Purchase of Specialized Plant, Equipment and machinery Kshs. 9,000,000 to cater for the purchase of computer software and other related Information Technology activities.

2.3.2 Committee Observations on Controller of Budget's Budget

- The Office of the Controller of Budget has always demonstrated prudence in resource management.
- In the 2017/2016, the Controller of Budget has prepared her budget within the ceilings provided by the National Treasury in the BPS.
- COB's request for extra 9.4 million for hiring six (6) officers is reasonable considering that the National Treasury has already approved the request.
- There is a concern that counties are spending money out of the framework of the Appropriations Acts- which is illegal.

- It is disappointing that as of now, most of the counties are collecting revenues and spending them at source. The Auditor General can only report this at the end of the financial year. The Controller of Budget Act bars the Office of the Controller of Budget from reporting county revenue collections and their usage. This forms the basis for corruption in counties.
- Huge pending bills at the counties is a source of concern considering that pending bills should form first charge in the subsequent financial year's budget.

2.3.3 Committee recommendation on Controller of Budget's Budget

- The Controller of Budget should be allocated extra Khs 9.4 million for use in hiring of six (6) new officers as per the COB's request. However, the Controller of Budget may consider rationalizing her budget for printing and make some savings that can be used in hiring the six officers.
- The Committee will amend the Controller of Budget Act at an opportune time to allow the Controller of Budget to report on county revenue collections and their usage.

2.4 CONSIDERATION OF THE COMMISSION ON REVENUE ALLOCATION (CRA) BUDGET

On 6th December 2016, the Committee met with the Chief executive Officer of the Commission on Revenue Allocation to consider his 2017 Budget Policy Statement.

2.4.1 Presentation from the CEO, CRA

➤ Breakdown of proposed Allocation to the Commission FY 2017/18

	Resource Requirement (M)	Resource Allocation (m)	Resource Gap (M)
SP1. Legal & Public Affairs	22	17	5
SP2. Research and Policy Development	115	50	65
SP3. General Administration and Planning	331	266	65
SP4. Fiscal Affairs	58	32	26
TOTAL	526	365	161

➤ **Key deliverables for the next Financial Year 2017/18**

1. Recommendations on various legislations for the national and county governments i.e. to review 50 Bills on Division of Revenue.
2. Annual recommendation for division of revenue/vertical sharing of revenue
3. Dissemination of the report on costing of 6 functions (Health, Agriculture, Natural Resources, Environment, Water and Foreign Affairs). Additionally, prepare a report on norms and standards under the Health and Agriculture function.
4. Assess the impact of the 1st and 2nd Revenue sharing formulae to inform development of Sectoral model for the 3rd Revenue Sharing Formula.
5. Establish a database for national and county government to be used in developing the subsequent revenue sharing formula.
6. To review 47 County Fiscal Strategic Papers (CFSPs), County Budget Review Outlook Papers (DBROPs) and debt management Strategy.
7. Natural resource mapping for the purposes of resource sharing.
8. Develop the 2nd Marginalisation policy which will determine the marginalised areas.
9. Review of the commission's strategic plan.
10. Support counties on fiscal responsibility and revenue enhancement strategies.
11. Capacity development of the county governments on financing and financial management matters.

➤ **Unfunded Key Delivery Areas for the Period 2017/18. The following are unfunded activities which are critical for the performance of the commission to deliver on its mandate:**

	Particulars	Kshs. Millions
1.	Establishment of Regional offices	45
2.	Mortgage and car loan for secretariat	30
3.	Review of marginalization policy	17
4.	Establishment of data base for CRA	20

5.	Fiscal responsibility and public financial management	26
6.	Natural wealth mapping	23
	Total	161

➤ **The Commission has prioritized the following key priorities for funding if the Committee was to increase the Commission's funding:-**

- Establishment of regional offices at a cost of 45m
- Mortgage and car loan for secretariat at 30 m
- Review of marginalization policy

2.4.2 Committee Observations on CRA Budget

- The CRA has been given Ksh 365 million against a requirement of Khs 526 million.
- CRA has no pending bills
- Development of marginalization policy has taken too long.

2.4.3 Committee recommendation on CRA's Budget

- The allocated resources of Khs 365m will be sufficient for the commission to undertake its activities for the 2017/18 financial year.

2.5 CONSIDERATION OF THE STATE DEPARTMENTS OF INDUSTRY AND TRADE'S BUDGET

2.5.1 Presentation from the CS

The Cabinet Secretary for Industry, Trade and Cooperatives was not available to make a formal presentation to the Committee when invited on 6th December 2016 at 3:00PM. The committee did not get even a written submission from the CS on the 2017 budget policy statement for his two state departments.

2.5.2 Committee Observations

1. The budget ceiling for the **state department of investment and industry** is Ksh 7.3 billion comprising of Ksh 2.61 billion for recurrent expenditure and Ksh 4.7 billion for development expenditure against a resource requirement of 19.5 billion. However the department budget

has been reduced slightly by Ksh 729 million (9.1%) when compared to the current financial year's budget of Ksh 8.1 billion.

2. The contribution of Industrialization to GDP over time has remained stagnant at approximately 10% on average despite the incremental budgetary allocations over time. In the nominal terms, the budgetary allocation has more than doubled since 2011 whereas the contribution to GDP has been declining modestly.
3. The budget ceilings for the **state department of trade** are Ksh 2.6 billion. It was adjusted downwards by Ksh 572.3.
4. In the 2017/18 Financial Year, the Ministry is set to implement the following four programmes in the state department for Industry:
 - Industrial Development and Investments,
 - standards and business incubation,
 - co-operative development and management and
 - general administration, planning and support.
5. The performance targets in after implementing the above programmes include: establishment of industrial park and SME parks in Eldoret and Taita Taveta, development of textile city in Athi River, creation of over 300,000 jobs in the manufacturing sector, fast tracking various legislation to spur industrial growth such as Special Economic Zones Act 2015 etc

2.5.3 Committee recommendation

- i. The Ministry should implement fully all the programmes that the CS has been talking about year in year out since he was appointed into office as contained in the 2017 Budget Policy Statement. These programmes include:
 - Operationalization of the SEZ Act 2015.
 - -Development of the basic infrastructure in Dongo Kundu/Mombasa.
 - -Development of integrated industrial data base.
 - -Development of the basic infrastructure for the textile and apparel industrial building and worksites at Athi River.

- -Dev't of industrial parks and establishment of small and medium industries (SMI).
- ii. When called upon to brief the Committee, the Cabinet Secretary should take Committee business seriously whenever called upon.

2.6 CONSIDERATION OF THE STATE DEPARTMENTS OF PLANNING AND DEVOLUTION'S BUDGET

On 7th December 2016, the Committee met with the Cabinet Secretary for the Ministry of Planning & Devolution to consider the 2017 Budget Policy Statement for the State departments of Planning & Devolution

2.6.1 Presentation from the CS

a) Allocation for FY 2017/18 (Kshs. Million) – Planning and Statistics

	Printed Estimates	Resource Allocation
	2016/17	2017/18
Recurrent	4,717	5,314
Allocation to SAGAs	3,778	4,153
Headquarters	939	1,161
Development	41,506	43,381
Allocation to SAGAs	39,391	41,170
Headquarters	2,115	2,211
Total	46,223	48,695

b) Allocation for FY 2017/18 (Kshs. Million) - Devolution

	Printed Estimates	Resource Allocation
	2016/17	2017/18
Recurrent	649	1,029
Allocation to SAGAs	408	708
Headquarters	241	321
Development	2,424	2,434
Allocation to SAGAs	234	234
Headquarters	2,190	2,200
Total	3,073	3,463

c) Allocations to Capital Projects under the State Department of planning & Statistics

PROJECT	Delivery Unit	Output	ALLOCATION-2017/18	
			Gok	Donor
1034101601 MDGs Implementation Unit	Enablers	Post 2015 development agenda held; County level awareness creation conducted; and SDGs Implementation Status report; and of high level summit held (UNECOSOC/UNGA)	31,102,066	
1034100200 Programme For Agriculture & Livelihood in Western Communities.	Enablers	Programme Exit strategy prepared and implemented	76,769,800	702,800,000
1034100600 Community Empowerment and Institutional Support Project.	EDCD	Contract payment – Internet connectivity by Telkom Kenya	33,354,085	
1034101500 National Government Constituency Fund (NG-CDF).	EDCD	Amount of NG-CDF Money Disbursed to constituencies	35,505,000,000	
1034101700 Macro Economic Planning and International Relations.	Macro	Third MTP and Sector Plan (2018-2022) prepared and disseminated; and	53,101,200	85,000,000
1034100300 ACBF Support to Kenya Institute for Public Policy Research & Analysis.	KIPPRA	Young professional, Government and Private Sector Officers Capacity built on Public Policy	52,236,487	100,000,000

PROJECT	Delivery Unit	Output	ALLOCATION-2017/18	
			Gok	Donor
		Formulation		
1034100700 Economic Empowerment Programme.	Social Governance	County BiasharaCentres capacity built	16,985,366	80,000,000
1034100800 Integration and Coordination with ICPD POA-NCAPD.	NCPD	Population policy implemented through awareness creation, activities coordination, and Monitoring and evaluation	159,700,000	107,680,000
1034101200 Social Policy and Research	Social Governance	Counties capacity built on social budgeting	0	12,000,000
1034100900 Data Collection and Data Base Development	KNBS	Sector statistics Plans; Consolidated National Strategy for the Development of Statistics (NSDS) prepared	0	5,820,660
1034101100 Social Policy and Statistics (KNBS)	KNBS	Survey and censuses reports produced and disseminated	0	19,700,000
1034101900 Kenya National Bureau of Statistics-Census	KNBS	National Statistical publications and reports	50,000,000	-

PROJECT	Delivery Unit	Output	ALLOCATION-2017/18	
			Gok	Donor
1034102000 Kenya Statistics Programme For Results	KNBS	Survey and censuses reports produced and disseminated	1,389,000,000	-
1034100100 National Integrated Monitoring and Evaluation System (NIMES)	Monitoring And Evaluation Department (MED)	Monitoring and Evaluation (M&E) online Systems modules developed in MDAs & Counties	84,413,600	-
1034101000 M&E Directorate	MED	County M&E policy framework developed and disseminated	0	9,427,800
1034101300 Social Policy (MED)	MED	MDA officers trained on Research based M&E; M&E curriculum developed and implemented in Kenyan universities; M&E policy developed and implemented	0	18,155,400
1034102400 Gum Arabic and Resins Integrated Programme	ENNDA	Gum and resins processed	100,000,000	-
103410500 EwasoNgiro North Catchment conservation Project-Headquarters	ENNDA	Tree seedlings planted; Catchment and riparian areas conserved/ Rehabilitated;	60,000,000	-
1034102700 Kieni Integrated Irrigation	TARDA	Households supplied with water; and area	227,000,000	-

PROJECT	Delivery Unit	Output	ALLOCATION-2017/18	
			Gok	Donor
Project		put under irrigation		
1034102800 High Grand Falls Multipurpose dam	TARDA	Hydro-power produced and households supplied with water	0	-
1034102900 Tana Delta Irrigation Project	TARDA	Rice produced	30,000,000	-
1034103000 Muranga Integrated Programme	TARDA	Households supplied with water; and area put under irrigation	68,000,000	-
1034103100 EwasoNgiro Leather Factory	ENSDA	Tonnes of skin and hides processed; and jobs created in the factory	218,500,000	-
1034103200 Integrated Bamboo Commercialisation and Value addition	LBDA	Acres of Out growers bamboo farms establishment; and seedlings propagated and planted	114,000,000	-
1034103300 Olkejuado Multipurpose dam project	ENSDA	Hydropower generated and households supplied with clean and safe water; and hectares of land put under irrigation	55,000,000	-
1034103400 Nkorienito dam Development project	ENSDA	Households supplied with water for domestic use	50,000,000	-
1034103500 Olooltepes dam Development project	ENSDA	Households supplied with water for domestic use	50,000,000	-

PROJECT	Delivery Unit	Output	ALLOCATION-2017/18	
			Gok	Donor
1034103700 Cherangany Watershed Conservation Programme	KVDA	Hectares of degraded catchment conserved; and seedlings planted	120,000,000	
1034104000 Wei Wei Phase 3 Irrigation Project	KVDA	Hactares of land put under irrigation; and food produced	41,000,000	419,000,000
1034104100 Mango Value Chain Programme	KVDA	Mango seedlings raised	44,000,000	
1034104200 Lake Challa/Mwaktau Water Resources Integrated Development Project(Exploratory Boreholes Component)	CDA	Boreholes developed and equipped	54,000,000	
1034104500 Integrated Fruit and Honey Processing	CDA	Tonnes of honey and fruits processed	146,000,000	
1034105000 Regional Demonstration and Technology Development Centres	LBDA	Farmers trained on Operation &Maintenance of the irrigation infrastructure;	62,000,000	
1034105100 Integrated Land and Water Ecosystem Studies (Nzoia&Lambwe basin)	LBDA	Land and water ecosystem studies conducted and commissioned	36,500,000	
1034105500 High Grand Falls - Pending Bills for Feasibility	TARDA	- Hydropower generated - Project survey report prepared	50,000,000	

PROJECT	Delivery Unit	Output	ALLOCATION-2017/18	
			Gok	Donor
Studies and Designs Consulty Contract				
1034105600 Aror Dam - Pending Bills for Feasibility Studies and Designs Consulty Contract	KVDA	- Households access water supply - Project survey report prepared	70,000,000	-
1034105700 Mwache Dam - Pending Bills for Feasibility Studies and Designs Consulty Contract	CDA	- Water supplied to households for domestic use - Project survey report prepared	100,000,000	-
1034105800 Lower EwasoNg'iro South Dam - Pending Bills for Feasibility Studies and Designs Consulty Contract	ENSDA	- Water supplied to households for domestic use - Project survey report prepared	190,000,000	
1034105900 Kimira-Oluch Smallholder Farm Improvement Project	RDA HQ	Farmers trained on Operation & Maintenance of the irrigation infrastructure	187,000,000.00	-
1034106000 Water Pans – RDAs	RDA HQ	Water pans completed; and households supplied with water	325,000,000	-
Total for Vote D1034 State Department for Planning and Statistics			39,849,662,604	1,559,583,860

d) Allocations to capital projects under the state department for devolution

				Total	Output
		GoK	Donor	Total	
1.	Kenya Devolution Support Programmes for Results(PfR)	550	1,500	2,050	Capacity building
2.	Instruments for Devolution Advice and Support(IDEAS)	0	100	100	
3.	Kenya SymbiocityProgramme	0	114.3	114.3	
4.	Support to Devolution Programme	10	100	110	
5.	Effective implementation of Gender Function	0	20	20	
6.	ICT Infrastructure	20	0	20	
7.	Tracking implementation of Devolution	20	0	20	
Total		600	1834.3	2434.3	

e) Shortfall in funding in the 2017/18 FY:

State Department of Planning and Statistics

1. Establishment and operationalization of county development planning offices – Kshs. 906 million
2. Coordination of implementation of SDGs at national and county level – Kshs. 150 million
3. Preliminary activities towards development of MTP III - Ksh150 million
4. Construction of KIPPRA offices – Kshs. 18 million

5. Implementing salary and house allowances in line with SRC recommendations - (NCPD) – Kshs. 57 million
6. Development of Kenya National Human Development Report, Participatory Poverty Assessment Report and GOK counterpart funds for UNICEF funded projects – Kshs. 40 million
7. Undertake the mapping of the Kenya population Household survey – kshs. 1,384 million
8. Undertake various development projects under RDAs – Kshs. 16,293 million

State Department of Devolution

1. Alternative dispute resolution mechanism and various legislation to strengthen devolution management. – Kshs 62 million
 2. Devolution Conference, Intergovernmental committees meetings and Devolution Summit. - Kshs. 165 million
 3. Development of ICT strategy and operation costs for CS & PS offices – Kshs. 500 million
- f) The Ministry has achieved the following absorption capacities in the last three years

State Department of Planning

	Allocation in Kshs.Million			Actual Expenditure in Kshs.Million		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Recurrent	2,231	3,646	4,195	2,236	3,162	3,992
Development	33,898	39,120	45,005	29,152	37,999	39,085
Total	36,129	42,766	49,200	31,388	41,161	43,077
Absorption %				87%	96%	88%

State Department of Devolution

	Allocation in Kshs.Million			Actual Expenditure in Kshs.Million		
	2013/14	2014/15	2015/16	2013/14	2014/15	2015/16
Recurrent	1,636	1,519	988	1,596	1,517	989
Development	22	10	254	10	2	113
Total	1,658	1,529	1,242	1,606	1,519	1,102
Absorption				97%	99%	89%

2.6.2 Committee Observations

- The two state departments have been allocated **Kshs. 5.367 billion** and **Kshs. 43.930 billion** under recurrent and development Estimates respectively giving a total of **Kshs 52.158 billion**.
- Pending bills for the two state departments are too high. Some of these pending bills are under audit review based on the alleged corruption activities within the Ministry of devolution and planning.
- The budgets for the TA has been taken over by the Intergovernmental Technical Relations Committee (ITRC) since TA's mandate ended 2015 march. ITRC has been allocated Kshs 165 million in the 2017/18 FY.
- The Ministry has not budgeted for the pending bills for the Lake Basin Development Authority in the 2017/18 FY. Though the CS indicated that the Ministry is still reviewing the Kshs 4.1 billion pending with a view to settling them during the supplementary budgets, the Committee was however of the view that the bills should be budgeted and settled urgently considering that both the National Treasury and the Ministry of planning have no objections in its settlement.
- The Ministry has done little to undertake civic education on devolution and its benefits
- It was not clear why the ministry was seeking Kshs 500m for ICT development Strategy and Operation costs for the CS& PS offices. The Ministry had only been allocated Kshs 20m towards the same to the state department of devolution.

2.6.3 Committee recommendation

- The Ministry should expedite payment of pending bills of Kshs 1,911,405,879,25
- The Ministry should stagger payments of the LBDA's Kshs 4.1 billion between the current budget estimates and the upcoming supplementary budgets
- The Ministry should rationalize its budget and get resources to pay the pending bills especially to LBDA

2.7 CONSIDERATION OF THE MINISTRY OF TOURISM'S BUDGET

On 7th December 2016, the Committee met with the Cabinet Secretary for the Ministry of Tourism to consider his 2017 Budget Policy Statement.

2.7.1 Presentation from the CS on Ministry's budget

- The Ministry has been allocated Kshs 6536M against a resource requirement of Kshs 20600M
- Allocations to capital projects are itemized in the table below

Title	Printed 2016/17 Ksh. M	Req't 2017/18 Ksh. M	Allocation Ksh.M	Remarks/output
BOMAS Convention and Exhibition Centre	160	6,020	160	Feasibility finalization and development of design documents
Refurbishment of UtaliiHse Offices & Enterprise Wide Tourism Information Management System - TRA	60	130	50	Enterprise wide Tourism Information Management System established
Devp't& review of minimum standards for regulated Tourism enterprises.TRA		105	70	Standards in place
Office set up-TRI		100	80	Operational office in place
Ronald NgalaUtalii College	500	1,230	500	RNUC constructed
New Practical Training Block (Kitchen & House Keeping Laboratory)	200	398	200	Kitchen &Housekeeping laboratory constructed (Developing human resource skills in tourism & hospitality industry)
Sustaining New Markets & Siting Booths in Tourism Target Markets	1,501	1,650	1,000	Increased tourism earnings
Capital Lending to Hoteliers and other Investors in the Tourism sector	500	2,500	600	Concessional loan funds to tourism & tourism related facilities
Tourism Recovery	801	1,414	1,011	Increased international arrivals and domestic bed nights
TOTAL		13,547	3,671	

- Projects/programmes that will be affected by resource shortfall**

- Recurrent budget (Ksh. 3.322Bn)
 - ✓ TRA – Recruitment of 100 new staff - **Ksh. 431M**
 - ✓ Kenya Tourism Board - **Ksh.1,223 M**
 - ✓ Bomas of Kenya - **Ksh.35M**
 - ✓ Kenya Utalii College - **Ksh.635M**
 - ✓ Tourism Research Institute – **Ksh. 263M**
 - ✓ General Administration Services - **Ksh.657M**
 - ✓ Directorate of Tourism (DoT) – **Ksh. 78M**
- Development Budget (Ksh. 10.742Bn)
 - ✓ Nairobi International Convention and Exhibition Centre (BICEC) – **Ksh. 5,860M**
 - ✓ Ronald Ngala Utalii College (Kilifi) – **Ksh. 730M**
 - ✓ Refurbishment and Feasibility of Modern Convention Centre (KICC) – **Ksh. 825M**
 - ✓ Marketing Kenya and tourism products abroad (KTB) – **Ksh. 650M**
 - ✓ Tuition block and conference centre Construction(KUC) - **Ksh. 198M**
 - ✓ On-Lending to Tourism Investments - **Ksh. 1,900M**
 - ✓ Enterprise Wide Tourism Information Management System - **Ksh. 10M**
 - ✓ Tourism Recovery – **Ksh. 403**
 - ✓ Tourism Product Development – **Ksh. 146**

- As at June 2016, the Ministry had Kshs 184m pending bills all of it being recurrent.
- For Ministry has achieved 96%, 96% and 97% absorption for 2013/14, 2014/15 and 2015/16 financial years respectively.

2.7.2 Committee Observations on Ministry's budget

- Despite being one of the most productive sectors of the economy that accounts for 9.3% of total employment (1564000 jobs), the sector receives only 0.27% of the total expenditure budget.
- There is a lot to be done in marketing Kenya both locally and abroad especially in China and other new markets. Kenya's Park entry fees are too expensive, our accommodation costs are too high, visa processing fees are too high, and the cost of flights are beyond the reach of most tourists among other challenges.

- The government should not be financing its SAGAs year in year out. These SAGAs should be self-sustaining especially the KICC
- Some projects being undertaken by the Ministry have taken too long to conclude especially Ronald Ngala Utalii College
- There are overlaps in mandates of the nine (9) parastatals within the Ministry.

2.7.3 Committee recommendation on Ministry's budget

- The Government/Ministry should change fees payment policies for Utalii College by reducing government subsidies. This would enable Utalii College to be self-sufficient.
- The Ministry should restructure its nine (9) parastatals to avoid duplication and improve efficiency in discharging their mandates.
- The Government should review its marketing strategies to improve efficiency i.e through e-platforms.
- The Ministry should rationalize its budgets and put more resources in priority areas such as product development, marketing and skill development.

2.8 CONSIDERATION OF THE NATIONAL TREASURY'S BUDGET

On 8th December 2016, the Committee met with the Director General in charge of budget for the National Treasury to consider his 2017 Budget Policy Statement.

2.8.1 Presentation from the Director General in charge of budget

- 1) The National Treasury has been allocated Khs 102,373M in the 2017/18 Financial Year against a requirement of Kshs 128,017M to implement its five (5) programmes namely:
 - General administration planning & support services at Kshs 61,995M
 - Public finance Management at Kshs 37,542M
 - Economic and Financial Policy Formulation & Management at Kshs 2,447M
 - Market Competition at Kshs 340M
 - Government Clearing Services at Kshs 49M
- 2) The National Treasury has a gross total provision of Kshs. 63,395 million to finance its recurrent activities and Kshs. 38,976.7 million to finance its development activities.

3) Out of the total amount of Kshs. 63,395 million under the Recurrent Vote of the National Treasury, only ksh.6, 435 million for operations & maintenance and Kshs. 2,638 million for personnel emoluments relates to National Treasury's specific activities while the remaining is being held to fund the following targeted Government interventions. Specifically, recurrent resources have been allocated as follows:

- i. Civil Service Basic Salary Adjustments ksh.20,000million
- ii. Civil Service Phase III House Allowance ksh.6,500million
- iii. Teachers' Pension kshs 1,500million
- iv. Leasing of Security Vehicles kshs 8,100 million

4) The National Treasury is carrying out a number of strategic interventions under the development vote including Kshs 7,476M for Equalization Fund and the Kshs 5,000M for Contingency Fund.

5) Kshs 18,222M has been allocated to the ten (10) SAGAs within the Ministry has indicted as itemized below:

	NAME OF SAGA	ALLOCATION IN 2017/18 IN (M)	REQUIREMENTS IN (M)	DEFICIT IN (M)
a)	KRA	15,900	32975	16991
b)	Financial Reporting Center	300	464	164
c)	Competition Authority	340	686	346
d)	Registration of Public Secretaries Board	113	150	37
e)	Public Procurement Regulatory Authority	420	500	80
f)	Kenya Institute of Supplies Management	70	214	70
g)	Privatization Commission	220	240	20
h)	Kenya Trade Networks Agency	584	2135	1501
i)	Nairobi International Financial Center	55	400	345
j)	Unclaimed Financial Assets Authority	220	598	378

6) The Ministry has no pending bills currently. However as at 30th June 2016, the Ministry had pending bills amounting to Kshs 1,400M for security leased vehicles, which has now been cleared.

7) The following programmes will be affected due to underfunding

- Data centre phase III at Naivasa ksh.2,300million
- County Offices for PPOA ksh. 765million
- Border Points Offices for KRA ksh.875million
- Leasing of additional Vehicles for Government Security Agencies ksh.1,426million

2.8.2 Committee Observations on Treasury's budget

- The National Treasury has been allocated Khs 102,373M in the 2017/18 Financial Year against a requirement of Kshs 128,017M to implement its five (5) programmes namely:
 - General administration planning & support services at Kshs 61,995M
 - Public finance Management at Kshs 37,542M
 - Economic and Financial Policy Formulation & Management at Kshs 2,447M
 - Market Competition at Kshs 340M
 - Government Clearing Services at Kshs 49M
- Treasury Single Account has not been fully implemented by the National Treasury.
- KRA has not been meeting revenue targets indicating that there could be a problem on forecasts/projections. Currently, imports are doing badly- was not anticipated. By treasury.
- Treasury's absorption capacity has been very low for the last three years. It was 89%, 79%, & 57% for the 2013/14, 2014/15, & 2015/16 Financial Years respectively. This is unnecessary tying up of capital that could have been allocated to other productive sectors of the economy to improve the economy.
- In the recent past, the country has been borrowing expensively from the international markets i.e Eurobond. This has greatly increased the country's debt burden that currently stands at 48% of GDP in NPV. Though this is sustainable within the Debt Sustainability Criteria set by IMF of 74%, Kenya should be careful with her borrowing strategies.
- Kshs 20 billion has been earmarked to enhance public servant's pay as advised by the SRC. Though SRC had recommended Kshs 84 billion, this will be staggered within four fiscal years due to resource constraints.
- There are concerns that a lot of revenues collected as AIA do not reach the public coffers.
- There has never been a cost benefit analysis on the leasing of security vehicles to the police by the National Treasury. In 2017/18, a whopping Kshs 8.1 billion has been allocated towards the same programme
- There are still negative perceptions of IFMIS's effectiveness in the management of public finances going by the current discourse within the public domain.

2.8.3 Committee recommendations on The National Treasury's budget

- The Government should broaden its borrowing spectrum and take advantage of cheap loans especially from Japan
- The government should expedite operationalization of Treasury's Single Account system. This will ensure that no MDA unnecessarily holds resources in its separate account that are not for immediate use. Further, it will reduce government borrowing.
- The Government should fast track implementation e-collection of AIA to avoid revenue leakages. The same concept is being implemented through e-citizen when renewing driver's license and passports.
- The Government should expedite the Cost Benefit Analysis of the viability of leasing security vehicles. This analysis will inform whether the programme can be broadened to other areas.

Signed:  Date: 14th Dec 2018

(THE HON. BENJAMIN LANGAT, M.P.)

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING &
TRADE

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
HEALTH

REPORT
ON
THE EXAMINATION OF BUDGET POLICY STATEMENT FOR THE YEAR 2017

FOR
THE MINISTRY OF HEALTH

DIRECTORATE OF COMMITTEE SERVICES,
CLERK'S CHAMBER,
PARLIAMENT BUILDINGS,
NAIROBI.

DECEMBER, 2016

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1.0 PREFACE

On behalf of the Departmental Committee on Health and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Budget Policy Statement for the Ministry of Health.

The Budget Policy Statement was tabled before the House on Thursday November 24th, 2017 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

1.1 MANDATE OF THE COMMITTEE

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

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

The Departmental Committee is mandated to cover the functions of the Ministry in accordance with the Fourth Schedule of the Constitution. As such, the Committee exercises oversight role on the work and administration of the Ministry of Health alongside the following SAGAs. The Kenyatta National Hospital; Moi Teaching and Referral Hospital; Kenya Medical Training College; Kenya

Medical Supplies Authority; National Hospital Insurance Fund; Kenya Medical Research institute and National Aids and Control Council.

1.2 COMMITTEE MEMBERSHIP

1. The Hon. Dr. Racheal Nyamai, M.P.

(Chairperson)

1. The Hon. Dr. Robert Pukose, M.P.

(Vice Chairperson)

2. The Hon. James Gakuya, M.P.

3. The Hon. Kamande Mwangi, M.P.

4. The Hon. Michael Onyura, M.P.

5. The Hon. Dr. Naomi Shaban, M.P.

6. The Hon. John Nyaga Muchiri, M.P.

7. The Hon. Robert Mbui, M.P.

8. The Hon. Mwinga Gunga, M.P.

9. The Hon. Jared Opiyo, M.P.

10. The Hon. Alfred Agoi, M.P.

11. The Hon. Dr. James Nyikal, M.P.

12. The Hon. Dr. Dahir D. Mohamed, M.P.

13. The Hon. Hassan Aden Osman, M.P.

14. The Hon. Raphael Milkau Otaalo, M.P.

15. The Hon. Dr. Stephen Wachira, M.P.

16. The Hon. Leonard Sang, M.P.

17. The Hon. David Karithi, M.P.

18. The Hon. Dr. Patrick Musimba, M.P.

19. The Hon. Stephen M. Mule, M.P.

20. The Hon. Paul Koinange, M.P.

21. The Hon. Dr. Susan Musyoka, M.P.

22. The Hon. Dr. Eseli Simiyu, CBS, M.P.

23. The Hon. Zipporah Jesang, M.P.

24. The Hon. Dr. James O. Gesami, M.P.

25. The Hon. Dr. Enoch Kibunguchy, M.P.

26. The Hon. Dr. James Murgor, M.P.

27. The Hon. Fred Outa, M.P.

28. The Hon. Alfred Sambu, M.P.

1.3 CONSIDERATION OF THE BUDGET POLICY STATEMENT 2016

The Budget Policy Statement 2016 was tabled in the House on 24th November, 2016 and subsequently committed to relevant departmental committees pursuant to Standing Orders 232 (4) for consideration, discussion and review. The Committee upon receipt of the Budget Policy Statement and in pursuit of its mandate held three meetings with the Parliamentary Budget Office (PBO) and the Ministry of Health to consider the Budget proposals.

1.4 COMMITTEE OBSERVATIONS

The Committee observed that;

- (1) Sub programs implemented by the Ministry under the Preventive, Promotive, RMNCAH program which entails promotion of primary health care and environmental health including refuse removal, refuse dumps and solid waste disposal are devolved functions.
- (2) Under the National Referral & Specialized services, enormous focus, emphasis and budgetary support have been placed on MES as a project at the expense of high impact interventions likely to result in 'quick wins'. High impact interventions projects relating to non-communicable disease and critical and acute care not funded at KNH and MTRH alongside the modernization of these 2 National referral facilities have not been prioritized. Further, corresponding intervention to re-engineer human resource for health is not being prioritized despite budgetary support towards MES project. The case of KMTC and KEMRI which remain underfunded and the latter donor dependent.
- (3) The KMTC request for Ksh 140 million for construction of tuition buildings was allocated Ksh 50 million while Ksh 33million was allocated towards construction and equipping of laboratory and classrooms at KMTC.
- (4) The intervention on upgrading of health facilities in the slums appears under the National Referral and specialized health services while it is budgeted under Health policy, standards and regulations. The Portable clinic project has been allocated Ksh 500million in 2017/18. So far Ksh 1.3 billion has been allocated toward the project in the last three years yet 100 portable clinics continue to lie unoperated ten months into their delivery. An additional Ksh 500million was allocated towards the project in 2016/17. Further the Committee was concerned that operationalization of clinics are ideally devolved functions and as such the Ministry will require consensus from the County Government to ensure success of the project.

- (5) Under the General administration and Support Services Programme, compensation to employees' budget line continue to increase from Ksh. 1.907 billion in 2013/14 to Ksh. 5.129 billion in 2014/2015 and Ksh. 5.221 billion in 2015/16.
- (6) The bulk of the gap under Preventive, Promotive, and RMNCAH is as a result of the budget request of Ksh 6.5billion toward free maternity against an allocation of Ksh 4.3billion in 2017/18. A budget requirement of Ksh 6.5billion is no justified as breakdown of Free Maternity Fund reimbursement per county for the last three (3) years shows an average absorption rate of Ksh 3.6 billion annually.
- (7) The proposed implementation of the re-imbursement of the Free Maternity Fund through the National Hospital Insurance Fund dubbed "LINDA MAMA Programme is underway and is aimed at: Improving efficiency by ensuring that **only women without insurance** benefit from the programme; (b) Expanding the network of health facilities providing maternity services from public facilities only to public, Faith Based Organizations and private facilities; (c) Expanding the benefits from deliveries only to a comprehensive safe motherhood package.
- (8) MES project has a budget requirement of Ksh 6billion (against the initial concept cost of Ksh 4.5billion annually). This also raises budgetary questions and the level of expertise at the Ministry to conceptualize and implement projects. However, this was clarified as resulting from numerous bills yet to be paid owing to inadequate exchequer releases.
- (9) The National Aids Control Council (NACC) has continuously been underfunded and previous financial years have not catered for development vote. In 2017/18 NACC budgetary request of Ksh 170million for situational room for real time data and information on HIV/Aids was scaled down to an allocation of Ksh 40million.
- (10) Counterpart funding for Tuberculosis Round 6 and Procurement of anti TB drugs (nor covered under the Global Fund TB programme has financial gap of cumulatively Ksh 60million. Further provisions for vaccines and immunizations under donor funded program does not cater for vaccines related to anti rabies, anti-snake venom among other important but non-traditional vaccines.
- (11) Construction of 300 bed children hospital is at feasibility stage under the Private – public partnership program.

- (12) The 2017/18 Budget seems to provide numerous sub-programs with an objective to providing universal health coverage. Some of these include donor funded programs like Program for basic health insurance for the poor (Germany), Rollout of Universal Health coverage by the Japanese Government, Transforming Health systems for universal care (THS-UC). This is alongside other programs funded by GOK like the Free Maternity Care. Going forward, it was felt that all such sub-programs should appear under one program called Universal Health Coverage.
- (13) The Ministry continues to carry forward a pending bill of Ksh 1.48billion from 2014/15 for Free Maternity Services

1.5 COMMITTEE RECOMMENDATIONS

- (a) Overall expenditure estimate ceiling for the health sector for financial year 2017/18 be adjusted upwards from Ksh. 54.9 billion as per the BPS 2017 to Ksh. 56.38billion. The additional Ksh 1.48billion to provide for the pending bill carried forward from 2014/15 with respect to Free maternity care where County hospital are owed for services already offered.
- (b) A reduction in the expenditure ceiling estimate for sub program, upgrade of health centres in slums under the Health policy, standards and regulations program by Ksh 500million.
- (c) The savings of Ksh. 500 million made be reallocated to the strategic interventions including HIV/AIDs, Tuberculosis, Cancer and mother Child Health.
- (d) Subject to streamlining of the concept of re-imbursement through NHIF, that free maternal healthcare allocation of Ksh 3.4billion be expunged from the County Allocation of Revenue Bill and the Division of Revenue Bill as a conditional grant to Counties and consequently be disbursed as a special grant to NHIF towards free maternal healthcare.
- (e) Further that the total allocation of Ksh 4.3billion allocated to free maternity care be disbursed as a special grant to NHIF towards free maternal healthcare.
- (f) Ksh 1.48billion be provided as a conditional grant to be added into the County Allocation of Revenue Bill and Division of Revenue Bill to clear the pending bill for 2014/15 free maternity care for services already provided in 2014/15.
- (g) The Ministry provides additional information regarding the implementation of the Managed Equipment Services (MES) flagship project. The information to include the signed contracts between the Ministry of Health and the contractors, signed contracts between the Ministry of Health and the County Governors. Others are the benefiting facilities highlighting extent of

implementation, schedule of disbursement funds per quarter, actual pending bills towards the project, actual funds spent and the actual exchequer releases for the last three years.

1.6 ACKNOWLEDGEMENTS

The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate.

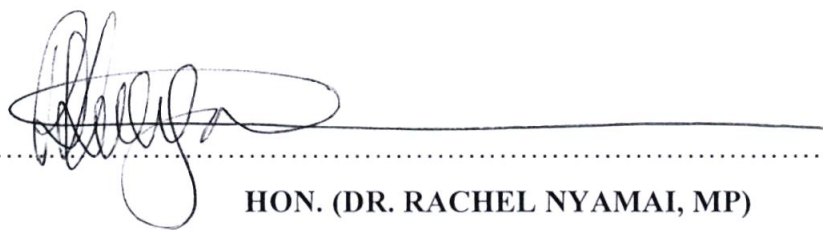
I take this opportunity to thank all the Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules which enabled us to complete the tasks within the stipulated period.

The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee. Their efforts made the work of the Committee and the production of this Report possible.

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Health, to present this Report to the Budget and Appropriation Committee pursuant to the provisions of section 25 of the Public Finance Management Act (PFM Act) and Standing Order 232 (4).

Thank You

SIGNED



HON. (DR. RACHEL NYAMAI, MP)
(CHAIRPERSON)

DEPARTMENTAL COMMITTEE ON HEALTH

DATE

9/12/2016

2.0 CONSIDERATION OF THE BUDGET POLICY STATEMENT 2017

1. The Health system is one of the key sectors in the Social pillar of the Vision 2030 development agenda being implemented in successive five year plans. The BPS 2017/18 and the Medium Term which sets out the broad strategic priorities and policy goals that will guide the National Government and County Governments in preparing their budgets has its Health sector policy focus prepared amidst the following key factors and trends. These include:
 - (a) Commencement in the conceptualization of the third Medium Term Plan (MTP III) of the Kenya Vision 2030 for the period 2018-2022. This means that the policy goals and priority programmes of the MTEF I and MTEF II in the health sector and emerging realities and challenges in the implementation of the MTP II will inform the flagship projects and priorities for the MTP III (2018-2022).
 - (b) According to the National Treasury, projected increase in revenue collection in the FY 2017/18 including Appropriation-in-Aid (AIA) to Ksh 1,706.0 billion from Ksh 1,518.7 billion in 2016/17. On-going reforms in tax policy and revenue administration including review of income laws.
 - (c) According to the National Treasury, a projected increase in total expenditure and net lending in 2016/17 of Ksh 2,288.4 billion from the estimated Ksh 2,067.0 billion in the FY 2016/17 budget.
 - (d) According to the National Treasury, projected fiscal deficit (excluding grants of Ksh 582.4 billion (equivalent to 7.0 percent of GDP) in FY 2017/18 against the estimated fiscal deficit of Ksh 548.3 billion (7.4 percent of GDP) in FY 2016/17; of which Ksh 221.1 billion (2.7 percent of GDP) will be financed by net external financing of Ksh -10.9 billion or -0.1 percent of GDP (repayment to Central Bank of Kenya) and Ksh 320.7 billion (3.9 percent of GDP) from net domestic borrowing.
 - (e) Five out of eight major conditional grants to the Counties are health related. They include free maternal health care, leasing of medical equipment, compensation for user fees foregone, grants to level 5 hospital and Special purpose grants. Table 1.0 provides a summary of breakdown of County Government allocation for the period 2015/16 to 2017/18.

Table 1.0: Breakdown of County Government Allocation for the period 2015/16 to 2017/18 in Ksh Million			
Description	2015/16	2016/17	2017/18
County equitable share	259,774.5	280,300.0	299,136.2
Additional conditional allocations, of which:			
Free maternal healthcare	4,298.0	4,121.0	3,369.2
Leasing of medical equipment	4,500.0	4,500.0	4,500.0
Compensation for user fees forgone	900.0	900.0	900.0
Level 5 hospitals	3,600.5	4,000.0	4,200.0
Special Purpose Grant (Emergency Med. Serv.)	-	200.0	-
Supplement for construction of county headquarters			605.0
Allocation from Fuel Levy Fund (15% of collections)	3,300.0	4,306.8	7,875.0
Allocations from loans and grants	10,671.2	3,870.7	12,541.4
Total County Allocations	287,044.2	302,198.5	333,126.8

Source: The National Treasury in PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term"

- (f) A Possible reversal in gains made in the health sector as indicated by the selected health indicators in table 2.0.

Table 2.0: Summary of Selected Health Sector Targets for MTP II 2013-2017				
Indicator	Baseline (2012)	Mid Term (2015)	Reported¹ (2016)	Expected End Term 2017
Maternal Mortality Rate (MMR)	488/100,000	300/100,000	350/100,000	150/100,000
Under five Mortality Rate	74/1,000	50/1,000	52/1,000	35/1,000
Infant Mortality Rate (IMR)	52/1,000	45/1,000	39/1,000	30/1,000
HIV/AIDS prevalence (%)	5.6%	5%	6%	4%
Under one immunization coverage	83%	88%	90%	90%
Malaria in-patient case	15%	8%	10%	5%

¹Health Sector Working Group Report for the MTEF Period 2017/2018-2019/2020, Dated September 2016 in the PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term"

fatality				
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Source: Ministry of health²

- According to the Ministry of Health, the general Health Sector goal is, 'attaining the highest possible health standards in a manner responsive to the population needs'. The sector aims to achieve this goal through supporting provision of *equitable, affordable and quality health and related services at the highest attainable standards to all Kenyans*. Both the vision and mission are aligned to Kenya Vision 2030 economic development blue-print aspirations, MTP II 2013-2017 agenda and the Kenya Health Policy 2012-2030.
- The Kenya Health Policy 2012-2030 provides the following targets for the health sector in the Kenya Vision 2030.

Table 2.0: Health Sector Targets for the Kenya Vision 2030

Target	Current (2010)	status	Policy (2030)	target	% change
Life Expectancy at birth (years)	60		72		16% improvement
Annual deaths (per 1,000 persons)	10.6		5.4		50% reduction
Years Lived with Disability	12		8		25% improvement

Source: Ministry of Health³

- The Health Sector under the MTEF is comprised: The Ministry of Health and seven Semi-Autonomous Government Agencies (SAGAs) namely; Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital (MTRH), Kenya Medical Research Institute (KEMRI), Kenya Medical Supplies Authority (KEMSA), Kenya Medical Training College (KMTC), National Aids Control Council (NACC), and National Health Insurance Fund (NHIF).

2.1 THE BPS AND ITS RELATIONSHIP TO THE HEALTH SECTOR PRIORITIES AND THE NATIONAL DEVELOPMENT AGENDA

- The mandate and the functions of the Ministry of Health as provided by the Constitution of Kenya and the Executive order No 1 of 2016 include: Health policy and regulations; National

² Health Sector Working Group Report for the MTEF Period 2017/2018-2019/2020, Dated September 2016 the PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term"

³ The Kenya Health Policy 2012-2030, page 15 in the PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term"

Referral Services; Capacity building; and Technical assistance to the County Governments. To achieve the foregoing, the Health Sector five major budget programmes in 2017/2018 are:

- (a) Preventive, Promotive and Reproductive, Maternal, New born, Child, and Adolescent Health services (RMNCAH⁴;
- (b) National Referral and specialized services;
- (c) Health Research and Development;
- (d) General administration and support services; and
- (e) Health policy, standards and regulations.

6. Analysis of the various programme implemented by the Ministry from 2013/2014 to 2016/2017 shows a deliberate deviation and diversion by the Ministry to implement functions that are Constitutionally and legally devolved to the County Governments at the expense of the core mandate of the Ministry. For example the table below provide some of the missed targets for the Health Sector flagship projects that were to be implemented under MTP II (2013-2017):

Flagship Project	Strategies	PBO Remarks
Establishment of E-Health Hubs in 58 Health Facilities	▪ Establish and equipping 50 e-health hubs in selected areas by 2017; ▪ Establish 8 national e-health hubs by 2014; ▪ Establish a web portal(including inventory of personnel/specialists and master rota) and develop software module by 2017; and ▪ Capacity building for health workers in client exchange parameters for e-referral.	▪ No supporting legislation and budgetary focus on the e-health hubs ▪ The 8 national health hubs not established ▪ The web portal is not operational ▪ Capacity building programme has not been consistent
Health Tourism	▪ Positioning the country as a destination for specialized health and medical services; ▪ Training and retaining specialized expertise; ▪ Giving Kenyans access to specialized	▪ The country remains a net exporter of patients seeking specialized healthcare in Countries such as India and South Africa. ▪ Loss in foreign reserves following specialized medical care in other countries.

⁴RMNCAH:- Reproductive, Maternal, Neonatal, Child And Adolescent Health

	medical services within the country; and Creation of employment in specialized health care.	
Modernize Kenyatta National Hospital	- Implementation of the ICT master plan - Constructing and equipping a fully-fledged 300 bed private wing. - Construction of 2,000 accommodation units and conference facilities for health tourism.	- ICT plan is yet to fully take off. - The 300 private-wing at conceptualization stage.
Modernize Moi Teaching and Referral Hospital	- Developing Cancer Management Centre - Constructing a children hospital and - Modernization of infrastructure and hospital equipment.	- Underfunded cancer management center - The children hospital has been constructed through support of development partners

Source: Ministry of Devolution and Planning⁵

7. Analysis reveal that the following areas received very minimal attention in terms of policy legislation or budgetary support despite them being priority areas in the MTP II (2013-2017)

- (i) Establishment of E-Health Hubs in Health Facilities;
- (ii) Health/medical Tourism;
- (iii) Modernization of Kenyatta National Hospital;
- (iv) Modernization of Moi Teaching and Referral Hospital;
- (v) Renewal and Modernization of Mathari National Mental Referral Hospital;
- (vi) Health Research and Capacity Building;
- (vii) The expansion of the National Spinal Injury Centre; and
- (viii) The National Blood Transfusion Services.

8. According to the Ministry, in 2017/18 – 2019/20, it intends to prioritize scaling up of policy interventions aimed at enhancing equitable access to high impact healthcare services, addressing challenges associated with devolution of health care and high turnover rate among health workers;. Others are controlling non-communicable diseases; and improving health service delivery in the country. The emphasis of the health sector being reduction of the burden to the

⁵ The Second Medium Term Plan, 2013-2017 in PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term"

households and attainment of the highest standards care for sustained long-term growth and development. The following are the priorities of the Health Sector in the MTEF period.

- (a) **Reproductive Health:-**This include Improving reproductive, maternal, neonatal, child and adolescent Health (RMNCAH) through increased immunization, improved nutrition, increased access to family planning services and improved quality of health services.
- (b) **Scaling up Universal Health Coverage (UHC) initiative:** - This includes free Maternity Health services, Subsidies for the poor and vulnerable groups and reducing out of pocket/catastrophic health expenditures.
- (c) **Managed Medical Equipment Service (MMES):-** This involves equipping and developing of specialized medical equipment in 98 hospitals (2 per county and 4 at national level) on a Managed Equipment Service (MES) contract framework that will give emphasis to Critical and Specialized care equipment e.g. Renal, Cancer and Diagnostics.
- (d) **Access to Health Services:** - This involves increase access to national referral health facilities and specialized services through increased investment in Human resource for health and medical equipment.
- (e) **Capacity Building:** - This involves building capacity on preventive, promotive and palliative care for Non-Communicable Diseases.
- (f) **Reducing Morbidity and Mortality:-**Reducing morbidity and mortality from Malaria, HIV/AIDs, Tuberculosis and Non Communicable Diseases
- (g) **Health Research:-**Strengthening health research for improved quality of healthcare

9. Based on the foregoing priority areas by the Ministry, table 4.0 provides a summary breakdown of the Programmes and Sub-Programmes of the Health Sector for the Period 2017/18- 2019/20. However, analysis reveal that the priorities areas of the health sector have remained relatively the same since FY 2013/2014 with some conflicting with the various policy aspirations included in MTP II and Kenya Health Policy 2014-2030.

Table 4.0: Programmes and Sub-Programmes for the Health Sector in the Period 2017/18-2019/20

Programme	Sub Programmes
1.0 Preventive, Promotive and RMNCAH	SP 1.1 Communicable Disease Control SP1.2 Non Communicable diseases prevention and control SP1.3 Radioactive Waste Management SP1.4 RMNCAH

2.0 National Referral & Specialised Services	SP1.5 Environmental Health SP2.1 National Referral Health Services SP2.2 Specialized Health Services SP2.3 Specialized Medical Equipment SP2.4 Forensic and Diagnostic services SP2.5 Health Products and Technologies
3.0 Health Research and Development	SP3.1 Pre-Service and In-Service Training SP3.2 Health Research
4.0 General Administration & Support Services	SP4.1 General Administration SP4.2 Finance and planning
5.0 Health Policy, Standards and Regulations.	SP5.1 Health Policy SP5.2 Social Protection in Health SP5.3 Health Standards and Regulations SP5.4 National Cancer Program

Source: Ministry of Health⁶

10. The total BPS ceiling allocation for the Health sector in the 2017/18 is Ksh 54.906 billion. This represents a shortfall of Ksh. 16.555 as compared to the estimated resource requirement for the sector during the financial year which is Ksh. 71.461 billion. The BPS current expenditure estimate ceiling is Ksh. 29.609 billion and the capital expenditure ceiling is Ksh. 25.296 billion for the financial year. The table below summarized the figures.

Table 5.0: Summary of Health Sector Resource Ceilings Versus Resource Requirement in Kenya Shillings Millions								
Description	Approved	Sector Requirement			BPS Ceiling	Projections		Deviations
PROGRAMME	2016/17	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	2017/18
P.1 Preventive, Promotive, RMNCAH	7,586.7	12,682.0	14,639.0	16,144.0	10,434.3	11,016.6	11,223.5	(2,247.7)
P.2 National Referral & Specialized services	23,578.3	30,128.0	31,848.0	33,894.0	25,770.5	25,829.6	26,199.7	(4,357.5)
P.3 Health, Research and Development	5,596.9	6,658.0	7,146.0	8,472.0	5,705.7	5,750.2	5,798.0	(952.3)
P.4 General Administration,	15,420.5	7,246.0	8,985.0	11,148.0	5,881.4	6,030.6	6,130.8	(1,364.6)

⁶ The Health Sector working Group Report on the Medium Term Expenditure Framework FYs 2016/17 to 2018/2019- October 2015 in PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term"

Planning & Support Services								
P.5 Health Policy, Standards and Regulations	8,087.6	14,747.0	15,250.0	16,050.0	7,114.1	13,342.8	13,399.9	(7,632.9)
TOTAL	60,270.0	71,461.0	77,868.0	85,708.0	54,906.0	61,969.8	62,751.9	(16,555.0)

Source: National Treasury in PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term

11. Table 6.0 provides a comparative analysis of current and capital expenditures estimates for 2016/17 and the BPS 2017 ceilings for 2017/2018

Table 6.0: Comparative Analysis of Current and Capital Expenditure Estimates for the FY 2016/17 and 2017/18							
	Current Expenditure			Capital Expenditure			
	Approved 2016/17	BPS 2017/18	Deviations	Approved 2016/17	BPS 2017/18	Deviations	
P.1 Preventive, Promotive, RMNCAH	1,525.3	1,592	66.7	6,061.4	8,842.4	2,781.0	
P.2 National Referral & Specialized services	16,546.3	15,943.5	(602.8)	7,032.0	9,827.0	2,795.0	
P.3 Health, Research and Development	5,388.4	5,497.2	108.8	208.5	208.5	-	
P.4 General Administration, Planning & Support Services	5,480.6	4,831.9	(648.7)	9,939.9	1,049.5	(8,890.4)	
P.5 Health Policy, Standards and Regulations	48.6	1,744.6	1,696.0	8,038.0	5,369.4	(2,668.6)	
Total	28,989.2	29,609.2	620.0	31,279.8	25,296.8	(5,983.0)	

Source: National Treasury in PBO, "Brief on the analysis of the BPS for 2017/18 and Medium Term

12. Previous budget analysis show that the Health sector is generally donor or development partners dependant (*going by previous years allocations*). Public –private Partnership (PPP) Projects in the sector is yet to be actualised. According to the BPS 2017/18 and the Medium Term the following projects have been categorised as PPP.

- (i) ICT Services at KNH:- presently at the feasibility study stage;
- (ii) 300 bed hospital at KNH: -Presently at preparation of terms of reference for the recruitment of a transaction advisor stage;
- (iii)Oxygen Plant:- Presently at the project proposal stage;

- (iv) Kenya Medical Training College (KMTC) projects:- Presently at the concept;
- (v) Medical Equipment Lease: - implementation stage(*not as indicated as conceptualization stage*)

13. Reports and data reveal that more needs to be done if key performance indicators and delivery outputs of the period 2013/14 – 2015/16 are to be achieved and sustained in 2017/2018. The following are some of the possible policy and budgetary considerations following the implementation of five key programs.

- (a) The Preventive & Promotive Health Programme includes promotion of primary health care and environmental health including refuse removal, refuse dumps and solid waste disposal which are devolved functions for the County government.
- (b) The programme on preventive, promotive and reproductive, maternal, neonatal, child and adolescent health (RMNCAH) Services to be reconceptualised and specific County functions, key performance indicators (KPIs) and targets deemed devolved such as environmental health fully implemented. The current budgetary allocations for various existing units and divisions under the Ministry of Health including Environmental Health Unit; Division of Family Health; and Dietetics and Nutrition Unit and the peripheral “strategic interventions” should be re-allocated
- (c) On the Curative Health Service/National Referral and Specialized Health Services Programme, additional funding is required to equip the national referral hospitals (KNH & MTRH) and specialized health functions such as national blood transfusion services; mental health services & spinal injury services to realize the Kenya Vision 2030 aspirations.
- (d) The Ministry to streamline the referral systems so as to decongest the National referral hospitals
- (e) The Committee may consider enactment of National Blood Transfusion Services legislation to promote voluntary blood donation, provide for an adequate supply of safe blood, and regulate private blood banks among others.
- (f) The Ministry of Health to monitor and evaluate the Managed Equipment Service project with an aim of identifying and addressing challenges and other emerging issues so as to avoid possible wastages of public funds.
- (g) Under the Health Research and Development Programme, Kenya Medical Training College (KMTC) to be adequately funded for infrastructural development and to support expansion

as growth in KMTC campuses and student population is not commensurate with the funding support.

- (h) Under General administration and support services programme, the Ministry to undertake a staff audit to determine the staff requirements at the Headquarters. This is against the ballooning compensation to employees' budget line under the programme from Ksh. 1.907 billion in 2013/14 to Ksh. 5.129 billion in 2014/2015 and Ksh. 5.221 billion in 2015/16.
- (i) Under the Health Policy Standard and Regulation Programme is the budgetary support toward the National Cancer Centre and the streamlining of the social protection program including the capacity of NHIF to provide Universal Health Coverage.

- 14. The high accumulation of pending bills will negatively affect the implementation of the 2017/18 budget since PFM Act 2012 and the PFM (National Government) (Amended) Regulations 2015 requires that the pending bills take the first charge on resource allocation. This means that the resources available to implement various programmes and projects in the subsequent years reduce, thereby impacting negatively on budget implementation.
- 15. Some of the audit issues raised on the financial performance of the Ministry of Health in the Audit Report for 2014/2015 remain unanswered. Among them is failure to avail supporting documents for funds totaling to Ksh 402,025,962, an increasing pending bill, an unaccounted imprest, and the stalled Othaya District Hospital Phase I.

3.0 MEETING WITH THE MINISTRY OF HEALTH ON THE BPS 2017/18

- 16. The Committee held two meetings with the Ministry on the 7th and 8th November, 2017 where the Ministry shared the policy priorities for the Ministry in 2017/18 and sought to make clarification matters arising from the interactions with the Committee. The Committee therefore heard and noted as follows that:
 - (a) The Ministry envisioned the following flagship Projects in pursuant of the health policy goals and improving the health status of Kenyan, during the period of MTP II (2013 – 2017: Scale up of community Health High Impact Interventions, fully functioning Referral systems, model level 4 Hospitals, health care subsidies for social health protection, re-engineering human resource for health and e-health hubs in 58 health facilities. Others are modernization of Kenyatta National Hospital and Moi Teaching and Referral Hospital and translation of research into policy and practical solution. The foregoing was to be realized

through the following five priority programmes, flagship programs and interventions as defined in the MTEF 2017/18-2019/20:

(b) Table 7.0 showing the linkage of MTP II and MTEF programmes. The Committee observed a clear disconnect between the MTP II flagship projects, interventions and consequently funding priority for the intervention as summarized under the Committee observation in the table 7.0 below.

MTEF Programmes	MTP II flagship projects	Interventions	Committee Observations⁷
Preventive and promotive, curative and rehabilitative	Scale up of Community Health High Impact Interventions	Free Maternity Services Deworming of school children	The program which entails promotion of primary health care and environmental health including refuse removal, refuse dumps and solid waste disposal are devolved functions.
National Referral and specialized health services	Model level 4 Hospitals Fully functioning Referral systems Modernize Kenyatta National Hospital (KNH) Modernize Moi Teaching and Referral Hospital(MTRH) E-health hubs in 58 health facilities	Managed Equipment Service Upgrading of Health facilities in slum areas Promote and facilitate use of ICT to improve Patient care	Focus, emphasis and budgetary support on MES project at the expense of high impact interventions likely to result in 'quick wins'. High impact interventions like the modernization of KNH and MTRH has not been prioritized
Health research and development	Re-engineering human resource for health Translation of research into policy and practical solution		Corresponding intervention to re-engineer human resource for health is not being prioritized despite budgetary support towards MES project. The case of KMTC and the KEMRI
Health policy standards and regulations	Health care subsidies for social health protection Medical tourism	Health Insurance Subsidy Programme Cover for the elderly and persons with severe disability Public – Private Partnership	The intervention upgrading of health facilities in the slums appears under the National Referral and specialized health services, is budgeted under Health policy, standards and regulations. Upgrade of Health centre in the slum with an allocation of Ksh 500million in 2017/18 raises the question of priority in the Ministry.

⁷ National Assembly Committee observations

General administration and support services			Under General administration and support services programme, compensation to employees' budget line continue to increase from Ksh. 1.907 billion in 2013/14 to Ksh. 5.129 billion in 2014/2015 and Ksh. 5.221 billion in 2015/16.
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Source: Ministry of Health

(c) **BPS 2017 ceiling allocations to the Ministry versus requirements.** The BPS 2017 ceiling allocations to the Ministry versus requirements at Ksh 54,906 million and Ksh 71,461 Million respectively results in a financing gap of Ksh 16,555 million which will adversely affect the following programs:

Table 8.0 BPS 2017 Ceiling Allocations to the Ministry Versus Requirements.

Description	(Millions)						
PROGRAMME	Alloc. 2016/17	Reqt. 2017/18	Allocation 2017/18	Gap	Alloc Recurrent	Alloc. Devt.	Area affected
P.1 Preventive, Promotive, RMNCAH	10,398	14,066	11,703	2,363	6,369	5,196	Free maternity. Budget requirement of Ksh 6.5b (average absorption is 3.6b while allocation is at Ksh 4.3b)
P.2 National Referral & Specialized services	25,449	29,059	17,732	11,327	10,619	8,114	KNH, MTRH Government Chemist MES budget requirement of Ksh 6b (against initial concept of Ksh 4.5)
P.3 Health,	5,597	6,800	5,759	1,041	2,823	2,213	KMTC (tuition

Research and Development							block)
P.4 General Administration, Planning & Support Services	5,742	6,839	6,558	281	3,822	2,737	Majorly recurrent expenditure
P.5 Health Policy, Standards and Regulations	13,083	14,695	13,153	1,542	5,978	7,039	Upgrade of health centres in slums (portable containers). Requested Ksh 700m, allocated Ksh 500m
TOTAL	60,269	71,461	54,906	16,555	29,609	25,297	

Source: Ministry of Health

(d) The Committee made the following observations based on the foregoing table.

(1) The bulk of the gap under Preventive, Promotive, and RMNCAH is as a result of the budget request of Ksh 6.5billion toward free maternity against an allocation of Ksh 4.3billion with an average absorption rate of Ksh 3.6billion. This is supported by the table 9.0 where over the period of three years, the total amounts disbursed to public health facilities (county health facilities, KNH and MTRH) is as summarized below:

Table 9.0 Breakdown of Free Maternity Fund reimbursement per county for the last three (3) years

Financial year	Amount disbursed (KSh)	Pending payments
2013/14	2,632,000,812.00	Nil
2014/15	1,634,369,840.00	1,482,945,000.00
2015/16	3,862,195,000.00	Nil
2016/17 Q1	897,712,500.00	Nil
2016/17 Q2	948,407,500.00	Nil

Source: Ministry of Health

As regards the proposed implementation of the re-imbursement of the Free Maternity Fund through the National Hospital Insurance Fund, in line with the Committee recommendation during the 2017 BPS, the transfer of the Free Maternal Care Programme (now branded “LINDA MAMA” Programme) aims at the following:

- a) Improving efficiency by ensuring that **only women without insurance** benefit from the programme. In addition, the National Hospital Insurance Fund (NHIF) branch network will be utilized for verification.
- b) Expanding the network of health facilities providing maternity services from public facilities only, to public, Faith Based Organizations and private facilities. Besides addressing equity issues in counties with low public health infrastructure, this expansion also provides choice for women with well known positive impact on quality of services.
- c) Expanding the benefits from deliveries only to a comprehensive safe motherhood package. This will improve on the effectiveness of the programme.

(2) The implementation of the LINDA MAMA Programme will phased as follows:

a) Phase 1:

As from December 2016 – Health facilities operated by Faith Based Organizations and private providers who sign contracts with NHIF will be re-imbursed for maternity services (deliveries) provided to women without health insurance. Women with insurance are already benefitting from NHIF schemes. The negotiated rates are KSh 3,500 (level 2 & 3 facilities), KSh 6,500 (hospitals) & KSh 17,000 (Caesarean section).

b) Phase 2:

As from January 2016 – All health facilities with contracts with NHIF will claim payments (for deliveries) from NHIF. For public facilities, payments will be channeled through County Revenue Funds in accordance with the County Allocation of Revenue Act 2016.

c) Phase 3:

As from July 2017 – Expanded benefits paid by NHIF. This package includes Anti natal Clinics(ANC), Deliveries, Post Natal Clinics (PNC) and care for the newborn during the one year of cover.

- (3) Under the National Referral & Specialized services KNH, MTRH have been grossly underfunded with projects relating to non-communicable disease and critical and acute care interventions not funded.
- (4) Further, MES project has a budget requirement of Ksh 6billion (against the initial concept cost of Ksh 4.5billion annually). This also raises budgetary questions and the level of expertise at the Ministry to conceptualize and implement a project of that magnitude.

(5) Reports by the Ministry show that as at 1st December 2016 the following is the status of implementation:

No.	Lot	Status of implementation
1	Theatre equipment	79 out of 96 hospitals are fully completed, 10 partially complete
2.	Theatre sterilizing equipment	The contractor has fully implemented the project with 98 out 98 hospitals being fully equipped
3.	Laboratory equipment (category 1)	Yet to commence
4.	Laboratory equipment (Category 2)	Yet to commence
5.	Renal equipment	The contractor has completed 40 out of 49 renal centres with 21 centres currently undertaking renal dialysis
6.	ICU equipment	The contractor has completed 9 out of 11 ICU Centres. For the three remaining, that is Mombasa and Garissa hospitals; installation is ongoing and will be completed in mid December. Msabweni is expected to be complete by December 2016.
7.	Radiology equipment	The contractor has fully implemented the project with 98 out 98 hospitals being fully equipped

Table 10.0 shows that only Ksh 4.43billion has been spent so far against a budget allocation of Ksh 12.3billion (in the last 3 years). The reasons for the variances include, initial start-up delays in the project implementation, delayed payments owing to incomplete paper work resulting in pending bills and unavailable exchequer releases. Further, that the Lot 3 and Lot 4 are yet to commence implementation.

Table 10.0 Expenditure analysis for Managed Equipment Services Program

No.	F/Y	Allocation (Ksh)	Expenditure (Ksh)	Remarks
1	2014/15	3.3	41.7million	Ksh 1 billion reallocated through revised estimates. Exchequer not available for balance of Ksh 2.3billion
2	2015/16	4.5	3.84billion	Pending bills for 2014/15 was first charge, Early works/ Quarterly service payments
3	2016/17	4.5	554.6 million	Early works/ Quarterly service payments
	Total	12.3	4.44billion	

Source: Ministry of Health

- (6) Under the Health, Research and Development, KMTC, has not been adequately funded to allow for expansion despite the operationalization of the MES project which requires adequate human resource to operate the equipment.
- (7) Under General Administration, Planning & Support Services has gap in recurrent expenditure
- (8) Under Health Policy, Standards and Regulations, the Portable clinics have been provided under this program with a budget requirement of Ksh 700million while Ksh 500million has been allocated for 2017/18
- (e) On the User Fees Forgone, in June 2013, the GoK in June 2013 abolished user fees in all public health centers and dispensaries in an effort to eliminate financial barriers to accessing essential health care. Consequently, the health facilities lost revenue. As such, the National Government provided for budgetary allocation to compensate the facilities for the lost revenue. The amounts allocated per financial year are KSh 700 million (2013/14), KSh 900 million (2014/15), KSh 900 million (2015/16) and KSh 900 million (2016/17). Further that the allocations are distributed based on county population (previous year population data from KNBS) with respective health centres and dispensaries allocated funds based on the outpatient workload for the previous financial year.

4.0 COMMITTEE OBSERVATIONS

The Committee therefore made the following observations:

- (a) Sub programs implemented by the Ministry under the Preventive, Promotive, RMNCAH program which entails promotion of primary health care and environmental health including refuse removal, refuse dumps and solid waste disposal are devolved functions.
- (b) Under the National Referral & Specialized services, enormous focus, emphasis and budgetary support have been placed on MES as a project at the expense of high impact interventions likely to result in 'quick wins'. High impact interventions projects relating to non-communicable disease interventions and critical and acute care interventions not funded at KNH and MTRH alongside the modernization of KNH and MTRH has not been prioritized. Further, corresponding intervention to re-engineer human resource for health is not being prioritized despite budgetary support towards MES project. The case of KMTC and KEMRI which remains underfunded and the latter donor dependent
- (c) The KMTC request for Ksh 140million for construction of tuition buildings was allocated Ksh 50million while Ksh 33million was allocated towards construction and equipping of laboratory and classrooms at KMTC.
- (d) The intervention upgrading of health facilities in the slums appears under the National Referral and specialized health services while it is budgeted under Health policy, standards and regulations. The Portable clinic project has been allocated Ksh 500million in 2017/18. So far Ksh 1.3 billion has been allocated toward the project in the last three years yet 100 portable clinics continue to lie unoperated ten months into their delivery. An additional Ksh 500million was allocated towards the project in 2016/17. Further the Committee was concerned that operationalization of clinics is ideally devolved a function and as such the Ministry will require consensus from the County Government to ensure success of the project.
- (e) Under the General administration and support services programme, compensation to employees' budget line continue to increase from Ksh. 1.907 billion in 2013/14 to Ksh. 5.129 billion in 2014/2015 and Ksh. 5.221 billion in 2015/16.

- (f) The bulk of the gap under Preventive, Promotive, and RMNCAH is as a result of the budget request of Ksh 6.5billion toward free maternity against an allocation of Ksh 4.3billion in 2017/18. A budget requirement of Ksh 6.5billion is not justified as breakdown of Free Maternity Fund reimbursement per county for the last three (3) years shows an absorption rate of Ksh 3.6 billion annually.
- (g) The proposed implementation of the re-imbursement of the Free Maternity Fund through the National Hospital Insurance Fund dubbed "LINDA MAMA Programme is underway and is aimed at: Improving efficiency by ensuring that **only women without insurance** benefit from the programme; (b) Expanding the network of health facilities providing maternity services from public facilities only to public, Faith Based Organizations and private facilities; (c) Expanding the benefits from deliveries only to a comprehensive safe motherhood package.
- (h) MES project has a budget requirement of Ksh 6billion (against the initial concept cost of Ksh 4.5billion annually). This also raises budgetary questions and the level of expertise at the Ministry to conceptualize and implement projects. However, this was clarified as resulting from numerous bills yet to be paid owing to inadequate exchequer releases.
- (i) The National Aids Control Council (NACC) has been continuously underfunded and previous financial years have not catered for development vote. In 2017/18 NACC budgetary request of Ksh 170million for situational room for real time data and information on HIV/Aids was despite an allocation of Ksh 40million.
- (j) Counterpart funding for Tuberculosis Round 6 and Procurement of anti TB drugs (not covered under the Global Fund TB programme has financial gap of cumulatively Ksh 60 million. Further provisions for vaccines and immunizations under donor funded program does not cater for vaccines related to anti rabies, anti-snake venom among other important but non-traditional vaccines.
- (k) Construction of 300 bed children hospital is at feasibility stage under the Private – Partnership Program
- (l) The 2017/18 budget seems to provide numerous sub-programs with an objective to providing universal health coverage. Some of these include donor funded programs like Program for basic health insurance for the poor (Germany), Rollout of Universal Health coverage by the Japanese Government, Transforming Health systems for universal care (THS-UC). This is alongside other programs funded by GoK like the Free Maternity Care.

Going forward, it was felt that all such sub programs should appear under one program called Universal Health Coverage.

(m) The Ministry continues to carry forward a pending bill of Ksh 1.48billion from 2014/15 for Free Maternity Services

5.0 COMMITTEE RECOMMENDATIONS

4.0 The Committee therefore makes the following recommendations for consideration and adoption by the Budget and Appropriation Committee:

(i) That the overall expenditure estimate ceiling for the health sector for financial year 2017/18 be adjusted upwards from Ksh. 54.9 billion as per the BPS 2017 to Ksh. 56.38billion. The additional Ksh 1.48billion to provide for the pending bill carried forward from 2014/15 with respect to free maternity care where County hospitals are owed for services already offered.

(ii) The Committee recommends a reduction in the expenditure ceiling estimate for the following specific sub-programme as contained in the health sector BPS 2017 expenditures ceilings:

PROGRAM	SUB-PROGRAM	Program/Project	2017/18 Allocations (Ksh)	Reductions (Ksh)	Rationale
Health Policy, Standards and Regulations	SP 5.3 Health Policy, Planning and Financing	Upgrade of Health centers in slums	500million	500million	This is to allow for absorption of funds in 2016/17 and to allow the Ministry to address the challenges facing the implementation of the project.

TOTAL SAVINGS				500million	
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(iii) That the savings of Ksh. 500 million made by the reductions above should be reallocated to the following programmes and sub-program as shown in the table below:

PROGRAM	SUB-PROGRAM	Sub-Program/Project	2017/18 Allocations in Ksh.	Additional funding in Ksh.	Rationale
Preventive, Promotion and RMNCAH	SP 1.5 Communicable Disease Control	National Aids Control Council	40million	100million	For situation room for real time data and information on HIV/AIDs
Preventive, Promotion and RMNCAH	SP 1.5 Communicable Disease Control	Tuberculosis Round 6 (GoK Counterpart funding	443million	40 million	Counterpart funding for Tuberculosis Round 6
Preventive, Promotion and RMNCAH	SP 1.5 Communicable Disease Control	Procurement of Anti TB drugs nor covered under Global Fund TB programme	110million	20 million	Procurement of Anti TB drugs nor covered under Global Fund TB programme
	SP 1.5 Communicable Disease Control	Procurement of HIV drugs(ARVs)- HIV Round 7	-	110million	Counterpart funding for HIV/AIDs Round 7
National Referral and Specialized Services	SP 2.1 Kenyatta National Hospital	Procurement of cancer drugs	-	110million	Increase accessibility to Cancer treatment
National	SP 2.1 Moi	Equipping	-	30million	Operationalize the

Referral and Specialized Services	Teaching and Referral Hospital (MTRH)	maternity unit (Mother and Child unit)			Mother Child unit at MTRH
Health Research and Development	SP 3.1 Capacity building and training	Construction of tuition blocks at KMTC	50million	90million	Expansion on training facilities in line with MTP II
TOTAL				500million	

(iv) Following the Committees recommendation in 2016/17 BPS and the challenges experienced in implementing the free maternity services through a conditional grant to Counties in the past three years, the Ministry is in the process of implementing the free maternity care through the NHIF commencing 2017/18. Equally the Committee is in the process of proposing amendments to NHIF Act with an aim of increasing efficacy in its operations and preparing the Fund towards facilitating Universal Health Coverage. **As such the Committee recommends that subject to streamlining of the concept of re-imbursement through NHIF, that free maternal healthcare allocation amounting to Ksh 3.4 billion be expunged from the County Allocation of Revenue Bill and the Division of Revenue Bill as a conditional grant to Counties and consequently be disbursed as a special grant to NHIF towards free maternal healthcare.**

(v) Further that the total allocation of Ksh 4.3billion allocated to free maternity care be disbursed as a special grant to NHIF towards free maternal healthcare.

(vi) Taking into consideration the adjusted ceiling for Health to Ksh. 56.38billion with the additional funding of Ksh 1.48billion to provide for the pending bill carried forward from 2014/15 with respect to Free maternity care where County hospital; **the Committee recommends that Ksh 1.48billion be provided as a conditional grant to be added into the County Allocation of Revenue Bill and Division of Revenue Bill to clear the pending bill for 2014/15 free maternity care for services already provided in 2014/15.**

(vii) The Committee is less informed about the Managed Equipment Services project three year on to its implementation hence making it difficult for the Committee to make informed decisions. **The Committee therefore recommends that the Ministry provides additional information regarding the implementation of the Managed Equipment Services (MES) flagship project. The information to include the signed contracts between the Ministry of Health and the contractors, signed contracts between the Ministry of Health and the County Governors. Others are the benefiting facilities highlighting extent of implementation, schedule of disbursement funds per quarter, actual pending bills towards the project, actual funds spent and the actual exchequer releases for the last three years.**



PARLIAMENT OF KENYA

THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION

DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

REPORT ON

CONSIDERATION OF THE BUDGET POLICY STATEMENT FOR THE YEAR 2017

**Clerks Chambers,
National Assembly,
Parliament Buildings,
Nairobi**

December, 2016

1.0 PREFACE

On behalf of the Departmental Committee on Justice and Legal Affairs and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honor to present to the Budget and Appropriations Committee this report on the consideration of the Budget Policy Statement for the Year 2017 for the Governance, Justice, Law and Order Sector (GJLOS).

The Budget Policy Statement was tabled before the House on Thursday, 24th November 2016 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

1.1 Mandate of the Committee

The Committee is established pursuant to the provisions of Standing Order No. 216, with the following terms of reference: -

- (i) to investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
- (ii) to study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
- (iii) to study and review all legislation referred to it;
- (iv) to study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
- (v) to investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister;
- (vi) to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments); and
- (vii) to make reports and recommendations to the House as often as possible,

including recommendation of proposed legislation.

The Second Schedule of the Standing Orders on Departmental Committees further states the subjects which the Committee is supposed to deal with while discharging its mandate. The subjects are as follows:-

- (a) Constitutional affairs;
- (b) The administration of law and Justice, including the Judiciary, public prosecutions, elections, ethics, integrity and anti-corruption; and
- (c) Human rights.

The Committee oversees the performance of the following Ministries and/or Departments:-

- (i) Judiciary
- (ii) Judicial Service Commission (JSC)
- (iii) Office of the Attorney General and the Department of Justice (OAG&DJ)
- (iv) Ethics and Anti-corruption Commission (EACC)
- (v) Directorate of Public Prosecutions (DPP)
- (vi) Commission for Implementation of the Constitution (CIC)
- (vii) Registrar of Political Parties (RPP)
- (viii) Witness Protection Agency (WPA)
- (ix) Kenya National Commission on Human Rights (KNCHR)
- (x) Independent Electoral and Boundary Commission (IEBC)
- (xi) Commission on Administrative Justice (CAJ)

The Committee under Standing Order 232 is mandated to consider the Budget Policy Statement as per the assigned ministries, state departments and agencies are concerned

1.3 Committee Membership

The Committee comprise of the following Members:-

- | | | | |
|-----|---|---|------------------|
| 1. | Hon. Samuel Chepkong'a, M.P. | - | Chairperson |
| 2. | Hon. Priscilla Nyokabi, M.P. | - | Vice Chairperson |
| 3. | Hon. Njoroge Baiya, M.P. | | |
| 4. | Hon. Muriithi Waiganjo, M.P. | | |
| 5. | Hon. Ndirangu Waihenya, M.P. | | |
| 6. | Hon. Florence Kajuju, M.P. | | |
| 7. | Hon. Kang'ata Irungu, M.P. | | |
| 8. | Hon. Benson Mutura, M.P. | | |
| 9. | Hon. John Njoroge Chege, M .P. | | |
| 10. | Hon. William Cheptumo, M.P. | | |
| 11. | Hon. Mohamed Abdi Haji, M.P. | | |
| 12. | Hon. Bitok Kirwa, M.P. | | |
| 13. | Hon. Sammy Koech, M.P. | | |
| 14. | Hon. Moses Cheboi, M.P. | | |
| 15. | Hon. Paul Bii, M.P. | | |
| 16. | Hon. Charles Gimose, M.P. | | |
| 17. | Hon. Johanna Ng'eno, MP. | | |
| 18. | Hon. Boniface Otsiula, M.P. | | |
| 19. | Hon. David Ouma, M.P. | | |
| 20. | Hon. Neto Agostinho, M.P. | | |
| 21. | Hon. Kaluma Peter, M.P. | | |
| 22. | Hon. Fatuma Ibrahim Ali, M.P. | | |
| 23. | Hon. Ben Momanyi Orari, M.P. | | |
| 24. | Hon. T. J. Kajwang', M.P. | | |
| 25. | Hon. (Bishop) Mutua Mutemi, M.P | | |
| 26. | Hon. Olago Aluoch, M.P. | | |
| 27. | Hon. (Dr.) Christine Oduor Ombaka, M.P. | | |
| 28. | Hon. Mwamkale William Kamoti, M.P. | | |

1.4 Consideration of the Budget Policy Statement for the Year 2017

The Budget Policy Statement (BPS) for the Year 2017 were tabled in the House on 24th November 2016 and subsequently committed to relevant departmental committees pursuant to Standing Orders 232 for consideration, discussion and review.

The Committee held one sitting examining the estimates. The sitting took place on 30th November 2016 where the Committee discussed at length the BPS with the Budget Office before the Committee made its recommendations.

1.5 Committee Observation

Having considered the Budget Policy Statement 2017, the Committee observed that there was a general reduction in the development allocations for most departments, probably given the huge expenditure set for the IEBC. The Committee noted that the issue of pending bills is still a concern, and the need to curb corruption is higher. The Committee also noted that prioritization within scarce resources is necessary considering the economic realities at the moment.

1.6 Committee Recommendations

After critical review of Budget Policy Statement for the agencies under its purview, the Committee recommends the following:

- (i) That Committee approves the Budget Ceilings as provided in the Budget Policy Statement for various votes under the purview of the Committee.
- (ii) The Committee agreed to **increase** the provisions for the Ethics and Anti-Corruption Commission (EACC) **by a total of Kshs. 1.5 billion** for the purchase of a building to house both the Ethics and Anti-Corruption Commission (EACC) and Office of Director of Public Prosecutions (DPP).

1.7 Adoption of the Report

We, the members of the Departmental Committee on Justice and Legal Affairs, have pursuant to Standing Order 199, adopted this Report on the Budget Policy Statement for the Year 2017 for the GJLOS and affix our signatures to affirm our approval and confirm its accuracy, validity and authenticity today 30th November 2016.

1.8 Acknowledgment

The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of

the National Assembly for the support extended to it in the execution of its mandate.

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.

The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee. Their efforts made the work of the Committee and the production of this Report possible.

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Justice and Legal Affairs to present this Report to the Budget and Appropriations Committee pursuant to the provisions of Standing Order 232.

SIGNED: **DATE:**

THE HON. SAMUEL CHEPKONGA, M.P.

CHAIRPERSON

DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

2.0 INTRODUCTION

- 1) The 2017 BPS is prepared against a Revised Calendar due to the fact that the General elections will be held in August 2017. Accordingly, the preparation of the 2017/18 FY and the Medium Term Budget has been aligned to this date to avoid unnecessary delays that may arise from election related activities.
- 2) BPS is published in accordance with Section 25 of the Public Finance Management Act, 2012. In preparing the Budget Policy Statement, the National Treasury is required to set out the broad strategic priorities and policy goals that will guide the national government and county governments in preparing their budgets both for the following financial year and over the medium term. The National Treasury is required to include the following in the Budget Policy Statement:-
 - (a) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
 - (b) The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
 - (c) The proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicative transfers to county governments;
 - (d) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.
- 3) The submission and processing of the BPS by the National Assembly is anchored in Standing Order No 232. The Standing order requires among other things the budget policy statement (BPS) to indicate total resources to be allocated to individual programmes and projects within a sector and indicate the outputs expected from each such programme or programme during the period.
- 4) This brief has been prepared after taking into consideration the following documents: Kenya Vision 2030; Second Medium Term Plan 2013-2017; Strategic Plan for various Ministries Departments and Agencies (MDAs); Governance, Justice, Law and Order Sector (GJLOS) report 2017; Public Administration and

International Relations Sector (PAIRS) report 2017 where Commission for Administrative Justice falls.

2.1 Mandate and Spending Agencies under the Purview of the Committee

- 5) The Second Schedule of the Standing Orders for the National Assembly assigns the Departmental Committee on Justice and Legal Affairs the mandate to consider matters related to Constitutional Affairs, the administration of law and justice, public prosecutions, elections, ethics, integrity and anti-corruption and human rights.
- 6) The following spending agencies are therefore under the purview of the Departmental the Committee:
- (i) Judiciary
 - (ii) Judicial Service Commission (JSC)
 - (iii) Office of the Attorney General and the Department of Justice (OAG&DJ)
 - (iv) Ethics and Anti-corruption Commission (EACC)
 - (v) Directorate of Public Prosecutions (DPP)
 - (vi) Registrar of Political Parties (RPP)
 - (vii) Witness Protection Agency (WPA)
 - (viii) Kenya National Commission on Human Rights (KNCHR)
 - (ix) Independent Electoral and Boundary Commission (IEBC)
 - (x) Commission on Administrative Justice (CAJ)
- 7) The Committee also provide oversight over the following semi/quasi autonomous state agencies: Kenya National Law Reform Commission; Kenya Copyrights Board; National Anti-Corruption Steering Committee; Judges and Magistrates Vetting Board; Kenya School of Law; National Crime Research Centre; Council of Legal Education; Political Parties Disputes Tribunal; HIV & AIDS Tribunal; National Environment Tribunal; Rent Restriction Tribunal; Sports Dispute Tribunal; Energy Tribunal; and Business Premises Rent Tribunal among others.

2.2 Proposed Ceilings under BPS 2017

- 8) Table 1 below shows the proposed ceilings for each spending agency. It also shows the percentage changes in 2017/18 proposed ceilings as compared to the 2016/17 budget estimates. A look at the table indicates that there is a general increment in budget allocations for 2017/18. The greatest percentage increase is on IEBC with a 10.8% increase, JSC with a 10.25% increase, followed by WPA and ODPP with 7.92% and 6.59% respectively.
- 9) A look at the table indicates that there is a general increment in budget allocations for 2017/18. The greatest percentage increase is on IEBC with a 10.8% increase, JSC with a 10.25% increase, followed by WPA and ODPP with 7.92% and 6.59% respectively.

Table 1: Proposed Ceilings

variations in 2017/18 Ceilings from 2016/17 Allocations (Kshs. Millions)				
MDA's	2016/17 Estimates	2017/18 Ceilings	Increment	% change
AG's Office	4,414	4,560	146	3.32
Judiciary	17,308	17,511	203	1.17
EACC	2,791	2,849	57	2.06
ODPP	2,124	2,264	140	6.59
RPP	826.9	856	29	3.53
WPA	379.54	410	30	7.92
KNHCR	428.79	450	22	5.04
IEBC	19,331	21,418	2,087	10.80
JSC	449.15	495	46	10.25
CAJ	469	480	11	2.35
TOTALS	48,522	51,294	2,772	5.71

Source: BPS 2017

10) Table 2 below shows the total proposed allocations as per recurrent and development vote. The spending agencies in 2017/18 comprise of Ksh 45.7 billion (89%) as recurrent expenditure and Ksh 5.5 billion (11%) as development expenditure. Except for the development vote for the Office of the Attorney General, all other development votes have been reduced. Judiciary's development vote is reduced by Kshs. 250 million. The reduction in development votes could be to provide funds for the financing of the General Elections and related activities.

Table 2: Projections as per Recurrent and Development Allocations (Kshs. Millions)

MDA's	2016/17 Est			2017/18 Projections		
	Rec	Dev	Total	Rec	Dev	Total
AG's Office	4,035	379	4,414	4,115	446	4,560
Judiciary	12,860	4,449	17,308	13,313	4,199	17,511
EACC	2,691	100	2,791	2,769	80	2,849
ODPP	2,126	99	2,124	2,181	83	2,264
RPP	827		826.9	856		856
WPA	380		379.54	410		410
KNHCR	429		428.79	450		450
IEBC	18,566	765	19,331	20,661	758	21,418
JSC	450		449.15	495		495
CAJ	469		469	480		480
TOTALS	42,831	5,792	48,522	45,729	5,565	51,294

Source: BPS 2017

2.3 Resources Needs versus Available Resources

11) The total budget estimates for various programmes and sub-programmes under the purview of the Committee in 2016/2017 financial year is Kshs 48.5 billion as shown in the table 3. In the year 2017/2018, the total resource requirements by the various programmes as per the sector report is estimated at Kshs 83.9 billion while the total ceilings as per the Budget Policy Statement for 2017 is Kshs. 51.3 billion as shown in the table below. It is only IEBC requirement that has been met, this is in line with the need for IEBC to successfully prepare and manage the next General Elections.

Table 3: Summary of Expenditures by Programmes 2016/17- 2017/18 (Kshs. Millions)

Vote Details	Programme	Approved Estimates	Resource requirement	Projected Ceilings
		2016-17	2017-2018	2017-18
AG's Office	Legal Services	1,620	4,019	1,682
	Governance, Legal Training and Constitutional Affairs	2,049	4,862	2,136
	General Administration, Planning and Support Services	745	1,851	742.6
	Sub-Total	4,414	10,732	4,560.4
Judiciary	Dispensation of Justice	17,308	35,953	17,511.4
EACC	Ethics and Anti-Corruption	2,791	5,991	2,848.5
ODPP	Public Prosecution Services	2,124	3,491	2,263.9
RPP	Registration, Regulation and	826.9	4,180	856.1

	Funding of Political Parties			
WPA	Witness Protection Services	379.54	761	409.6
KNHCR	Promotion and Protection of Human Rights	428.79	662.17	450.4
IEBC	Management of Electoral Process in Kenya	19,384	20,755	21,418
JSC	Administration and Judicial Services	449.15	644	495.2
CAJ	Promotion of Administrative Justice	469	751	480
TOTALS		48,522	83,919	51,294

Source: National Treasury (BPS 2017)

Table 4: Showing absorption rates for 2014/15 and 2015/16

Vote Details	Approved Budget (Ksh. M)			Actual Expenditure (Ksh. M)			Absorption (%)		
	13/14	14/15	15/16	13/14	14/15	15/16	2013/14	2014/15	2015/16
AG's Office	3,480	4,134	4,298	3,001	2,959	3,631	86	72	84
Judiciary	13,911	13,825	14,799	12,673	11,873	12,947	91	86	87
EACC	1,245	2,024	2,957	1,165	1,742	2,199	94	86	74
ODPP	1,301	1,794	2,457	1,146	1,551	2,159	88	86	88
RPP	325	476	533	314	466	519	97	98	97
WPA	203	295	370	250	276	360	123	93	97

KNHCR	264	357	459	263	345	433	100	97	94
IEBC	4,016	6,973	4,906	4,014	5,412	4,190	100	78	85
JSC	435	338	472	238	300	403	55	89	85
CAJ	216	395	465	216	355	425	100	90	91
TOTALS	25,396	30,610	31,716	23,280	25,279	27,265	92	83	86

Source: PBO

Based on the above calculated absorption rates, it is evident that no agency is likely to utilize its resources fully. RPP, WPA, KNHCR, and CAJ have been able to utilize most of its resources because their budgets are purely recurrent. JSC with no development vote has lower than expected absorption rate. Failure to fully utilize resources can be due to lack of provision or non-disbursements of funds by the treasury.

2.4 Overall Resource Ceilings

12) The total resource allocation to the various spending agencies and the County Government for the period 2017/2018 financial year is estimated at **Kshs 1.904 trillion** comprising of **Kshs 1.551 trillion** for National Government; **Kshs 30.9 billion** for Parliament; **Kshs 18.0 billion** to Judiciary; and **Kshs 299.1 billion** Equitable share to County Government.

Table 5: Summary of Resource Allocations for 2017/2018-2019/20 MTEF Budget in Kshs Million				
Details	2016/2017	2017/2018	2018/2019	2019/2020
National Government	1,628,448.9	1,551,057.1	1,676,069.2	1,735,731.4
Parliament	31,480	30,915.1	31,693.5	32,646.1
Judiciary	17,758.5	18,006.6	19,372.9	20,430.3
County Government*	284,784.6	299,136.2	328,512.1	354,875.8
Total	1,962,472	1,904,215	2,055,647.7	2,143,683.7

13) In addition to the equitable share allocation, it has been proposed that the county governments receive the following:

- (i) From the National Government Equitable revenue share, KShs. 13 billion conditional allocation for: Level five hospitals; free maternity healthcare; Leasing of medical equipment and compensation for forgone user fees
- (ii) KShs. 605 million as a supplement for construction of offices in five county headquarters that did not inherit adequate office space
- (iii) KShs. 7.9 billion from the Road Maintenance Levy Fund at 15% of the projected collections
- (iv) KShs. 12.5 billion from proceeds of external loans/grants to be transferred to County Governments as conditional allocations, which will finance devolved functions in accordance with signed financing agreements for the loans/grants.

Table 6: Disaggregation of County Governments Allocation (KShs. Millions)			
	2015/2016	2016/2017	2017/18
County equitable share	259,774.5	280,300	299,136.2
Additional Conditional allocations of which:			
<i>Free Maternal care healthcare</i>	4,298	4,121	3,369
<i>Leasing of Medical Equipment</i>	4,500	4,500	4,500
<i>Compensation for user forgone fees</i>	900	900	900
<i>Level 5 hospitals</i>	3,600.5	4,000	4,200
<i>Special purpose grant</i>		200	
<i>Supplement for construction of county headquarters</i>			605
<i>Allocation from Fuel levy fund(15% of collections</i>	3,300	4,306	7,875
<i>Allocation from loans and grants</i>	10,671.2	3,870.7	12,541.4
Total County Allocation	287,044.2	302,198.5	333,126.8

Source: The National Treasury

3.0 COMMITTEE OBSERVATIONS

- (i) Pending Bills: - The agencies under the sector had a total of Kshs. 3.992 billion as pending bills at the close of 2015/2016 financial year. The bills are likely to distort the 2017/18 budget if not checked.
- (ii) There are increased cases of corruption; growing public apathy on the fight against corruption, the fight against corruption is inadequate due to a deeply rooted culture, coupled with the ever changing nature of corruption. The high levels of awareness that do not translate into behavioral change towards corruption. There is a need for the prioritization of preventive measures through awareness and mobilization of the public to participate and support the fight against corruption. Adequate resources ought to be provided to EACC to be able to curb the rising cases of corruption and to be able to recover corruptly acquired assets. The provided ceiling for the EACC is Kshs. 2.8 billion against a resource requirement Kshs. 6 billion.
- (iii) One of the key targets for the sector is conducting the General Elections. Adequate/ excellent preparation and management of the 2017 general elections is paramount, and thus, adequate resources should be allocated to all relevant institutions towards the management of the 2017 general elections and its aftermath. The provided ceiling for the Commission is Kshs. 21.4 billion against a resource requirement Kshs. 20.7 billion. The Commission must excellently prepare and manage the General Elections because they have been provided with the resources they need.
- (iv) Political Parties Disputes Tribunal will play an important role in resolving disputes arising from political parties' activities in a fair, just and expeditious manner. Their mandate is critical in the run-up and after the General elections. It is therefore critical to provide the tribunal with adequate resources to conduct its activities in an efficient and effective

manner. The allocation to the tribunal is Kshs. 12 million in 2016/17 while the resource requirement for 2017/18 is Kshs. 67.4 million.

4.0 COMMITTEE RECOMMENDATIONS

- (i) That Committee approves the Budget Ceilings as provided in the Budget Policy Statement for various votes under the purview of the Committee.
- (ii) The Committee agreed to **increase** the provisions for the Ethics and Anti-Corruption Commission (EACC) **by a total of Kshs. 1.5 billion** for the purchase of a building to house both the Ethics and Anti-Corruption Commission (EACC) and Office of Director of Public Prosecutions (DPP).

-----END-----

10

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

11TH PARLIAMENT-4TH SESSION-2016

THE DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIALWELFARE

REPORT ON THE 2017/2018 BUDGET POLICY STATEMENT

1.0 PREFACE

1.1 Mandate of the Committee

The Committee on Labour and Social Welfare is one of the Departmental Committees of the National Assembly established under Standing Order 216 and mandated to:-

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

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider:-

- a) Labour
- b) Trade union relations
- c) Manpower or human resource planning
- d) Gender
- e) Culture and social welfare
- f) Youth
- g) National youth service
- h) Children's welfare
- i) National heritage
- j) Betting
- k) Lotteries and sports

1.2 Subjects and Ministries under the Committee

The Committee oversees the following Ministries/Departments;

1. Ministry of Sports, Culture and the Arts
2. The Ministry of Labour, Social Security and Services and East African Community Affairs
3. Ministry of Public Service, Youth and Gender Affairs
4. Several programmes in the Ministry of Devolution and Planning
5. The National Gender and Equality Commission
6. National Social Security Fund
7. National Industrial Training Authority
8. National Council for Children Services
9. National Persons with Disabilities
10. National Museums of Kenya
11. Kenya National Library Services
12. Sports Kenya
13. The National Sports Fund
14. Kenya Academy of Sports
15. Kenya Film Commission

1.3 Committee composition

The Committee was constituted by the House on Thursday 16th May, 2013 comprising of the following Members:

1. Hon. David Were, MP - **Chairperson**
2. Hon. TiyahGalgalo, MP - **Vice Chairperson**
3. Hon. Janet Teyiaa, MP
4. Hon. PerisTobiko, MP
5. Hon. John NdiranguKariuki, MP
6. Hon. Winnie KarimiNjuguna, MP
7. Hon. Janet Nangabo, MP
8. Hon. John Serut, MP
9. Hon. Samuel Gichigi, MP
10. Hon. Elijah Lagat, MP
11. Hon. CornellySerem, MP
12. Hon. AbdinoorMohamed Ali, MP
13. Hon. Daniel Wanyama, MP
14. Hon Regina Nyeris, MP
15. Hon. Wesley Korir, MP
16. Hon. KinotiGatobu, MP
17. Hon. Elijah MosomiMoindi, MP
18. Hon. James Onyango K'Oyoo, MP

19. Hon. Omondi John Ogutu, MP
20. Hon. Aisha Jumwa Karisa, MP
21. Hon. Patrick Wangamati, MP
22. Hon. Rose Museo Mumo, MP
23. Hon. Silvanse Onyango Osele, MP
24. Hon. Nyasuna Gladys Wanga, MP
25. Hon. John Owuor Onyango Kobado, MP
26. Hon. Mwanyoha Hassan Mohammed, MP
27. Hon. Mlolwa Jones Mwagogo, MP
28. Hon. Ferdinand Waititu, MP

2.0 INTRODUCTION

2.1 Tabling of the Budget Policy Statement

The Budget Policy Statement was tabled in the House on , 2016 and thereafter referred to the departmental Committees for consideration.

In discharge of its mandate, the Committee invited the Ministry of Sports, Culture & the Arts, State Departments for Labour, Social protection, Youth & Gender and youth Affairs and the National Gender & Equality Commission for a meeting on 24th November, 2016 to hear their views on the Budget Policy Statements.

2.2 Background

2.2.1 Overview and purpose of the Budget Policy Statement (BPS)

The Budget Policy Statement (BPS) is published in accordance with Section 25 of the Public Finance Management Act, 2012. In preparing the Budget Policy Statement, the National Treasury is required to set out the broad strategic priorities and policy goals that will guide the National Government and County Governments in preparing their budgets both for the following financial year, and over the medium term.

The National Treasury is required to include the following in the Budget Policy Statement:-

- (a) An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
- (b) The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
- (c) The proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicative transfers to county governments;

- (d) The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.

The submission and processing of the Budget Policy Statement (BPS) by the National Assembly is anchored in Standing Order No 232. The Standing Order requires, among other things, the BPS to indicate total resources to be allocated to individual programmes and projects within a sector and indicate the outputs expected from each such programme or project during the period.

Further on the Standing Orders 232 (4), upon being laid in the House, the Committee is to deliberate on the BPS according to the mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly.

SUBMISSIONS

STATE DEPARTMENT FOR SOCIAL PROTECTION

1.1 Breakdown of the Ceilings by Programmes 2016/17-2019/20 (Kshs Millions)

Recurrent vote

	Programme	Estimates 2016/2017	Proposed Allocation (BPS) 2017/18	Projected Estimates 2018/19	Projected Estimates 2019/20
1.	Social Development and Children Services	3,012.80	3,113.6	3,182.3	3,289.0
2.	National Social Safety Net	5,045.3	5,427.7	5,875.8	6,074.8
3.	General Administration	50.0	206.9	211.4	215.9
	Total	8,108.1	8,748.2	9,269.5	9,579.7

Development Vote

	Programme	Estimates 2016/2017	Proposed Allocation (BPS) 2017/18	Projected Estimates 2018/19	Projected Estimates 2019/20
1.	Social Development and Children	850.8	836.9	914.1	936.1

	Services				
2.	National Social Safety Net	13,967.0	14,082.9	15,169.4	15,477.3
3.	General Administration	4.0	7.0	4.9	4.9
	Total	14,821.8	14,926.8	16,088.4	16,418.3

Summary of Allocation (Kshs Millions)

	Vote	Estimates 2016/2017	BPS Allocation 2017/18	Projected Estimates 2018/19	Projected Estimates 2019/20
1.	Recurrent	1	112.06	106.21	100.95
2.	Development	1	112.06	106.21	100.95
	Total	2	224.12.0	212.42	201.9.0

Status of Implementation of the 2016/2017 FY Budget by Programme

Recurrent Expenditure (Kshs Millions)

Programme	Approved Estimates 2016/17	Cumulative Expenditure	Balance	Absorption Rate
	KSHS	KSHS	KSHS	
Social Development and Children services	1,429.05	946.68	482.36	66
National Social Safety Net	2,416.10	2,258.22	47.96	93
General Administration planning and support services	18.91	8.65	10.25	46
Total	3,864.06	3,213.55	540.57	83

Development Expenditure

Programme	Approved Estimates 2016/17	Cumulative Expenditure	Balance	Absorption Rate
Social Development and Children services	416.95	401.98	14.96	96
National Social Safety Net	6,991.25	6,213.53	777.71	89
General Administration planning and support services	2.00	-	2.00	-
Total	7,410.2	6,615.52	794.67	89

Exchequer Received (Kshs Millions)

Vote	Operations and Maintenance	Cash Transfer	Total
Recurrent	1,698.3	0	1,698.3
Development	493.6	2,712.0	3,205.6
Total	2,191.9	2,712.0	4,903.9

Allocations to each Capital Project under the State Department and the specific Outputs (Kshs Millions)

	Project Code and Project Title	Est Cost of project or Contract Value (a)	Actual cumulative Exp. Up to 30th June, 2016	Outstanding Project Cost as at 30th June, 2016	Allocation for 2016/17 FY		Projection 2017/18 FY		Out puts
			(b)	(a) - (b)	Foreign	GoK	Foreign	GoK	
1	Construction of Embakasi sub- County Social Development office	7.00	3.00	4.00		1.10		2.90	Provision of office accomodation
2	Construction of Buuri sub-County Social Development office	6.00	0.93	5.07		1.10		3.97	Provision of office accomodation
3	Construction of Ruiru sub-County Social Development office	5.00	0.93	4.07		-		2.83	Provision of office accomodation
4	Construction of Gatundu North Sub County Social Development Office	7.50	-	7.50		-		-	Provision of office accomodation
5	Construction of Rongai Sub County Social Development Office	7.50	-	7.50		-		-	Provision of office accomodation
6	Community mobilization and Empowerment for social Economic Development	1,050.00	-	1,050.00		-		-	Empowered Communities, Self Help Groups (SHGs), , Community Based

	Project Code and Project Title	Est Cost of project or Contract Value (a)	Actual cumulative Exp. Up to 30th June, 2016	Outstanding Project Cost as at 30th June, 2016	Allocation for 2016/17 FY		Projection 2017/18 FY		Out puts
			(b)	(a) - (b)	Foreign	GoK	Foreign	GoK	
									Organizations (CBOs), CSAC and BWCs
7	Renovation of Vocation Rehabilitation Centres (VRCs)	130 .00	33.10	96.90		32.3 0		34.0 0	Enhanced capacities of PWDS for self-reliance
8	Equipping of Vocation Rehabilitation Centres with educational Equipment	115.00	46.00	69.00		23.0 0		23.5 0	Enhanced capacities of PWDS for self-reliance
9	Upgrading of Community Capacity Support Centres in Kirinyaga and Kilifi	62.00	1.50	60.50		30.0 0		30.5 0	Conversion of Kirinyaga and Kilifi CCSP centres as Rescue Centres for the vulnerable elderly persons and family resource centre
10	National Development Fund for Persons With Disabilities (PWDs)	6,092 .00	1.84	4,256. 00		259. 00		259. 00	Enhanced capacities of PWDS for self-reliance
11	Children Protection and Coordination (UNICEF)	37.60	1.40	36.20	8.40		8.4 0		Child care, support and protection
12	Integrated Children Protective Services (UNICEF)	64.00	5.4	58.7	15.5 0		15. 50		Child care, support and protection
13	Construction of Nyamira County Children's office	10.50		10.5		-		10.5	Child care, support and protection
14	Construction of Meru South Children's office	7.00	-	7.00		-		7.0	Child care, support and protection
15	Construction of Mandera Children's office	7.73	-	7.73		-		0	Child care, support and protection
16	Construction of Kirinyaga South Children's office	9.54	-	9.54		-		9.54	Child care, support and protection
17	Construction of Kabete Children's office	8.76	-	8.76		-		0	Child care, support and protection
18	Child Protection	5,279.0	400.00	4,879.		394.		-	Child care, support and protection

	Project Code and Project Title	Est Cost of project or Contract Value (a)	Actual cumulative Exp. Up to 30th June, 2016	Outstanding Project Cost as at 30th June, 2016	Allocation for 2016/17 FY		Projection 2017/18 FY		Out puts
			(b)	(a) - (b)	Foreign	GoK	Foreign	GoK	
		0		00		00			
19	Construction of Meru Children's Remand Home	70.00	42.50	27.50		22.50		5.00	Child care, support and protection
20	Construction of staff houses, Borehole and perimeter fence in Kisumu Children's Rehabilitation School	21.00	8.10	12.90		12.90		-	Safe custody of Children in need of special protection
21	Renovation of Likoni Childtren Rehabilitation School	60.00	5.6	54.4		0		28.16	Safe custody of Children in need of special protection
22	Construction of kitchen and dormitory at Dagoretti Children's rehabilitation school	45.00	-	45.00		25.00		20.00	Safe custody of Children in need of special protection
23	Rehabilitation of Machakos Children Rescue Centre	45.00	12.00	33.00		20.00		-	Children rescued and provided with referral/reintegration services
24	Upgrading of training facilities in Rehabilitation schools	495.0	-	495.00		-		-	Safe custody of Children in need of special protection
25	Construction of Kitale Children's remand Home	210.0	-	210.00		-		-	Safe custody of Children in need of special protection
26	Construction of a foster care centre in CWSK Isiolo	357.0	101.38	255.62		45.00		45.00	Safe custody of Children in need of special protection
27	Construction of a foster care centre in CWSK Muranga	211.0	78.62	132.38		41.00		41.00	Safe custody of Children in need of special protection
28	Construction of a foster care centre in CWSK Nanyuki	395.0	69.25	325.75		47.00		47.00	Safe custody of Children in need of special protection
29	Construction of a foster care centre in CWSK Mama Ngina Kenyatta	258.0	69.98	188.02		50.00		50.00	Safe custody of Children in need of special protection
30	Construction of a foster care centre in CWSK Joska	613.0	81.68	531.32		49.0		49.0	Safe custody of Children in need of

	Project Code and Project Title	Est Cost of project or Contract Value (a)	Actual cumulative Exp. Up to 30th June, 2016	Outstanding Project Cost as at 30th June, 2016	Allocation for 2016/17 FY		Projection 2017/18 FY		Out puts
			(b)	(a) - (b)	Foreign	GoK	Foreign	GoK	
						0		0	special protection
31	Securing CWSK HQ - Nairobi	11.4	-	11.4		6.90		4.5	Safe custody of Children in need of special protection
32	Construction of a foster care centre in CWSK Bomet	283.0	10.74	272.26		16.10		18.5	Safe custody of Children in need of special protection
33	Construction of a foster care centre in CWSK Embu	147	21.87	125.13		15.00		15.00	Safe custody of Children in need of special protection
34	Construction of a foster care centre in CWSK Kisumu	371	32.43	338.57		14.00		14.00	Safe custody of Children in need of special protection
35	Construction of a foster care centre in CWSK Bungoma	600	12.40	587.60		16.00		16.00	Safe custody of Children in need of special protection
36	Construction of a foster care centre in CWSK Nyandarua	218	8.00	210.00		-		-	Safe custody of Children in need of special protection
37	Construction of a foster care centre in CWSK Kisii	179	19.50	159.50		-		-	Safe custody of Children in need of special protection
38	Construction of a foster care centre in CWSK Turkana	218	8.00	210.00		-		-	Safe custody of Children in need of special protection
39	Construction of foster care centre in Baringo County	218	8.00	210.00		-		-	Safe custody of Children in need of special protection
40	Support to Orphans and Vulnerable Children outside households	2,000	261.56	1,738.44		100.00		100.00	OVC and Vulnerable young persons outside family households provided with psychosocial support
41	Cash Transfer to Older Persons (CT-OP)	281,940	8,146.00	273,794.00		5.062.00		5.062.00	Households with older persons supported

	Project Code and Project Title	Est Cost of project or Contract Value (a)	Actual cumulative Exp. Up to 30th June, 2016	Outstanding Project Cost as at 30th June, 2016	Allocation for 2016/17 FY		Projection 2017/18 FY		Out puts
			(b)	(a) - (b)	Foreign	GoK	Foreign	GoK	
42	Cash Transfer to Orphans and Vulnerable Children (CT-OVC)	299,048.00	23,122.00	275,926.00	1,417.00	7,459.00	1,417.00	6,655.00	Households with Orphans and Venerable Children (OVCs) supported
43	Family Based Care for Vulnerable Children (Cash Transfer)	121.80	-	121.80	29.40		29.40		Households with Orphans and Venerable Children (OVCs) supported
44	Integration of the Management Information Systems (MIS) for the consolidated Cash Transfer Programme	150.0	-	150.00		-		-	Coordination of National Safety Net Programme (NSNP)
45	Enhancement of the Integrated Single Registry system for Social Protection Programmes	400.0	100.00	180.00	45.00		45.00		Enhance and maintain an inter linked single registry for social protection programmes
			-	120.00		-	25.00		
46	Partitioning of offices at the Ministry's Headquarters	50	-	50.00		4.00		7.00	Provision of office accomodation

Allocation to the State Department Detailing Shortfalls and Affected Programmes
Recurrent Expenditure (Kshs Millions)

	Programme	Estimates 2016/2017	Resource Requirement 2017/18	BPS Allocation 2017/18	shortfall
1.	Social Development and Children Services	3,012.8	5,279.8	3,113.6	2,165.4

2.	National Social Safety Net	5,045.3	5,755.6	5,427.7	327.9
3.	General Administration	50.0	361.6	206.9	154.7
	Total	8,108.1	11,397	8,748.2	2,648.8

Development Expenditure (kshs Millions)

	Programme	Estimates 2016/2017	Resource Requirement 2017/18	BPS Allocation 2017/18	shortfall
1.	Social Development and Children Services	850.8	4,558.1	836.9	3,721.2
2.	National Social Safety Net	13,967	22,947.6	14,082.9	8,864.7
3.	General Administration	4.0	30	7.0	23
	Total	14,821.8	27,535.7	14,926.8	12,608.9

a. Key Areas Affected by the Funding Shortfall

Areas Affected By the Financing Shortfall 2017/18 – 2019/20

	Area	Estimates 2016/17	Resource Requirement 2017/18	Proposed Allocation 2017/18	Shortfall	Remarks
1.	Cash Transfer	7,916.0	9,572.0	8,297.0	1,275.0	Total amount required to pay the current 353,000 cash transfers beneficiaries to OVCs is Kshs. 9,572 Million while the proposed allocation in 2017/18 is Kshs.8,297 leading to a deficit of Kshs.1,275 Million to cover the existing GOK beneficiaries and enable GOK to take up 40,000 beneficiaries supported by DFID. The government is required to take over funding for these beneficiaries upon the expiry of the funding period by the development

	Area	Estimates 2016/17	Resource Requirement 2017/18	Proposed Allocation 2017/18	Shortfall	Remarks
						partners at the end of the 2016/17 Financial Year
2.	Absorption of Social Development Officers Recruited Under World Bank Support	0	138	0	138	In the 2015/16 FY, the Ministry with support from the World Bank, recruited 210 Social Development Officers on contract terms for a one-year period. This was in recognition of the inadequate staff available in the Ministry to implement the Cash Transfer Programmes. The contract period for the officers is expected to lapse in February, 2017. There is need for the officers to be retained to enhance implementation of the Programme. The Ministry will therefore require KShs.40.6 million for the officers' personal emoluments for five months during the 2016/17 Financial Year and an additional KShs.97.4 million for the 2017/18 Financial Year.
3.	Scale up the expansion of the Cash Transfer Programmes in accordance with the expansion plan	0	8,177.4	0	8,177.4	The Expansion Plan for the National Social Safety Net Programme (NSNP) provides for enrolment of an additional 330,000 beneficiaries (150,000, 150,000 and 30,000 OP-CT, OVC –CT and PWSD-CT respectively). A total of KShs.7.920 Billion will be required to pay beneficiaries and KShs.257.4 Million for commissions Pay Service Providers.
4.	Enhance funding under Community Mobilization Empowerment Programme	40	285	40	245	The Programme undertakes community empowerment and support to vulnerable groups at various levels, which include individuals, families and households,

	Area	Estimates 2016/17	Resource Requirement 2017/18	Proposed Allocation 2017/18	Shortfall	Remarks
						groups and communities.
5.	Enhance funding for general administration and creation of support units sub heads	50	391.6	206.9	184.7	The creation of the Sub-sector was not accompanied with adequate financial allocation for Administration and support units. The allocation of 206.9 Million include Kshs. 109 Million for PE administration staff transferred from the State Department for Labour and Kshs.30 Million for normal promotions leaving only Kshs. 67.9 million for Operations and Maintenance. There is need to enhance the allocation by Kshs. 184.7 Million and creation of support units.
6.	Operationalization of the Counter Trafficking in Persons Act, 2010	0	50	0	50	Counter Trafficking in Persons is one of the interventions under the Children services Department as per Executive order No.1 of May 2016. The enactment of the Counter Trafficking in persons act in 2010 was not accompanied with enhanced resource allocation to enable its implementation
7.	Operations Budget for NCPWDs (provided as line items transfer)	200.4	350	271.4	78.6	Out of the Kshs. 271.4 million, KShs.100 million is for the Persons With Albinism Programme, thereby leaving the Council with Kshs. 171.4 Million for PE and O&M. This is insufficient to cover all the Operations and Maintenance expenses.

Pending Bills

The State department had pending bills amounting to Kshs. 226,206,543 in 2015/16 Financial Year. Pending bills of Kshs. 26,706,543 have been paid and the balance of Kshs. 200,000,000 in relation to Presidential bursary will be paid once the revised estimates are approved by Parliament.

OBSERVATION

Total amount required to pay the current 353,000 cash transfers beneficiaries to OVCs is Kshs. 9,572 Million while the proposed allocation in 2017/18 is Kshs.8,297 leading to a deficit of Kshs.1,275 Million to cover the existing GOK beneficiaries and enable GOK to take up 40,000 beneficiaries supported by DFID. The government is required to take over funding for these beneficiaries upon the expiry of the funding period by the development partners at the end of the 2016/17 Financial Year

STATE DEPARTMENT FOR LABOUR

1. Breakdown of the total ceiling for the year 2017/18 and the Medium Term Plan (Recurrent and Development)

a) Recurrent Budget

		Estimates 2016/17 (Kshs. Million)	Proposed Allocation (BPS) 2017/18 (Kshs. Millions)	Projected 2018/19 (Kshs. Millions)	Projected 2019/20 (Kshs. Millions)
1.	Promotion of Best Labour Practices	427.3	593.5	607.0	619.0
2.	Manpower Planning, Development, Utilization and Productivity Management	527.5	531.5	562.6	583.5
5	General Administrative, Planning and Support services	347.1	559.5	575.1	591.1
	Total allocation	1,301.8	1,684.5	1,744.7	1,793.6

b) Development

		Estimates 2016/17 (Kshs. Million)	Proposed Allocation (BPS) 2017/18 (Kshs.	Projected 2018/19 (Kshs. Millions)	Projected 2019/20(Kshs. Millions)
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			Millions)		
1.	Promotion of Best Labour Practices	29.5	147.5	194.8	208.2
2.	Manpower Planning, Development, Utilization and Productivity Management	209.1	396.6	364.7	364.7
3.	General Administration Planning and Support Services	-	-	-	-
	Total allocation	238.6	544.1	559.5	572.9

c). Summary of Total Allocation in 2017/18 and Medium Term Plan period

		Estimates 2016/17 (Kshs. Million)	Proposed Allocation (BPS) 2017/18 (Kshs. Millions)	Projected 2018/19 (Kshs. Millions)	Projected 2019/20 (Kshs. Millions)
1.	Recurrent	1,301.8	1,684.5	1,744.7	1,793.6
2.	Development	238.6	544.1	559.5	572.9
	Total allocation	1,540.4	2,228.6	2,304.1	2,366.5

2. Status of Implementation of the 2016/17 Budget by Programme and Exchequer Issues

a. Recurrent

FY 2016/2017 PROGRAMME PERFORMANCE REPORT					
	Programme	Recurrent Estimates	Recurrent Expenditure	Balance	Implementation Status (% of total expenditure to approved estimates)
1.	Promotion of Best Labour Practice	427,290,036	90,530,427	336,759,609	21
2.	Manpower Development, Employment and Productivity Management	527,486,429	71,373,158	456,113,271	14
3.	General Administration Planning and Support Services	347,066,792	203,014,144	144,052,648	58
	TOTAL	1,301,843,257	364,917,729	936,925,528	28

b. Development

FY 2016/2017 PROGRAMME PERFORMANCE REPORT					
	Programme	Development Estimates (As per Supplementary I)	Development Expenditure	Balance	Implementation Status (% of total expenditure to approved estimates) and achievements
1.	Promotion of the Best Labour Practice	29,500,000	-	29,500,000	0
2.	Manpower Development, Employment and Productivity Management	209,100,000	67,272,699	141,827,301	32
3.	General Administration Planning and Support Services	-	-	-	-
	TOTAL	238,600,000	67,272,699	171,327,301	32

c. Exchequer Releases in the FY 2016/2017

Recurrent

	Date Received	Amount (Kshs.)
1.	10/08/2016	122,000,000
2.	09/09/2016	11,000,000
3.	30/09/2016	127,000,000
4.	13/10/2016	5,000,000
5.	24/10/2016	14,500,000
6.	08/11/2016	177,600,000
7.	18/11/2016	15,100,000
8.	02/11/2016	21,000,000

9.	05/11/2016	125,000,000
	TOTAL	618,200,000

Development

	Date Received	Amount (Kshs.)
1.	17/10/2016	4,000,000
2.	25/10/2016	16,300,000
3.	21/11/2016	45,100,000
	TOTAL	65,400,000

3. Allocations to each Capital Project under the State Department and specific outputs of each project

	PROGRAM ME 1: Promotion of Best Labour Practices	Est. Cost of the Project (Kshs. Million)	Actual cumul ative Exp. Up to 30th June, 2016 (Kshs. Millio n)	Outstan ding Project Cost as at 30th June, 2016 (Kshs. Million)	Allocation 2016/17 (KShs. Million)		Allocation 2017/18 (KShs. Million)		Outputs
					Forei gn	GOK	Forei gn	GOK	
1	Construction of MeruCountyLabour office	25	5	20				-	Meru County Labour Office Constructed - (26 Offices and 2 boardrooms constructed to house Ministry Staff in Meru County)
2.	Reconstruction of county Labour Offices (Molo, Kakamega, Embu, Homa Bay, Voi)	68	42	25.9		-		6.5	• Voi Office reconstructed • Rump constructed in Embu Office • Labour Offices in Kakamega renovated (Re-Roofing, Ceiling, plastering and Storage Tank for water harvesting constructed) • Walls and roof renovated in Molo • Homa Bay Labour Office Renovated

	PROGRAM ME 1: Promotion of Best Labour Practices	Est. Cost of the Project (Kshs. Million)	Actual cumul ative Exp. Up to 30th June, 2016 (Kshs. Millio n)	Outstan ding Project Cost as at 30th June, 2016 (Kshs. Million)	Allocation 2016/17 (KShs. Million)		Allocation 2017/18 (KShs. Million)		Outputs
					Forei gn	GOK	Forei gn	GOK	
									and Ablution Block constructed – (Re- roofing, painting and tiling works carried out)
3.	Construction of perimeter walls at Kisumu and Nakuru Labour offices	16	-	16		-		-	Kisumu and Nakuru Labour Offices Secured
4.	Establishment of Occupational Safety and Health (OSH) Institute - Phase I Construction	496	315.0	181.00		26		141.00	Occupational Safety and Health Institute established – (5 storey building constructed to house training rooms, research and testing laboratories, exhibition areas and offices)
5.	Establishment of Occupational Safety and Health (OSH) Institute - Phase II - Equipping	1,245	-	1,245.2		-		-	Work Place Occupational Safety and Health Surveillance equipment procured for the Institute
6.	Purchase of Occupational, Safety and Health Surveillance equipment of work environment and workers' health	1,341	139.0	1,202.0		-		-	Work Place Occupational Safety and Health Surveillance equipment procured for County Offices
7.	Rehabilitation of Safety House in Nairobi	47	25.90	21.5		3.5		-	Safety House Rehabilitated
8.	Establishment of National Labour Market Information System (LMIS)	859	20.9	838.1	50.0	74.2	345	81.9	Accurate and timely information on Labour Market (Labour Market Information System established, Survey of training in local institutions carried out, Informal Sector Survey conducted, LMIS Data Centre upgraded and equipped, capacity

	PROGRAM ME 1: Promotion of Best Labour Practices	Est. Cost of the Project (Kshs. Million)	Actual cumul ative Exp. Up to 30th June, 2016 (Kshs. Millio n)	Outstan ding Project Cost as at 30th June, 2016 (Kshs. Million)	Allocation 2016/17 (KShs. Million)		Allocation 2017/18 (KShs. Million)		Outputs
					Forei gn	GOK	Forei gn	GOK	
									building carried out and Kenya National Occupational Classification Standards updated)
9.	Construction of National Employment Promotion centreKabete	463.7	151.2	312.5		33.7		152.2	National Employment Promotion Centre Constructed – 5 storey building block with modern facilities constructed (12 offices per floor, restaurant, 2 conferences, boardroom, teleconferencing facilities, resource centre and computer lab).
10.	Renovation of Kisumu Employment office	7	5.08	1.92		1.92		-	Kisumu Employment Office Renovated
11.	Upgrading of Kisumu Industrial Training Centre (KITC)	595	164.3	430.9		-		70.00	Kisumu Industrial Training Centre (KITC) upgraded (Re-roofing, painting, tiling, electrical and mechanical works; supply, delivery and installation of steam boiler carried out)
12.	Upgrading of Mombasa Industrial Training Centre (MITC)	300	159.7	140.3		8.68		50.00	Mombasa Industrial Training Centre (MITC) upgraded - (Re-roofing and rehabilitation of 2 block of hostels, Rehabilitation and lighting of dinning hall and kitchen, construction of Corporate gate, security lighting and civil works carried out)
13.	Upgrading of Kenya Textile Training Institute (KTTI)-Nairobi	455	123.9	331.1		0		-	Kenya Textile Training Institute (KTTI upgraded- Re- roofing, painting,

	PROGRAM ME 1: Promotion of Best Labour Practices	Est. Cost of the Project (Kshs. Million)	Actual cumul ative Exp. Up to 30th June, 2016 (Kshs. Millio n)	Outstan ding Project Cost as at 30th June, 2016 (Kshs. Million)	Allocation 2016/17 (KShs. Million)		Allocation 2017/18 (KShs. Million)		Outputs
					Forei gn	GOK	Forei gn	GOK	
									tiling, electrical and mechanical works carried out)
14.	Upgrading of National Industrial and Vocational Training Centre (NIVTC)-Nairobi	493	141.5	351.6		0		-	National Industrial and Vocational Training Centre (NIVTC upgraded – Construction of an extra 2 nd floor (6 halls, 8 offices and 2 washrooms, mechanical and electrical works and painting of 24 doors carried out)
15.	Upgrading of Technology Development Centre (TDC)-Athi River	259	111.5	147.5		83.7		-	Technology Development Centre (TDC)-Athi River upgraded – (Water reticulation and renovation of water sewerage system, re- roofing, painting, mechanical and electrical works for Phase I , landscaping, leveling and construction of Sports Field carried out)
16.	ICT Networking, connectivity and office partitioning at Productivity Centre of Kenya	60	5.90	54.10		6.90		7.00	National Productivity Offices established and connected
17.	Kenya Youth Empowerment and Opportunities Project	15,300	0	0	130	0	300		Trained and empowered youth
	Total		1,432	5,728	180	238.6	645	544.1	

4. Allocation to the State Department for Labour versus requirement detailing shortfalls and the affected programmes

The State Department for Labour has a total resource gap amounting to Kshs. 929.68 in 2017/18 FY compared to the allocation provided per the ceiling. Analyzed below are details of the shortfalls spread across all the Programmes.

Shortfalls and affected Programme

Area	Baseline (KShs. Million) 2016/17	Requirement (KShs. Million) 2017/18	Allocation (KShs. Million) 2017/18	Gap (KShs. Million)	Remarks
Compensation of employees	610.99	668.15	510	158.15	The State Department has an aging workforce with a median age of 55.5 years. There is need to replace officers exiting through natural attrition. A request was made to the National Treasury for concurrence to replace staff who had exited.
Workmen's Compensation Backlog	4.9	151.8	4.9	146.9	A total of 595 Workmen's Compensation claim for public officers injured in the course of duty worth Kshs. 151.8 million have been processed but cannot be paid due to insufficient budgetary allocation. The allocation in the 2016/17 FY for settling the claims is Kshs. 4.9 million. The average payment per claim is Kshs. 450,000 meaning only up to 10 claims can be paid from this allocation. This is causing undue distress and suffering to workers who are injured at the work place. Non-payment of the claims also contravenes the Workmen Compensation Act.
Operations and Maintenance (O&M)	324.035	1,181.96	599.035	582.93	Over the years, funding for O&M has remained low and has continued to decrease making it difficult for the State Department to carry out its mandate both at the national level and in the field offices. The situation is critical in some departments such as the National Productivity and Competitiveness Centre, which has a total allocation of Kshs 40 million, of which 80% is for PE and only 20% for O&M. This means the department has only been facilitated with salaries and insufficient resources for O&M to effectively undertake its functions. The field offices are in a severe position where Labour offices are receiving an average of Kshs. 201,309 while Occupational Safety and Health field offices receive an average of Kshs. 117,508 per quarter. This scenario has hampered effective delivery of the inspectorate services carried out nationally by the departments. Under Administration HQs the State Department is unable to fund most of its activities because of the limited funds. There is need to boost the budget to facilitate the office of Cabinet Secretary, Principal Secretary and HODs and field offices.
Subscriptions to local and international	11.89	27.59	11.89	15.7	Under the international obligations the approved subscriptions is Kshs 16.99 M while the State Department has a pending bill of Kshs. 9.57

organizations					Million accrued from previous years. This has resulted in a resource requirement of KShs. 26.56 Million for the 2017/18 FY. From the ceiling the State Department was only allocated KShs. 11.9 Million leaving a balance of KShs. 14.66 Million.
Labour Market Information System (LMIS)	146.2	107	81	26	The Labour Information System (LMIS) requires regular updating of information and data, which is sourced through studies and surveys. One of these surveys is the Informal Sector Survey which is fully funded under the World Bank supported Kenya Youth Employment Opportunity Project. Another key survey required is the Labour Force Survey, which was last undertaken in 2003. The State Department requires funding within the MTEF period to undertake the exercise. A total of KShs. 107 Million will be required in the 2017/18 FY for the pilot survey.
Mediation and Conciliation Services	0	53	0	53	The State Department plans to establish an Alternative Dispute Resolution (ADR) mechanism for labour disputes as provided for under article 159(ii)(c) of the Constitution and the Labour Relations Act 2007. The ADR process is cost effective, less legalistic and expeditious in settlement of Industrial disputes. The State Department is receiving an increasing number of disputes being returned from the Employment and Labour Relations Court for mediation and arbitration. There is need to allocate funding for establishment of an institutional mechanism for the process.
Investigation of Economic Disputes	0	30	0	30	With the gazettelement of Employment and Labour Relation Court Rules under the Employment and Labour Relations Court Act, 2014, on 5th August, 2016, the function of investigation of economic disputes which was previously under the Judiciary has been transferred back to the State Department for Labour. The line budget for this activity was transferred to the Judiciary in 2012/13 Financial Year during the Transfer of the Court from the Ministry to the Judiciary. The activities entail on the spot investigations including analysis of labour cost and audited accounts and other economic factors and producing reports for submission to the Court within specified time lines. In 2012/2013 during the time the Court was in this Ministry there were only 5 Courts based in Nairobi while to date there are twelve Court spread over the country and they require to be

					served by the Central Planning and Monitoring Unit in the State Department. To effectively perform this function, the Ministry will require an allocation of KShs. 30 Million in 2016/17 Financial Year.
TOTAL RESOURCE GAP	1,098.01	2,189.5	1,206.82	959.68	

5. Pending Bills and how the State Department intends to pay them

The State Department for Labour had a pending Bill amounting to **Kshs. 105 Million** as at the Beginning of the current financial year this was mainly due to lack of exchequer releases as at 30th of June, 2016. The State Department is awaiting the approval of the Supplementary Estimates to clear the outstanding pending bills.

Challenges in the Budget Implementation under the State Department for Labour

1. The 2016/17 GOK Development Budget reduction by a half from **Kshs. 477.2 Million** to **Kshs. 238.6 Million** as part of the rationalization of the 2016/17 Development budget will affect the already contracted Projects which might lead to litigations and pending bills.
2. The State Department for Labour is grossly under-funded. Consequently some of the Department the Office of Registrar of the Trade Unions and the National Productivity and Competitive Centre are unable to deliver on their mandate.

STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH AFFAIRS

1. BUDGET CEILINGS

In line with the 2017 Budget Policy Statement, the State Department is implementing three Programmes: Youth Empowerment Programme, Public Service Transformation Programme and General Administration. The Breakdown of the total ceilings per programme for the State Department for the year 2017/18 is as follows:

PROGRAMME	CEILING (Kshs. Millions)	
	RECURRENT 2017/18 FY	DEVELOPMENT 2017/18 FY
Youth Empowerment	7,632	10,912
Public Service Transformation	5,473	1,740
General Administration	68	0
TOTAL	13,173	12,652
GRAND TOTAL	25,825	

2. STATUS OF IMPLEMENTATION OF THE 2016/17 BUDGET

The status of implementation of the 2016/2017 budget per programme for the State Department is illustrated as follows;

PROGRAMME/SUB-PROGRAMME	PRINTED ESTIMATES 2016/17 FY	HALF YEAR ALLOCATION 2016/17 FY	EXPENDITURE /COMMITMENT TO DATE 2016/17 FY
Youth Empowerment	18,500	9,250	5,310
National Youth Service	16,865	8,433	4,769
Youth Development Services	1,005	502.5	226

Youth Employment Scheme	597	298.5	298
Youth Coordination and Representation	34	17	17
Public Service Transformation	7,187	3,594	5,168
Human Resource management	3,812	1,906	3,428 ¹
Human Resource Development	738	369	181
Management Consultancy Services	76	38	22
Huduma Kenya	2,422	1,211	1,491 ²
Performance Management	29	14.5	8 ³
Public Service Reforms	110	55	38
TOTAL	25,687	12,844	10,478

The State Department has received exchequer issues totalling Kshs.**5,431 Million**; Recurrent Exchequer issue is Kshs.**3,663 Million** and Development Exchequer issues is Kshs.**1,768Million**.

This includes payment of 3.2Billionfor payment for premium to NHIF, which is employee contribution for health insurance scheme.

The over expenditure under Huduma was occasioned by full year access of development budget to pay pending bills.

The department of performance contracting division has been moved to cabinet office hence the balance in expenditure budget will be transfer.

3. CAPITAL PROJECTS

The tables below detail the list and allocation of capital projects for the State Department of Public Service and Youth Affairs:

No.	Project Name	Cost of Project	Allocation		ALLOCATION		
	GOK FUNDED PROJECTS		2016/17	Projects Outputs	2017/18	2018/19	2019/20
	NATIONAL YOUTH SERVICE	Kshs.Millions			Kshs.Millions		
1	Construction of Buildings and other infrastructure at NYS (completion of 12 Storey Barracks and double span dining blocks at Gilgil College)	950	503.9	Provide additional infrastructure for servicemen and women in NYS	396.1	-	-
2	Construction of double span kitchen, dining and barracks at NYS Engineering Institute, Ruaraka (completion of the building)	91.81	51.71	Accommodate and utilization of NYS servicemen and women	-	-	-
3	Construction of Storey Classrooms at NYS Institute of Business Studies at NYS Headquarters, Ruaraka (completion of the building)	62	42.2	Classrooms for servicemen and women in vocational training.	1.8	-	-
4	NYS Youth Empowerment Programme in Counties	97,751	9,801.8	Empowerment of the youth through gainful engagement, national service activities, formation of SACCOs & training.	9,801	9,801	9,801
6	Proposed completion of NYS Transport office at NYS Headquarters, Ruaraka.	17	-	Fleet management room and drivers' shelter/rest room.	17	-	-

7	Completion of classrooms at NYS Engineering Institute, Ruaraka.	105.1	-	Classrooms for servicemen and women in vocational training.		52.5	52.5
	Sub-Total		10,399.61		10,215.9	10,357.4	10,357.4
	HUDUMA KENYA						
8	Huduma Service Delivery Channels.	25,030.00	1,574.79	Transform Public Service & set up uniform and high quality standards of service delivery	1,574.79	1,574.79	1,574.79
	Sub-Total				1,574.79	1,574.79	1,574.79
	HUMAN RESOURCE DEVELOPMENT						
9	Refurbishment of KSG MatugaMwaluganje Hostel and Nyayo Hostel	20.64	9.78	Refurbishment of Mwaluganje and Nyayo Hostels	10.87	-	-
10	Furnishing of KSG Matuga conference complex	5.21	5.21	Conferencing and seminar space at KSG-Matuga.	-	-	-
11	Completion of ultra-modern complex KSG Mombasa	830.2	55.84	Construction of ultra-modern complex.	121.9	185	165
12	Completion of administration block and external works, KSG-Embu	182.17	59.03	Conferencing and seminar space at KSG Embu.	35	-	-
13	Refurbishment of Kiambee, Harambee and County Hostels in KSG Embu	40.5	-	Students accommodation	20	20.5	-
14	Construction of new hostel in KSG Baringo	400	-	Students accommodation	75	150	170

				on			
15	Refurbishment of Soy hostel in KSG Baringo	40	-	Students accommodation	-	-	-
16	Refurbishment of Sabaki&Mzima hostels, KSG-Mombasa Campus	45	-	Students accommodation	-	-	-
17	Construction of borehole and water reticulation system, KSG-Embu	20	-	Water supply adequacy at the KSG	-	20	-
18	Drilling of Borehole and Laying water reticulation system, KSG-Matuga	20	-	Water supply adequacy at the KSGs.	-	20	-
	Sub-Total		129.85		262.77	395.50	335.00
	HUMAN RESOURCE MANAGEMENT						
19	Refurbishment and partitioning of offices - DP5M	76	31.51	Office space.	-	-	-
20	Government Human Resources Information System (GHRIS)& IPPD	110	-	Government Human Resource Information System(GHRIS) & IPPD upgraded.	35	50	25
21	Establishment of the Public Service Innovation Centre	100	-	Incubate and develop innovations across the Public Service.	-	80	70
22	Human Resource Reforms- Implementation of CARPS(Refer annex 4)	900.00	-	Reforms in public service	-	-	-
	Sub-Total		31.51		35.00	130.00	95.00
	YOUTH DEVELOPMENT						

	SERVICES						
23	Youth Enterprise Development Fund -	1,667.40	305.34	Loans Disbursement and Business Development Services.	305.34	305.34	305.34
24	Youth Empowerment Centres (YECs)	6,000.0	-	Establish 138 YECs at the constituency level.	50	80.77	376.27
25	Kenya Youth Employment and Opportunities Project (KYEOP)	5,800	130	Employment Opportunities for the Youth.	207	207	207
	Sub-Total		435.34		562.34	593.11	888.61
	GRAND TOTAL		12,571.1		12,650.8	13,050.8	13,250.8

4.RESOURCE REQUIREMENT VS. ALLOCATION

The table below highlights the Programme Resource Requirement Versus Allocation for the State Department;

PROGRAMME/SUB-PROGRAMME	RESOURCE REQUIREMENT 2017/18 FY	RESOURCE ALLOCATION 2017/18 FY	SHORTFALL
	(Kshs.Millions)		
Youth Empowerment	33,926	18,544	15,382
National Youth Service	31,921	16,896	15,025(annex 2)
Youth Development Services	1,259	1,017	242(annex 5)
Youth Employment Scheme	703	597	106(annex6)

Youth Coordination and Representation	43	34	9
Public Service Transformation	12,849	7,213	5,635
Human Resource management	5,366	3,818	1,548(annex 4)
Human Resource Development	1,453	748	705(annex 3)
Management Consultancy Services	323	78	245
Huduma Kenya	5,475	2,428	3,047(annex 2)
Performance Management	105	29	76
Public Service Reforms	127	112	14
General Administration	734	68	666
Human Resource and Support Services	618	68	550(annex 7)
Financial Management Services	77 ⁴	-	77
Information and communication services	39	-	39
TOTAL	47,508	25,825	21,683

The financial management services resource requirement was meant for acquisition of office equipment's, monitoring and evaluation and facilitation and sensitization of budgeting process

In the 2017 Budget Policy Statement, the State Department has been allocated Kshs.**25,825 Million** against the total resource requirement of Kshs.**47,508 Million** in 2017/18, hence these will bring a shortfall of Kshs.**21,683 million**. The funds allocated will be used to implement the following strategic objectives;

- To spearhead youth empowerment in all aspects of national development.
- To transform the Public Service for a responsive, citizen-centered and quality service delivery.
- To promote performance management.
- To strengthen human resource management and development.
- To facilitate career planning and succession management; and innovation in the Public Service.
- To align organizational structures with functions, staffing and operations in the Public Service organizations.

In the financial year 2016/17 budget, a number of key priority programmes and projects have not been fully financed due to tight budget ceilings and budgetary constraints.

Some of these include: the restructuring of the NYS to enable the youth participate fully in nation building and public service; The Youth empowerment, Youth Enterprises Development Fund and public service transformation.

5. PENDING BILLS

The pending bills currently held by the State Department were occasioned by inadequate provision for Exchequer at the closure of 2015/16 Financial Year. It is important to note that the State Department inherited huge pending bills from previous years which are being processed for payment in this financial year.

Below, please find the breakdown on the bills as well as the amount paid so far.

STATE DEPARTMENT PENDING BILLS PAYMENT			
DEPARTMENT	TOTAL PENDING BILL	PAID	PENDING as at 6th Dec.2016
National Youth Service	4,616,234,483	862,377,371	3,753,857,112
HUDUMA Kenya	900,475,389	647,692,771	252,782,618
Directorate of Youth Affairs	45,482,436	0	45,482,436
Kenya School of Government	33,080,580	33,080,580	0
TOTAL	5,595,272,888	1,543,150,722	4,052,122,166

The State Department has been actively processing the payment of pending bills. We prioritized the AGPO pending bills which have now been fully paid.

The State Department is engaging the National Treasury for additional funding in the Supplementary Estimates for the remaining pending bills to be paid.

STATE DEPARTMENT FOR GENDER AFFAIRS

1. Break down of the total ceilings by Programme

In the financial year 2017/2018, the resource allocation for current expenditures and capital projects amounts to **Kshs 1,142.7 million** and **Kshs 3,430 million** respectively. While the allocation for recurrent and development for F/Y 2016/2017 is **Kshs 1,125 million** and **Kshs. 3,430 million** respectively. Development allocations didn't change.

The following is a breakdown of ceilings for the financial years 2017/18, 2018/2019 and 2019/20 allocations in (Kshs. million)

Programme	2016/17 Estimates			2017/18 Ceillings			2018/19 Projections			2019/20 Projections		
	Current	Capit al	Total	Curre nt	Capit al	Tot al	Curr ent	Capit al	Tot al	Curr ent	Capit al	Total
Community Development	-	2,130	2,130	-	2,130	2,130	-	2,447	2,447	-	2,536	2,536
Gender Empowerment	1,125.4	1,366.9	2,492.30	952	1,300	2,252	989	1,300	2,289	1,022	1,300	2,322
General Administration and Planning	-	-	-	190.7	-	190.7	201.5	-	201.5	210.6	-	210.6
Totals	1,125.4	3,496.9	4,622.3	1,142.7	3,430	4,572.7	1,190.5	3,747	4,937.5	1,232.6	3,836	5,059.6

2. Projects

The State Department has no physical projects, however it has a number of programmes which are being implemented.

3. Status of Implementation of the 2016/17 Budget By Programme

No.	Programme	Status	2016/17 Total Allocation	Exchequer Issues
1.	Community Development (NGAAF)	Ksh 3,185,499,962 has so far been disbursed to Counties to support Affirmative Action Groups/projects. Out of this Ksh 1,865,500,000 was disbursed during the first half of the financial year. The Ministry will disburse extra Ksh 1.9 Billion by the end of the year to all counties. The aim of the fund is to provide socio-economic empowerment to the affirmative action groups that include; women, the youth, persons with disability, children and the elderly.	2,130	Nil
2.	Gender Affairs	WEF • Ksh. 9.362B has so far been disbursed to 70,399 women groups comprising 1.29M individuals • Undertaken capacity building on the fund to 821,784 individuals • Education fora on the fund held in Counties at Ward level UWEZO Fund • Ksh 5,166B disbursed to 59,088 groups reaching 873,405 Individuals • Education fora on the fund held in Counties at Ward level AFGM Board • Educational workshops with Law enforcement officers have been conducted in Marsabit, Isiolo, Bomet, Baringo, Migori, Wajir, Garissa, Kajiado and Tana River.	915 million 682 million 92 million	457 million 170.5 million 46 million

		• The training of Anti-FGM role models in hotspot counties. • Draft policy to end child marriage prepared • Draft Policy to end FGM in the country prepared. • Education fora held in hotspot counties to create awareness on FGM issues undertaken • Held alternative Rites of passage celebration in Hotspot counties Such as UasinGishu and Samburu. • Held a marathon to end FGM in West Pokot county • Conducted a situational analysis on the inclusion of FGM issues in school curriculum. State Department • Gok-UN Joint Programme on prevention and response to GBV prepared. The Programme is to be launched tomorrow by H.E The President. • Finalized preparation of National Gender and Development Policy and National Equality Policy • Held meetings with various stakeholders including Interreligious council, Matatu Welfare Association, BodaBoda welfare associations among other towards prevention and response of GBV in the country • Held community dialogues on GBV prevention and response with chiefs, community leaders and law enforcement officers in Kilifi and Homa Bay Counties.	42.4 (Donor) 735 million	nil 36 million
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		• Established GBVRC at Kilifi County Hospital • Kenya National Plan of Action on Resolution 1325 Secretariat established • Successfully held side event on improved women social economic development at TICAD Vlin August, 2016 • Successfully held plenary 5 session on Economic Empowerment of Women and Youth: Inclusivity and Mainstreaming for Effective and Accelerated Development during the recently concluded HLM 2 meeting held in Nairobi from 28th November to 1st December, 2016.		
		Totals	4,596 million	736 million

The following is a breakdown of the exchequer issues by recurrent and development (Kshs million)

Category	Allocation	Exchequer Issues	%	Variance
Recurrent	1,125	182	16.7	943
Development	3,471	554	15.9	2,917
Total	4,596	736	16	3,860

4. Allocation to Capital Projects. (Development)

Funds	Baseline 2016/17	2017/18	Specific Outputs
Uwezo Fund	500	500	Women and other disadvantaged in the Society empowered
Women Enterprise Fund	800	800	Women and other disadvantaged in the Society empowered
Affirmative Action Fund	2,130	2,130	Community Development
Anti FGM Board	-	-	Reduced prevalence of FGM
SDGA Headquarters	-	-	Gender empowerment
TOTAL	3,430	3,430	

5. Allocations versus Requirement

In the financial year 2017/2018, the resource requirement for current expenditures and capital projects as per sector report amounted to **Kshs 3,708 million** and **Kshs13,000 million** respectively while the allocation for the F/Y 2017/2018 for recurrent and development is **Kshs 1,142.7 million** and **Kshs. 3,430 million** respectively as per the Budget policy Statement.

The following is a breakdown of resource requirement and allocations for the 2016/2017 and 2017/2018 financial years as per the sector report:

Programme	2016/17 Baseline	2017/18 Requirements	2017/18 Allocations	Shortfall
Community Development	2,130	4,000	2,130	1,160
Gender Empowerment	2,491	11,725	2,252	9,473
General Administration	-	983	190.7	792.3

Total	4,621	16,708	4,572.7	11,452
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Key priority areas with short falls in 2017/2018 financial year

Development		Recurrent	
Expenditure Area	Amount Kshs million	Expenditure Area	Amount Kshs million
GoK/UN GBV Programme	50	Purchase of motor vehicles	30
Commemoration of National, Regional and International Days on gender	80	Purchase of office furniture	25
		Purchase of computers and printers	20
		Provision of rent for office space	24
		Contracted Professional services	100
		Cleaning services	100
SAGAS: Increased support for Affirmative Action funds to cater for more beneficiaries of the Funds a) Women Enterprise Fund 200 150 b)Uwezo Fund 2,000 c)National Government Affirmative Action Fund (NGAAF)		SAGAS: Increased support for Affirmative Action funds to cater for more beneficiaries and Public education of the Funds a) Women Enterprise Fund 100 b)Uwezo Fund 50 c)National Government Affirmative Action Fund (NGAAF) 100	

Total	2,480		549
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Key priority Areas not funded in the 2017/18 financial year

Development		Recurrent	
Expenditure Area	Amount Kshs million	Expenditure Area	Amount Kshs million
Establishment of Gender Based Violence Recovery Centres in 47 counties	300	Implementation of KNAP on resolution 1325	200
Establishment of Safe houses for survivors of GBV	200	Campaigns against Teenage pregnancies	150
		GBV Programme and Secretariat	200
Refurbishment of offices	50	Campaign for increased participation of women in elective processes and key decision making positions	200
Anti FGM	100	Hire of guards for office space	100
Total	650		850
Total Shortfall for underfunded and unfunded programmes Kshs4,529bn			

6. Pending bills

The claims were incurred in the course of last F/Y 2015/2016 on activities of the former Directorate of Gender Affairs, whose Budget Head (Expenditure area) was in the

planning vote and was not cleared for one reason or the other. The claims are being addressed.

	Supplier	Description	Amount
1.	Blue line Logistics	Provision of Supply of 10 printed banners	434,000
2.	Kayamba Africa LTD	Entertainment Services	140,000
3.	Tasmara Traders	Provision of conference facilities	190,000
4.	Take a moment	Provision of conference facilities	65,500
5.	M/S Intercontinental	Provision of conference facilities	1,489,315.57
6.	Government Institutions owed by UWEZO Fund	-	5,951,300
	Total		8,270,115.57

Justification for the Resource Requirements of Ksh. 16,708 billion in the FY 2017/2018 in the Sector Report

The figure comprises of recurrent of Ksh. 3,708b and development of Ksh. 13,000b.

A. Details of the recurrent figure are as follows;

- i. Employees compensation - Ksh. 355m
- ii. Current transfers:
 - WEF - Ksh. 309m
 - Anti-FGM Board - Ksh. 208m
 - Uwezo Fund - Ksh. 201m Ksh. 718m
- iii. Other recurrent (SDGA):
 - Subscriptions to local

and int. org	-	Ksh. 7m
▪ Maintenance of Buildings and stations	-	Ksh. 20m
▪ Hospitality supplies and services	-	Ksh. 100m
▪ Domestic travel and subsistence	-	Ksh. 80m
▪ Communication, supplies and services	-	Ksh. 40m
▪ Rentals and rates	-	Ksh. 42m
▪ Purchase of motor vehicles	-	Ksh. 60m
▪ Contracted professional Services	-	Ksh. 100m
▪ Hire of transport	-	Ksh. 20m
▪ General office supplies	-	Ksh. 21m
▪ Purchase of office furniture &fitting	-	Ksh. 35m
▪ Purchase of computers &printers	-	Ksh. 40m
▪ Contracted cleaning services	-	Ksh. 20m
▪ Implementation of KNAP	-	Ksh. 400m
▪ GBV programme and secretariat	-	Ksh. 550m
▪ Campaign for increased participation of women in election processes and key making position	-	Ksh. 600m
▪ Commemoration of National, Regional and Int. Days on Gender	-	<u>Ksh. 500m</u>
Total for Recurrent	-	<u>Ksh. 3,708b</u>

B. Details of the development figure are as follows;

- i. Refurbishment of offices - Ksh. 50m
- ii. GBVRC and Safe houses for women and girls - Ksh. 4,450b

iii.	Uwezo Fund	-	Ksh. 2,100b
iv.	NGAAF	-	Ksh. 4,000b
v.	WEF	-	<u>Ksh. 2,400b</u>
Total for Development -			<u>Ksh. 13,000b</u>

The Cabinet Secretary appealed to the Committee to consider the partially and unfunded activities for provision of funds in order for the State Department to carry out its mandate.

State Department of Sports Development

1. Break Down of the Total Ceilings by Programmes for Medium Term Plan - 2017/18 – 2019/20

Over the medium Term the Programme for the state department have been funded as shown in table 1 below:-

Table 1

PROGRAMME	FINANCIAL YEAR			
	2016/17	2017/18	2018/19	2019/20
Recurrent Expenditure				
PI Sports				
SP 1.1 Sports Training and Competitions	731.26	644.0	677.4	702.26
SP1.2:Development and management of sports and sports facilities	2,919.3	1,964.3	2,060.7	2,131.52
Total Recurrent	3,606.95	2,608.3	2,738.1	2,833.78
Development expenditure				
PI Sports				
SP 1.1 Sports Training and Competitions	325.0	360.0	358.9	361.27
SP1.2:Development and management of sports and sports facilities	1,230.0	680.0	777.1	801.99
Total development	1,555.0	1,040.00	1,135.99	1,163.25
Total for the Vote	5,161.95	3,648.30	3,874.09	3,997.03

The overall resources allocated for the 2017-18 FY is **Kshs 3,648.3 Million** which is way below the current year allocation of **Kshs 5,161.9Million**.The reduction in funding will negatively impact on implementation of our programmes activities hence the overall performance of the State Department.

2.0 Status of ongoing capital Projects

Project Name	Start Date	Expected date of completion	Expenditure to Date (KES)	2016/2017 Allocation	Estimated total cost in (KES)	Project status	Remarks
Kenya Academy of Sports	2012/2013	2015/2016	679 Million	300 Million	4 Billion	58 % complete of phase I	The underground, ground and 1 st floors are ready for occupation. Construction of 2 football and 1rugby pitches is ongoing.
Refurbishment of Regional Stadia	June 2016	June 2018	-	1 Billion	2.8 Billion	Work is already contracted out	Refurbishment of 7 regional stadia is on-going. The stadia are: Chuka, Karatu-Ndarugu, Wote, Marsabit and Kamariny, Nyaturagu, Lodwar
National Sports Lottery	July 2015	June 2020	88 Million	180 Million	1.5 Billion	Initiation Stage	The project is being implemented under the PPP framework.
Refurbishment of Moi International Sports Centre – Kasarani	July 2016	June 2018	40 million	50 Million	120 Million	60%	The project involves installation of new tartan track.
Automation and Digitalization	July 2016	June 2018	-	25 Million	50 Million	Initiation stage	The project targets three components: •Automation of

Project Name	Start Date	Expected date of completion	Expenditure to Date (KES)	2016/2017 Allocation	Estimated total cost in (KES)	Project status	Remarks
System for Sports Registrar's office							registration and licensing of sports organizations and persons; • Digitization of sports registrar's records; and • Training of staff on use of the automated system

3.0 Status of Implementation of 2016/17 Budget by Programmes

Table 3a. Implementation of 2016/17 Budget by Programmes

Name of Programme		Gross Estimates Kshs.	Recurrent Estimates	Development Estimates	Recurrent Expenditure	Development Expenditure	Total Expenditure	Implementation Status(% of total expenditure to approved estimates)
0901000 Sports	P.1	4,580.6	3,025.6	1,555.0	1,389.50	562.31	1,951.81	43%
0905000 General Administration, Planning and Support Services	P.5	581.30	581.30	0	141.39	-	141.39	24
Total		5,161.9	3,606.90	1,555.0	1,530.89	562.31	3093.20	41%

The overall utilization of funds translates to 41% for both recurrent and development for the state department. Of which recurrent is 42% and development is 36% for the 1st half of FY2016/17.

Exchequer Releases

The State Department has received Exchequer amounting to **Ksh 1,318,264,000** broken down as follows:-

Table 3b.Exchequer issues received to date by the State Department

EXCHEQUER RELEASES FOR THE FY 2016/17 TO DATE	
Recurrent expenditure	1,165,364,000.00
Development expenditure	152,900,000.00
Total	1,318,264,000.00

The bulk of the exchequer received to date is for recurrent expenditure because both the budget and the nature of activities of the State Department are Recurrent.

4.0 Allocations to each Capital Project under the Ministry and the Specific Outputs of each Project

Project Name	2016/17 in Millions	2017/18 Allocation In Millions	Specific Output
Kenya Academy of Sports	300	360	Sports talent officials trained, nurtured and developed
Refurbishment of Regional Stadia	1,000	500	Improved sports facilities in the regions
National Sports Lottery	180	180	The project is being implemented under the PPP framework.
Refurbishment of Moi International Sports Centre – Kasarani	50	0	Improved sports infrastructure for sports training and competitions
Automation and Digitization System for Sports Registrar's office	25	0	Improved service delivery
Total	1,555	1,040	

5.0 Analysis of Resource requirement and Allocation for the Year 2017/18

Table 5.0. Allocations versus Requirements for Programmes FY 2017/18

	2016/17 Estimates			2017/18 Ceiling (BROP)			2017/18 Requirements			2017/18 Shortfall		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Programme I: Sports	3,025.6	1,555	4,580.6	2,608.3	1,040	3,648.3	6,393.4	15,668	22,061.4	3,785.1 0	14,628. 0	18,413.1 0
Programme II: General administration and Planning	581.3		581.3									-
Total	3,607	1,555	5,162	2,608.3	2,344.5 7	3,648.3	6,393.4	15,668	22,061.4	3,785.1 0	14,628. 0	18,413.1 0

The State Department requested for **Ksh 22.061 Billion** in the FY 2017/18 but only allocated **Ksh 3.648 Billion**. The budget shortfall for the 2017/18 FY is **Ksh 18.4 Billion** as indicated above. This implies that much of the planned activities for the State Department would not be undertaken as envisaged including both ongoing and new projects.

6.0 Pending Bills 2016/17

Table 6. Pending Bills incurred in the 2015/16 FY

Pending Bills incurred in the 2015/16 FY	
Recurrent expenditure	125,551,511.40
Development expenditure	70,000,000
Total	195,551,511.40

During the financial year 2015/16 the state department incurred Pending Bills amounting to **Ksh 195,551,511.40** broken down as in the above matrix. We have already reallocated **Kshs 123 Million** to cater for payment of the recurrent bills. The pending bill in the development expenditure will be paid from 1-005-01-2630201(Refurbishment of Regional Stadia project) as the bill relate to the project.

STATE DEPARTMENT OF ARTS AND CULTURE

1.0 Break Down of the Total Ceilings by Programmes for Medium Term Plan - 2017/18 – 2019/20

According to the Budget Policy Statement, the State Department's ceilings are as follows for the medium-term plan:

PROGRAMME	2017/18	2018/19	2019/20
Recurrent Expenditure			
Culture Development	1,373.00	1,447.40	1,568.30
The Arts	678.7	749.4	722.0
Library Service	732.3	674.2	676.2
General Administration and Support Services	114.5	123.8	132.9
Total Recurrent	2,898.50	2,994.80	3,099.4
Development expenditure			
Culture Development	200	900.6	913.5
The Arts	125	109.8	156.2
Library Service	600	0	0
General Administration and Support Services	0	0	0
Total development	925	1,010.4	1069.7
Total for the Vote	3,823.50	4,005.2	4,169.1

2. 0. Status of Capital Projects

Project Name	Start Date	Expected date of completion	Estimated total cost in (KES)	Expenditure to Date (KES)	2016/2017 Allocation	Status
Construction of Ultra-Modern Library, Upper Hill Nairobi	2011/2012	2016/2017	2.4 Billion	1,495 Billion	133 Million	Construction of Ultra-Modern Library is 75% complete.
Kenya Film School	2013/2014	2018/2019	250 Million	62.5 Million	125 Million	The 1 st batch of students was admitted in June 2016
Cradle of Human Kind National Heritage and Research Collection Centre	2015/16	2019/20	400 Million	-	-	Prepared BQs and Designs
International Arts and Culture Centre	2015/16	2019/20	1 billion	-	-	Acquired land and title deed
Acquisition and Refurbishment of Cinema Theatre	2015/16	2019/20	250 Million	0	25 Million	Acquired hall to be used for office space and cinema theatre
Equipping of Film Resource Centre	2015/16	2018/19	71 Million	12Million	-	Collected film data and stored
Creative Economy					50 million	1 st ever stakeholder creative economy conference held Inter GOK and creative committee to address the creative economy

Project Name	Start Date	Expected date of completion	Estimated total cost in (KES)	Expenditure to Date (KES)	2016/2017 Allocation	Status
						strategy encompassing: Film policy Music policy
Establishment of an Integrated Records Management System (IRMS)	2016/17	2017/18	287 Million	30 Million	100 Million	30% complete Dilapidated documentation and building of the archives
Restoration of Monuments (Fort Jesus)			450 Million	0	150 million	On-going
Installation of Mobile Shelves			100	-	-	Postponed to FY 2017/18
Music Studio at the Permanent Presidential Music Commission			437 Million	-	32 million	
Installation of the Library Information Management System (LIMS)			500 million	-	10 million	New
Refurbishment of Archives offices			200 million	-	12 million	On-going

3.0 Status of Implementation of the 2016/17 Budget by Programme including Exchequer Issues received.

a) Printed Estimates vs Revised estimates

The State Department had a gross allocation of Kshs. 3.6 billion during the printed estimates; Kshs. 2.7 billion in recurrent and 0.9 billion in development.

As per the National Treasury circular to MDAs, **Kshs. 167 Million** was realigned in development budget to cater for the completion of critical ongoing projects and the settlement of pending bills. This reduced the development budget to **Kshs. 819 million**. During the Revised Estimates, the development budget ceiling has further been reduced to Kshs. **495.8 million**. This will severely constrain the ability of the State Department to implement its capital projects. A detailed analysis of the impact of this action is provided in later sections of this report.

In the recurrent budget, the State Department was seriously underfunded. In response to this, the State Department has been added **Kshs. 185 million** which will cater for purchase of vehicles, settlement of pending bills and operationalization of critical activities.

The summary of the above information is provided in the table below:

Table 3.1

	Printed FY2016/17			Revised FY2016/17			Change
		Details of the Gross Allocations			Details of the Gross Allocations		
	Gross	A-I-A	Net	Gross	A-I-A	Net	
Recurrent	2,651,046,449	10,600,000	2,640,446,449	2,836,052,359	10,600,000	2,825,452,359	185,005,9

Development	986,000,000	-	986,000,000	495,820,660	-	495,820,660	(490,179,3
Total	3,637,046,449	10,600,000	3,626,446,449	3,331,873,019	10,600,000	3,321,273,019	(305,173,4

b) Implementation Status of total commitments and payments

Total cumulative expenditure for the state department is Ksh.1.448Billion for both recurrent and development which translates to 42.6 % as detailed below.

Table 3.2 Implementation status by programmes in Kshs.

Programme	Printed Estimates	Recurrent Estimates	Development Expenditure	Recurrent Expenditure	Development Expenditure	Cumulative Expenditure	Implementation Status %
The Culture	1,763,598,352	1,319,598,352	444,000,000	543,861,043	173,188,816	717,049,859	40.7
The Arts	765,664,400	590,664,400	175,000,000	240,763,259	71,527,084	312,290,343	40.8
Library	835,660,700	635,660,700	200,000,000	309,911,072	95,000,000	404,911,072	48.5
General Administration and Support Services	39,000,000	39,000,000	-	14,131,847	-	14,131,847	36.2
Total for the Vote	3,403,923,452	2,584,923,452	819,000,000	1,108,667,221	339,715,900	1,448,383,121	42.6

The total exchequer issued to date is as detailed below:

Exchequer received to date in Kshs.	
Recurrent	1,094,100,000
Development	280,800,000
Total	1,374,900,000

4.0. Allocations to each Capital Project under the Ministry and the Specific Outputs of each Project

Project Name	2016/17 In Millions	2017/18 Allocation Millions	Specific Output
Construction of Ultra-Modern Library, Upper Hill Nairobi	133	600	Established a National Legal Repository Centre for all books published in Kenya and outside Kenya by Kenyans as a national documentary heritage for posterity
Establishment of the Kenya Film School	56	55	Promotion of indigenous Kenyan creative and production talent in film.
Construction of a Heritage Collection Centre	0	130	-A National Collection Centre - The collections pertaining to the evolution of humankind shall be preserved in this collection Centre where they shall be available for exhibition and for study by scientists and other scholars. -Postponed to next financial year.
International Arts and Culture Centre	0	50	-Increased creative arts products and activities e.g. local content for media houses (TV stations, radio stations), live shows etc - Increased employment for artistes and cultural workers and hence improved livelihoods -Postponed to next financial year
Acquisition and Refurbishment of Cinema Theatre	50	50	To strengthen the film examination and classification function of the Board
Equipping of Film Resource Centre	0	20	-Increased local productions and skills.

Project Name	2016/17 In Millions	2017/18 Allocation Millions	Specific Output
			Enhanced Storage, access and commercial web distribution of film information -Postponed to next financial year
Establishment of an Integrated Records Management System (IRMS)	50	20	Improved Public Information Management System
Restoration of Monuments (Fort Jesus)	150	0	Fort Jesus secured
Installation of Mobile Shelves	0	0	Postponed indefinitely
Music Studio at the Permanent Presidential Music Commission	32	0	Talented Youth
Installation of the Library Information Management System (LIMS)	10	0	Improved Library Management system
Refurbishment of Archives offices	12	0	Improved access to public archives and records
Traditions & Practices Related to Kayas in Sacred Mijikenda Forests	2.8	0	Informed cultural practitioners
Total	495.8	925	

5.0. Allocations to the Ministry versus Requirement Detailing Shortfalls and the Affected Programmes

ANALYSIS OF PROGRAMME EXPENDITURE RESOURCE REQUIREMENT			
	Requirements2017/18	BPS Ceiling	Shortfall

	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Culture Development	2,102.4	2,287.17	4,739.6	1,373.00	200.00	1,573.00	729.4	2,087.17	2,816.6
The Arts	908.1	164.00	1,072	678.70	125.00	803.70	229.40	39.00	268.4
Library Services	818.06	625.00	1,443.06	732.30	600.00	1,332.30	85.80	25.00	110.8
General Administration and Support Services	413.07	-	413.07	114.50	-	114.50	298.60	-	298.60
Total	4,241.7	3,076.17	7,317.90	2,898.50	925.00	3,823.50	1,343.2	2,151.17	3,494.4

As shown, the requirement for FY 2017/18 is Kshs. 7.087billion for both the recurrent and development expenditures. However, during the sector budget proceedings the State Department was allocated Kshs. 3.823billion indicating a shortfall of Kshs. 4.936billion.

The shortfall between the BPS ceiling and the State Department's requirements has affected the ability of the State Department to execute its mandate efficiently.

6.0 Pending bills

The total pending bill of the state department is as detailed below:

Pending Bills 2016/17	
Recurrent	123,704,360
Development	48,048,109
Historical	31,552,706
Total	203,305,175

The total pending bill is Ksh.203.3Million the State Department has endeavored to pay some bills which formed first charge. However, due to limited budget allocation the state department has made requests to the National Treasury for assistance in the settlement of these bills. The National Treasury obliged and vide letter ref. no. RE/1133/16/01/A/18 dated 23rd November, 2016 allocated the Department an additional **Kshs. 101,268,916** to help in the settlement of the same.

THE NATIONAL GENDER AND EQUALITY COMMISSION ON THE BUDGET POLICY STATEMENT

1. BUDGET 2016/2017

In the financial year 2016-2017 the Commission was allocated KES.416, 270, 878. Due to limited funds in programs and administrative services, the commission requested for an approval to reallocate Kshs 12.7 Million to complete essential interventions under Public Education and Advocacy, specifically community based training and outreach programs. For administrative services, reallocations were done to cater staff medical insurance, premium and payments for contracted guards and cleaning services. As November 2016, the commission had a burn rate of **40.4%**. The commission has procurable amounting to Kshs. 6m currently in process thus expecting to hit 50% mark by end of Dec 2016.

The commission program implementation was adversely affected by the budget rationalization. Critical interventions were scaled down due to funds constraints yet 80% of commission activities are field based. We have sought for exemption of the 30% rationalization.

THE RECURRENT BUDGET 2016/17

Economic Classification	Printed Estimates 2016/17 (Kshs. Million)
Current Expenditure	416.28
Compensation to Employees	154.1
Use of Goods and Services	211.15
Current Transfers to Govt. Agencies	-
Other Recurrent	51.03
Capital Expenditure	-
Acquisition of Non-Financial Assets	-
Capital Transfers to Government Agencies	-
Other Development	-
Total Expenditure	416.27
Total Expenditure Vote	416.27

Status of implementation of 2016/17 and Exchequer receipts

	Printed Budget Estimates 2016/17 (Ksh. Millions)	Exchequer receipts (Ksh. Millions)
Sub programme1 : Legal Compliance and Redress	53.45	14.45
Sub programme2 : Mainstreaming Gender and Coordination	55.62	14.11
Sub programme3 : Public Education, Advocacy and Research	58.44	14.44

Sub programme4 : General Administration, Planning and Support Services	248.70	89.7
Total programme1	416.27	132.7
Total Expenditure of Vote	416.27	132.7

PENDING BILLS FOR FOREIGN TRAVEL

	Description of the activity	Amount
1	Participation of Cop 22 Climate Change Conference in Morocco	5,418,960.00
2	Participation in the 7 th Session of the Open Ended Working Group on Ageing	1,053,076.00
3	Participation in Periodic Reporting on International convention on elimination of all forms of Discrimination	3,000,000.00
	TOTAL	9,472,036.00

3. PROPOSED NGEAC ALLOCATION 2017-2018.

The Commission participated actively on the budget process in the National Treasury sector working group in 2017/18. The commission prepared a costed annual plan of **Kshs.608 Million** presented in four program areas in accordance to program based budgeting. The sector working allocated the commission **Kshs. 444.5 million**. The commission revised its costed work-plan from **Kshs 608m** to a minimum of **Kshs545million** the minimum it requires to principally deliver on key deliverable of the 2017/18 most of which are mandatory. The commission prays to this committee to bridge the gap of **Kshs99.45** million from current allocation by sector working group to increase the funding to **Kshs 545 million**.

The key issue there is a high demand for commission services at grassroots as manifested by the number of calls for interventions and without additional vehicles and resources it is very difficult to deliver on our complex multidimensional mandate.

Key proposed allocations are as follows.

Priority areas of funding showing yr 2017/18 proposed budget, sector working group allocations, and variance/deficit by key line items.

Line item	2016/17 available budget (Kshs 416.2m) (a)	2017/18 NGEAC proposed budget (Kshs 516m) (b)	2017/18 sector working group allocations (Ksh 444.5m) (c)	Deficit (b-c)
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Personal emolument	154m	176.8m	158.3m	18.5m
Vehicles	22m	28m	0	28m
Programs 1 Legal investigations	44m	65m	56.6m	8.4m
Programs 2 mainstreaming	45m	64m	59.25m	4.75m
Program 3 Public advocacy	39m	69m	62.41m	6.59m
Data Base	-	30m	-	30
Operations	56m	112.2m	107.99m	4.21m
Total	416.27m	545m	444.55m	99.45m

Justifications by line item

- a) **Personnel Emolument:** The funds are required to meet the personnel emolument for current establishment already in place.
- b) **Vehicles:** Four off road vehicles for commission's regional offices and field transport. The commission currently has 3 regional offices Garissa, Nakuru and Kisumu. None of the regional offices has been allocated a vehicle. The commission incurs an average of Kshs 400,000 in a month on hire of transport facilities; it is becoming difficult to address key interventions especially at county level. The commission's prayer is to be financed to buy a vehicle for each county offices and one for head office programs
- c) **Programs:** The commission has new programs and on-going programs to complete in the next financial year. With increased awareness on the oversight role of the commission, there is need to for more resources to increase the commission's visibility at grass root services under program 3 (public education, advocacy and research). Being a body responsible for ensuring state compliance with international treaties and conventions, the commission prayer is the foreign travel vote resources to be increased for it to fully discharge the mandate.
- d) **Database:** The commission began the process of establishing a database in 2015/16 but did not have sufficient resources to finish all the required modules. It is the commission to be financed in 2017/18 to complete the database which is essential in addressing gender main streaming issues
- e) **Operations.** This includes electricity, insurance, rent, repairs and administration cost estimated at 4.21 million shillings.
- f) **Regional expansion.** Commission has 3 regional offices and is seeking to grow our intervention reach by at least establishing two regional offices per year. The commission envisions to have at least 10 regional offices by end of 2020.

The commission prayer is for the government to consider providing additional 119 Million to bridge the gap.

PROPOSED CRITICAL ACTIVITIES IN THE 2017/18 FINANCIAL YEAR

- a) Elections monitoring for inclusion of SIGs, which is our core mandate -the elections money is required both for this year to start off preparatory activities, into the next year; NGECE will monitor the implementation of affirmative action programs and frameworks on representation of SIGs in civil and political processes including registration of persons in political parties, electoral processes and in access to voter literacy.
- b) Exercise commission quasi-judicial powers through investigations and public hearing on matters of discrimination and inequality.
- c) Database development, that is critical in collection and storage of information for both national and international reporting.
- d) Public education to be able to sensitize the public that NGECE is the first reference on matters equality and freedom from discrimination;
- e) Continue lobbying for the realisation of the not more than two thirds gender principle;
- f) Put in place a reward and sanctions mechanism on compliance and non-compliance respectively to principles of gender equality and inclusion;
- g) We need funds to disseminate the findings of the just completed national study on equality and inclusion in Kenya through strategic policy dialogues and community forums.
- h) Monitor implementation of various regional and international commitments made in the past two years with focus on compliance with concluding observations that Kenya has agreed to. This includes, ICPRD, CSW, ageing, rights of child, UN permanent forum on indigenous persons

4. ACHIEVEMENTS IN THE FIRST HALF OF 2016/17

For effective implementation of strategic priority areas, the National Gender and Equality Commission used intertwined but related approaches clustered in four sub-programs: Public education advocacy, research and advisory; legal investigations, compliance and redress; mainstreaming, coordination and collaboration; and institutional development and resource mobilization. Key achievements in the first half of the year are presented below.

- a) The Commission coordinated a National Conference with grassroots populations on Sustainable Development Goals (SDGs). More than 270 participants from state and non-state actors and grass root women from the 47 counties were sensitized on SDGs and the role that women have in domestication of the same in Kenya.
- b) Certified 262 public agencies in Kenya for compliance with integration of gender equality in workplace. Follow up and sanctions with agencies that failed to comply has commenced with a refresher training of public agencies including county ministries in charge of planning and gender facilitated by NGECE, State department of Gender Affairs and department of Performance Contracting. The extended program to counties has so far resulted in 3 counties submitting their compliance report.

- c) The NGEC is the secretariat of the Africa Working group on gender and climate change (AWGGCC). In September 2016, NGEC partnered with the African group of negotiators (AGN) to host a pre-conference of parties (COP) 22 meeting in Nairobi in preparation of submissions of Kenya indicators and work program on gender and climate change. The commission further co-facilitated negotiations of the gender text to the Paris Agreement during the first session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA1) in Morocco upon the full commencement of the Paris Agreement on 4th November 2016. The negotiated text was adopted and is now part of the articles for ratification.
- d) In partnership with the National Cohesion and Integration Commission, and Public Service Commission, NGEC completed a review and discussed innovative approaches to entrenching principles of equality and inclusion in the county service boards. The program is targeting County Public service boards (CPSB) and will be extended to the county assembly service boards.
- e) The Commission has rolled out to five counties a county gender responsive budgeting program. The pilot program begun with development of gender responsible budgeting guidelines and will be replicated in the next five months in 10 more counties.
- f) With technical support from the UN Indigenous people's forum, the parliament, executive, and the constitutional commissions, NGEC hosted the second sessions on emerging issues of minority and marginalized counties and groups including indigenous peoples. The session seeks to inform host communities, indigenous peoples and policy makers of the UN Declaration Rights of Indigenous Peoples. The session was preceded by buildup interventions on investigations on violations rights of small communities as well as forest communities on registration, receipt of national identity cards, dwellings/habitation
- g) Joined National Land Commission, the Kenya Water Resources Management Authority, Kenya Water Towers Agency, Kenya Forest Service for a national dialogue with Indigenous Forest Dwelling communities on their integration into the development agenda including in the mega power projects, protection and maintenance of forests
- h) Finalized the Sexual Gender Based Violence Information System available for use. The data module initial use will be in the multi-sectoral Humanitarian Contingency plan 2016 established for the 2017 general elections and in the general UNDAF program.
- i) Facilitated development of county model legislation and policy framework for sexual gender based violence for domestication by the counties. The commission has also facilitated 6 counties in developing persons with disability bill that are sensitive and specific to preservation of rights of PWD. Further supported legislators in profiling amendments to the sexual offences act 2006.

- j) Together with registrar of political parties developed a gender check lists for political party governance structures and for use in the political party nomination processes to aid parties comply with the principles of equality and inclusion in the 2017 elections. The commission is currently working with IEBC in the strengthening of the IEBC rules and regulations to effectively implement art 90 of the constitution.
- k) The Commission has embarked on development of a handbook for legislators at the National Assembly, Senate and County Assemblies on equality and inclusion principles in legislation function. The guide will be first applied in the new 2017 legislatures.
- l) Issued 8 advisories to different arms of government on equality and inclusion. For example: Cabinet secretary for health on withdrawal of the Standards and Guidelines for Reducing Morbidity and Mortality from Unsafe Abortion in Kenya and Training Curriculum for the Management of Unintended, Risky and Unplanned Pregnancies; presidency, parliament, AG on anticipated constitutional crises on two thirds gender principle, revoke requirement of medical fees before registration of PWDs, Judicial service commission on recruitment of supreme court judges, submissions to the joint select committee on IEBC.
- m) Public litigation in 5 key matters. Non-compliance with two thirds, matter against Judicial service commission, transgender matter in respect to recognition of the third gender, forced sterilization of HIV infected women,
- n) Successfully facilitated 6 sessions that contributed to the negotiations and texts for the second High Level Meeting Nairobi 2016 on global partnership for effective development cooperation. The commissions intervened on gender related indicators, official country results on gender equality, health in respect to maternal and child health interventions, accountability mechanisms.

Challenges:

- **High demand for public litigation on discrimination on matters of ECOSOC rights and inequities that outstrips our capacities.** The commission receives numerous complaints from private and public sectors, and citizens on uni-dimensional and multiple forms of discrimination particularly on housing, education, disability and employment.
- **Budget cautions issued by Treasury** that affects our programming particularly on compliance with regional and international treaties and conventions (foreign travel), access to hard-to reach populations (domestic travel), and outreach community based programs. This affects the most critical performance earmarked for the current and next year on public education, monitoring of elections.
- **Database:** The commission commenced establishing a robust database on equality and inclusion in 2014. The funding was only adequate to install basic infrastructure and systems assessment. They lack adequate funding for the implementation of the database.

OBSERVATIONS AND RECOMMENDATIONS FOR VARIOUS STATE DEPARTMENTS

SOCIAL PROTECTION

1. The Ministry's implementation status of projects and programmes for the half-year allocation was at eighty per cent.
2. Total amount required to pay the current 353,000 cash transfers beneficiaries to OVCs is Kshs. 9,572 Million while the proposed allocation in 2017/18 is Kshs.8,297 Million leading to a deficit of Kshs.1,275 Million to cover the existing GOK beneficiaries and enable GOK to take up 40,000 beneficiaries supported by DFID. The government is required to take over funding for these beneficiaries upon the expiry of the funding period by the development partners at the end of the 2016/17 Financial Year.
3. In the 2015/16 FY, the Ministry with support from the World Bank recruited 210 Social Development Officers on contract terms for a one-year period. This was in recognition of the inadequate staff available in the Ministry to implement the Cash Transfer Programmes. The contract period for the officers is expected to lapse in February, 2017. There is need for the officers to be retained to enhance implementation of the Programme. The Ministry will therefore require KShs.40.6 million for the officers' personal emoluments for five months during the 2016/17 Financial Year and an additional KShs.97.4 million for the 2017/18 Financial Year.
4. No scaling up of the Cash Transfer Programmes in the current Financial Year and the ministry retained the existing formula of seventy per cent on poverty level and thirty per cent across all constituencies.
5. The Ministry suspended all projects that can't be completed by the end of the 2016/17 Financial Year as part of rationalization and austerity measures the Government has put in place.
6. The State Department of Social Protection had pending bills amounting to Kshs. 226,206,543 in 2015/16 Financial Year. Pending bills of Kshs. 26,706,543 have been paid and the balance of Kshs. 200,000,000 in relation to Presidential bursary will be paid once the revised estimates are approved by Parliament.

CONCLUSION

The BPS ceiling for the State Department of Social Protection be enhanced by **Kshs.1,275 Billion** to cover the existing GOK beneficiaries and enable GOK to take up 40,000 beneficiaries supported by DFID. The government is required to take over funding for these beneficiaries upon the expiry of the funding period by the development partners at the end of the 2016/17 Financial Year.

LABOUR

The 2017/18 GOK Development Budget for the State Department of Labour has been reduced by half from **Kshs. 477.2 Million** to **Kshs. 238.6Million** as part of the rationalization of the 2017/18 Development budget as contained in the Treasury Circular

ES 1/03'K' (71) dated 30th November, 2016. This is likely to affect the implementation of the already contracted projects.

CONCLUSION

The BPS ceilings to be increased to enable the State Department achieve its mandate.

YOUTH AFFAIRS AND PUBLIC SERVICE

The state Department has been allocated 7,632 billion for recurrent expenditure and 10,912 billion for development in the 1017/2018 financial year.

CONCLUSION

The BPS ceilings to be increased to enable the State Department achieve its mandate.

GENDER

In the financial year 2017/2018, the resource allocation for current expenditures and capital projects amounts to Kshs 1,142.7 million and Kshs 3,430 million respectively. While the allocation for recurrent and development for F/Y 2016/2017 is Kshs 1,125 million and Kshs. 3,430 million respectively. Development allocations didn't change.

CONCLUSION

The BPS ceilings to be increased to enable the State Department achieve its mandate.

SPORTS DEVELOPMENT

The State Department requested for Ksh 22.061 Billion in the FY 2017/18 but only allocated Kshs. 3.648 Billion thus a budget shortfall for the 2017/18 FY is Ksh 18.4 Billion. This implies that much of the planned activities for the State Department would not be undertaken as envisaged including both ongoing and new projects.

CONCLUSION

The BPS ceilings to be increased to enable the State Department achieve its mandate.

ARTS AND CULTURE

1. The State Department had a gross allocation of Kshs. 3.6 billion during the printed estimates; Kshs. 2.7 billion in recurrent and 0.9 billion in development.
2. As per the National Treasury circular to MDAs, Kshs. 167Million was realigned in development budget to cater for the completion of critical ongoing projects and the settlement of pending bills. This reduced the development budget to Kshs. 819 million.

3. In the Revised Estimates, the development budget ceiling has further been reduced to Kshs. 495.8 million. This will severely constrain the ability of the State Department to implement its capital projects. A detailed analysis of the impact of this action is provided in later sections of this report.
4. In the recurrent budget, the State Department was seriously underfunded. In response to this, the State Department has been added Kshs. 185 million which will cater for purchase of vehicles, settlement of pending bills and operationalization of critical activities.

CONCLUSION

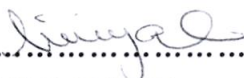
The BPS ceilings to be increased to enable the State Department achieve its mandate.

NATIONAL GENDER AND EQUALITY COMMISSION

1. **High demand for public litigation on discrimination on matters of ECOSOC rights and inequities that outstrips our capacities.** The commission receives numerous complaints from private and public sectors, and citizens on uni-dimensional and multiple forms of discrimination particularly on housing, education, disability and employment.
2. **Budget cautions issued by Treasury** that affects our programming particularly on compliance with regional and international treaties and conventions (foreign travel), access to hard-to reach populations (domestic travel), and outreach community based programs. This affects the most critical performance earmarked for the current and next year on public education, monitoring of elections.
3. **Database:** The commission commenced establishing a robust database on equality and inclusion in 2014. The funding was only adequate to install basic infrastructure and systems assessment. They lack adequate funding for the implementation of the database.

CONCLUSION

The BPS ceilings to be increased to enable the Commission achieve its mandate.

SIGNATURE..........DATE.....14/12/2016.....

HON. TIYAH GALGALO ALI, MP

VICE CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

11

PARLIAMENT OF KENYA



NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT - FOURTH SESSION

DEPARTMENTAL COMMITTEE ON LANDS

REPORT ON THE BUDGET POLICY STATEMENT FOR THE MINISTRY OF LANDS & PHYSICAL
PLANNING AND THE NATIONAL LANDS COMMISSION

2017/2018

DECEMBER, 2016

Content

1. Introduction
2. Presentation by Parliamentary Budget Office.
3. Submission by the Ministry of Lands and Physical planning.
4. Submission by the National Land Commission.
5. Committee Observations
6. Recommendations
7. List of Appendixes

Appendix 1; Brief from the Budget office.

Appendix 2: Brief from the Ministry of Lands and physical planning.

Appendix 3: Brief from the National Lands Commission

CHAIRMAN'S FORWARD

The Committee held two meetings to deliberate on the issue of the Budget Policy Statement and was briefed by the Parliamentary Budget office. Further, the Committee met with the Cabinet Secretary, Ministry of Ministry of Lands & Physical Planning and the Chairman, National Lands Commission. The two government agencies tabled their submissions as attached in appendix.

EXECUTIVE SUMMARY

The second schedule of the Standing Orders for National Assembly mandates the Departmental Committee on Lands, to consider matters relating to Lands and Settlement. It is according to this provision that this Committee is now mandated to scrutinize the Budget Policy Statement for the Ministry of Lands & Physical Planning and the National Lands Commission for the 2017/18 FY.

Mandate of the Committee

The Departmental Committee on Lands was constituted on 16th May, 2013 pursuant to the provisions of Standing Order 216 (1) and (5) of the National Assembly.

The functions and mandate as outlined in the Standing Orders are;

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

The Committee oversees the operations of the Ministry of Lands, Housing and Urban Development on the following matters: Land Policy and Physical Planning, Land Transactions, Survey and Mapping, Land Adjudication, Settlement, Land registration, Land Valuation, Administration of community and Public Land, and Land Information and Management System.

1.1 Committee Membership

The Hon. Alex Mwiru, M.P - Chairman

The Hon. Moses Ole Sakuda, M.P. -Vice
Chairman

The Hon. George Oner, MP

The Hon. Mathew L. Lempurkel, MP

The Hon. Rev. Mutava Musyimi, MP

The Hon. John Kihagi, MP

The Hon. Francis W. Nderitu, MP

The Hon. Eusilah J. Ngeny, MP

The Hon. Raymond K. Moi, MP

The Hon. Hellen Chepkwony, MP

The Hon. Sarah Korere, MP

The Hon. Benson Mbai, MP

The Hon. Kanini Kega, MP

The Hon. Omar Mwinyi, MP

The Hon. Suleiman Dori, MP

The Hon. Patrick King'ola, MP

The Hon. Shakila Abdallah, MP

The Hon. Dr. Paul Otuoma, MP

The Hon. Thomas Mwadeghu, MP

The Hon. Ali A. Shariif, MP

The Hon. Francis Njenga, MP

The Hon. Hezron Awiti Bollo, MP

The Hon. Benard Bett, MP

The Hon. Esther Murugi, MP

The Hon. Joseph Magwanga, MP

The Hon. Onesmus Ngunjiri, MP

The Hon. Julius Ndegwa, MP

Secretariat

First Clerk Assistant - Mr. James Ginono

Third Clerk Assistant - Mr. Joshua Ondari

Third Clerk Assistant – Mr. Emmanuel Muyodi

Fiscal Analyst III - Mr. Jonathan Lemurt

1. INTRODUCTION

The Budget Policy Statement is a policy document that sets out the overarching policy goals that will guide the annual budget for 2017/18 and the medium term. The BPS 2017/18 is the fourth prepared under the second medium term plan (MTP II) of the Kenya vision 2030 and it provides a transition between the MTP II (2013-2017) and the MTP III (2018-2022). It is thus implied that the committee recommendations in accordance with the Public Finance Management Act, 2012 shall lay a baseline for the preparation of the land sector priorities in the MTP III.

2. PRESENTATION BY PARLIAMENTARY BUDGET OFFICE

Following presentation from the Parliamentary Budget Office, the committee noted the following, that;

- 2.2 The overall ceiling for the ministry of lands and physical planning is proposed to be KShs 6,136.6 million which is an increase by KShs.106.5 million compared to the approved budget for financial year 2016/17.
- 2.3 In the total ceiling, current expenditure is proposed to be Kshs. 2,344.6 million while capital expenditure is proposed to be Kshs.3, 792.0 million.
- 2.4 In the previous three years, the ministry was able to meet several of its targets despite a not so good performance in some. For example, the target to construct land registries has not been achieved in the three years.
- 2.5 The reporting format of some of the targets in the ministry has not been consistent over the years. In some years, the ministry indicates percentages while in some years it uses absolute figures. This leads to difficulty in comparing achievements across several years.
- 2.6 The ministry targets are not significantly changing as compared to those of financial year 2016/17.
- 2.7 A comparison between the resource requirements and the allocation for the three years shows a considerable difference. In the financial year 2014/15 the land policy and

planning program was allocated 47% of the budget requirement with 82% and 54 % in the subsequent two years respectively.

- 2.8 With regard to the National Land Commission the PBO presented that, the overall proposed ceiling is KShs. 1,802 million (Kshs.1502 million for *current expenditure* and KShs.300 million for capital expenditure) an increase by KShs.367.5 million compared to the approved allocation for year 2016/17.
- 2.9 In 2014/15 the allocation to the commission was 3% of the requirement while in 2015/16 and 2016/17 it was 42% and 21% respectively. This indicates a not clear trend in the relationship between requirement and allocation
- 2.10 The National Land Commission reporting on achievements and targets has not also been very clear in the last three years and therefore affects comparison of the achievements and targets across financial years.
- 2.11 The commission targets are not significantly changing as compared to those for financial year 2016/17.

3. SUBMISSION BY THE MINISTRY OF LANDS

From the Ministry's submission, the committee noted that; -

- 3.1 The ministry projects a shortfall of KShs.3, 860 million if the proposed ceiling is approved as indicated in the Budget Policy Statement.
- 3.2 According to the ministry, the shortfall shall greatly affect achievement of the various targets for the financial year 2017/18 which includes; settlement of the landless, re-organization and renovation of land registries and geo-referencing of land parcels into national titling register.
- 3.3 The ministry's pending bills for year 2015/16 amounted to KShs.2, 955,362,146 and will affect implementation of projects for year 2017/18 and this shall affect achievement of its targets.

4. SUBMISSION BY THE NATIONAL LAND COMMISSION

From the submission by National Land Commission the committee noted that; -

- 4.1 The commission budget requirement for the 2017/18 is KShs.9083 million against the proposed ceiling of KShs1,802 million.
- 4.2 The shortfall shall greatly affect achievement of the commission targets which include;
- the public institution land titling activities, land use and advisory activities and land conflict resolution.
- 4.3 The commission requires KShs. 250 million to fund the historical injustice program defined in the land laws (amendment) Act of 2016.
- 4.4 In the year 2015/16 the commission had pending bills amounting to KShs.188.1 million which shall further curtail its performance.

5. COMMITTEE OBSERVATIONS

- 5.1 The committee notes the Ministry of Lands and Physical Planning policy on settling the landless is not adequately funded and the shortfall is about KShs.1 billion despite it being a critical function.
- 5.2 The committee further notes that the Budget policy statement does not give priority in the issue of historical land injustice despite the enactment of the Land Laws Amendment Act ,2016 that mandated the National Land Commission to undertake the same.

6. COMMITTEE RECOMMENDATIONS;

Upon deliberations on the observations, the Committee made the following recommendations:
THAT; -

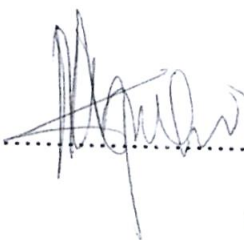
- 6.1 The proposed ceiling for the Ministry of lands is increased to KShs. 7,222.6 from KShs. 6,136.6 million as indicated in the Budget policy statement. In the additional amount, KShs.1 billion to be allocated in the estimates towards settlement of the landless and the remaining KShs.86 million towards construction of land registries.
- 6.2 The proposed ceiling for the National land commission is increased to KShs 2,052 from KShs. 1,802 as indicated in the BPS. The additional KShs.250 million to be allocated in the estimates to fund the historical land injustice mandate as envisaged in the Land Laws Amendment Act,2016.

Summary of proposed changes

PROGRAM	BPS CEILLIN G (KShs. millions)	REQUIREMEN T (KShs.millions)	SHORTFAL L (Kshs. millions)	COMMITTEE RECOMMENDATIO N	NEW CEILLING (KShs.millions)
MINISTRY OF LANDS AND PHYSICAL PLANNING	6,136.6	9,996.6	3,860	Increase the ceiling by Kshs1,086 million.	7,222.6
NATIONAL LAND COMMISSIO N	1,802	9,083	7,281	Increase the ceiling by Kshs.250 million.	2,052

- 6.3 The Ministry of Lands and Physical Planning prioritizes more on settling the landless and the construction of the targeted land registries.
- 6.4 The National Land Commission prioritize on land dispute resolutions in the areas most affected as evident by the so many land petitions before the committee.
- 6.5 Both the Ministry of Lands and Physical Planning and the National Land Commission adopts a clear reporting on their achievements and targets in the future, particularly, in the 2017/18' budget estimates.

SIGNED



CHAIRPERSON

(HON. ALEX M. MWIRU, MP)

DEPARTMENTAL COMMITTEE ON LANDS

DATE

13th Dec. 2016



REPUBLIC OF KENYA

NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FOURTH SESSION, 2016

**REPORT OF THE DEPARTMENTAL COMMITTEE
ON TRANSPORT, PUBLIC WORKS AND HOUSING ON THE CONSIDERATION OF
THE BUDGET POLICY STATEMENT FOR THE YEAR 2017 FOR THE FOLLOWING
VOTES:**

**VOTE 143 STATE DEPARTMENT OF INFRASTRUCTURE
VOTE 144 STATE DEPARTMENT OF TRANSPORT
VOTE 1094 STATE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
VOTE STATE DEPARTMENT OF PUBLIC WORKS
VOTE STATE DEPARTMENT OF MARITIME AND SHIPPING AFFAIRS**

**CLERK'S CHAMBERS
NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI**

DECEMBER, 2016

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1.0 PREFACE

1.1 Mandate of the Committee

The Departmental Committee on Transport, Public Works and Housing derives its mandate from provisions of Standing Order No. 216(5) which defines functions of the Committee as being:

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

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider:-

- a) Transport
- b) Roads
- c) Public works
- d) Construction and maintenance of roads, rails and buildings
- e) Air and seaports
- f) Housing

1.2 Oversight

The Committee oversees the Ministry of Transport, Infrastructure, Housing and Urban Development which comprises of the following State Departments and Directorates;

- ✓ State Department of Transport
- ✓ State Department of Infrastructure
- ✓ The Directorate of Housing and Urban Development
- ✓ State Department of Public Works
- ✓ State Department of Maritime Affairs

1.3 Committee Composition

The Parliamentary Departmental Committee on Transport, Public Works and Housing was constituted on 20th May, 2013 and its membership is as follows:-

1. The Hon. Maina Kamanda, M.P. – **(Chairperson)**
2. The Hon. Eng. Mahamud Maalim, M.P. – **(Vice Chairperson)**
3. The Hon. Eng. Stephen Ngare, M.P.
4. The Hon. Ali Wario, M.P.
5. The Hon. Arch. David Kiaraho, M.P.
6. The Hon. Cecily Mbarire, M.P.
7. The Hon. Capt. Clement Wambugu, M.P.
8. The Hon. Eng. John Kiragu, M.P.
9. The Hon. Gideon Konchella, M.P.
10. The Hon. Barchilei Kipruto, M.P.
11. The Hon. Mark Lomunokol, M.P.
12. The Hon. Grace Kipchoim, M.P.
13. The Hon. Mathias Robi, M.P.
14. The Hon. Joseph Lomwa, M.P.
15. The Hon. Peter Shehe, M.P.
16. The Hon. Stephen Manoti, M.P.
17. The Hon. Emmanuel Wangwe, M.P.
18. The Hon. K.K. Stephen Kinyanjui Mburu, M.P.
19. The Hon. Suleiman Dori, M.P.
20. The Hon. Rashid Juma Bedzimba, M.P.
21. The Hon. Simon Nyaundi Ogari, M.P.
22. The Hon. Johnson Many Naicca, M.P.
23. The Hon. Mishi Juma, M.P.
24. The Hon. Aduma Owuor, M.P.
25. The Hon. Edick O. Anyanga, M.P.
26. The Hon. Omar Mwinyi, M.P.
27. The Hon. Ahmed Abbas Ibrahim, M.P.
28. The Hon. Omulele Christopher, M.P.
29. The Hon. Mukwe James Lusweti, M.P.

2.0 INTRODUCTION

2.1 Tabling of the Budget Policy Statement

The Budget Policy Statement 2016 was tabled in the House on Thursday 24th November, 2016 and thereafter referred to the various Departmental Committees for consideration and subsequently make reports to the Budget and Appropriations Committee.

On Thursday, 1st December, 2016, the Committee received a brief from the Parliamentary Budget Office (PBO). This was aimed at informing Members of the Committee on the proposed budgetary ceilings for the various State Departments falling within its purview. Thereafter the Committee called for meetings on 6th and 8th November, 2016 to consider the Budget Policy Statement 2017 in respect to the Ministry of Transport, Infrastructure, Housing and Urban Development.

2.2 Background

2.2.1 Overview and purpose of the Budget Policy Statement (BPS)

The Budget Policy Statement (BPS) is a document that sets out broad strategic priorities and policy goals that are intended to guide the national and county governments in preparing their budgets for the financial year and the medium term. It is prepared and published in accordance with Section 25 of the Public Finance Management Act, 2012.

Under the Budget Policy Statement, the National Treasury is required to include the following-

- ✓ An assessment of the current state of the economy and the financial outlook over the medium term, including macro-economic forecasts;
- ✓ The financial outlook with respect to Government revenues, expenditures and borrowing for the next financial year and over the medium term;
- ✓ The proposed expenditure limits for the national government, including those of Parliament and the Judiciary and indicating transfers to county governments;
- ✓ The fiscal responsibility principles and financial objectives over the medium term including limits on total annual debt.

The 2017 BPS is the 9th Budget Policy Statement to be tabled in Parliament and the fifth under the Public Finance Management Act, 2012 and is intended to outline the broad strategic microeconomic issues and medium term fiscal framework, together the summary of government spending plans, as a basis of the FY 2017/18 budget.

The submission and processing of the BPS by the National Assembly is anchored in Standing Order 232. The Standing Order requires the BPS to indicate total resources to be allocated to individual programs and projects within a sector and indicate the outputs expected from each such program or project during the period.

Further in Standing Order 232 (4), upon being laid in the House, the Committee is to deliberate on the BPS according to the mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly.

3.0 SUBMISSIONS

3.1 Presentation by the Parliamentary Budget Office

3.1.1 Highlights of the Budget Policy Statement For 2017

A. Vision 2030 Outline

i.) Infrastructure

The Medium Term Plan 2 (MTP2) projects followed the theme of “Deploying World Class Infrastructure Facilities and Services”. The aim was to gradually close Kenya’s “infrastructure deficit” in order to create Efficient, accessible and reliable infrastructure is an enabler for sustained economic growth, development and poverty reduction.

During the period the strategies for improvement of infrastructure both at national and county governments include through strengthening of the institutional framework for infrastructure development; operationalizing the Public Private Partnership (PPP) legislation to encourage private investment in public projects. As such there was to be established the Kenya Development Bank to provide finances to the private sector for investment in infrastructure development however this was not achieved.

The second MTP2 intended to build upon key achievement of the first MTP1 such as:

- ✓ Expansion and modernization of Aviation facilities at Jomo Kenyatta International Airport, Kisumu International Airport and selected airstrips countrywide;
- ✓ Improvement of Shipping and Maritime Facilities that includes dredging and widening of Mombasa Port and the development of Berth No.19
- ✓ Improvement of Railway Transport Systems that includes the upgrading of the Commuter Core System, completion of JKIA Commuter Rail Phase I, the construction of a railway station at Syokimau and completion of preliminary designs for Mombasa - Malaba / standard Gauge Rail
- ✓ Road Expansion Program which consisted of 2,200 km of roads constructed, 1,863km rehabilitated/reconstructed, 2,649km on periodic maintenance and 236,603km routine maintenance.
- ✓ The completion of Nairobi-Thika super-highway, Northern Corridor Transport Improvement Project (NCTIP)
- ✓ Decongestion of cities, towns and urban centers
- ✓ Construction of Nairobi missing links
- ✓ Improvement of rural accessibility through the Roads 2000 Program

B. The role of the sector in overall growth strategy

The transport and infrastructure sector forms the backbone sector for the country for investment in transport infrastructure such as roads, rail and water transport. Infrastructure is the linkage between sectors and facilitates the movement of labor, efficiency in services and production of goods. In addition this has been one the leading sectors that have encouraged the flow of foreign direct investment in the country owing to ongoing capital infrastructural projects.

In this sense the Medium Term Plan II envisioned transport and infrastructure sector as the sector that would lead the country into achieving the development projects of the period. The MTP2 envisioned the establishment of efficient accessible and reliable infrastructure for sustained economic growth and development and poverty reduction.

The aim was improving infrastructure both at the county level and national level and aimed at employing strategies such as; Public private partnerships, establishing a Kenya development

bank to provide finances to the private sector for investment in infrastructure development, regular maintenance of infrastructure facilities, and the raising the rate of implementation of projects.

As for the financial year 2015, the transport sector is the 3rd largest contributor of GDP after agriculture and manufacturing by contributing up to 8.4% of GDP KSh. 521.7 billion to the 6.2 trillion GDP. For the sector itself, land transport that accounts for up to 75% of the total sector contribution to GDP for 2015.

Table 1: Contribution to Transport sector to GDP

<u>NOMINAL</u>	<u>2011</u>	<u>2012</u>	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>
Transport & Storage	265,995	339,525	377,210	465,383	521,699
Land Transport	186,939	254,371	286,033	351,608	388,741
Air Transport (including support services)	15,314	15,220	17,444	18,334	18,853
All other transport including postal & courier activities	63,742	69,934	73,733	95,441	114,105
TOTAL GDP	3,725,918	4,261,151	4,745,439	5,398,020	6,224,3

Source: KNBS 2016

This sector's contribution has grown from contributing 266 billion in 2011 to contributing 521.7 billion in 2015. This represents a growth of 96% with an estimate annual growth rate between 16% - 19%.

C. Highlighted Projects for 2016/17

Under vision 2030, infrastructure is sighted as a foundation of national transformation. It falls under the third thematic pillar of Budget Policy Statement, 2016. For this reason, the Government's strategy for economy transformation prioritizes investment in infrastructure aimed at reducing cost of doing business, enhancing competitiveness and transforming Kenya

into a logistics hub for Eastern Africa. For the 2016/17 budget policy statement highlighted the following areas for development in the financial year:

i.) Railway

- As indicated in the BPS, the construction of the Standard Gauge Railway (SGR) from Mombasa to Nairobi is ahead of schedule and 60% complete and expected to be completed in mid-2017 and the process of obtaining funding for the extension of the SGR from Nairobi to Naivasha has begun.
- The government is to implement a program to upgrade and modernize urban commuter mass transit system through public private partnership

ii.) Roads

- By February 2016 BPS, a total of 1,039 km of new roads have been constructed, 799 km rehabilitated, 194,981 and 3,615.8 under routine and periodic maintenance respectively. In addition the design of 1,068 km and construction of 30 bridges have been completed.
- Other major projects ongoing include Northern Corridor Transport Improvement Project (NCTIP), improvement of roads in cities and urban areas and rehabilitation of access roads.
- the government has also embarked on the construction 3,800 of low volume seal roads to open up rural areas and farmlands
- On Decongestion of cities and urban areas; the government will continue the expansion of major roads i.e. Outrigger Road, and form partnership with Nairobi City in fast tracking the realization of Nairobi Metropolitan Mass Rapid Transport System and the implementation of the Metropolitan Transport Authority Bill
- Construction of the East African Road Network (Voi-Mwatate-Wundanyi and Malindi-Mombasa-Lunga-Lunga road sections), construction of Kisumu-Kakamega road and the construction of the 600 KM South-Sudan link road

iii.) Marine Transport

- The second container terminal is expected to be completed in 2016 and when combined the single window system and other related systems, it is expected to facilitate efficient and competitive clearance of cargo at the Port of Mombasa.
- The government is expected to upscale its investment in associated infrastructure facilities, including further dredging of the port and construction of the road networks around and out of the port.

- The implementation of the first phase of the Lamu Port & Southern Sudan- Ethiopia Transport (LAPSSET) corridor project has begun. The implementation of the infrastructure activities i.e. roads, railways etc. will begin in the course of the MTEF.

iv.) Air Transport

- 5 airstrips (Nanyuki, Ikanga, Lodwar, Embu & Malindi) have so far been rehabilitated, Isiolo and Kisumu airports have been expanded and modernized.
- Modernization of airports is set to continue with the commissioning of a new terminal 1E at JKAI, and commence of a 2nd runway for completion by end of 2018.

D. Auditor General Report 2014/15

i. Value for money

Several Auditor General Reports have indicated that since FY 2014/15 the ministry had deemed to have spent a total of KSh. 65.3 million of which was deemed as unsupported expenditure, excess expenditure, management of imprest and lack of value for money among others.

Table 2: Concerns raised by the Auditor General in the Report of 2012/14 - 2014/15

Concerns	2012-14	2013-14	2014-15
Unsupported Expenditure	21,707,104	22,050,510,900	65,304,288
<i>State department of transport - mechanical & transport fund</i>	-	-	22,589,200
<i>Value for money / Effectiveness observations (SD of infrastructure)</i>	-	-	42,715,088
Excess Expenditure	21,610,821	77,153,720	-
Management of Imprest	-	2,666,886	-
Total	43,317,925	22,130,331,506	65,304,288

Source: Auditor General Reports

ii. Pending Bills

Report for the FY 2014/15 by the auditor general for the year ending June 2015 indicated that the State Departments for Infrastructure and Transport did not settle bills amounting to KSh. 2.497 billion of which broken down to KSh. 87.9 million and KSh. 2.41 billion for state departments for infrastructure and transport respectively. This does not match the pending bills report published by the ministry by the end of the financial year 2014/15.

Table 3: Pending Bills for the Financial Year 2014/15

State Department	Recurrent	Development	Total
Infrastructure	57,651,140	30,265,963	87,917,103
Transport	-	2,408,879,265	2,408,879,265
Ministerial total	57,651,140	2,439,145,228	2,496,796,368

Source: Auditor General

iii. Emerging Issues and Challenges

Emerging issues that slowed down further infrastructure development include concerns over the length of future planning and consultative processes, inadequate funding, contracting disputes and low/poor maintenance of key projects. In addition to the above, the sub-sector specific challenges include:

- ✓ **Aviation:** Lack of adequate and skilled flight safety inspectors; rapid technological changes in equipment for the provision of Air Navigation Services;
- ✓ **Shipping and Maritime:** lengthy customs and documentation procedures; lack of electronic cargo tracking system and non-tariff barriers; multiple weighbridges; lack of training vessel to offer sea time to trainees;
- ✓ **Railway:** huge capital outlay required to construct standard gauge railway line and commuter rail services, inadequate trained engineers, encroachment of railway lines, and aging wagons;
- ✓ **Roads:** Congestion in Cities and Urban areas, lack of harmonization of cross-border transport regulation and operational procedures, rapid urbanization and increased traffic volume, lack of specific standards and capacity for devolved county roads, huge maintenance backlog of the road network, weak enforcement of axle load rules and regulations, high cost/delays in relocation of utilities and services along and across road reserves, and high cost of road construction;
- ✓ **Lack of financial commitments for strategic projects;** this has arisen from major infrastructural projects such as the LAPPSET project that did not begin till after two years after initiation other such as the Nairobi Metropolitan Railway System remain unfunded. Other projects such as the Greenfield Project at the Jomo Kenyatta International Airport had to be cancelled.

- ✓ **Legislation;** it has been noted that legislation on the distribution of roads between counties and the national government has been long overdue. Lack of clarification has previously resulted in the court cases that delayed the process.
- ✓ **Absorption rates:** whilst absorption rates within the infrastructure(Roads) sector has remained fairly above 80%, the absorption rates below 60%. This implies that the allocated fund, which are major component of the nation's foreign borrowing component are not utilized efficiently nor effectively.

Other Challenges:

- ✓ The challenges faced by the Ministry include vandalism of infrastructural facilities; encroachment of infrastructure way-leaves; lengthy procurement procedures and litigations, huge maintenance backlog; high cost/delays in relocation of utilities and services; lack of adequate local construction capacity among others.

3.1.2 Ceilings FY 2017/18

i. Revenue Projections

The FY 2017/18 budget targets revenue collection including AIA worth KSh. 1.706 trillion (equivalent to 20.6% of GDP) from KSh. 1.5 trillion indicating a growth of 187 billion or 12%. This performance will be underpinned by on-going reforms in tax policy and revenue administration through automation and interagency collaboration and connectivity. The government will also complete the review of the income tax law to modernize it and align it to international best practices.

ii. Expenditure performance

The total expenditure and net lending for the FY 2017/18 is projected at KSh. 2.288 trillion up from estimated KSh. 2.07 trillion in FY 2016/17 representing an increase of KSh. 221 billion or 11%. Of this the recurrent expenditure will amount to KSh. 1.34 trillion which is an increase of KSh. 152.5 billion or 13% from the KSh. 1.19 trillion for the FY 2016/17. The development expenditure on the other hand will amount to KSh. 640.6 billion for FY 2017/18 compared to

KSh. 591 billion for 2016/17 of which most outlays are expected to support critical infrastructure projects.

Table 4: Government Fiscal Operations Summary FY 2017/18

	<u>2014</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Total Revenue	1,108	1,238	1,519	1,706	1,903	2,158
Ordinary revenue (Tax & Duty)	1,032	1,158	1,375	1,549	1,767	2,014
Railway Development Levy	19	17	19	21	24	27
Ministerial & departmental Fees (AIA)	57	62	125	135	112	117
Expenditure & Net lending	1,640	1,782	2,067	2,288	2,428	2,642
Recurrent Expenditure	895	1,028	1,187	1,339	1,386	1,505
Development & Net lending	511	485	591	640	709	778
Contingency fund	5	5	5	5	5	5
County allocation	229	264	285	304	329	355
Fiscal Balance	(532)	(544)	(548)	(582)	(525)	(485)

Source: BPS 2017

iii. Deficit Financing

Reflecting the expenditures and revenues the fiscal deficit is projected to be KSh. 582.4 billion in FY 2017/18 against the KSh. 548.3 billion deficit reflected in FY 2016/17. The deficit will be financed by net external financing of KSh. 221.1 billion and KSh.320.7 billion in domestic borrowing.

E. Budgetary allocations per Governing body

Excluding allocations to county governments, FY 2017/18 will see three arms of government (Parliament, the Judiciary and the national Government) share approximately KSh. 1.599 trillion budget. This is a fall from the KSh. 1.63 trillion allocated to the three arms in the FY 2016/17 and is as a result of a 5% fall in budgetary allocation to the national government and a 2% fall in the budgetary allocations to Parliament the allocation to the Judiciary is set to go up marginally.

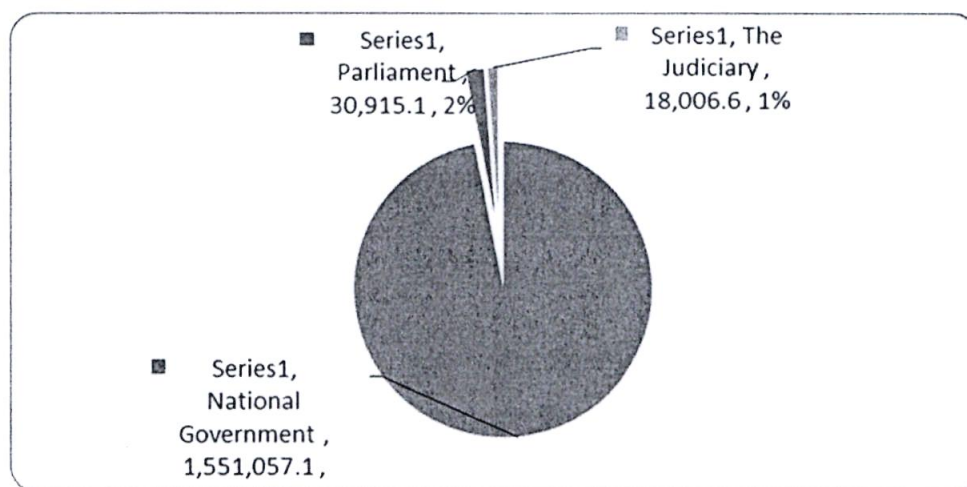
Table 5: Summary budgetary allocations for the FY 2017/18 – 2019/20 (KSh Millions)

Detail	2016/17	2017/18	2018/19	2019/20
National Government	1,628,448.9	1,551,057.1	1,676,069.2	1,735,731.4
Parliament	31,480.0	30,915.1	31,693.5	32,646.1
The Judiciary	17,758.5	18,006.6	19,372.9	20,430.3
Total Allocation	1,677,687.4	1,599,978.8	1,727,135.6	1,788,807.8

Source: Budget Policy Statement, 2017

The National government will receive the largest share worth KSh. 1.55 trillion (97%) while parliament and The Judiciary are set to receive KSh. 30.9 billion (2%) and KSh. 18 billion (1%) respectively.

Figure 1: Resource allocation amongst 3 arms of government (FY 2017/18)



Source: Budget Policy Statement, 2017

F. Adherence to Fiscal Rules

The baseline ceilings for FY 2017/18 reflect the current ministerial spending levels in sector programs. In the recurrent expenditure, non-discretionary expenditures take first charge while compensation to employees will amount to approximately KSh. 365.9 billion. The share of this to national revenues is 29% compared to 29.7% and 31.6% for FY 2016/17 and 2015/16 respectively.

This therefore commits to fiscal principal stipulating that compensation to employees shall remain less than 30% of share of national revenue. Other fiscal rules adhered to is that the

National Government borrowing will be only for purposes of financing development expenditure and not utilized for recurrent expenditure.

G. Medium Term Ceilings

In allocation of the baseline estimates, the development expenditures were shared out on basis of the Medium term plan priorities and strategic interventions. The following criterion was used in apportioning capital budget:

- *Ongoing projects* - emphasis was placed on completion of ongoing capital projects and in particular infrastructure projects with high impact on poverty reduction, equity and employment creation.
- *Counterpart funds i.e.* project funded by the government to support projects financed by development partners – priority was also given to adequate allocations for donor counterpart funding
- *Strategic policy interventions* – priority was given to policy interventions covering national, regional integration, social equity etc.

Table 6: National Government sector ceilings 2017/18 – 2019/20 (KSh. Millions)

	Printed Estimates	BPS Ceiling	% Allocation	Projection	
	2016/17	2017/18		2018/19	2019/20
Agriculture, Rural & Urban Development	46,544	42,057	3%	51,225	52,629
<u>Energy, Infrastructure & ICT</u>	<u>529,163</u>	<u>426,958</u>	<u>27%</u>	<u>491,344</u>	<u>507,931</u>
<i>Rec. Gross</i>	41,946	66,466	16%	70,077	70,556
<i>Dev. Gross</i>	487,217	360,492	84%	421,267	437,375
General Economic & Commercial Affairs	23,666	18,971	1%	19,991	20,788
Health	60,270	54,906	3%	61,970	62,752
Education	339,924	372,554	23%	388,949	398,398
Governance, Justice, Law & Order	195,518	193,598	12%	189,292	195,135
Public Administration & International Relations	224,910	247,440	15%	259,997	269,085
National Security	124,045	130,205	8%	134,501	138,954
Social Protection, Culture & Recreation	44,648	43,368	3%	48,330	49,576

	Printed Estimates	BPS Ceiling	% Allocation	Projection	
	2016/17	2017/18		2018/19	2019/20
Environment Protection, Water & Natural Resources	88,999	69,922	4%	81,537	93,561
Total	1,677,687	1,599,979		1,727,136	1,788,807
Rec. Gross	857,526	959,906	60%	970,188	991,967
Dev. Gross	82,016	640,073	40%	756,948	796,841

Source: Budget Policy Statement, 2017

H. Spending on infrastructure

i. Road Network

According to the BPS so far 1194 KM of new roads have been constructed 523 KM of existing roads have been rehabilitated, and 149,604 Km of roads have been maintained. Over the medium term the strategy therefore is to expand, modernize and maintain the road transport system in order to have an effective, efficient and secure road network. In addition the BPS gives an indication plans to strengthen the institutional framework for road development and accelerate the speed of completion of road projects and stepping up road safety and regulations.

In FY 2017/18 the Government intends to the following:

- ✓ Construct 1138 Km of Low Volume seal roads to enhance connectivity,
- ✓ Construct 1768 KM of new roads
- ✓ 41 Foot bridges
- ✓ Rehabilitate 224 KM of roads
- ✓ And maintain an additional 36,225 KM of roads to facilitate movements of goods and people

Other specific projects

- ✓ Construction of missing link roads, non-motorized transport facilities and Expansion of major roads on urban areas in order to decongest major urban areas i.e. Outerring road in Nairobi, Ngong road and Mombasa road section dual carriage.
- ✓ LAPSSET: will prioritize the advancement of the LAPSSET project implementation of the first 3 berths at the port of Lamu.

ii. Rail Marine and Air transport

a. Standard Gauge Railway (SGR)

The first phase of the SGR from Mombasa to Nairobi is expected to be complete by mid – 2017 and construction works for the second Phase (Nairobi – Naivasha section – 120 KM) were launched on October 2016 with the aim of linking special industrial zones that would be established in Naivasha, as well as the Olkaria geothermal power plants.

b. Sea ports

The BPS indicates that progress has been made in reforms and modernization of the Mombasa Port especially in expansion of the container terminals and cargo handling and storage capacity therefore reducing time to clear cargo. While the first phase was completed giving capability to the port of handling 4th generation vessels of 60,000 Twenty Foot Equivalent Units (TEUs) capacity, the Kipevu OIL terminal is expected to be reallocated to a suitable location for expansion, this will involve decommissioning the terminal and construction of an off shore jetty near Dongo Kundu.

The BPS also indicates on the continued development of several commercial ports within the next 5 years, including the Lamu Mega Port, Kisumu Port as well as other smaller but highly developed ports along the coastline.

c. Air Transport

In order to entrench the country's position as an undisputable regional aviation hub the screening yard and the toll gate at the JKIA has been completed, five airstrips have been rehabilitated i.e. Nanyuki, Ikanga, Lodwar, Embu and Malindi, while the expansion and modernization of Isiolo and Kisumu airports are ongoing.

In the coming years, the BPS indicates that the Government will prioritize the expansion and modernization of airports. Work is expected to commence on the JKIA second runway for completion by 2018. Finally there are also plans to commence the expansion of the Eldoret International Airport to enable large cargo planes to land and position it as a transport hub.

I. Allocation to the Ministry of Transport, Infrastructure, Housing & Urban Development

The Ministry comprises of 4 state departments i.e. Infrastructure, Transport Public works & Urban Development. For the financial year 2017/18 the ministry is allocated KSh. 316 billion

representing a KSh. 65.5 billion or 17.2% drop in resource allocation. This is on account of reduction in the allocation to railway program under the State Department for Transport as the government embarks on the second phase of the SGR construction.

However even with the reduction the ministry's budget will still account for up to 62% of the sector allocation i.e. energy, ICT etc. worth KSh. 509.3 billion, and will account for up to 19% of the total proposed budget ceilings worth KSh. 1.7 billion. This therefore implies that the ministry forms the backbone upon which the country is to achieve long-term growth and sustainability which therefore reinforces the need to ensure the ministry achieved high absorption rates

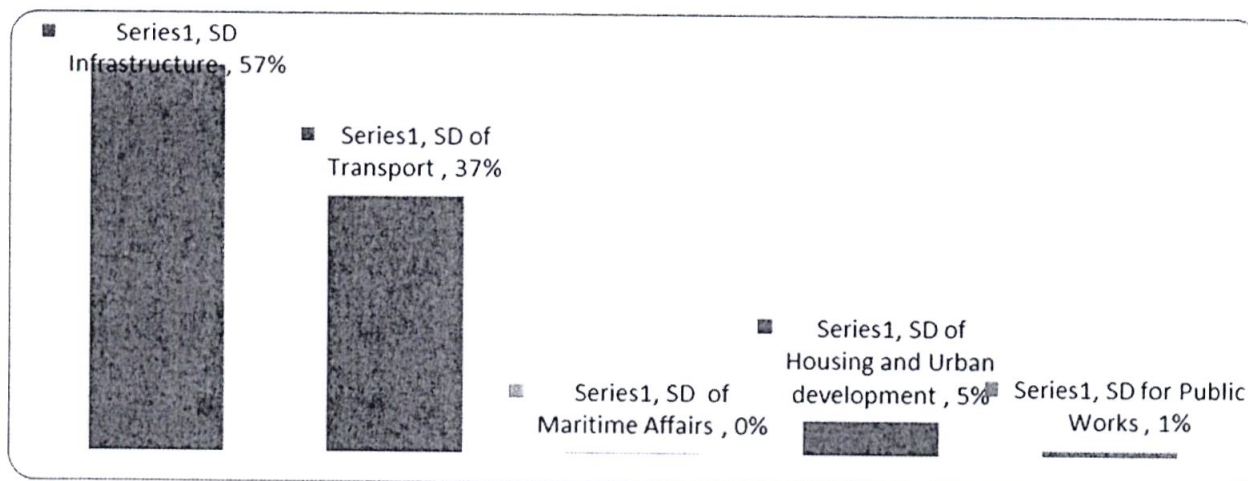
Table 7: Overall Ministerial Allocation FY 2016/17 - FY 2019/20 (KSh. Millions)

	2016/17			2017/18			2018/19			2019/20		
State Department	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
SD Infrastructure	29,039	147,712	176,751	52,658	126,386	179,044	55,859	142,707	198,566	55,907	154,925	210,832
SD of Transport	5,781	175,807	181,587	6,009	112,080	118,089	6,247	114,781	121,028	6,330	116,781	123,111
SD of Maritime Affairs	237	-	237	296	-	296	292	-	292	294	-	294
SD of Housing and Urban development	862	19,289	20,151	1,391	14,346	15,737	1,448	18,852	20,300	1,507	20,898	22,405
SD for Public Works	897	2,047	2,944		2,176	2,972	816	1,997	2,813	1,005	2,126	3,131
Ministry Total	36,817	344,854	381,671	61,149	254,988	316,137	64,662	278,337	342,999	65,043	294,730	359,773
Sector: Energy, Infrastructure & ICT	41,946	487,217	529,163	66,466	442,928	509,394	70,077	448,890	518,968	70,556	450,377	520,932
Percentage	88%	71%	72%	92%	58%	62%	92%	62%	66%	92%	65%	69%
Total Budget	857,526	820,161	1,677,687	929,932	768,877	1,698,809	941,565	800,121	1,741,686	963,843	817,291	1,781,134
Percentage	4%	42%	23%	7%	33%	19%	7%	35%	20%	7%	36%	20%

Source: Budget Policy Statement, 2017

Of the four state departments, the State Department for Infrastructure will have highest ceiling allocation amounting to KSh. 179 billion or 57% of total allocation while state department for maritime affairs with an allocation of KSh. 296 million will have a budget less than 1% of the total ministerial allocation.

Figure 2: Ratio Allocation per State Department



Source: Budget Policy Statement, 2017

i. State Department for Transport

The State Department for Transport has been allocated an overall ceiling worth KSh. 118.1 billion reflecting 37% of total ministerial allocation. This is a KSh. 63.5 billion fall n resource allocation from the 181.6 billion allocate in FY 2016/17 and is on account of construction of a shorter SGR between Nairobi and Naivasha (Second Phase).

Even with reduction in allocation, the Rail program for the state department is set to be the largest ceiling allocation worth KSh. 94.5 billion or 80% of total departmental allocation. This is followed by Marine transport program that is set to receive KSh. 14.9 billion or 13% of total departmental allocation and is expected to geared towards the LAPSSET project which as allocated KSh. 10 billion in the last budget and has been lagging behind implementation due to late release of funds

Other programs; Air transport and Road safety are set to receive KSh. 6.7 billion and KSh. 748 million respectively. while the air transport allocation is expected to be allocated to improvement of airport facilities, The road safety ceiling is primarily for National Transport and Safety Authority (NTSA) whose budget is expected to remain constant over the Medium term thus indicating that the Institution is likely to perform any new mandates other than those it is committed to at the moment.

ii. State Department for Infrastructure

The state department for infrastructure has been allocated a total ceiling of KSh. 179.04 billion this represents an increase of KSh. 2 billion or 1%. Of the total budget ceiling the recurrent

expenditure is allocated a ceiling of KSh. 52.7 billion against while the development budget has been allocated a ceiling of KSh. 126.4 billion. This represents total intended resource allocation ratio of 30:70 for recurrent and development expenditures accordingly.

While development expenditure falls by KSh.21.3 billion following settlement of pending bills and conclusion of major capital projects, the recurrent has increased by KSh. 23.6 billion on account of the increase of the Road Maintenance Fuel Levy Fund that was increased in the 2016 Finance Act from KSh. 9 to KSh. 12. The state department has only one program, Roads transport, which is responsible to construction and maintenance of roads in Kenya and among other projects, intends to construct 1,138 of volume seal roads in FY 2017/18.

iii. State Department for Housing & Urban Development

The state department for housing and urban development has been allocated a total overall ceiling worth KSh. 15.7 billion representing 5% of total ministerial allocation. Of this, recurrent and development expenditure are allocated KSh. 1.39 and KSh. 14.4 billion as respective ceilings giving a ratio 9% and 91% of total departmental ceiling. The largest program ceiling allocations will be for Housing Development and Human settlement and Urban & metropolitan development that will receive KSh. 7.1 billion and KSh. 7.9 billion respectively.

Major services/outputs to be provided by the state department in the 2016/17 -2018/19 period will be completion of 4 vision 2030 flagship markets, construction and completion of retail markets, construction of 1,850 housing units for National Police and Prisons Services, completion of 79 Economic Stimulus Programme (ESP) markets, construction of 10,952 housing units in Nairobi (Kibera, Mariguini, Park Road and Starehe), Kisumu, Machakos, Embu and Kiambu, rehabilitation of Narok, Mtwapa, Kisii, Kerugoya and meru storm water drainage, completion of Oyugis and Kiango bus parks, construction of fresh produce markets, solid waste management among other projects.

This therefore indicates that there a lot of functions being carried out by this state department are not for the national government as indicated under the fourth schedule and should have otherwise be undertaken by respective county governments. Thus the importance of ensuring the objectives of the State Department do not counter but complement county development plans and are implemented in consultation with the involved County Governments.

iv. State Department for Public Works

The state department is allocated an overall ceiling of KSh. 2.97 billion representing a marginal increase of 1% from the KSh. 2.94 billion allocated in FY 2016/17. Of this the KSh. 370 million is allocated to recurrent budget and KSh. 2.1 billion allocated to development budget giving a ratio of 3:7 in favor of development.

Major services/outputs to be provided by the State Department in the 2016/17 -2018/19 period will be completion of 20 stalled government buildings, renovation and equipping the National Building Inspectorate, construction and completion of 23 on-going footbridges, construction of Ndau seawall, construction of 65 Economic Stimulus Program (ESP) District Headquarters and construction of 5 County Headquarters. As such, the Government buildings program is allocated the highest allocation of KSh. 2.4 billion or 85% of total departmental allocations.

v. State Department for Maritime Affairs

Circular No. 1 of 2016 reorganized the national government and amongst state departments created, was the State Department for Maritime Affairs. This state department is responsible for promotion of maritime and shipping industry, shipping registration in Kenya, Human resource development, management & research in support of Kenya's shipping industry, marine cargo insurance and establishment of effective admiralty jurisdiction. The state department is responsible for institutions such as Bandari College and Kenya National Shipping Line.

For the FY 2017 the State Department is allocated KSh. 295 million in recurrent expenditure. This assumes that there is not development expenditure however the state department has previously indicated the need for improving security facilities around the port of Mombasa as a priority and requiring urgent finance.

3.1.3 County Governments Ceilings

J. County Financial Management and Division of Revenue

i. Financial Management

Between 2013/14 and 2015/16 county governments have received a total of KSh. 954.7 billion in budget allocations and in turn a total of KSh. 722.7 billion was actual expenditure at the end of the period reflecting a 76% absorption rate. During the period development spending grew

from KSh. 36.6 billion in 2013/14 to KSh. 103.5 billion in 2015/16 reflecting a 183% increase in expenditure. Recurrent expenditure also increased accordingly, from KSh. 132.8 billion to KSh. 191.8 billion. Total expenditure in recurrent vs development over the period gives a ratio of 7:3.

Table 8: County Government aggregate budgets and expenditures (Ksh. Billions)

Financial Year	Budget Allocations			Expenditure		
	Development	Recurrent	Total	Development	Recurrent	Total
2013/14	100.4	160.6	261.0	36.6	132.8	169.4
2014/15	144.9	181.4	326.3	90.4	167.6	258.0
2015/16	158.6	208.8	367.4	103.5	191.8	295.3
Total	403.9	550.8	954.7	230.5	492.2	722.7

Source: Budget Policy Statement, 2017

ii. Division of revenue – *Vertical & Horizontal revenue allocation*

The County Governments equitable share of revenue raised nationally for FY 2017/18 is arrived at by adjusting the counties equitable share of revenue for 2016/17 (KSh. 280.3 billion) by a factor of 6.72% (the average month on month inflation for FY 2013/14, 2014/15, 2015/16). This is to ensure that county governments are compensated for escalation in costs related to delivery of devolved functions. This therefore brings the county governments' share of equitable revenue for FY 2017/18 to KSh. KSh. 299.1 billion. In addition to the equitable share allocation, county governments will receive KSh. 34 billion through various financing streams such as:

- KSh. 13 billion conditional allocations for: a) level-5 hospitals; b) free maternal healthcare; c) leasing of medical equipment; and, d) compensation for foregone user fees.
- KSh. 605 million as a supplement for construction of offices in five county headquarters that did not inherit adequate office space.
- KSh. 7.9 billion from the Road Maintenance Fuel Levy Fund (RMLF). As in previous years, this is calculated at 15 percent of projected FY 2017/18 collections by the Kenya Roads Board (KRB).
- KSh. 12.5 billion from proceeds of external loans/grants to be transferred to County Governments as conditional allocations, and which will finance devolved functions in accordance with signed financing agreements for the loans/grants.

Table 9: Disaggregation of County Governments' allocation (KSh. Millions)

Level of allocation	2015/16	2016/17	2017/18	Change
National Government	991,892	1,099,899	1,250,276	14%
County Equitable share	259,775	280,300	299,136	7%
Total Shareable Revenue	1,251,667	1,380,199	1,549,412	12%
<i>Conditional Grants:</i>	27,270	21,899	33,990	55%
<i>Free maternal healthcare</i>	4,298	4,121	3,369	-18%
<i>Leasing of Medical Equipment</i>	4,500	4,500	4,500	0%
<i>Compensation for fees forgone</i>	900	900	900	0%
<i>Level 5 hospitals</i>	3,601	4,000	4,200	5%
<i>Special Purpose Grant (Emergency Med. Serv.)</i>	-	200	-	
<i>Supplement for construction of county headquarters</i>	-	-	605	
<i>Allocation from fuel levy fund(15% of collections)</i>	3,300	4,307	7,875	83%
<i>Allocations from loans and grants</i>	10,671	3,871	12,541	224%
Total County Government Allocation	287,044	302,199	333,127	10%
Equalization fund	6,000	6,000	7,727	29%

Source: Budget Policy Statement, 2017

3.2 Presentations by the Principal Secretary for the State Department of Transport, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 6th December, 2016, the Committee met with the Principal Secretary for the State Department of Transport on the BPS 2017. The following were his submissions;

3.2.1 The Breakdown of proposed allocations to the State Department of Transport (Recurrent and Development)

(a) Summary of Allocations (Ksh. Millions)

The State Department of Transport's 2017/18 budget allocation breakdown is as follows;

Table 10: Allocations to the State Department of Transport

RECURRENT Amount (Ksh)	DEVELOPMENT Amount (Ksh)	TOTAL ALLOCATION Amount (Ksh.)
6,009,000,000	112,089,000,000	118,098,000,000

DETAILS	RECURRENT	DEVELOPMENT
General Administration, Planning and Support Services	363,000,000	668,000,000
Road Safety	436,000,000	300,000,000
Marine Transport	674,000,000	13,764,000,000
Rail Transport	-	94,673,000,000
Air Transport	4,536,000,000	2,684,000,000

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

b) Targets for the Ministry and State Agencies under the Ministry

Table 11: Targets for the State Department of Transport

State Department of Transport		
	Name	Target
1	State Department of Transport	- Transport Policy development, Implementation of NAMATA
2	Kenya Airport Authority	- Construction and Rehabilitation of 8 airstrips - 80% increase in passenger handling capacity by undertaking expansion and modernization of aviation facilities
3	Kenya Civil Aviation Authority	

4	Kenya Railways Corporation	- 100% Completion of the Mombasa – Nairobi Standard Gauge Railway Line (SGR) - 20% completions Nairobi - Naivasha - Completion of 6000 cumulative relocation living units on the perimeter wall on Kibera and Mukuru
5	National Transport & Safety Authority	- 12 % reduction on annual road fatalities - Rolling out 2 millions second generations number plates - Rolling out 2 millions second generations driving licenses - Rehabilitation and modernizations of 2 driving test centre and 2 inspection centre
6	Lapsset Corridor Development Authority	- 35 % completion of the first three berths at port of Lamu
7	Kenya Ports Authority	- 50% completion of the phase II of the second container terminal development - 50% completion of the Kipevu Oil Terminal (KOT) relocation
8	Kenya Maritime Authority	- Purchase of additional rescue boats
9	Kenya Ferry Services	- 30% completion of integrated security system and maintenance and rehabilitation of ferries

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

c) Pending Bills

Table 12: Pending Bills

State department of Transport pending bills status as at the beginning of 2016/17 financial	
Recurrent	66,010,455.60

Development	2,554,546,869.11
Totals	2,620,557,324.71

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

The Committee was also informed that the State Department has curtailed on some of its activities that had been planned for implement in the financial year due to the reduction in allocation for O&M and also in order to clear the current stock of pending bills.

d) Flagship Projects

The following are flagship projects under the State Department of Transport

- ✓ Development of Lamu Port and new Transport Corridor Development to South Sudan & Ethiopia
- ✓ Improvement of Mombasa Port
- ✓ Development of Dongo Kundu Free port
- ✓ Development of modern cruise terminal
- ✓ Decongestion of Nairobi city
- ✓ Development of 1st World Airport facilities
- ✓ Improvement of Ferry services

3.3 Presentation by Eng. Francis Gitau, Infrastructure Secretary for the State Department of Infrastructure, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 6th December, 2016, the Committee also met with the State Department of Infrastructure on the BPS 2017. The following were his submissions;

3.3.1 The Breakdown of proposed allocations to the State Department of Infrastructure (Recurrent and Development)

a) Summary of Allocations (Millions)

Table 13: Allocations to the State Department of Infrastructure 2017/2018

	Allocation (Ksh'000,000)
Recurrent	52,658
Development	126,386
Total	179,044

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

The Committee also heard that the allocations for the State Department will be shared out as proposed below;

Table 14: Allocations for the Agencies under the State Department of Infrastructure

No.	Agency	Recurrrent (Ksh. Millions)	Development (Ksh. Millions)	Total (Ksh. Millions)
1	Infrastructure Headquarters	4,780	1,645	6,425
2	Kenya National Highways Authority (KeNHA)	21,464	51,299	72,763
3	Kenya Rural Roads Authority (KeRRA)	11,438	47,095	58,533
4	Kenya Urban Roads Authority (KURA)	5,362	16,377	21,739
5	Kenya Wildlife Service (KWS)	500	0	500
6	Kenya Roads Board (KRB)	1,209	0	1,209
7	Engineers' Board	30	170	200
8	Annuity Fund	0	9,800	9,800
9	Counties Allocation	7,875	0	7,875
TOTAL		52,658	126,386	179,044

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

b) Target Outputs for the 2017/2018 Financial Year

Table 15: Target Outputs FY 2017/18

	Output	Target km 2017/2018
1	Construction of Low Volume Seal Roads	1,138
2	Construction of new Roads	1,768
3	Rehabilitation of Roads	224
4	Maintenance of Roads	36,225

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

c) Detailed quarterly reports on the collection and allocation of the Road Maintenance Levy Fund

The Road maintenance Levy Fund (RMLF) collections for the 2016/2017 financial year are estimated at Ksh. 60,468,600,000 while the collections for 2017/2018 are estimated at Ksh. 63,473,600,000. The allocation to the agencies is expected to be as follows;

Table 16: Allocations of the RMLF to Agencies

No.	Description	2016/2017 F/Y	2017/2018 F/Y
(i)	KeNHA	20,459,228,000	21,464,128,000
(ii)	KeRRA	10,893,617,021	11,438,297,872
(iii)	KURA	5,106,382,979	5,361,702,128
(iv)	KRB/CS 10%	5,000,000,000	5,250,000,000
(v)	KRB	1,209,372,000	1,269,472,000
(vi)	KWS	500,000,000	525,000,000
(vii)	County Gov'ts	7,500,000,000	7,875,000,000
(viii)	Annuity Fund	9,800,000,000	10,290,000,000
	Total	60,468,600,000	63,473,600,000

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

The total RMLF disbursements for the 2016/2017 financial year, as at 30th November 2016 amount to Ksh.33,009,102,000 released as detailed below;

Table 17: Disbursements of the RMLF for 2016/17 FY

No.	Disbursements to:	Kshs.
(i)	County Governments	2,153,404,000
(ii)	Roads Annuity Fund	6,300,385,000
(iii)	Road Agencies	24,555,314,000
	Total Collections	33,009,103,000

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

d) Summary of Pending Bills

The summary of Development Budget of pending bills under the State Department of Infrastructure amount to Ksh .21,705,084,829 as at 30th November 2016. The detailed breakdown of the bills is as below;

Table 18: Summary of Pending Bills

No.	Description	Pending Bills as at 30 th June 2016	Additional Certified Works/Land Compensation from 1 st July – November 30 th 2016	GoK Exchequer Payments from 1 st July – November 30 th 2016	Outstanding Bills as at 30 th November 2016
	A	B	C	D	E=B+C-D
(i)	KeNHA	16,626,233,923	6,977,611,581	6,041,626,434	17,562,219,070
(ii)	KeRRA	688,020,096	6,780,315,831	5,403,615,777	2,064,720,150
(iii)	KURA	541,166,496	2,540,491,277	1,056,260,485	2,025,397,288
(iv)	Headquarters	55,260,000	-	2,511,679	52,748,321
	Total	17,910,680,515	16,298,418,689	12,504,014,375	21,705,084,829

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

To limit the growth of pending bills, the Committee was informed of the following steps being taken by State Department of Infrastructure;

- Agreement with Development Partners to finance 100% of the road works where there is Development Partner financing and the GoK only caters for land acquisition and relocation of services.
- Reduced uptake of new full GoK projects apart from the Low Volume Seal Roads.
- Appeal to The National Treasury for additional supplementary financing.
- Prompt release of exchequer requests by The National Treasury upon request.

e) List of Flagship Projects under the State Department of Infrastructure

The Committee was informed of the proposed list of flagship projects under the State Department. They include;

- 1) Voi - Mwatate (A23)
- 2) Mwatate - Taveta (A23)
- 3) Loruk – Barpelo (B4)
- 4) Merille River –Marsabit (A2)
- 5) Turbi – Moyale (A2)
- 6) Nuno-Modogashe (C81)
- 7) James Gichuru Junction – Rironi
- 8) Machakos turnoff- JKIA
- 9) Isebania – Mukuyu-Kisii- Ahero
- 10) Southern Sudan Link Road
- 11) Miritini - Mwache Kipevu Link Road (Dongo Kundu Bypass)
- 12) Eastern Missing Link Roads
- 13) Nairobi Outerring Road
- 14) Meru Bypass
- 15) Ngong Road (Kenya Library Services - Nakumatt Prestige
- 16) Construction of Eastlands Roads Phase I
- 17) Eastlands Roads Phase II

3.4 Presentation by Arch. Moses Nyakongora, Secretary, National Buildings Inspectorate, for the State Department of Housing and Urban Development, Ministry of Transport, Infrastructure, Housing and Urban Development

3.4.1 The Breakdown of proposed allocations to the State Department of Housing and Urban Development

On Tuesday, 6th December, 2016, the Committee met with the State Department of Housing and Urban Development on the BPS 2017. The following were the submissions with regard to the State Department;

a) Requirements Vs. Allocations for the Financial Year 2017/18

The gross allocation to the State Department for the Financial Year 2017/18 is Ksh. 15,737 million against an allocation of 20,151.3 million in the Financial Year 2016/17.

Table 19: Requirements vs. Allocations

Category	Baseline Estimates F.Y (a) KSh.(Millions)	Printed 2016/17 KSh.(Millions)	Requirements 2017/18 (b) KSh.(Millions)	2017/18 F.Y Allocation (c)	Variation (c-b)
Sub Total	20,151.32		53,492.30	15,737	(37,755.30)
Rec. Gross	862.30		4,058.30	1,391	(2,667.30)
Dev. Gross	19,289.02		49,434.0	14,346	(35,088.0)

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

Table 20: Allocations to programmes

	Baseline (M)	2016/17	Requirement 2017/18 (M)	Allocation 2017/18 (M)
Programme 1: Housing Development and Human Settlement				
Recurrent	485.4		987	490.0
Development	7,270.1		21,353	6,581.6
Total	7,755.5		22,340	7,071.6
Programme 2: Urban and Metropolitan Development				
Recurrent	288.5		454	272.0
Development	12,018.9		24,239	7,634.4
Total	12,307.4		24,693	7,906.4
Programme 3: General Administration and Support Services				
Recurrent	88.4		268.3	99.0
Development	-		-	0

Total	88.4	268.3	99.0
Programme 4: Regulation and Development of Construction Industry			
Recurrent	-	2,349.0	530.0
Development	-	3,842.0	130.0
Total	-	6,191.0	660.0
Total for State Department	20,151.3	53,492.30	15,737.0

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

The allocations under programme 4 for the F/Y 2016/17 are under Public Works budget. The Departments affected are: Kenya Bureau Research Centre, National Construction Authority and Kenya National Building Inspectorate.

b) Summary of Pending Bills

The outstanding pending bills as at 30th June, 2016 were **Kshs. 907 Million**. The State Department has since cleared pending bills amounting to **Kshs. 371 Million** from the first half allocation in the 2016/17 Financial Year. The balance of **Kshs. 536 Million** will be paid from the second half allocation. **The list of pending bills is attached (Annex 1)**

c) Strategic Interventions

The state department has two Strategic interventions as listed below.

Table 21: Strategic Interventions

	Item Details	2016/17 Allocation (Kshs M)	2017/18 Requirement kshs M	Allocation 2017/18 Kshs M
1	Civil Servants Housing	-	4,975	1,500.00
2	Police & Prisons Housing	1,872.00	5,500	1,350.00
	Total	1,872.00	10,475.00	2,850.00

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

Other Flagship Projects

Table 22: Flagship Projects

	Project Name	Status (%)	Requirement 2017-18 (Kshs M)		Allocation 2017-18 (Kshs M)		Remarks
			Foreign	GOK	Foreign	GOK	
1.	Redevelopment of Soweto East-	99%	0	268	0	268	Ongoing.

	Project Name	Status (%)	Requirement 2017-18 (Kshs M)		Allocation 2017-18 (Kshs M)		Remarks
			Foreign	GOK	Foreign	GOK	
	Zone "A" at Kibera, Nairobi						Amount required to complete the project
2.	Completion of 462 No. housing units at Mavoko	88%	0	139	0	139	Ongoing. Amount required to complete the project
3.	Development of physical and social infrastructure in slums and informal settlements.	Ongoing. Amount required to complete the projects	0	645	0	150	Ongoing. Amount required to complete the projects
4.	Kenya Informal Settlement Improvement Project (KISIP)	62%	4,500	285	4,064	285	Ongoing. GoK amount required as counterpart funding
5.	Proposed Type "E" Flats, Kitchen & Dining and Hostel block at the Regional Appropriate Building Materials and Technology Centre	5%	0	179	0	100	Ongoing. Amount required to operationalize the already built ABMT centre
6.	Completion of 79 Esp Markets	85%	0	2,100	0	505	Ongoing
7.	Completion of 15 No. flagship markets	60%	0	991	0	450	Ongoing
8.	Nairobi Metropolitan Services Improvement Programme (NaMSIP)	Ongoing-50%	8,974	996	2,000	305	Donor project
9.	Rehabilitation and reconstruction of Narok Storm water drainage Phase II	5%	0	212	0	100	Ongoing
10.	Refurbishment of 5,924 Government pool housing units in various stations across the	Ongoing	0	770	0	150	Allocated amount required to

	Project Name	Status (%)	Requirement 2017-18 (Kshs M)		Allocation 2017-18 (Kshs M)		Remarks
			Foreig n	GOK	Foreig n	GOK	
	country						refurbish part pool houses
11.	Refurbishment of staff houses and security fencing of 10 State Houses and lodges	-	0	200	0	50	Allocated amount required to refurbish and fence houses within state houses and lodges
12.	Reconstruction of Oyugis Market	20%	0	276	0	100	Ongoing
13.	Rehabilitation of selected roads in Kisii	80%	0	50	0	50	Completion/Winding up of ongoing works
14.	Reconstruction of Isebania Bus park	96%	0	25	0	25	Amount required to complete project
15.	Construction of Kerugoya – Kutus storm water drainage	15%	0	200	0	100	Ongoing
16.	Construction and renovation of Narok stadium	90%	0	46	0	0	Ongoing
17.	Schools in poor urban areas Phase II & III	Ongoing-60%	679	100	200	100	Ongoing
18.	Kenya Urban Programme	Documenta tion	1,000	35	1,000	35	New
19.	Kisumu Urban Project	40%	1,000	0	1,000	0	Donor project
20.	Korogocho/Kilifi Slum Upgrading –Debt Swap	60%	140	0	0	0	Donor project
21.	Safety audit of buildings, renovation of public works regional offices into material testing laboratories and purchase of safety audit equipment under buildings inspectorate programme.	Continuous	0	511	0	100	Ongoing
22.	Mapping of traditional building & construction materials in Kenya	Ongoing	0	50	0	30	New
23.	Construction of Kabarnet ABMT	Ongoing.	0	9	0	9	Ongoing.

	Project Name	Status (%)	Requirement 2017-18 (Kshs M)		Allocation 2017-18 (Kshs M)		Remarks
			Foreign	GOK	Foreign	GOK	
	centre in Baringo County, Kigumo ABMT centre in Murang'a County and Nyakach ABMT centre Kisumu County	Allocated amount required for completion					Allocated amount required for completion
24.	Construction of 4.5Km Makutano, Meru Sewer Line	60%	0	40	0	40	Ongoing. Allocated amount required to complete project
25.	Construction of 1.2Km Lukenya Sewer Line	52%	0	14	0	14	Ongoing. Allocated amount required to complete project
26.	Coordination of National Secretariat for Human Settlements	Continuous	0	127	0	127	Ongoing.
TOTAL			16,293	8,268	8,264	3,232	

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

d) Budget Short falls to key priority areas

The Committee was informed that the ceiling provided to the State Department of Housing and Urban Development did not take into consideration adequate funding to the National Construction Authority (NCA) following the removal of 5% construction levy amounting to **Kshs. 2.8 billion.**

Other major shortfalls to the State Department not covered in the ceiling provided are as follows;

- | | | |
|---|---|---------------|
| a. Completion of ESP markets | - | 2,136 Million |
| b. Safety audit of building (under NBI) | - | 500 Million |
| c. Refurbishment of government pool houses | - | 800 Million |
| d. Civil servants housing scheme | - | 3,400 Million |
| e. Construction of 36,850 Police & Prison housing | - | 4,150 Million |
| f. Redevelopment of Kibera Zone B Mariguini slums and other slum improvement activities | - | 2,600 Million |

- g. Gok Contribution to Nairobi metropolitan services Improvement project (NAMSIP) 700 Million
- h. Salaries for staff 92 Million
- i. Operationalization of 47 National county offices 200 Million
- j. Other operational expenses 300 Million

3.5 Presentation by the Principal Secretary for the State Department of Public Works, Ministry of Transport, Infrastructure, Housing and Urban Development

3.5.1 The Breakdown of proposed allocations to the State Department of Public Works

On Tuesday, 6th December, 2016, the Committee met with the State Department of Public Works on the BPS 2017. The following were the submissions with regard to the State Department;

In the Financial Year 2017/18, the State Department of Public Works was allocated a total of **Kshs. 2,971.95 Million** of which Recurrent Expenditure is **Kshs. 795.85 Million** and Development Expenditure is **Kshs. 2,176.1 Million**. The Development budget increased by **Kshs. 129.61 Million** from **Kshs. 2,047 Million** to **Kshs. 2,176.1 Million**.

Table 23: Proposed Allocations to the State Department of Public Works in FY2016/17 (Kshs Millions)

	ESTIMATES 2016/17	ALLOCATION 2017/18 Budget policy statement
State Department of Public Works		
Recurrent Expenditure	898	795.85
Development Expenditure	2,047	2,176.10
Total	2,945	2,971.95

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

Comparison between the two years 2016/17 and 2017/18 by programmes is as follows:

Table 24: Allocation to programmes vs printed estimates

Programme	2016/17 Estimates (Kshs. Million)	2017/18 Proposed Estimates (Kshs. Million)	Variance (Kshs. Million)
Government buildings	2,364	2,431.50	67.50
Coastline infrastructure and pedestrian access programme	192	193.85	1.85
General Administration and Planning	389	346.60	(42.40)
Total	2,945	2,971.95	26.95

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

a) Key priority projects for implementation in 2017/18 FY

Table 25: Flagship projects

S/No.	Name of Project	Project Location (County)	Status 2016/17	Allocation 2017/2018	Remarks
<i>Flagship projects under Improvement of Living and Working Conditions in Government Buildings: aimed at improving functionality and appearance of public buildings as well as securing them from man-made and other calamities through completion of stalled public/Government buildings; design, documentation and supervision of new and rehabilitation government building projects.</i>					
1.	Completion of Migori District Headquarters	Migori	FY 75%	69.8 million	Entails construction of DC's residence & Domestic quarters, Type D flats, 4 Blocks Type E flats, 3 Type C maisonettes with servant quarters, and an office block
2.	Completion of medical training Centre, Kabarnet	Baringo	68%	28.70 million	Hostel block complete. Administration block roofing ongoing
3.	Kibish police station & GSU base camp and Divisional Police Headquarters	Turkana	90%	20 million	Partially completed. Services works (Mechanical and Electrical) and finishes ongoing
4.	Mathare Nyayo hospital	Nairobi	45%	354.6 million	Main Hospital-superstructure mortuary/kitchen not began

S/No.	Name of Project	Project Location (County)	Status 2016/17	Allocation 2017/2018	Remarks
5.	Kenya Industrial Training Institute (KITI), Nakuru	Nakuru	60%	155.3million	Completion of women's hostel, playgrounds, auditorium and walkways
6.	Voi Pool Housing	Voi	40%	438.2 million	Completion of 107 housing units for civil servants, high level and underground water tanks, fencing and civil works.
7.	Kenya institute of Business training(KIBT) Hq	Nairobi	85%	62.60 million	Completion of administration/Academic block, amphitheater and roads and civil works
8.	Nyamira Divisional Police Phase II	Nyamira	95%	25.6 million	Covers completion of 3 administration blocks, 146 housing units and family center at Nyamira Police Division, and Keroka and Nyangusu police stations
9.	Kericho Ardhi House Phase II	Kericho	85%	46 million	Outstanding works include installation of lifts and completion of floors 1-8
10.	County Headquarters	Isiolo	30%	121 million	Completion level in this phase of a planned 3 yrs cycle of funding
11.	County Headquarters	Lamu	30%	121 million	Completion level in this phase of a planned 3 yrs cycle of funding
12.	County Headquarters	Nyandarua	30%	121 million	In this initial phase of a planned 3 yrs cycle of funding, this first amount allocated will implement the project to 60% completion level
13.	County Headquarters	Tana River	30%	121 million	Completion level in this phase of a planned 3 yrs cycle of funding
14.	County Headquarters	Tharaka Nithi	30%	121 million	On- going
Flagship project under Coastline Infrastructure Development: aimed at improving movement into and out of waters, and protect land and property in low lying areas from erosion, flooding and sea wave action through construction and maintenance of jetties and sea walls and footbridges					
15.	Construction of Ndau	Lamu	66%	57 million	Construction of seawall along the coastline at Ndau.

S/No.	Name of Project	Project Location (County)	Status 2016/17	Allocation 2017/2018	Remarks
	seawall				

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

b) Proposed allocations versus resource requirements

The resource requirement for 2017/18 for priority projects in the State Department of Public Works is **Kshs. 4,330 Million** against an allocation of **Kshs. 2,176.1 Million** resulting to a shortfall of **Kshs. 2,153.9Million**. The implication of this shortfall is that some of the State Department's priority projects may not be implemented.

Table 26: Resource Requirements vs. Allocation

	Estimates 2016/17 Kshs. Million	Requirement 2017/18 Kshs. Million	Allocation 2017/18 Kshs. Million	Variance Kshs. Million
State Department of Public Works				
Recurrent	898	1,013.00	795.85	(217.15)
Development	2,047	4,330.00	2,176.10	(2,153.9)
Total	2,945	5,343.00	2,971.95	(2,353.05)

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

c) Pending Bills and final accounts

Final accounts on 22government buildings which were stalled but now complete (**Annex 2**):

Kshs. 489.22 Million;

Ongoing projects requiring additional funds (**Annex 2**):

Kshs. 61.09 Million

Pending Bills from footbridges and sea wall (**Annex 2**):

Kshs. 18.77Million

Priority projects not funded (**Annex 2**):

Kshs.485.88 Million

3.6 Presentation by the Principal Secretary for the State Department of Shipping and Maritime Affairs, Ministry of Transport, Infrastructure, Housing and Urban Development

3.6.1 The Breakdown of proposed allocations to the State Department of Shipping and Maritime Affairs

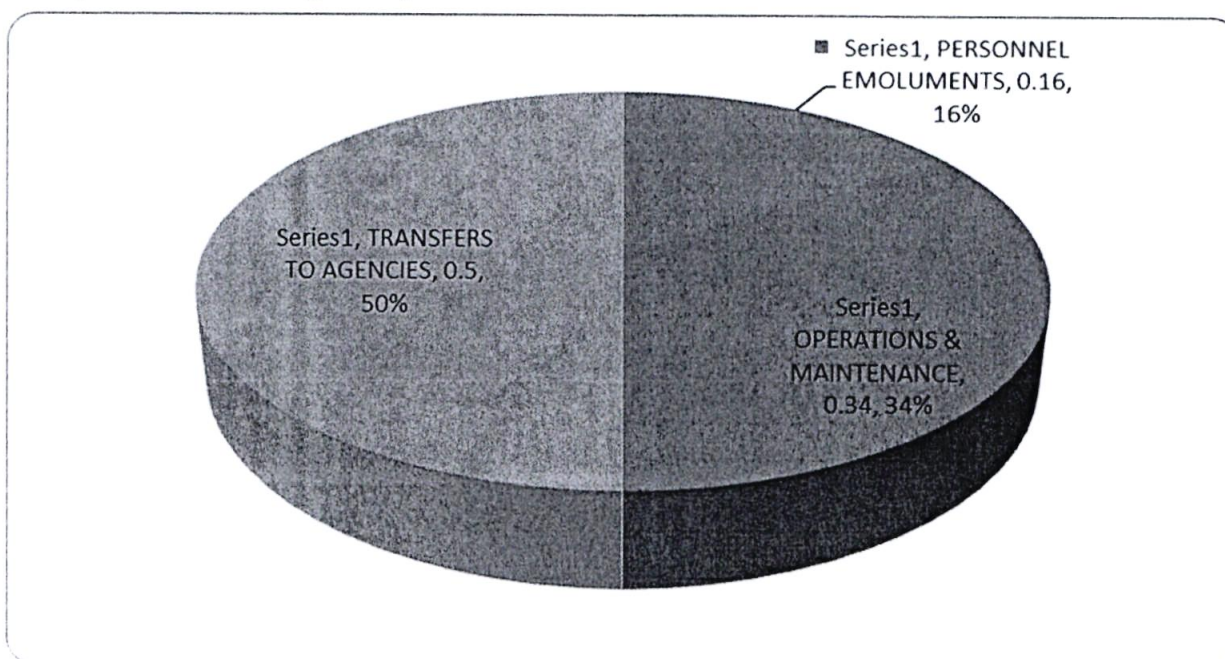
On Tuesday, 6th December, 2016, the Committee met with the Principal Secretary for State Department of Shipping and Maritime Affairs, Mrs. Nancy Karigithu on the BPS 2017. The following were the submissions with regard to the State Department;

a) provision

FY 2016/17 Budgetary

In the FY 2016/17 the State Department of Maritime and Shipping Affairs have an approved recurrent budget of Kshs 237 million and nil development budget. The recurrent budget consists of Kshs 37.9 million Personnel Emoluments, 81.6 million for Operations and Maintenance, while Kshs 117.5 million is subscriptions to International organizations and Grants to other Government Agencies.

Fig. 3 : Recurrent Budget Analysis FY 2016/17



Source: Ministry of Transport, Infrastructure, Housing and Urban Development

b) FY 2017/18 Resource Allocations Versus requirements

In the FY 2017/18 MTEF Budget, the State Department has a resource allocation of Ksh. 295.5 million. The State Department requires Ksh 598 million for recurrent expenditure and Ksh 765 million for development expenditure. The total resource requirement for recurrent and development expenditure is Ksh 1,363 million.

Table 27: Resource Requirement Vs. Allocation

RESOURCE REQUIREMENT VS ALLOCATION ANALYSIS					
RECURRENT		DEVELOPMENT		TOTAL(DEVELOPMENT & RECURRENT)	
REQUIREMENT	ALLOCATION	REQUIREMENT	ALLOCATION	REQUIREMENT	ALLOCATION
598	295.47	765	-	1,363	295.47

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

c) Situational Analysis

There are certain operational challenges facing the State Department that need to be addressed for effective and efficient service delivery. They include;

Staffing

Staffing is a key function in management that deals with acquiring deploying and retaining human resources in an organization. An important element in staffing is human resource planning, which helps in identifying what the organisation requires in terms of numbers and key employee attributes vis-a-vis knowledge, skills and abilities in order to effectively address job requirements.

Being a new state Department, the unit faces a big challenge of human resource. The State Department has received approval from Public Service Commission on staff establishment of 83 technical officers. In order to recruit and acquire additional staff the budget on Personnel Emoluments should be provided of Ksh 99.6 million. In the meantime the State Department requires Ksh 23 million in the 2016/17 supplementary budget to acquire 20 technical personnel.

Lack of an integrated maritime policy

The Maritime and Shipping Function in Kenya has traditionally been performed by different actors. This has meant that there is no integrated and cross sector maritime policy. Consequently, maritime functions are handled by different Counties, Ministries, Departments and Agencies (CMDAs) and most interventions are sectoral in nature. In order to optimize gains in Kenya's maritime sector, there is need to put in place an overarching integrated maritime policy to address the sector in a holistic manner. An integrated maritime policy would provide a framework to direct development and management of marine resources and services sustainably while addressing the challenges in the sector. The policy framework will also transform the current sectoral approach to a multi sectoral and participatory approach.

Placement/fragmentation of functions

The Maritime and Shipping sector has potential for economic investment opportunities which include:- ship building and repair; fishing; education and training; marine cargo handling; maritime law; safety and security; marine salvage; international shipping; cargo consolidation, freight forwarding; bunker supply; ship handling; port agencies; port services; leisure; and marine governance and tourism.

Inadequate budgetary allocation

Projects and programmes related to maritime and shipping affairs are capital intensive. The budgetary allocation for maritime and shipping sector has not been given the weight it deserves for optimal development and growth. The budget allocation is key for development of ship building and ownership, maritime education and training, research and innovation, transport logistics, spatial planning among others. We are reviewing a financial plan to revitalize the sector's growth. Further we will be innovating approaches to attract investors to the sector which is capital intensive.

Maritime training and education

Training and development is critical in building capacity of the human resource for achievement of an organization's goals. The global shipping industry is experiencing shortage of qualified personnel such as seafarers, especially officers. The shortage of qualified human resource provides Kenya with immense investment opportunity in maritime education and training. With a population of 40 million people in which 55% are youth aged between 18 and 35 years, and over 300,000 pupils finishing secondary school education annually, maritime training and education programme can go along way in absorbing the youth locally and also supply the global industry with the required expertise. The Maritime sector lacks medium and higher level training institutes and academies with training ships and other related facilities for various disciplines in maritime and shipping such as sea farers, ship captains, naval architects, ship surveyors, and trainers amongst

others. The Bandari College is the only one that offers maritime training, but for a long time it has catered mainly for Kenya Ports Authority staff. For the maritime sector to perform well it needs qualified personnel both on land and at sea.

Inadequate awareness of maritime and shipping industry economic potential

Shipping accounts for 90% of Kenya's international trade and is therefore a major contributor to the Gross Domestic Product (GDP). Despite its immense contribution to the country's economy, the sector is one of the least understood industries in Kenya, and consequently one of the least developed key economic drivers. The economic potential held by the maritime and shipping sector remains largely unexploited by local Kenyans including those in the littoral counties.

Maritime security

Investment in the maritime sector can only thrive if undertaken in a peaceful and secure environment. Enhancement of safety and security mechanisms is key to guaranteeing the protection of a State's maritime interests, assets and infrastructure. The State Department aims at establishing an adequately, equipped and trained coast guard arm to coordinate and ensure maritime security matters within Kenya's territorial waters.

Maritime Cluster Development

Maritime activities are generally interconnected and include maritime services, inland and coastal shipping, ports and port related industry, fishing, off-shore activities, maritime leisure activities, construction work, and defence activities. These activities are undertaken by multiple actors who in most cases operate independently of others. Harmonious undertaking of the activities in a coordinated framework will enhance efficiency in the maritime and shipping sector which will steer economic development and enhance competitiveness of goods and services. Balanced sustainable development of all maritime clusters will accelerate transformation of Kenya into a middle class maritime economy. A comprehensive study will be undertaken with a view to developing a master plan for the economic development of the maritime sector.

Inland Waters:

The main inland water bodies cover a surface area of approximately 10,700 square kilometers. This is an area which has hitherto not been exploited. The State Department will liaise closely with littoral counties to ensure the optimal and prudent utilization of the inland waters.

Office Rent

Currently the State Department of Maritime and Shipping Affairs is housed at Transcom House under State Department of Transport. The available space is insufficient that several officers share tiny office space and in one case in point one small office is accommodating 11 officers. This certainly affects the general physical conditions under which office activities are performed. Besides the offices including those with related functions are scattered on several floors which compromises efficiency in office work such as time wastage on movement between offices, poor utilization of office equipment and non-effective supervision of staff. The department requests for Kshs 30Million projected for acquisition of office space of around 16,500 square feet.

Purchase of Motor Vehicles

The State Department of Maritime and Shipping Affairs does not own any vehicles. The two vehicles in its control are courtesy of State Department of Transport. In addition the two vehicles are not sufficient for the Department as one is used by the Principal Secretary while the other is shared by the remaining sections and divisions.

4.0 COMMITTEE'S OBSERVATIONS

The Committee observed that:-

1. With a population of over 95,000, the current construction of housing units for police and prison officers is not sufficient at the rate of 1850 per year as currently planned i.e. would take up to 44 years to cover the entire population;
2. There was an addition of 3 State Departments under the Ministry of Transport, Infrastructure, Housing and Urban Development. The Ministry has however not developed a strategic plan to ensure the resources under its purview are utilized efficiently;
3. The Ministry therefore as constituted cannot efficiently reach and effectively deliver efficiency on all the related sectors without having a properly integrated development framework;
4. Statistics provided by the Kenya Bureau of Statistics (KEBS) lack information on the Maritime and Shipping Industry. This therefore implies that the planning under the industry cannot be done efficiently;
5. After the creation of the State Department of Maritime Affairs, only the common carder work force was transferred to the State Department leaving the technical officers at the State Department of Transport therefore effectively curtailing its activities. In addition there are still domicile functions under the State Department of Transport that should be under the State Department of Maritime and Shipping Affairs. This has denied the State Department of Maritime Affairs much needed technical staff/services needed;
6. Complexity of the Integrated Finance Management Information System (IFMIS) was noted for slowing down implementation of projects under the Ministry;
7. The increase in AIA i.e. due to increase in charge of the Road Maintenance Levy Fund, should have been accompanied by a halt in new projects in order to complete the current ones. This is noted that the State Department of Infrastructure is continuously incurring pending bills through-out the year.

5.0 COMMITTEE'S RECOMMENDATIONS

The Committee Recommends that;

1. Given the errors in submission of pending bills, the comprehensive list of pending bills be submitted only after certification by the Auditor General;
2. Noting low compliance in submission of responses by the State Departments during the BPS process, legal specification should be developed and passed in to law to ensure MDAs provide maximum information and ensure ultimate transparency in Government expenditure and provision of information to Parliament to ensure its oversight role is not impeded;
3. The National Treasury should prioritize the construction of housing units of Police and Prisons Officers. The current financial year 2016/17 has allocated Ksh. 1.6 billion for the construction of 1,850 Police housing units. These units are insufficient given that the total Police force population is estimated at over 95,000 and there are an additional 10,000 officers recruited annually. Currently, only approximately 15000 of the said officers have access to housing units that can still be considered substandard;
4. The allocation to the State Department of Maritime and Shipping Affairs be increased to KSh. 765 million to enable it develop a research Centre and restructure the Kenya Shipping Line Limited to facilitate the training of seafarers. The Government of South Korea has provided indication of donating a ship to this venture.
5. Priority should be given to the efficient operations of the Integrated Financial Management Information System (IFMIS) process to enable smoother processing of Government activities but still maintaining oversight over the allocation and utilization of resources;
6. All functions that are related to the State Department of Maritime and Shipping Affairs, including the Kenya Ferry Services and the Kenya Maritime Authority be transferred from the State Department of Transport in order to enable the State Department of Maritime and Shipping Affairs meet its mandate effectively. In addition, this will provide the link between training on the relevant/strategic industrial skills and job opportunities in order to ensure the sector contributes effectively to economic growth and to Kenya's objectives of becoming a major maritime player in the region.

SIGNED.....

DATE 16/12/16.....

 Hon. Maina Kamanda, EGH, M.P.

Chairperson, Departmental Committee on Transport, Public Works and Housing

ANNEX 1 PENDING BILLS

STATE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (AGPO) 2015-2016

S/NO	NAME OF SUPPLIER/COMPANY	AMOUNT (KSHS)	REMARKS
1	Decora Enterprises Limited	3,996,000.00	Paid
2	M/a Beacon Logistics and Construction Limited	2,889,356.20	Paid
3	Unified Colours Limited	3,999,888.00	Paid
4	Runyaj International Limited	1,484,962	Paid
5	Raken Limited P.o. box 19704-00202 Nairobi	3,714,030.00	Paid
6	Spanworld Enterprises	1,548,160	Paid
7	Favor Investments	200,000	Paid
8	Primate Tours	462,970	Paid
9	Primate Tours	98,000	Paid
10	Zoetech Business Solutions	295,000	Paid
11	Primate Tours	89,000	Paid
12	Primate Tours	136,825	Paid
13	Primate Tours	191,530	Paid
14	Javan Tours and Travel	106,000	Paid
15	Josylink General Traders	152,000	Paid
16	Training and conference services	92,800.00	Paid
17	Jubilly Tours and Travel	190 ,000	Paid
18	Jubilly Tours and Travel	31,830	Paid
19	Jubilly Tours and Travel	856,555	Paid
20	Jubilly Tours and Travel	102,150	Paid
21	Jubilly Tours and Travel	140,900	Paid
22	Juandrom Agencies	278,000	Paid
25	Humony Enterprises P.o. box 3870-00100 Nairobi	220,000	Paid
26	Pecar Investments	285,000	Paid
27	Zoetech Business Solutions	734,000	Paid
28	Kyeiga Enterprises	450,040	Paid
29	Geberk Solutions	418,500	Paid
30	Josylink General Traders	519,300	Paid
31	Sululer Innovations	10,197,444	Paid
32	Spanworld Enterprises	9,123,430	Paid

33	Semunyamo General Store	376,500	Paid
34	Davicky Enterprises	982,000	Paid
35	Alimbek general enterprises	1,280,000.00	Paid
36	Alimbek general enterprises	1,400,000.00	Paid
37	Alpekiwa enterprises	1,520,000.00	Paid
38	Alpekiwa enterprises	1,395,400.00	Paid
39	Apriteck enterprises	1,277,500.00	Paid
40	Alpekiwa enterprises	1,350,000.00	Paid
41	Brycen smart innovations	1,500,000.00	Paid
42	Brycen smart innovations	1,102,500.00	Paid
43	Brycen smart innovations	1,120,000.00	Paid
44	Davinka supplies and general	1,637,500.00	Paid
45	Davinka supplies and general	1,450,000.00	Paid
46	Double four supplies	1,312,500.00	Paid
47	Dwero ventures	1,400,000.00	Paid
48	Endless suppliers	1,500,000.00	Paid
49	Ermster enterprises	800,000.00	Paid
50	Estelle distributors	3,500,000.00	Paid
51	Fast movers services	1,237,500.00	Paid
52	Gimra office supplies	3,550,000.00	Paid
53	Highbury merchants	1,440,000.00	Paid
54	Hospital supplies	1,775,000.00	Paid
55	kola traders	1,515,000.00	Paid
56	kola traders	990,000.00	Paid

57	Mbimu services	800,000.00	Paid
58	lexxy technologies	1,618,000.00	Paid
59	momentum solutions	1,500,000.00	Paid
60	momentum solutions	1,480,000.00	Paid
61	Mudash investment	1,377,370.00	Paid
62	Mudash investment	1,244,250.00	Paid
63	pampire hyper solutions	1,400,000.00	Paid
64	pampire hyper solutions	1,480,000.00	Paid
65	Runoff general enterprises	1,490,000.00	Paid
66	Runoff general enterprises	1,390,000.00	Paid
67	Shanene enterprises	800,000.00	Paid
68	siramad trading ent	1,500,000.00	Paid
69	siramad trading ent	1,525,000.00	Paid
70	stanstrech gen supplies	1,390,000.00	Paid
71	stanstrech gen supplies	1,500,000.00	Paid
72	Vichrich enterprises	1,275,000.00	Paid
73	Vicwin investments	750,000.00	Paid
74	Vineyard hyper solutions	1,500,000.00	Paid
75	Wakimambi gen agencies	1,422,500.00	Paid
76	Wakimambi gen agencies	1,565,000.00	Paid
77	Wanga-tech gen ent.	1,484,000.00	Paid
78	Wanga-tech gen ent.	1,528,000.00	Paid
79	Wanga-tech gen ent.	1,500,000.00	Paid
80	Welvis investment	900,000.00	Paid

81	Whizzy business solutions	1,280,000.00	Paid
82	Wintex logistics	950,000.00	Paid
83	Yoruba General Supplies	1,250,000.00	Paid
84	Kimbrow Investments	1,450,000.00	Paid
85	Jala Supplies	165,000.00	Paid
86	Cartic Enterprises	1,200,000.00	Paid
87	Fergie Services	1,350,000.00	Paid
88	Bosmaj Traders	1,400,000.00	Paid
89	Refugio Merchants & Distributors	1,300,000.00	Paid
90	Wayside Investments	1,350,000.00	Paid
91	Global Eye Merchants	1,400,000.00	Paid
92	Melddina Investment	1,150,000.00	Paid
93	Dennick Investments	1,350,000.0	Paid
94	Giwels Limited	3,600,000.00	Paid
95	Nemesis Enterprises	1,200,000.00	Paid
96	Muneric Investments	1,400,000.00	Paid
97	Bernvert General Agencies	1,465,000.00	Paid
98	Nyandito Enterprises	1,275,000.00	Paid
99	Easco	4,200,000.00	Paid
100	Run off Enterprises	1,300,000.00	Paid
102	Larrium Office Solutions	189,400.00	Paid
103	Oarker Services	38,540,994.00	To be paid in the 2nd half allocation in this FY.
104	Devani Limited	599,940.00	Paid
105	Mumue Stationers and Printers	18,000.00	Paid
106	Heegan Construction Company Ltd	278,135.80	Paid
107	Clean Domestic & Office Solution	630,000.00	Paid
108	Cygene Agencies	780,000.00	Paid
109	Beton stationers	1,250,000.00	Paid
110	Docie General Supplies	750,000.00	Paid
	SUB TOTAL	183,715,660	

OTHER PENDING BILLS				
STATE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	FIRM'S NAME	Service/works/exp. Item	AMOUNT	REMARKS
	RECURRENT VOTE			
1	Nairobi Law Monthly Magazine	advertisement	33,000.00	Paid
2	Nation Media Group	Advertisement	74,060.00	Paid
3	The standard Group Ltd	advertisement	242,625.60	Paid
4	Access Kenya Group Ltd	Communication	171,680.00	Paid
5	Accesskenya group	Communication	24,360.00	Paid
6	Accesskenya group	Communication	24,360.00	Paid
7	Kyle Investment	Communication	360,000.00	Paid
8	Kyle Investment	Communication	270,000.00	Paid
9	Postal Corporation	Communication	6,960.00	Paid
10	Telcom Kenya	Communication	148,000.00	Paid
11	Tamia LTD	Contracted Services	339,760.00	Paid
12	Briwks security Services	Contracted Services	3,182,550.00	Paid
13	Creative Consolidated Systems Ltd	Contracted Services	1,066,502.00	Paid
14	Evastom Enterprises	Contracted Services	150,000.00	Paid
15	Garfield Promotions Ltd	Contracted Services	708,675.00	Paid
16	Green Leaf Services Ltd	Contracted Services	880,880.00	Paid

17	Gyto Success Company	Contracted Services	2,983,334.00	Paid
18	Gyto Success Company Ltd	Contracted Services	1,647,006.00	Paid
19	Gyto Success Company Ltd	Contracted Services	2,403,009.00	Paid
20	Hatari Security Guards Ltd	Contracted Services	957,000.00	Paid
21	Hatari Security Guards Ltd	Contracted Services	852,200.00	Paid
22	Lavington Security Services Ltd	Contracted Services	534,440.00	Paid
23	Mocam Security Services Ltd	Contracted Services	1,179,140.00	Paid
24	Super Broom Services Ltd	Contracted Services	314,037.00	Paid
25	Jubilly Tours	Domestic travel	71,220.00	Paid
26	M/S A.G.M Tours and Travels	Domestic travel	19,500.00	Paid
27	Pago Airways Travel Services	Domestic travel	118,335.00	Paid
28	Pago Airways Travel Services	Domestic travel	41,100.00	Paid
29	Handren General Merchants	Office supplies and services	99,900.00	Paid
30	Elonex Macromedia	Office supplies and services	499,975.00	Paid
31	Kyle Investment	Office supplies and services	145,000.00	Paid
32	Mumue Stationers and Printers	Office supplies and services	18,000.00	Paid
33	Nordary investment	Office supplies and services	1,545,000.00	Paid
34	Crystal Valuers Ltd	Payment of rent	16,556,100.00	Paid
35	pecar investment	software	6,098,250.00	Paid
36	Pyllar Supplies	Office supplies and services	897,000.00	Paid
37	Wakimambi general Agencies	Office supplies and services	1,300,000.00	Paid

38	Crystal Valuers Ltd	Payment of rent	16,556,100.00	Paid
39	pecar investment	software	6,098,250.00	Paid
40	Institute of advanced technology	training services	45,240.00	Paid
41	Kenya Bankers Investment Co-op Society Ltd	Hospitality Services	214,600.00	Paid
42	Jepco Services and Renovators Ltd	Contracted Services	696,070.00	To be paid in the 2 nd half allocation in this FY.
43	Lavington Security Services Ltd	Contracted Services	1,327,280.00	To be paid in the 2 nd half allocation in this FY.
44	M/S Clean Domestic and Office Solution(AGPO)	Contracted Services	630,000.00	To be paid in the 2 nd half allocation in this FY.
45	Rentokil Initial	Contracted Services	59,946.00	To be paid in the 2 nd half allocation in this FY.
46	Shika Shika Security Alarms Ltd	Contracted Services	387,900.00	To be paid in the 2 nd half allocation in this FY.
47	Super Broom Services Ltd	Contracted Services	209,356.00	To be paid in the 2 nd half allocation in this FY.
48	Super Broom Services Ltd	Contracted Services	209,354.00	To be paid in the 2 nd half allocation in this FY.
49	Super Clean Shine Enterprises Ltd	Contracted Services	91,200.00	To be paid in the 2 nd half allocation in this FY.
50	Ride on agencies	Domestic travel	97,470.00	To be paid in the 2 nd half allocation in this FY.
51	Ride on agencies	Domestic travel	309,960.00	To be paid in the 2 nd half allocation in this FY.

52	Ride on agencies	Domestic travel	215,100.00	To be paid in the 2 nd half allocation in this FY.
53	Travel Plaza ltd	Domestic travel	22,800.00	To be paid in the 2 nd half allocation in this FY.
54	Geberk Solutions	Electrical	431,300.00	To be paid in the 2 nd half allocation in this FY.
55	Joatechic enterprises	Electrical	490,000.00	To be paid in the 2 nd half allocation in this FY.
56	Kengld logistics	Electrical	465,000.00	To be paid in the 2 nd half allocation in this FY.
57	Exotic travel Centre	Foreign travel	167,211.00	To be paid in the 2 nd half allocation in this FY.
58	Pago airways	Foreign travel	791,820.00	To be paid in the 2 nd half allocation in this FY.
59	Trends tour and travel	Foreign travel	365,200.00	To be paid in the 2 nd half allocation in this FY.
60	National Oil corporation	Fuel	700,000.00	To be paid in the 2 nd half allocation in this FY.
61	Jericho Furniture Ltd	Furniture	1,065,420.00	To be paid in the 2 nd half allocation in this FY.
62	Busnet Systems	Office equipment	995,700.00	To be paid in the 2 nd half allocation in this FY.
63	Technologies supplies General	Office equipment	3,943,120.72	To be paid in the 2 nd half allocation in this FY.

64	Lesyuite limited	Office supplies and services	450,000.00	To be paid in the 2 nd half allocation in this FY.
65	Agrem tech Solutions	Office supplies and services	720,000.00	To be paid in the 2 nd half allocation in this FY.
66	Bradah Company Limited	Office supplies and services	800,000.00	To be paid in the 2 nd half allocation in this FY.
67	Enac Agencies	Office supplies and services	500,000.00	To be paid in the 2 nd half allocation in this FY.
68	Hekaya Enterprises	Office supplies and services	706,000.00	To be paid in the 2 nd half allocation in this FY.
69	Hinkey Calviah agencies	Office supplies and services	364,200.00	To be paid in the 2 nd half allocation in this FY.
70	Innovative associates	Office supplies and services	364,500.00	To be paid in the 2 nd half allocation in this FY.
71	Intermass Printers and Stationers Ltd	Office supplies and services	800,000.00	To be paid in the 2 nd half allocation in this FY.
72	Joyvennah agency	Office supplies and services	1,350,000.00	To be paid in the 2 nd half allocation in this FY.
73	Lexxy technologies	Office supplies and services	2,595,000.00	To be paid in the 2 nd half allocation in this FY.
74	Leysuite Limited	Office supplies and services	1,903,000.00	To be paid in the 2 nd half allocation in this FY.
75	Linkmart investment	Office supplies and services	963,525.00	To be paid in the 2 nd half allocation in this FY.

76	Mafric Agencies	Office supplies and services	1,015,000.00	To be paid in the 2 nd half allocation in this FY.
77	Manawebs enterprises	Office supplies and services	310,000.00	To be paid in the 2 nd half allocation in this FY.
78	Mimade investment	Office supplies and services	1,200,000.00	To be paid in the 2 nd half allocation in this FY.
79	Mirmick Suppliers	Office supplies and services	1,210,000.00	To be paid in the 2 nd half allocation in this FY.
80	Novila Agenciies	Office supplies and services	292,000.00	To be paid in the 2 nd half allocation in this FY.
81	Nurir Enterprise	Office supplies and services	375,100.00	To be paid in the 2 nd half allocation in this FY.
82	Nyaudo enterprises	Office supplies and services	495,000.00	To be paid in the 2 nd half allocation in this FY.
83	Padage Investment	Office supplies and services	441,240.00	To be paid in the 2 nd half allocation in this FY.
84	Prosup Niche ltd	Office supplies and services	734,000.00	To be paid in the 2 nd half allocation in this FY.
85	Rozaq enterprises	Office supplies and services	1,400,000.00	To be paid in the 2 nd half allocation in this FY.
86	Soga incvestment	Office supplies and services	574,750.00	To be paid in the 2 nd half allocation in this FY.
87	Specicom Business Systems	Office supplies and services	478,000.00	To be paid in the 2 nd half allocation in this FY.

88	Talash enterprises ltd	Office supplies and services	450,000.00	To be paid in the 2 nd half allocation in this FY.
90	Wanjima General Traders	Office supplies and services	977,500.00	To be paid in the 2 nd half allocation in this FY.
91	Welcas Enterprises	Office supplies and services	302,950.00	To be paid in the 2 nd half allocation in this FY.
92	zedon gen. supplies	Office supplies and services	848,500.00	To be paid in the 2 nd half allocation in this FY.
93	Kenya Pipeline Co. Ltd	training services	2,441,250.00	To be paid in the 2 nd half allocation in this FY.
94	Toyota Kenya LTD	Vehicle Maintenance	419,583.00	To be paid in the 2 nd half allocation in this FY.
95	Widerange traders	Vehicle Maintenance	393,500.00	To be paid in the 2 nd half allocation in this FY.
96	Co-Operative University College of Kenya	Hospitality Services	140,940.00	To be paid in the 2 nd half allocation in this FY.
97	Great Rift valley Lodge and Golf Resort	Hospitality Services	88,580.00	To be paid in the 2 nd half allocation in this FY.
98	Kenya Bankers Investment Co-operative Ltd	Hospitality Services	634,752.00	To be paid in the 2 nd half allocation in this FY.
99	Kenya bankers sacco Society	Hospitality Services	99,968.00	To be paid in the 2 nd half allocation in this FY.
100	Ministry of Works Sports Club	Hospitality Services	639,750.00	To be paid in the 2 nd half allocation in this FY.

101	Utalii Hotel	Hospitality Services	342,000.00	To be paid in the 2 nd half allocation in this FY.
102	MFI Document Solutions	Maintenance of equipment	180,855.60	To be paid in the 2 nd half allocation in this FY.
103	Pago Airways Travel Services	Travel	478,465	To be paid in the 2 nd half allocation in this FY.
104	Urysia Limited	Services	461,594	To be paid in the 2 nd half allocation in this FY.
105	Iarrium office	Maintenance of Building	189,400	To be paid in the 2 nd half allocation in this FY.
106	Haga karemo Co.	Maintenance of Building	197,800	To be paid in the 2 nd half allocation in this FY.
	SUB TOTAL RECURRENT		89,222,708.92	
	DEVELOPMENT VOTE			
107	Danmo Products Limited	Civil works	3,395,050	Paid
108	M/S Earthline Ventures	Construction works	2,771,240	Paid
109	M/S Kap-M Enterprises	Construction works	3,143,200	Paid
110	M/S Start General Contractors	Construction works	3,511,900	Paid
111	Scopelink Technologies	Construction works	475,000	Paid
112	Bashash Construction Company	construction works	9,129,099	Paid
113	Derow Brothers construction ltd	construction works	26,918,750	Paid
114	Diwafa construction	construction works	46,809,869	Paid
115	Kihara 57aweru construction	construction works	4,825,021	Paid

116	M/S Britech Ltd	construction works	395,850	Paid
117	M/S Concordia Building and Civil Engineering	construction works	871,422	Paid
118	M/S Concordia Building and Civil Engineering	construction works	32,687,750	Paid
119	M/S Diwafa investments	construction works	5,635,347	Paid
120	M/S Inshaallah ltd	construction works	32,158,361	Paid
121	M/S Mjengo and Alied Company ltd	construction works	2,476,746	Paid
122	Multicom entreprise	construction works	20,862,165	Paid
123	National Environmental Management Authority	construction works	225,824	Paid
124	Hardrem General Merchants	Maintenance of Building	3,189,305	Paid
125	Associated Construction Co (K) Ltd	construction works	6,622,521	Paid
126	Devani Limited	Supplies	599,940	Paid
127	Global Eye Merchants	Supplies	1,400,000	Paid
128	Jala Supplies	Supplies	165,000	Paid
129	Muneric Investments	Supplies	1,400,000	Paid
130	Nemesis Enterprises	Supplies	1,200,000	Paid
131	Nyandito Enterprises	Supplies	1,275,000	Paid
132	Runoff Enterprises	Supplies	1,300,000	Paid
133	Yoruba General Supplies	Supplies	1,250,000	Paid
134	M/S Tazama Builders	construction works	643,711	To be paid in the 2 nd half allocation in this FY.
135	M/S/ Tanga Enterprises	construction works	310,934	To be paid in the 2 nd half allocation in this FY.
136	Juku Builders limited	Maintenance of Building	3,145,304	To be paid in the 2 nd half

				allocation in this FY.
137	Bernvert General Agencies	Supplies	1,465,000	To be paid in the 2 nd half allocation in this FY.
138	Bosmaj Traders	Supplies	1,400,000	To be paid in the 2 nd half allocation in this FY.
139	Cartic Enterprises	Supplies	1,200,000	To be paid in the 2 nd half allocation in this FY.
140	Cygene Agencies	Supplies	780,000	To be paid in the 2 nd half allocation in this FY.
141	Dennick Investment	Supplies	1,350,000	To be paid in the 2 nd half allocation in this FY.
142	Docie General Supplies	Supplies	750,000	To be paid in the 2 nd half allocation in this FY.
143	Fergie Services	Supplies	1,350,000	To be paid in the 2 nd half allocation in this FY.
144	Kimbro Investment	Supplies	1,450,000	To be paid in the 2 nd half allocation in this FY.
145	M/S Director Autoparts and Services limited	Maintenance	74,417	To be paid in the 2 nd half allocation in this FY.
146	M/S Diwafa investments	Supplies	1,240,057	To be paid in the 2 nd half allocation in this FY.
147	M/S Seo and Sons ltd	construction works	29,307,520	To be paid in the 2 nd half allocation in this FY.
148	M/S Tai Enterprises ltd	construction works	31,093,824	To be paid in the 2 nd half

				allocation in this FY.
149	M/S Tertiary consulting engineers ltd	Consultancy Services	2,860,792	To be paid in the 2 nd half allocation in this FY.
150	M/S Tertiary consulting engineers ltd	Consultancy Services	2,840,956	To be paid in the 2 nd half allocation in this FY.
151	M/S Tertiary consulting engineers ltd	Consultancy Services	2,690,533	To be paid in the 2 nd half allocation in this FY.
152	M/S Tertiary consulting engineers ltd	Consultancy Services	3,538,522	To be paid in the 2 nd half allocation in this FY.
153	M/S Tertiary consulting engineers ltd	Consultancy Services	2,915,892	To be paid in the 2 nd half allocation in this FY.
154	M/S Wapcos Limited	Construction works	5,512,973	To be paid in the 2 nd half allocation in this FY.
155	Melddina Investment	Supplies	1,150,000	To be paid in the 2 nd half allocation in this FY.
156	Regugio Merchants & Distributors	Supplies	1,300,000	To be paid in the 2 nd half allocation in this FY.
157	Wamunyoru Investments ltd and Machine Center ltd	construction works	21,680,069	To be paid in the 2 nd half allocation in this FY.
158	Wayside Investment	construction works	1,350,000	To be paid in the 2 nd half allocation in this FY.
159	Ongata Works Ltd	construction works	200,000,000	To be paid in the 2 nd half allocation in this FY.
160	Armanath Construction Ltd	construction works	50,300,000	To be paid in the 2 nd half

				allocation in this FY
161	Pyramid Construction Ltd	construction works	48,000,000	To be paid in the 2 nd half allocation in this FY
	SUB TOTAL DEVELOPMENT		634,394,864	
	GRAND TOTAL		907,333,232	

ANNEX 2

STATE DEPARTMENT OF PUBLIC WORKS

Priority Projects not funded in the Proposed Budgetary Allocation for Financial Year 2017/18

Programme/Activities	Kshs. Million		
	Resource Requirements 2017/2018	Allocation 2017/2018	Shortfall
State Department of Public Works			
Voi pool Housing	528.20	438.20	90.00
Makueni District HqPh I	250.00	0	250.00
Kapsabet Pool Housing	150.00	0	150.00
Migori District HqPh II	150.00	0	150.00
Economic Stimulus Programme (ESP)			
Nyandrua west	44.20	0	44.20
Kamukunji	37.70	0	37.70
Tsekuru	12.00	0	12.00
Kilungu	19.60	0	19.60
Kyuso	9.50	0	9.50
Kipiriri	37.00	0	37.00
Nandi South	14.80	0	14.80
Kisumu Town west	22.61	0	22.61
Wajir south	14.00	0	14.00
Ganze	14.00	0	14.00
Kirinyaga west	17.86	0	17.86
Marawet East	19.30	0	19.30
Msabweni	3.90	0	3.90
Githunguri	27.27	0	27.27

Mandera North	20.24	0	20.24
Langata	23.71	0	23.71
Baringo- Marigat	9.07	0	9.07
Mumoni	20.40	0	20.40
Kenyena	7.00	0	7.00
Kieni West	14.40	0	14.40
Bungoma North	14.40	0	14.40
Njoro	12.00	0	12.00
Others			
Presidential Dias	70.92	0	70.92
Sub-Total			485.88

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

Pending Bills as at 5th December 2016

No.	PROJECT	AMOUNT
	Coastline Infrastructure and Pedestrian Access	
1	Shimoni Fisheries Jetty	3,566,852.00
2	Riamokua Footbridge	2,380,752.00
3	Mayonu- Nanyeni Footbridge	871,532.00
4	Trimionin Footbridge	1,020,060.00
5	AtyarFootbridge	935,685.00
6	Kapkures- CherumbasFootbridge	1,566,950.00
7	4no. Footbridges on River Suam	3,424,408.75
8	SeseFootbridge in AlegoUsongaandKawereFootbridge	2,723,380.00
9	Mayoni- Nanyeni	2,277,022.00
10	Total	18,766,641.75

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

On going projects requiring additional funds

No		Amount Kshs.
1.	Footbridge At Skedik-Garissa	1,300,000.00
2.	Footbridge At Kachepkos/Trimion	703,450.00
3.	Footbridge At Kapkures&Cherumbas	4,689,371.00
4.	Mayoni-Nanyeni Foot Bridge	3,406,618.00
5.	Isongo – Makunga Foot Bridge	7,130,137.00
6.	Riamokua Footbridge	19,256.00
7.	Riakebira Footbridge	539,000.00
8.	Adhiegra Footbridge	7,159,802.00
9.	Tawilwak Footbridge Over Kerio River	20,360.00
10.	Sese Span Footbridge In AlegoUsonga Constituency And Kawere Span Footbridge In Bondo Constituency	12,624,467.00
11.	Kaptarin Footbridge	11,385,426.00

12.	Wai-Wai- Ketpoluk Footbridge	506,188.00
13.	Akiriamet-Masol Footbridge	500,000.00
14.	4no. Footbridges Over River Suam At Tapandany,Nakwijit ,Cherangan And Lokomolo	4,045,952.25
15.	Nyamwanga Footbridge	841,216.00
16.	Atyar Footbridge, Baringo	786,625.00
17.	Footbridge in Lokori Division	6,142,332.00
	Total	61,097,453.7

Source: Ministry of Transport, Infrastructure, Housing and Urban Development

MINUTES OF THE 55TH SITTING OF THE TRANSPORT, PUBLIC WORKS AND HOUSING COMMITTEE HELD ON TUESDAY 9TH DECEMBER, 2016 IN THE BOMA HOTEL, NAIROBI AT 10:00 AM

PRESENT

1. Hon. (Eng.) Mahamud Maalim, M.P. – **Vice Chairman**
2. Hon. Simon Nyaundi Ogari, M.P.
3. Hon. K.K. Stephen Kinyanjui Mburu, M.P
4. Hon. Mukwe James Luswet, M.P.
5. Hon. (Eng.) Stephen Ngare, M.P.
6. Hon. Johnson Many Naicca, M.P
7. Hon. Aduma Owuor, M.P.
8. Hon. Joseph Lomwa, M.P.
9. Hon. Peter Shehe, M.P
10. Hon. (Arch.) David Kiaraho, M.P.
11. Hon. Barchilei Kipruto, M.P
12. Hon. Stephen Manoti, M.P
13. Hon. Ahmed Abbas Ibrahim, M.P
14. Hon. Mark Lomunokol, M.P.
15. Hon. Omar Mwinyi, M.P
16. Hon. Mathias Robi, M.P.
17. Hon. Edick Anyanga, M.P

APOLOGISE

1. Hon. Maina Kamanda, M.P. – **Chairperson**
2. Hon. Grace Kipchoim, M.P
3. Hon. Mishi Juma, M.P.
4. Hon. Omulele Christopher, M.P
5. Hon. (Capt.) Clement Wambugu, M.P.
6. Hon. Emmanuel Wangwe, M.P.
7. Hon. Rashid Juma, MP
8. Hon. Suleiman Dori, M.P.
9. Hon. Gideon Konchella, M.P.
10. Hon. Ali Wario, M.P
11. Hon. (Eng.) John Kiragu, M.P
12. Hon. Cecily Mbarire, M.P

IN ATTENDANCE

- NATIONAL ASSEMBLY

- | | |
|--------------------------|-----------------------|
| 1. Mr. Samuel Kalama | First Clerk Assistant |
| 2. Mr. Abdifatah M. Bule | Third Clerk Assistant |
| 3. Ms. Christine Ndiritu | Third Clerk Assistant |
| 4. Mr. Humphry Ringera | Research Officer |

MIN/DC-TPWH/2016/216 Preliminaries

The Chairperson called the meeting to order at 11:30 am with a word of prayer by the Hon. (Eng.) Stephen Ngare, MP.

He then presented the agenda as follows:-

1. Prayer
2. Communication from the Chair
3. **Consideration and adoption of the Reports on the Budget Policy Statement 2017/2018**
4. Any Other Business

MIN/DC-TPWH/2016/217 Consideration and adoption of the Reports on the Budget Policy Statement 2016

The Committee considered and adopted the report on the Budget Policy Statement 2016. The adoption of the report was proposed and seconded by the Hon. (Eng.) Stephen Ngare, M.P. and the Hon. K.K. Stephen Kinyanjui Mburu, MP respectively with the following observations and recommendations:-

COMMITTEE'S OBSERVATIONS

The Committee observed that:-

1. With a population of over 95,000, the current construction of housing units for police and prison officers is not sufficient at the rate of 1850 per year as currently planned i.e. would take up to 44 years to cover the entire population;
2. There was an addition of 3 State Departments under the Ministry of Transport, Infrastructure, Housing and Urban Development. The Ministry has however not developed a strategic plan to ensure the resources under the its purview are utilized efficiently;
3. The Ministry therefore as constituted cannot efficiently reach and effectively deliver efficiency all the related involved sectors without having a properly integrated development framework;

4. Statistics provided by the Kenya Bureau of Statistics (KEBS) lack information on the Maritime and Shipping Industry. This therefore implies that the planning under the industry cannot be done efficiently;
5. After the creation of the State Department of Maritime Affairs, only the common carder work force was transferred to the State Department leaving the technical officers at the State Department of Transport therefore effectively curtailing its activities. In addition there are still domicile functions under the State Department of Transport while the functions should be under the state department of Shipping and Maritime Affairs. This has denied the State Department of Maritime Affairs much needed technical staff/services needed;
6. Complexity of the Integrated Finance Management Information System (IFMIS) was noted for slowing down implementation of projects under the Ministry;
7. The increase in AIA i.e. due to increase in charge of the Road Maintenance Levy Fund, should have been accompanied by a halt in new projects in order to complete the current ones. This is noted that the State Department of Infrastructure is continuously incurring pending bills through-out the year.

COMMITTEE'S RECOMMENDATIONS

The Committee Recommends that;

1. Given the errors in submission of pending bills, the comprehensive list of pending bills be submitted only after certification by the Auditor General;
2. Noting low compliance in submission of responses by the State Departments during the BPS process, legal specification should be developed and passed in to law to ensure MDAs provide maximum information and ensure ultimate transparency in Government expenditure and provision of information to Parliament to ensure its oversight role is not impeded;
3. The National Treasury should prioritize the construction of housing units of Police and Prisons Officers. The current financial year 2016/17 has allocated Ksh. 1.6 billion for the construction of 1,850 Police housing units. These units are insufficient given that the total Police force population is estimated at over 95,000 and there are an additional 10,000 officers recruited annually;
4. The allocation to the State Department of Maritime and Shipping Affairs be increased to KSh. 765 million to enable it develop a research Centre and restructure the Kenya Shipping Line Limited;
5. Priority should be given to the efficient operations of the Integrated Financial Management Information System (IFMIS) process to enable smoother processing of Government activities but still maintaining oversight over the allocation and utilization of resources;
6. All functions that a related to the State Department of Maritime and Shipping Affairs, including the Kenya Ferry Services and the Kenya Maritime Authority be transferred from

the State Department of Transport in order to enable the State Department of Maritime and Shipping Affairs meet its mandate effectively.

MIN/DC-TPWH/2016/218 Adjournment

The Chairperson adjourned the meeting at 12.00 pm to be convened on 9th December, 2016
2.30 pm

SIGNED.....

DATE 14/12/16

Sr Hon. Maina Kamanda, EGH, M.P. (Chairperson)