




REPUBLIC OF KENYA

TWELTH PARLIAMENT –FIFTH SESSION - 2021

NATIONAL ASSEMBLY

A COMPENDIUM OF DEPARTMENTAL COMMITTEES REPORTS ON
FY2021/22 ESTIMATES OF REVENUE AND EXPENDITURE

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 JUN 2021	
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JUNE 2021	

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REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION – 2021
DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

REPORT ON THE CONSIDERATION OF THE OF THE ANNUAL BUDGET
ESTIMATES FOR THE FY 2021/22

ANNUAL BUDGET ESTIMATES FOR THE FY 2021/22 FOR THE
FOLLOWING SPENDING AGENCIES:

The National Treasury
State Department for Planning
State Department for Devolution
Salaries and Remuneration Commission
Commission on Revenue Allocation
Controller of Budget

DIRECTORATE OF DEPARTMENTAL COMMITTEES,
CLERK'S CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI

JUNE, 2021


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PART ONE

1 PREFACE

Mr. Chairman,

1. On behalf of the Departmental Committee on Finance and National Planning and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the Annual Estimates for the FY 2021/22 and the medium term.

1.1 ESTABLISHMENT OF THE COMMITTEE

2. The Departmental Committee on Finance & National Planning is one of the fifteen Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates pursuant to the *Standing Order 216 (5)* are as follows:
 1. 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;
 2. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
 3. To study and review all the legislation referred to it;
 4. 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;
 5. 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;
 6. 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);
 7. To examine treaties, agreements and conventions;
 8. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 9. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
 10. To examine any questions raised by Members on a matter within its mandate.

1.2 MANDATE OF THE COMMITTEE

3. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider, public finance, monetary policies, public debt, financial institutions (excluding those in securities exchange), investment and divestiture policies, pricing policies, banking, insurance, population revenue policies including taxation and national planning and development.

4. In executing its mandate, the Committee oversees the following government Ministries and departments;
 - i. National Treasury
 - ii. State Department for Planning
 - iii. State Department of Devolution
 - iv. The Commission on Revenue Allocation
 - v. Office of the Controller of Budget
 - vi. Salaries and Remuneration Commission

1.3 COMMITTEE MEMBERSHIP

5. The Departmental Committee on Finance and National Planning was constituted by the House in December, 2017 and comprises of the following Members:-

Chairperson

Hon. Gladys Wanga, CBS MP
MP for Homabay County

Vice-Chairperson

Hon. Isaac W. Ndirangu
MP for Roysambu Constituency

Members

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

Hon. Christopher Omulele, MP
MP for Luanda Constituency
ODM Party

Hon. Shakeel Shabbir Ahmed, MP
MP for Kisumu East Constituency
Independent Member

Hon. Daniel Nanok, MP
MP for Turkana West Constituency
Jubilee Party

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

Hon. Andrew Okuome, MP
MP for Karachuonyo Constituency
ODM Party

Hon. David Mboni, MP
MP for Kitui Rural Constituency
CCU Party

Hon. Francis K. Kimani, MP
MP for Molo Constituency
Jubilee Party

Hon. Joseph Oyula, MP
MP for Butula Constituency
ODM Party

Hon. Joshua Kandie, MP
MP for Baringo Central Constituency
MCC Party

Hon. Stanley Muthama, MP
MP for Lamu West Constituency
Jubilee Party

Hon. Edith Nyenze, MP
MP for Kitui West Constituency
WDM-K

Hon. Catherine Waruguru, MP
MP for Laikipia County
Jubilee Party

Hon. James Mwangi, MP
MP for Tetu Constituency
Jubilee Party

Hon. (Prof.) Mohamud Muhamed, MP
MP for Wajir South Constituency
Jubilee Party

Hon. Peter Lochakapong, MP
MP for Sigor Constituency
Jubilee Party

Hon. Qalicha Gufu Wario, MP
MP for Moyale Constituency
Jubilee Party

1.4 COMMITTEE SECRETARIAT

6. The Committee is facilitated by the following members of the Secretariat -

Head of the Secretariat

**Ms Leah W Mwaura
Senior Clerk Assistant**

**Ms Jennifer Ndeto
Principal Legal Counsel I**

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

**Ms Laureen O. Wesonga
Clerk Assistant II**

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

**Mr Josephat Motonu
Fiscal Analyst I**

**Ms Christine Maeri
Audio Officer**

1.5 OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

7. Budget Estimates for the FY 2020/21 were tabled in the House on **Thursday, 29th April, 2021** and thereafter referred to Departmental Committees for consideration.
8. The Committee held meetings with the Office of the Controller of Budget, Commission on Revenue Allocation; Salaries and Remuneration Commission; State Department for Devolution; State Department for Planning and the National Treasury from 17th to 20th May, 2021.

1.6 ACKNOWLEDGEMENTS

9. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its functions in considering the Budget Estimates for the FY 2020/21.
10. I also wish to express my appreciation to the Honorable Members of the Committee, the National Treasury, State Department for Planning, State Department for Devolution, Office of the Controller of Budget, Commission on Revenue Allocation and Salaries and Remuneration Commission for the useful information that they provided to the Committee on the Budget Estimates for the FY 2021/22.

PART TWO

2 BROAD OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

11. The Budget Estimates for FY 2021/22 is prepared at a time when the economy is expected to recover from effects of the COVID-19 Pandemic that has affected businesses and livelihoods in a significant way. As such, the economy is projected to bounce back from a growth of 3.8% in FY 2020/21 to about 6.3% in FY 2021/22. This is attributable to effects of a lower base in 2020, government investment on Post-COVID economic recovery strategy and implementation of the Big Four economic plan among other interventions.

2.1 OVERALL FISCAL FRAMEWORK FOR 2021/22

12. The proposed overall budget for FY 2021/22 is KSh. 3.656 trillion up from KSh. 3.361 trillion in the current financial year. This increase of about KSh 295 billion is mainly occasioned by an increase in the Consolidated Fund Services. However, the differences between the Estimates for FY 2021/22 and the approved ceilings under the 2021 Budget Policy Statement are minimal.

13. The overall deficit is KSh. 952.9 billion which is intended to be financed through foreign borrowing of KSh. 291.3 billion and domestic borrowing of KSh. 661.9 billion. Domestic borrowing is expected to increase by KSh. 118 billion in FY 2021/22 compared to the current financial year and foreign borrowing is expected to decline by KSh. 135 billion.

14. The projected revenue indicates an overall revenue increase of KSh. 190.6 billion in FY 2021/22 from the current financial year. The increase comprises of ordinary revenue of KSh. 181.6 billion and A-i-A of KSh. 9 billion. It is noted that all the tax heads are exhibiting an upward trajectory with the income tax projected to increase by KSh. 101.5 billion followed by VAT at KSh. 77.7 billion. This is mainly because of the reopening of the economy and recovery from effects of COVID-19 and its attendant effects on businesses and livelihoods.

2.2 COMMITTEE REVIEW OF THE MDAS' PROPOSED BUDGET ESTIMATES

15. The Departmental Committee on Finance and National Planning is mandated to scrutinize Budget Estimates for the following votes:

- i. Vote 1071 :The National Treasury
- ii. Vote 1034: State department for Planning
- iii. Vote 1032: State department for Devolution
- iv. Vote 2061: Commission on Revenue Allocation
- v. Vote 2081 : Salaries and Remuneration Commission
- vi. Vote 2121: Controller of Budget

2.2.1 The National Treasury

16. Budget Estimates for FY 2021/22 has been prepared against a backdrop of a global economic recovery projected at 6 percent in 2021 from a contraction of 3.3 percent in 2020. The Global growth in 2020 was adversely affected by the outbreak and spread of COVID-19 Pandemic. The Global 6 percent growth in 2021 was an upward revision from the earlier projection of 5.5 percent reflecting additional fiscal support in a few large economies especially the United States on top of an already unprecedented fiscal response in 2020 and continued monetary accommodation that further uplifts the economic outlook.
17. The Sub-Saharan Africa region is expected to recover to a growth of 3.4 percent in 2021 from an estimated contraction of 1.9 percent in 2020. This growth is largely due to improved exports and commodity process along with a recovery in both private consumption and investment as economies re-open.
18. The Government is implementing the Economic Stimulus Programme (ESP) by further increasing demand for local goods and services, cushioning vulnerable Kenyans, securing household food security for the poor and creating employment. These measures coupled with the re-opening of the economy will provide the much-needed relief to the economy and additional disposable income to the people and businesses.
19. On one hand, the tax relief measures cushioned Kenyans from the adverse economic effects of COVID-19 however, there was a drastic reduction in revenues and rising expenditure needs. This led to reversal of the initial tax reliefs (tax cuts) implemented in April 2020. This reversal was implemented effective 1st January 2021
20. In order to further accelerate economic recovery, the Government is implementing interventions under the Post-COVID-19 Economic Recovery Strategy which has clear thematic areas to re-position the economy on a steady and sustainable growth trajectory.
21. By the end of March 2021, total revenue collected including A-i-A amounted to KSh. 1,245.3 billion against a target of KSh. 1,276.9 billion resulting to a deviation of KSh. 31.6 billion. This shortfall from target was attributed to deviation from targets of Ordinary Revenue by KSh. 7.3 billion and Ministerial A-i-A by KSh. 24.3 billion.
22. The total revenue inclusive of the ministerial A-i-A contracted by **6.5 percent**, a decline from a growth of 12.9 percent recorded in March 2020. The decline is largely attributed to the difficult operating environment due to the COVID-19 Pandemic which has adversely affected revenue performance from March 2020.
23. Ordinary Revenue collection was KSh. 1,106.6 billion against a target of KSh. 1,113.9 billion, KSh. 7.3 billion below the target. This shortfall from target was mainly due to underperformance of Pay As You Earn (PAYE), other income taxes and Value Added Tax. The ministerial A-i-A collected was below target by

KSh. 24.3 billion by end of March 2021 mainly due to underreporting of SAGAs' A-i-A through the Ministerial expenditure returns for the period under review.

24. The National Treasury's proposed budget for FY 2021/2022 is **KSh. 167,844.2 million** made up of KSh. 64,536.7 million and KSh. 103,307.4 million for the recurrent and development expenditure respectively. This is to fund the following programmes:
- i. Rail Transport - KSh. 32,494 million;
 - ii. Marine Transport - KSh. 20,214 million;
 - iii. General Administration, Planning and Support Services - KSh. 66,337.4 million;
 - iv. Public Financial Management - KSh. 46,803.2 million;
 - v. Economic and Financial Policy Formulation Management - KSh. 1,588.7 million;
 - vi. Marketing Competition and Creation of Enabling Business Environment - KSh. 332.1 million; and
 - vii. Allocations to Semi-Autonomous Government Agencies - KSh. 72,925.9 million.

2.2.2 The State Department for Planning

25. The allocation to the State Department for Planning for the FY 2021/22 is KSh. 45.802 billion comprising of a Development budget of KSh. 42.28 billion and a recurrent budget of KSh. 3.47 billion. The bulk of the allocation being NG-CDF (KSh. 41.714 billion).
26. The budget is allocated to the following programmes:
- i. Economic policy and National Planning;
 - ii. National Statistical Information Services;
 - iii. Monitoring and evaluation systems; and
 - iv. General Administration, Planning and Support Services.
27. The State Department for Planning had a resource requirement of KSh. 65.424 billion for the FY 2021/2022 and had been given a proposed allocation of **KSh. 45.802 billion** hence a shortfall of KSh. 19.622 billion.
28. They requested for additional funding of KSh. **7,742.62 million** to fund the following key unfunded areas:

Recurrent Expenditure of KSh. 1,492.82 to fund:

- i. Vision 2030 Delivery Secretariat - KSh. 31.60 million;
- ii. KIPPRA - KSh. 116.5 million;
- iii. NEPAD/APRM - KSh. 25.12 million; and
- iv. Operations & Maintenance - KSh. 1,319.6 million

Development Expenditure of KSh. 6,249.8 million to fund:

- i. Macro - KSh. 200 million
- ii. Monitoring and Evaluation - KSh. 75.5 million
- iii. Social Governance - KSh. 151 million

- iv. Kenya National Bureau of Statistics - KSh. 575.55 million
- v. KNBS & SDGs Directorate - KSh. 133 million
- vi. KIPPRA - KSh. 63 million
- vii. NCPD - KSh. 75 million
- viii. NG-CDF - KSh. 4,976.75 million

2.2.3 State Department for Devolution

29. The State Department for Devolution had a proposed allocation of **KSh. 2.944 billion** against a resource requirement of KSh. 11.704 billion hence a funding gap of KSh. 8.76 billion.

30. The State Department requested for additional funding of **KSh. 7.361 billion** to fund the following key activities:

- i. Emergency Relief Funds - KSh. 1,618.3 billion;
- ii. Africities Conference - KSh. 600 million;
- iii. Hosting the Devolution Conference - KSh. 75.3 million;
- iv. Coordination of valuation and transfer of land and other equipment of the defunct local authorities and National Government (Devolved Functions) - KSh. 300 million;
- v. Conditional Grants - KDSP Level II (P for R) - KSh. 4,600 million;
- vi. Purchase/Lease of Vehicles - KSh. 64 million;
- vii. Finalisation of the identification, verification and validation of assets and liabilities of 14 devolved functions in 21 counties - KSh. 25 million;
- viii. Identification, verification and validation of assets and liabilities of 156 state corporations and SAGAs - KSh. 38 million; and
- ix. Other Operations & Maintenance (Council of Governor) - KSh. 40.2 million

2.2.4 Commission on Revenue Allocation

31. The Budget Estimates for FY 2021/22 proposes to allocate the Commission a budget of **KSh. 383.63 million** against a resource requirement of KSh. 546.6 million hence a funding gap of KSh. 162.97 million. The Commission requested for additional funding of **KSh. 163 million** to fund the following key underfunded areas:

- i. Assessment of county government performance - KSh. 32 million;
- ii. Financing and financial management for counties and comprehensive study on Own Source Revenue - KSh. 17 million;
- iii. Masterplan de-marginalisation/GIS Mapping/3rd policy identifying marginalized areas - KSh. 20 million;
- iv. Purchase of motor vehicle - KSh. 22 million;
- v. Mortgage and car loan schemes - KSh. 15 million; and
- vi. Insurance and Other O & M - KSh. 57 million

2.2.5 Office of the Controller of Budget

32. Office of the Controller of Budget has a proposed allocation of KSh. 639.25 million in FY 2021/22 and was requesting for additional funding of KSh. 73.5 to fund the following:

- i. Payment of gratuity for officers whose contracts are ending in FY 2021/22 - KSh. 8 million.
- ii. Medical insurance for new staff - KSh. 10 million.
- iii. Printing of budget implementation reports - KSh. 10 million.
- iv. Monitoring and evaluation and public participation forums - KSh. 45.5 million

33. The Office is mandated to oversee implementation of budgets of the national and county governments by authorizing withdrawals from public funds.

2.2.6 Salaries and Remuneration Commission

34. The Salaries and Remuneration Commission's, to make the Commission's proposed allocation for FY 2021/22 is KSh. 621.38 million and they were not requesting for additional funding.

2.3 OBSERVATIONS

35. Following submissions from the State Departments and Commissions and briefing by the Parliamentary Budget Office on the proposed Budget Estimates for FY 2021/22, the Committee made the following observations:

2.3.1 The National Treasury

The Committee observed that:

36. The proposed overall budget estimates for FY 2021/22 is KSh. 3.656 trillion up from KSh. 3.361 trillion in the current financial year.
37. The National Treasury has received two new programmes: Rail and marine transport whose outcomes are to ensure reduced traffic congestion and transportation cost and to ensure efficient, secure and safe marine transport respectively.
38. The overall deficit is KSh. 952.9 billion which is intended to be financed through foreign borrowing of KSh. 291.3 billion and domestic borrowing of KSh. 661.9 billion. The component of the foreign borrowed has been reduced compared to 2020/21. This trend is contrary to what the National Treasury undertook to ensure that there is reduced domestic borrowing and the government and to ensure that they target cheaper financing from multilateral and bilateral sources. The proposed deficit financing is likely to crowd out the Medium, Small and Micro Enterprises (MSMEs) given that this sector will require credit access to recover from the effects of the pandemic, thus increasing the quantum of borrowing from the domestic market would be counter-productive in this regard.
39. The national debt as at May 2021 was KSh. 7.3 trillion comprising of KSh. 3.8 trillion and KSh. 3.5 trillion foreign and domestic debt respectively. The public debt guarantee was KSh. 140 billion. The total figure including the signed but yet to be disbursed debts was amounting to KSh. 8.65 trillion. Looking at the budget deficit for the FY 2021/22, the debt ceiling of KSh. 9 trillion is being approached already.

2.3.2 State Department for Planning

The Committee observed that:

40. The allocation of KSh. 41.714 to NG-CDF for the FY 2021/22 complies with the minimum of 2.5% required by NG-CDF Act. However, there are other outstanding arrears of KSh. 4.97 billion owed to NG-CDF for Fiscal Years 2008/2009, 2009/2010 and 2010/2011.
41. KIPPRA is seriously understaffed particularly in the top management. This has negatively affected the Institution's ability to provide support to Government agencies both at the National and county level. KIPPRA as a premier institution for research in public policy requires to be supported by additional staff.

2.3.3 State Department for Devolution

The Committee observed that:

42. There is no allocation for emergency food relief in the Budget Estimates for FY 2021/22. This is because there is a policy change where relief will be transferred via mobile money to the affected persons. In the meantime, emergencies shall be funded by the Contingency Fund.
43. The identification and verification of assets and liabilities of the defunct local authorities has been ongoing for quite some time hence the need to evaluate this expenditure before making further allocations.
44. World Bank disbursed KSh. 4.6 billion for the Kenya Devolution Support Programme Level II in May 2020. By this time, the County Allocation of Revenue Act (CARA) had already been prepared and the amount was therefore not captured in the CARA. If counterpart funding by the Government is not provided by September 2021, World Bank will recall the funds.
45. There was a pending bill of KSh. 233 million owed to Spenco Limited. Spenco Limited was engaged by the defunct Mombasa Local Authority but the liability was assigned to the National Government after validation of assets and liabilities.
46. Most people who had retired from the defunct local authorities are yet to be paid their pension.

2.3.4 Commission on Revenue Allocation

The Committee observed that:

47. The Commission proposed allocation of **KSh. 383.63 million** in 2021/22 compared to KSh. 371.9 representing an increase of KSh. 11.73 million. In as much as this is an increase compared to the base year, the Commission's allocation does not reflect the enormous activities that the Commission is expected to achieve. A comparative analysis across all Commissions presents that the CRA is hugely underfunded. The Commissions targets are therefore unattainable due to the huge deficits.

2.3.5 Controller of Budget

The Committee observed that:

48. The office is required to implement one programme, that is intergovernmental revenue and financial matters. The office may not be able to achieve the targets given the low level of funding. Publishing of quarterly budget reports is a statutory requirement which may not be feasible given the funding deficit.
49. The Office requires an additional KSh. 73.5 Million to ensure that its operations are funded in order to ensure that MDAs and County Governments prudently utilize their resources. Bulk of this deficit is in the area of monitoring and evaluation and public participation forums which requires KSh. 45.5 million.

2.3.6 Salaries and Remuneration Commission (SRC)

The Committee observed that:

50. SRC allocations have been increasing over the years and hence the need to scrutinize whether the commission is implementing zero based budgeting. The allocation to FY 2021/22 is KSh. 621.38 million from KSh. 459 million in the current financial year. The Commission is not implementing any new targets.

PART THREE

3 RECOMMENDATIONS

The Committee made the following recommendations:

3.1 POLICY RECOMMENDATIONS

The Committee made the following policy recommendations, THAT:

51. National Treasury should ensure that the KSh. 4,600 million conditional grant for Kenya Devolution Support Programme Level II is restored in the County Allocation of Revenue Act before September 2021 to prevent the money from being recalled by World Bank.
52. Before the policy on distribution of relief via mobile money transfers is put in place, funds earmarked for relief food should be budgeted under the Ministry of Devolution. This will enable the Ministry to plan for the money and provide relief food in time whenever it is required and to ensure that Kenyans who depend on relief food throughout are catered for.
53. The Ministry of Devolution should present the issue of payment of pension to retired workers of defunct local authorities to the Cabinet within three months so that a solution can be found.
54. The NG-CDF Board should provide clarity to the Committee on which Constituencies are owed the KSh. 4.97 billion NG-CDF arrears, a breakdown of the projects that were supposed to be implemented by the arrears and which of the projects have court cases. The said information should be submitted to the Committee immediately.

3.2 FINANCIAL RECOMMENDATIONS

Proposed Reductions

Vote	Programme/Area/Item	Proposed Reduction (Millions)	Justifications
NATIONAL TREASURY			
1071	0717010: Administration Services under the Programme 0717000: General Administration Planning and Support Services	KSh. 6,000	The allocation for this Item moved from KSh. 27,325.8 million in FY 2020/21 to KSh. 36,520 million in FY 2021/22. National Treasury did not provide a clear explanation for the huge leap.
	0718020: Budget Formulation Coordination	KSh. 3,221.02	The allocation for this Item moved from KSh. 7,783.6

	and Management under the Programme 0718000: Public Financial Management		million in FY 2020/21 to KSh. 22,209 million in FY 2021/22. National Treasury did not provide a clear explanation for the huge leap.
	TOTAL	KSH. 9,221.02	

Proposed Increases

Vote	Programme/Area/Item	Proposed Increases (Millions)	Justification
COMMISSION ON REVENUE ALLOCATION /			
2061	Assessment of county government performance.	KSh. 32	To enable the Commission to discharge its mandate optimally.
	Financing and financial management for counties and comprehensive study on Own Source Revenue.	KSh. 17	
	Purchase of motor vehicles.	KSh. 22	
	Mortgage and car loans schemes.	KSh. 15	
	Insurance and other Operation & Maintenance	KSh. 14	
	TOTAL	KSH. 100	
CONTROLLER OF BUDGET			
2121	Payment of gratuity to staff whose contracts are ending in FY 2021/22.	KSh. 8	To facilitate budget implementation reporting to Parliament and legislative assemblies in county governments.
	Medical insurance for new staff.	KSh. 10	
	Printing of budget implementation reports; and	KSh. 10	
	Monitoring and evaluation and public participation forums.	KSh. 20	
	TOTAL	KSH. 48	
STATE DEPARTMENT FOR DEVOLUTION			
1032	Emergency Relief Funds	KSh. 1,618.3	There is no allocation for emergency relief in the Budget Estimates. This money will ensure that those who need emergency relief are catered for.
	Africities Conference	KSh. 600	The allocation will make it possible

			for construction of the convention centre in Kisumu to be finalised in readiness for the Conference which will take place in 2022.
	Co-ordination of valuation and transfer of land and other equipment of the defunct local authorities and National Government.	KSh. 180	Will make it possible for the process of transferring land and other equipment from the defunct local governments to be finalised.
	Purchase/Lease of Vehicles	KSh. 64	Replace the worn-out fleet of cars in the State Department.
	Finalization of the identification, verification and validation of assets and liabilities of 14 devolved functions in 21 counties.	KSh. 25	Will make it possible for the process of transferring assets and liabilities from the defunct local governments to be finalised.
	TOTAL	KSh. 2,487.3	

STATE DEPARTMENT FOR PLANNING

Recurrent Expenditure

1034	Vision 2030 Delivery Secretariat	KSh. 31.6	Gratuity for officers whose contracts are ending within FY 2021/22.
	KIPPRA	KSh. 116.5	Recruitment of new staff and replacing staff who have exited through natural attrition
	NEPAD/APRM Kenya Secretariat.	KSh. 25.12	Recruitment of 2 directors, public relations manager and accountant I
	Macro department	KSh. 50	Running the operations of technical secretariat to support H.E. the President in executing his role as the President in office of the 9 th ACP Summit. This is a South – South Triangular Cooperation where a group of African, Caribbean and Pacific Countries who have got Economic and trade agreements with European Union for access to the EU Markets
		KSh. 50	Comprehensive review of implementation of Economic Recovery Strategy with a view of assessing its effectiveness amidst the COVID-19 Pandemic.
	Monitoring and Evaluation	KSh. 13	Tracking implementation of Government programmes and projects, preparing progress report on MTP III, the 'Big Four' Agenda

			and post COVID-19 Economic Recovery Strategy.
	Sustainable Development Goals Coordination (SDGC)	KSh. 100	Coordination of mainstreaming of SDGs in policy, planning and budgeting process, advocacy and awareness creation on SDGs.
	Social Governance	KSh. 50	Finalization and implementation of knowledge Management Framework for Kenya as directed by the National Development Implementation Technical Committee (NDTIC).
		KSh. 35	Strengthening and capacity building the Central Planning and Projects Monitoring Units (CPPMUs) in ministries and departments to effectively undertake the National and Sectoral Planning function. The purpose of CPPMUs is for project analysis, monitoring, evaluate and impact assessment.
	NEPAD/APRM	KSh. 50	Cascading Africa Peer Review Mechanism (APRM) to the counties and undertaking a targeted review of H.E. the President as per his commitment to the African Union under NEPAD-APRM. At the continental level, the APRM reviews each President in terms of progress of democracy and political governance, economic governance and management ,corporate governance and social-economic development. APRM – Is a tool to peer review on governance, economic , democracy which now the county governments are supposed to review each other voluntarily. Benefit to the counties: It helps in identifying best practice, peer learning and promotion of good governance in the counties.
		KSh. 30	Support the Office of the High Representative for Infrastructure

			Development in Africa under NEPAD-APRM.
Vision 2030 Delivery Secretariat.	KSh. 100		Monitoring and Evaluation of Flagship Projects and communication of their progress to Kenyans. Given that we are in the tail end of MTP III the Secretariat requires to be able to ensure all projects under the vision 2030 are implemented in terms of monitoring and evaluation
National Council for Population and Development	KSh. 30		Establishment of 4 additional county offices.
Administrative Services	KSh. 100		Replacement of the State Department's old fleet of vehicles.
	KSh. 20		Training of the State Department's officers.
	KSh. 30		Carrying out induction training for the 200 Economist I & II recruited in January 2021.
TOTAL	KSh. 831.22		

Development Expenditure

Macro	KSh. 100		For preparing the Fourth MTP of Kenya Vision 2030 and the 28 Sector Plans.
Monitoring and Evaluation	KSh. 75.5		Rolling-out and operationalization of e-NIMES & E-Cimes in MDAs and counties.
Social Governance	KSh. 110		Conducting the 6 th Preparatory Poverty Assessment.
	KSh. 26		Developing the 9 th Kenya National Human Development Report. This is a report that shows real development in terms of life expectancy and per capita income.
KNBS	KSh. 400		The World Bank rated the programme as successful and are willing to finance phase 2 subject to Treasury disbursing arrears of KSh. 400 million.
KIPPRA	KSh. 63		Implement the Young Professionals Programme.
NG-CDF	KSh. 5,000		NG-CDF has played a big role in the development of the country. The additional funds will improve this further.

	TOTAL	KSh. 5,774.5	
	GRAND TOTAL	KSH. 6,605.72	
NATIONAL TREASURY			
1071	Monitoring and strengthening budgetary implementation.	KSh. 980	The allocation is meant for strategic interventions generated from public participation aimed at stimulating/supporting growth at the grassroots level .
	Marine Transport	KSh. 700	The allocation is meant to construct an interchange road and a parking lot for purposes of coming in and out of the Malaba OSBP. This will go a long way in easing congestion at the Malaba OSBP and improving efficiency and further improving ease of doing business and movement of goods and services within the East African Region . The Congestion at the Malaba OSBP has increased the turnaround time for cargo clearance and this has defeated the whole point of setting up one stop border points.
	Rail Transport	KSh.300	The allocation is meant to cater for track recording system which is an automated track inspection vehicle on a rail transport system for maintenance and safety of the metre gauge railway line operations. It is used to test several parameters of the track geometry without obstructing normal railroad operations.
	TOTAL	KSH. 1,980	
	GRAND TOTAL		KSH. 11,221.02

Critically underfunded areas

Vote	Programme/Area/Item	Proposed Increase	Justification
STATE DEPARTMENT FOR PLANNING			
1034	NG-CDF	KSh. 2,000	This is to fund the balance of KSh. 2 billion of the additional funding of KSh. 5 billion to NG-CDF. The Committee has funded KSh. 3 billion through reallocation of funds in the SAGAs under its purview.

SIGNED: _____

DATE: 4th June 2021

THE HON. GLADYS WANGA, CBS, MP
CHAIRPERSON

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING



REPUBLIC OF KENYA




THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE
ON
HEALTH

REPORT
ON
THE EXAMINATION OF THE BUDGET ESTIMATES FOR THE FY 2021/2022
FOR
MINISTRY OF HEALTH
VOTE 1081

 THE NATIONAL ASSEMBLY PAPERS LAID	
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PART 1

1.0 PREFACE

1.1 INTRODUCTION

Chairperson,

01. This is the report of the Departmental Committee on Health on its consideration of the Budget Estimates for the FY 2021/22 for the Ministry of Health – Vote 1081. The report is as a result of deliberations between the Committee and the Ministry of Health and its Semi-autonomous Government Agencies (SAGAs).
02. The report contains the discussions, observations and recommendations of the Committee as regards the proposed Budget Estimates for the FY 2021/22 for the Ministry of Health alongside its Semi-autonomous Government Agencies (SAGAs)
03. The proposed Budget Estimates for the FY 2021/22 was tabled before the House on Thursday 29th April, 2021 committed to relevant Departmental Committees pursuant to Section 39(2) of the Public Finance Management Act, 2012 as read with Standing Order 235(4) of the National Assembly for scrutiny.

1.2 ESTABLISHMENT AND MANDATE OF THE COMMITTEE

04. The Departmental Committee on Health is established pursuant to the provisions of Standing Order No. 216 of the National Assembly and in line with Article 124 of the Constitution which provides for the establishment of the Committees by Parliament. The mandate and functions of the Committee 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 the Ministries and departments and the effectiveness of the implementation;*
 - c) *Study and review all legislation referred to it;*

- d) Study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with 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;*
- fa) Examine treaties, agreements and conventions;*
- g) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;*
- h) Consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and*
- i) Examine any questions raised by Members on a matter within its mandate*

05. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider, matters related to health, medical care and health insurance.

06. In executing its mandate, the Committee oversees the Ministry of Health, its Semi-Autonomous Government Agencies, Regulatory Bodies and Health Advisory Bodies as follows:

1. Kenyatta National Hospital (KNH)
2. Moi Teaching and Referral Hospital (MTRH)
3. Kenyatta University Teaching Referral and Research Hospital (KUTRRH)
4. Kenya Medical Training College (KMTC)
5. Kenya Medical Supplies Authority (KEMSA)
6. Kenya Medical Research Institute (KEMRI)
7. National Hospital Insurance Fund (NHIF)
8. Pharmacy and Poisons Board (PPB)
9. National AIDS Control Council (NACC)
10. National Cancer Institute (NCI)
11. Kenya Nuclear Regulatory Authority (KENRA)
12. The Mathari National Teaching and Referral Hospital (MNTRH)
13. Kenya Health Professionals Oversight Authority (KHPOA)
14. Kenya Health Human Resource Advisory Council (KHHRAC)

1.3 COMMITTEE MEMBERSHIP

07. The Departmental Committee on Health was constituted by the House in December, 2017 and comprises of the following Members:-

Hon. Sabina Chege, MP (**Chairperson**)
County MP for Muranga County
Jubilee Party

Vice-Chairperson
Hon. Joshua Kutuny, MP
Cherangan'y Constituency
Jubilee Party

Hon. (Dr.) Eseli Simiyu, MP
Tongaren Constituency
Ford Kenya Party

Hon. Prof. Mohamud Sheikh, MP
Wajir South
Jubilee Party

Hon. Gideon Ochanda, MP
Bondo Constituency
ODM Party

Hon. Sarah Puleta Korere, MP
Laikipia North Constituency
Jubilee Party

Hon. (Dr.) James Nyikal, MP
Seme Constituency
ODM Party

Hon. Capt. Ruweida Mohamed, MP
Lamu County
Jubilee Party

Hon. Alfred Agoi Masadia, MP
Sabatia Constituency
ANC Party

Hon. Kipsengeret Koros, MP
Sigowet-Soin Constituency
Independent Party

Hon. (Dr.) James K, Murgor, MP
Keiyo North Constituency
Jubilee Party

Hon. Martin Peters Owino, MP
Ndhiwa Constituency
ODM Party

Hon. Muriuki Njagagua, MP
Mbeere North Constituency
Jubilee Party

Hon. Joyce Ekai Emanikor, MP
Turkana County
Jubilee Party

Hon. (Dr.) Mohamed D. Duale, MP
Daadab Constituency
KANU Party

Hon. Said Hirabe, MP
Galole Constituency
Ford Kenya Party

Hon. Beatrice Adagala, MP
Vihiga County
ANC Party

Hon. Tongoyo Gabriel Koshal, MP
Narok West Constituency
CCM Party

Hon. James G Wamacukuru
Kabete Constituency
Jubilee Party

1.3 SECRETARIAT

08. The Committee is facilitated by the following Secretariat:-

Benjamin Magut
Senior Clerk Assistant/Team Leader

Muyodi Meldaki Emmanuel
Clerk Assistant II

Eric Kanyi
Fiscal Analyst II

Christine Odhiambo
Legal Counsel I

Ahmed Yakub
Media Officer

Nimrod Ochieng
Audio Officer

1.5 ACKNOWLEDGEMENTS

19. The Committee is grateful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its Sittings. On behalf of the Committee, it is therefore my pleasant duty and privilege, to present this report on scrutiny of the 2021/2022 Budget Estimates for the Ministry of Health-Vote 1081 to the Budget and Appropriation Committee pursuant to provisions Section 39(2) of the Public Finance Management Act, 2012 as read with Standing Order 235(4) of the National Assembly.

Thank You

PART II

2.0 OVERVIEW ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR FINANCIAL YEAR 2021/22

10. Pursuant to provisions Section 39 (2) of the Public Finance Management Act, 2012 as read with Standing Order 235(4) of the National Assembly Budget Estimates for FY 2021/22 were laid before the House Thursday 29th April 2021 and committed to the respective Departmental Committees for scrutiny.
11. The National Assembly Standing Orders 216 assign the Departmental Committee on Health mandate to consider all matters relating to Health. Thus, in terms of budget oversight the Committee covers the Ministry of Health and its Semi-Autonomous Government Agencies (SAGAs).
12. In its scrutiny of the Budget Estimates, the Committee held a total ten (10) Committee sittings. During its sittings the Committee scrutinized the Budget implementation status for the period ended third (3rd) quarter of FY 2020/21 for the Ministry of Health and its Semi-Autonomous Agencies SAGAs.
13. Further, the Committee considered the proposed Budget estimates for Ministry of Health Vote together with FY 2021/22 budget estimates of following Semi-Autonomous Agencies SAGAs,-
 - i) Kenyatta National Hospital (KNH)
 - ii) Moi Teaching and Referral Hospital (MTRH)
 - iii) Kenyatta University Teaching Referral and Research Hospital (KUTRRH)
 - iv) Kenya Medical Training College (KMTC)
 - v) Kenya Medical Supplies Authority (KEMSA)
 - vi) Kenya Medical Research Institute (KEMRI)
 - vii) National Hospital Insurance Fund (NHIF)
 - viii) National AIDS Control Council (NACC)
 - ix) National Cancer Institute (NCI)
 - x) Kenya Nuclear Regulatory Authority (KENRA)
 - xi) The Mathari National Teaching and Referral Hospital (MNTRH)
 - xii) Kenya Health Professionals Oversight Authority (KHPOA)
 - xiii) Kenya Health Human Resource Advisory Council (KHHRAC)

3.0 MINISTRY OF HEALTH 2021/22 PROPOSED BUDGET ESTIMATES

a) Overall 2021/22 proposed budget for MOH

14. In 2021/22 financial year, the Ministry of Health as approved at policy level will be implementing five programmes which have budgetary provisions towards funding of various programs and projects. To support this programmes, the proposed 2021/22 budget for the Ministry of Health is **Kshs 121 Billion** out of which recurrent budget is **Kshs 65 Billion** and the development budget is **Kshs 56 Billion**.

Table: 2021/22 proposed budget (Kshs Millions)

Programmes	2020/21*			2021/22		
	Current	Capital	Total	Current	Capital	Total
Preventive, Promotive and RMNCAH	5,128	18,750	23,878	3,021	22,498	25,519
National Referral and specialized services	33,886	9,890	43,776	36,104	11,655	47,759
Health Research and Development	9,140	633	9,773	9,626	588	10,214
General Administration and Planning	7,405	1,245	8,650	5,867	1,060	6,927
Health Policy, Standards and Regulations	11,524	21,594	33,118	10,443	20,228	30,671
Total	67,083	52,112	119,195	65,061	56,029	121,090

Source: National Treasury* includes 2020/21 Supplementary Estimates I

15. In terms financing the MOH budget, 34% (Kshs 41.6 Billion) is AIA where Kshs 17.4 Billion is from local AIA collected from various SAGAs and Kshs 24 Billion is from external funding from development partners either as grants/loans AIA or grants/loans revenue. The remaining 66% (Kshs 80 Billion) of the proposed budget is financed from the GOK resources.

16. The programmes which have received priority in terms of budget allocations in the 2021/22 are as follow

Table: 2021/22 programmes prioritization

Priority Programmes	Allocation (Billions)	Key areas of funding
National Referral and Specialized services	47.7	<ul style="list-style-type: none"> ▪ The five referral hospitals ▪ Managed Equipment Service
Health Policy, Standards and Regulations	30.7	Funding for UHC and other social protection programmes such as, Free maternity and Health Insurance subsidy.
Preventive and Promotive Health	25.5	<ul style="list-style-type: none"> ▪ Global fund interventions (TB, Malaria and HIV) ▪ Family planning commodities and vaccines ▪ COVID 19 pandemic response
Health Research and Development	10.2	<ul style="list-style-type: none"> ▪ Funding towards KMTC and KEMRI

17. The 2020/21 MOH budget has allocation majorly towards traditional strategic interventions which the Ministry of Health has been implementing. The funding of these interventions is both a mix of GOK and development partner's support.

i. Free maternity programme (Linda mama programme)	4.1 Billion
ii. Health Insurance Subsidy Programme (HISP)	1.9 Billion
iii. Equipping of hospitals (Leasing of medical equipment)	7.2 Billion
iv. Scale up of UHC project	15.8 Billion

v. Vaccines and immunizations	3.9 Billion
vi. Regional cancer centres	0.4 Billion
vii. Kenya COVID 19 Emergency Response Interventions	9.5 Billion

18. Out of the Kshs 65 Billion allocation, Kshs 47.6 Billion is the net allocation whereas Kshs 17.4 Billion is Appropriations in Aid (AIA) which is collected from the various SAGAs. A significant percentage (71% - Kshs 46.3 Billion) of the recurrent budget is allocated to the SAGAs under the MOH.A review of the proposed itemized budget indicates that the major recurrent allocations are on the following heads.

Head/Item	Net	AIA	Gross	Major component Funded
Headquarter Professional and Administrative Services	3,400	-	3,400	Personnel emoluments
Mathare Hospital Referral Hospital	1,199	-	1,199	Transfers
Kenyatta University Referral Hospital	2,500	1,000	3,500	Transfers
Kenya Medical Training College	3,600	3,300	7,000	Transfers
Kenya Medical Supplies Agency	100	3,500	3,600	Transfers
Kenyatta National Hospital (KNH)	9,800	5,400	15,200	Transfers
Moi Teaching and Referral Hospital	7,700	3,400	11,200	Transfers
Kenya Medical Research Institute	2,500	184	2,600	Transfers
UHC Coordination and Management Unit	8,000	-	8,000	PE and Transfers
Kenya COVID 19 emergency response	1,100	-	1,100	Personnel emoluments
Health Insurance Subsidy Programme	1,900	-	1,900	Transfers
Total	41,799	16,784	58,583	

19. The proposed development expenditure is Kshs 47.5 Billion where 48 % (Kshs 23 Billion) is external funding and the remaining is funded from GOK. The Ministry will be implementing a total of 52 capital projects with the proposed allocation of Kshs 47.5 Billion and most of the projects are the ongoing projects which the Ministry has been implementing.

20. A review of the capital projects portfolio indicates new projects which are proposed to be funded in the next financial year. The new capital projects are funded by the exchequer (GOK) as well as development partners. The new major capital projects are indicated below:

New Projects	Allocation	Source of financing	Target set
Supply of medical equipment and Associated services	2.4	External-Loan	28 Hospitals supplied with COVID 19 equipment
GOK/UNPFA country programmes	1.2	External grant	55% WRA getting FP commodities
Primary Health care in a devolved context	802	External grant	2.5 Million HHs covered under the UHC scheme
Dietetics improvement	80	GOK	80% Integrated National Food Security system developed
Equipping of maternity unit (mother and baby unit)	30	External	74% of deliveries conducted by skilled labour

3.1 MINISTRY OF HEALTH SUBMISSIONS

21. While appearing before the Committee, Ms. Susan Mochache, Principal Secretary Ministry of Health made submissions as per the report in attached Annex 1.

22. The mandate of the Ministry is derived from Schedule 4 of the Constitution of Kenya and the Executive Order No. 1 of June, 2018. The Schedule assigns the following functions to the Ministry of Health.

- i) Health Policy

- ii) National referral health facilities
- iii) Capacity building and technical assistance to Counties

23. The strategic objectives for the Ministry are;

- i) **Eliminate communicable diseases** : Reduce the burden of communicable diseases to a level that is not of major public health concern.
- ii) **Halt and reverse the rising burden of non-communicable conditions and mental disorders**: Implement strategies to address all the identified non-communicable conditions and mental disorders in the country.
- iii) **Reduce the burden of violence and injuries**: Put in place strategies to address the causes of injuries and violence, with special consideration for gender, age, geographical distribution, and other factors.
- iv) **Provide essential healthcare**: Provision of essential health services will be geared towards providing affordable, equitable, accessible and quality healthcare that is responsive to clients' needs.
- v) **Minimize exposure to health risk factors**: strengthen health promotion interventions and facilitate the use of products and services that lead to healthy lifestyles in the population.
- vi) **Strengthen collaboration with private and other sectors that have an impact on health**: Adopt a health in all policies approach.

24. Some of key achievements include;

- i) A total of 1,729,345 COVID-19 tests have been conducted.
- ii) COVID-19 Vaccination programme was rolled-out with a total of 925,509 people being vaccinated so far.
- iii) A total of 970,000 households identified and registered for the UHC programme.
- iv) Recruitment of additional human resources for health (HRH) to enhance human resources capacity.
- v) Construction of Integrated Molecular Imaging Centre (IMIC) at KUTRRH currently at 75% completion rate and operationalization of additional 300-bed capacity for COVID-

19 patients at Kenyatta University Teaching Referral and Research Hospital (KUTRRH) was operationalized.

- vi) Installation of 2,000 litres per minute PSA Oxygen Generating Plant, operationalization of a Cancer Centre with new Linac and Brachytherapy fully functional and Network Upgrade, Modern Data Centre and High-Definition CCTV installed and fully operational in MTRH.
- vii) Construction of Oxygen plant, installation of a Bulk Liquid Oxygen tank Mortuary, Kitchen and Laundry at KNH -Othaya in order to facilitate full operationalization of the facility. Constructions works are at an advanced stage of completion.
- viii) Establishment of the endocrinology center of excellence at KNH to manage complicated diabetes and advanced hormone imbalances or endocrine gland disorders.
- ix) Establishment of diagnostic center with a new CT scan at KNH to improve service delivery and installation of Tissue typing laboratory in KNH for histocompatibility tests on solid organ transplant candidates and prospective donors and for monitoring of the immune response Post-transplant.
- x) Expansion of Critical care capacity at KNH by installation of additional 80 CCU bed capacities
- xi) The Ministry in collaboration with the Ministry of ICT and World Health Organization (WHO) begun digitalization of service delivery through the Digital Health project that will see an end-to-end solution implemented in approximately 6,000 public health facilities as a unified system.
- xii) Expansion of cancer control interventions in 3 counties (Mombasa, Garissa and Nakuru) through establishment of comprehensive cancer management centres with the construction currently at 90% completion rate.
- xiii) Kenya Medical Research Institute participated in successful development of AstraZeneca vaccine in collaboration with Oxford University, undertook mass testing of COVID-19 and also scaled up manufacture of sanitizers all geared towards containment of the pandemic.

- xiv) Instituting key reforms through the Health Financing Reforms Expert Panel for the transformation and repositioning of National Hospital Insurance Fund (NHIF) as a strategic purchaser of healthcare services. These include, developing the essential benefit package, costing of services, reviewed the empanelment and contracting of health facilities, reviewed the organizational structure and installing a new ERP system with a view of realizing efficiency and effectiveness in service delivery.
- xv) The Ministry has set up an inter-ministerial Committee to spearhead implementation of KEMSA reforms.

3.2 SEMI-AUTONOMOUS GOVERNMENT AGENCIES (SAGAs)

25. The Heads of the Semi-Autonomous Agencies (SAGAs) made presentations highlighting their shortfalls and needs as follows:

3.2.1 Kenyatta National Hospital (KNH)

26. **Indigent Bills-** The hospital renders services to all patients referred for specialized and emergency healthcare without discrimination. Some of the patients who were attended are indigents and upon clinical discharge are unable to settle their medical bills. It also includes bills relating to unclaimed bodies that are disposed by the Hospital as per the Public Health Act. Since 2015/16 FY to 3rd quarter of FY 2020/21 the hospital has accumulated bills of **Kshs 8 billion**.
27. **Losses due to NHIF Contracts-** The NHIF loss arises where the medical cost incurred on a patient who is a contributor to the Fund is greater than the rebate reimbursed by the Fund based on the existing medical service contracts. To minimize losses arising from the NHIF contract, the Hospital has engaged the Fund on the review of the packages where cost is not adequately compensated. KNH has recorded a loss of **Ksh 329 million** as at end of the 3rd quarter.
28. **COVID - 19 patients' medical bills-** Kenyatta national Hospital has a total

accumulated medical bill of Kshs 329 million arising from COVID-19 patients. This bill are yet to be cleared by the Ministry of Health.

29. **Dual Medical Oxygen plant** - The hospital relies on vendors for supply of oxygen since 2016 when the Oxygen Generating Plant was declared obsolete. In line with the Government priorities as well as the aspirations of Universal Health Coverage aimed at enhancing accessibility, affordability and quality of care, the hospital has prioritized the construction of a dual oxygen plant that will guarantee a steady supply to the hospital at all times. The oxygen plant with a production capacity of 4000 litres per min will improve clinical outcomes and enhance specialized service delivery. To execute this project, the hospital requires **Kshs 363 million**

30. **KNH Personnel Emoluments funding gap (Kshs.3,350 million)**- A detailed analysis of the actual IPPD for the period July 2020 – April 2021 and projection for May and June 2021 indicates a funding gap totaling to Kshs 1,886 million which has been requested via supplementary II for FY 2020/21. The funding gap is projected to increase to Kshs. 3,350 million for FY 2021/22.

31. **Othaya PE funding gap FY 2021/22(Kshs.1,606 million)**- in a bid to deliver specialized services as a level 6 hospital, KNH Othaya requires to build the HR capacity. The Hospital utilization has grown from an average of 34% to 80% as at 30th April 2021. The growth in patient numbers is putting a strain on the lean Human Resources, hence the need to engage more staff for optimal service delivery. In the FY 2021/2022, KNH Othaya targets to increase the staffing levels from 500 towards the approved establishment of 1464.

3.2.2 Moi Teaching and Referral Hospital (MTRH)

32. **Indigent Bills**- The hospital renders services to all patients referred for specialized and emergency healthcare without discrimination. Some of the patients who were

attended are indigents and upon clinical discharge are unable to settle their medical bills. It also includes bills relating to unclaimed bodies that are disposed off by the Hospital as per the Public Health Act. Since 2015/16 FY to 3rd quarter of FY 2020/21 the hospital has accumulated bills of **Kshs 5.4 billion**.

33. **COVID - 19 patients’ medical bills**- The Hospital has a total accumulated medical bill of Kshs 654 million arising from COVID-19 patients. This bill are yet to be cleared by the Ministry of Health.
34. **MTRH Personnel Emoluments funding gap (Kshs.1,759 million)**- A detailed analysis of the actual IPPD for the period July 2020 – April 2021 and projection for May and June 2021 indicates a funding gap totaling to Kshs 1,232 million which has been requested via supplementary II for FY 2020/21. The funding gap is projected to increase to Kshs. 1,759 million for FY 2021/22.

3.2.3 Kenya Medical Research Institute (KEMRI)

35. **KEMRI Personnel Emoluments funding gap (Kshs.676 million)**- A detailed analysis of the actual IPPD for the period July 2020 – April 2021 and projection for May and June 2021 indicates a funding gap totaling to Kshs 676 million.
36. **COVID 19 PANDEMIC**- Towards the fight against COVID 19 pandemic KEMRI has undertaken the following:-

	Activities	Status
1.	Training & capacity building	-KEMRI has trained laboratory managers and directors from 46 counties on sample collection and biosafety -KEMRI has conducted laboratory validation and assessment of health facilities in readiness for testing. The exercise has been done in Mandera, Machakos, Coast General

2.	Sample collection	KEMRI teams are part of MoH response team and are participating in collection of samples from Hospitals, quarantine centres, Hotels, and homes
3.	COVID-19 sample Testing	- KEMRI commenced screening of COVID-19 samples as soon as first case was reported. - KEMRI has to date tested over 8,500 samples
4.	Production of Viral transport media (VTM)	- When the availability of the VTM ran out KEMRI stepped in to produce of the media. This is now being done at Production unit - Currently the institute has supplied approximately 10,000 units to MoH, KDF and private hospitals and a number of counties - There is enough capacity produce 20,000units per day
5.	Hand sanitizers	- KEMRI up scaled the production hand sanitizers to meet the overwhelming demand of the commodity - Production of hand sanitizers (KEMRUB) is ongoing - Up to 200,000 units have been produced - 6000-10,000 units are being produced daily and being distribute to KEMSA and other outlets
6.	Whole Genome Sequencing of COVID-19 virus	- KEMRI has undertaken whole genome sequencing of 28 samples. This is important in understanding COVID-19 epidemiology, tracking of the virus transmission and community circulation which will help in surveillance and control of the disease. - KEMRI has initiated capacity building for whole genome sequencing
7.	Evaluation/validation of commercial kits	- KEMRI has been mandated to evaluate COVID-19 kits - Approval to collect blood has been received - The institute has put measures in place to undertake the exercise - The institute has been nominated by Africa CDC as the Centre of excellence in evaluation of COVID-19 in the continent
Innovation for COVID-19		

8.	Development of PCR Kits	<ul style="list-style-type: none"> - KEMRI is ready to produce in house primers for the PCR kits - The institute is procuring a DNA synthesizer to built capacity for this activity - The PCR kits will be used as confirmatory
9.	Development of PoCT screening Kits	<ul style="list-style-type: none"> - KEMRI is developing a point of Care test (PoCT) Diagnostic kit. - The kit will be easy to use, easily deployable to health facilities including those in remote lower level laboratories and cheaper than rRT-PCR - Various supplies for the production of PoCT have been procured and most of them are currently in the country undergoing clearance. - Once all the materials are at the institute, the POCT prototype with be ready in 2 weeks - KEMRI has a capacity to produce up to 1500 kits per day, however, capacity can be increased up to 10,000 kit if extra equipment is procured and team works round the clock
10.	Vaccine development	<ul style="list-style-type: none"> - KEMRI has initiated the development of COVID-19 vaccine candidate - The initial phases of development have commenced - The potential vaccine candidate will be subjected to the standard vaccine production phases which include pre-clinical and clinical stages
11.	Testing for COVID-19 drug efficacy	<ul style="list-style-type: none"> - KEMRI has commenced exploring efficacy of its in-house product (Zedupex) and other natural products against COVID-19

37. **Equipment requires (Ksh 250 million)**-To increase capacity for screening, kits production and vaccine development the institute is planning to procure various equipment including Freezers, autoclave, DNA synthesizer, Protein synthesizer, Guillotine, Illumina Sequencer, HPLC, Liquid chromatography- mass spectrometry.

38. **Kshs 60 million is required to fund whole genome sequencing-** This has already started with 28 samples and plans to increase to 3000 samples representative of the whole country will cost some additional funds.

3.2.7 Kenya Nuclear Regulatory Authority (KENRA)

39 The Kenya Nuclear Regulatory Authority (Authority) is a State Corporation established by the Nuclear Regulatory Act, No.29 of 2019 (which repealed the then Radiation Protection Act Cap 243). KNRA is the successor to the former Radiation Protection Board. Parent Ministry remains the Ministry of Health

40. . **Personnel Emoluments-** KENRA requires Kshs 50 million to actualize its approved Organizational structure, staffing levels of 190 staff and its HR instruments.

41. **Rent of Office Space-** Currently the Authority is housed at the KNH complex in a prefab structure atop a radiation dosimetry laboratory, sandwiched between two medical wards. Therefore, it requires **Kshs 20 million** to move to KASNEB II TOWERS. It has executed letter of lease offer with KASNEB and awaiting lease agreement.

42. **Development of Regulations.** KENRA requires Kshs 200 million to development and enact crucial and priority implementing regulations which include radiation and nuclear safety, nuclear security, non-proliferation, Non-Ionizing Radiation, and Radioactive waste management for a comprehensive and robust regulatory framework.

4.0 COMMITTEE OBSERVATIONS

43. While reviewing the proposed **Budget Estimates for the FY 2021/22 for the Ministry of Health – Vote 1081**. The Committee observed that: -

- i. The UHC scheme that has been identified to cover the one million poor and vulnerable (indigents) household at the cost of **Kshs 6 billion** annually has not been operationalized despite the National Assembly providing for budgetary allocation in FY 2020/21. The delay has been occasioned by some Counties not submitting data of the identified households to Ministry of Health, therefore denying the much required medical cover to these citizens. The Ministry of Health has so far through NHIF has registered 977,689 indigent households.
- ii. The Ministry of Health has set up an inter-ministerial Committee to spearhead legal, structural, and administrative reforms at KEMSA to enable this critical agency to improve efficiency in order for it to play its role in the rollout of UHC.
- iii. The Ministry of Health has unpaid court awards amounting to **Kshs 39,492,075,855.52**. These awards could not be accommodated in the allocated budget estimates of the Ministry of Health and hence denying the intended beneficiaries the reprieve awarded to the them by the justice system.
- iv. The Ministry of Health through the county governments has vaccinated a total of 1.23 million Kenyans against COVID-19 (1st dose). However, the vaccination programme has delayed due to the supply challenges including the restriction by the Indian government of barring export of AstraZeneca Vaccines including the 3.5 million doses that Gavi committed to allocate to Kenya by May, 2021.
- v. The Ministry of Health has allocated Kshs 3.9 billion for the purchase of COVID-19 vaccines as counter-part funding through the World Bank financed COVAX facility and this will cover approximately 1.3 Million persons. The Committee notes that the Ministry of Health requires Kshs 34 billion to vaccinate 60% of the Kenya's population by end of 2022.
- vi. A total of 1,541 Postgraduate trainee (registrars) in referral hospitals are being paid by the county governments while offering services to referral facilities (national facility). This

arrangement has hindered health services provision at the county level as the counties cannot employ/recruit new doctors to replace the registrars seconded to the referral facilities.

- vii. Despite being issued with National Hospital Insurance Fund (NHIF) cards, the elderly persons still have no access to healthcare services.
- viii. The National government is currently implementing several social safety net programs towards the support of indigents in the country namely Linda Mama Program, Health Insurance Subsidy Program for vulnerable in the society (HISP), Edu Afya and now the UHC scheme that targets 1 million indigent households. The implementation of this programs separately risks resulting in double allocation and overlaps hence denying more deserving Kenyans support.
- ix. The three referral facilities in the country, namely Kenyatta National Hospital, Moi Teaching and Referral Hospital and Kenyatta University Teaching Research and Referral Hospital, are perennially experiencing substantial financial gaps for personnel emolument which affect service delivery in this facilities. These financial gaps are usually financed through Supplementary Budgets hence affects financial planning.
- x. Kenyatta National Hospital and Moi Teaching and Referral Hospital have cumulative unpaid patients bills, majorly from the indigents, amounting to Kshs **8.6 billion** and **Kshs 7.2 billion**, respectively. This financial burden has negatively affected the smooth operations in the hospital hence adversely affecting financial position of facilities.
- xi. Despite the House adopting the Departmental Committee on Health's report on the status of national referral hospitals in 2019, some of the recommendations are yet to be implemented. The Committee recommended that Mathari National Teaching and Referral Hospital be issued with a Title deed for its land, but the Hospital is yet to receive its title deed. The in-action by the National government has led to Hospital's land size drastically shrinking from 212 acres to 50 acres owing to encroachment.
- xii. Mental health has in the recent past become a serious challenge affecting the population, this challenge has been further exacerbated by the COVID 19 pandemic. However, Mathari National Teaching and Referral Hospital which is the only Mental Health referral facility in the country continues to be neglected. The Hospitals buildings are old, dilapidated and lack essential facilities, i.e. toilets, bathrooms, sink and ventilation, the roofs are leaking, the walls are cracked and crumbling and poor drainage and sewerage system. This situation

has led slow recovery of patients as well the limited numbers of patients who can be accommodated in the facility at any given time.

- xiii. The Mathari National Teaching and Referral Hospital caters for a huge number of capital offenders/remandees who even after being capable of standing trial has been established are not repatriated by the justice system to stand trial in courts. This has overstretched the facility's meagre resources, and as a result, the facility has accumulated a bill of **Kshs 849 million**.
- xiv. The Mathari National Teaching and Referral Hospital has been granted parastatal (level 6 hospital) status. The Board has been put in place and has completed the setting up of structures complete with Human Resource tools. The Hospital requires **Kshs 601 million** to actualize this human resource establishment.
- xv. The Ministry of Health should seek for an alternative spacious site to put up a new Mental Hospital. This will ensure efficient resource allocation as the continuous piecemeal renovations of the buildings in Mathari National Teaching and Referral Hospital are not tenable.
- xvi. The National Hospital Insurance Fund has outstanding medical reimbursement of Kshs 190 and Kshs 308 million to Mathari National Teaching and Referral Hospital and Kenyatta National Hospital respectively. These non-compliance by NHIF has significantly strained the two facilities.
- xvii. Kenyatta University Teaching Referral and Research Hospital has entered into a memorandum of understanding (MoU) with County Government of Kiambu for the support and takeover of Gatundu Level 4 hospital to be KUTRRH Annex. The Ministry of Health should develop framework that shall guide referral facilities in entering MOUs with County governments for the take-over of facilities in order to forestall any disagreement in future.
- xviii. All medical reimbursement by the National Hospital Insurance Fund for services offered by county hospital that include Linda Mama program are paid through the County Revenue Fund Account. There is evidence that most counties do not remit these reimbursed funds to the relevant health facilities, therefore staving the facilities of much required financial support to provide services.
- xix. That, the Ministry of Health is yet to issues Kenya Medical Supplies Authority (KEMSA) with the distribution list for the Personal Protective Equipment (PPEs) to the counties. The

delay in the distribution of these PPEs to the counties has exposed health workers in the counties with dangers of contracting COVID-19 virus hence negatively affecting service delivery.

- xx. Due to the mushrooming of many unlicensed and substandard health facilities in the country which continues to pose a threat to provision of quality healthcare, there is need for the Ministry of Health to support the Kenya Medical Practitioners and Dentist Council to undertake frequent surveillance and inspections in the country to protect the citizens from substandard medical facilities and unscrupulous medical personnel.
- xxi. There is need to support medical research efforts in the country especially those related to COVID 19 hence the need to support KEMRI in terms of allocation of resources to ensure that the institution continuously carry out COVID 19 and other medical related research.
- xxii The Kenya Health Professional Advisory Council and the Kenya Human Resource Advisory Council which are established under the Health Act, 2017 are not adequately funded hence are yet to be fully operationalized There is need to provide resources towards this two institutions as part of implementation of the health Act.

5.0 COMMITTEE RECOMMENDATIONS

44. Based on the foregoing and various Committee observations, the Committee recommends as follows:

A. Financial Recommendations/Reallocations

a) Proposed Reductions (Kshs)

Programme	Description	Proposed Allocation	Recurrent	Development	Total
National Referral and Specialized Services	Procurement of cyber radiotherapy knife	450,000,000		(100,000,000)	(100,000,000)
	National Commodity Warehousing for KEMSA	393,100,000		(60,000,000)	(60,000,000)
Policy Standards and Regulations	UHC coordination management unit-current transfers	2,687,901,776	(300,000,000)		(300,000,000)
Health Research and Development	KMTC-Current transfers	3,349,000,000	(110,000,000)		(110,000,000)
General Administration, Planning and Support Services	Headquarters Administration and Technical Services	4,269,350,661	(150,000,000)		(150,000,000)
Total			(560,000,000)	(160,000,000)	(720,000,000)

b) Proposed Increases (Kshs)

Programme	Description	Recurrent	Development	Total	Justification
General Administration, support and Planning Services	Kenya Health Professional Oversight Authority (KHPOA) Current grants	10,000,000		10,000,000	Support operationalization of this two critical institutions
	Kenya Human Resource Advisory Council (KHRAC)-current grants	10,000,000		10,000,000	
	Kenya Medical Practitioners and Dentist Council (KMPDC) current grants	200,000,000		200,000,000	Support to KMPDC to routinely carry out surveillance and inspections of health facilities

Programme	Description	Recurrent	Development	Total	Justification
					countrywide to ensure quality is maintained
National Referral and Specialized Services	Mathare Referral Hospital-capital grants		100,000,000	100,000,000	Support modernization of wards projects at mathare hospital
Health Research and Development	KEMRI recurrent grants	150,000,000		150,000,000	Kshs 100 Million to support medical research activities at the headquarters and Kshs 50 Million to support research activities (malaria) at Kombeo Children Research Ward.
	KMTC capital grants (infrastructure support to KMTC campuses)		200,000,000	200,000,000	Infrastructure improvement in various KMTC campuses to be centres on excellence in middle level training of health workers
Health Policy, Standards and Regulations	Infrastructure support to Diff Hospital in Wajir		50,000,000	50,000,000	Support to this key health facility for management and treatment of COVID 19 and Malaria.
Total		370,000,000	350,000,000	720,000,000	

B. Policy Recommendations

- i. That, within sixty (60) days, the Ministry of Health, the National Treasury and Commission of Revenue Allocation (CRA) should propose the funding framework by the national government for the postgraduate trainees (registrars) seconded to referral hospitals for training in order to release funds for the County governments to recruit new doctors to replace the registers for the period of their training. Ministry of Health submit a report to the House within the sixty (60) days.
- ii. The Cabinet Secretary, Ministry of Health should within ninety days (90) finalize the constitutive instruments and process of granting the National Spinal Injury Hospital financial autonomy as level six (6) hospital.
- iii. That, within sixty (60) days, the Ministry of Health engages the National Treasury, the Ministry of Labour and Social Protection, the Ministry of Education and NHIF to actualize

the collapsing of all active specific interventions, e.g., Edu Afya Medical Insurance, Linda Mama, Health Insurance Subsidy Programme (HISP), Orphans and Vulnerable Children Cash Transfers (OVC-CT) to form one UHC scheme for the indigents through National Hospital Insurance Fund (NHIF). A report to be submitted to the House for consideration.

- iv. That, the national government fast-tracks the current reforms in the Kenya Medical Supplies Authority (KEMSA). The Cabinet Secretary Ministry of Health within sixty (60) days to submit report to the House on status of reforms in the institution.
- v. The Ministry of Interior and Coordination of National Government to within sixty (60) days to remit Kshs 849 million to the Mathari National Teaching and Referral Hospital as reimbursement for upkeep and treatment cost for inmates and remandees in facility.
- vi. The Ministry of Health to expedite the release of the loans facility to Kenyatta University Teaching, Referral and Research Hospital to enable the Hospital complete the Children Hospital
- vii. That, the Ministry of Health to immediately issue Kenya Medical Supplies Authority (KEMSA) with the distribution list for the Personal Protective Equipment (PPEs) to the counties.
- viii. The Ministry of Health to undertake comprehensive audit of the accumulated medical bill for the indigents treated in Moi Teaching and Referral Hospital and Kenyatta National Hospital and report to the House within thirty (30) days.
- ix. The Ministry Health to urgently increase expenditure on research and development. This will boost the capacity of research facilities like KEMRI to develop the Covid19 vaccine in Kenya and avoid relying on donations from foreign countries or the global vaccine-sharing arrangements like COVAX.

The Committee also recommends that the Budget and Appropriations Committee consider funding the following critical areas within the sector which are underfunded in 2021/22.

Programme	Details	Amount required (Kshs Billions)
National Referral and Specialized Services	MTRH personnel emoluments shortfalls	1.8
	KNH personnel emoluments shortfalls	3.2
	Installation of oxygen plant at KNH	0.5
	Procurement of cancer linear machine - KUTRHH	0.4
	KU stalled Children's Hospital	1.0
	Costs of maintaining post graduate trainees seconded to referral facilities	1.0
General Administration, Planning and Support services	Payment of historical pending bills relating to Managed Equipment Service owed to contractors given that this project is almost coming to an end.	2.3
Preventive and Promotive Health care	Vaccines and immunization for Children	2.4
Total		12.7

SIGNED



HON. (HON. SABINA CHEGE, MP)

(CHAIRPERSON)

DEPARTMENTAL COMMITTEE ON HEALTH

4th JUNE, 2021



REPUBLIC OF KENYA




THE NATIONAL ASSEMBLY

TWELTH PARLIAMENT –FIFTH SESSION, 2021

THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

REPORT ON THE BUDGET ESTIMATE FOR THE FY 2021/22 FOR THE AGENCIES
UNDER GOVERNANCE, JUSTICE, LAW AND ORDER

 THE NATIONAL ASSEMBLY PAPERS LAID	
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DIRECTORATE OF COMMITTEE SERVICES
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

MAY, 2021

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FORWARD BY THE CHAIRMAN

The Budget Estimate for the F/Y 2021/22 was tabled in the House on Thursday, 29th April, 2021 pursuant to Article 221 of the Constitution and Section 37 (1) of the Public Finance Management Act, 2012 and subsequently referred to the relevant Departmental Committees for consideration, the Departmental Committee on Justice and legal Affairs being one of them.

The Second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Justice and Legal Affairs the mandate to consider matters related to Constitutional affairs; the administration of law and Justice, including the Judiciary, public prosecutions, elections, ethics, integrity and anti-corruption; and human rights.

Following the referral of the Budget Estimate to the Departmental Committees, the Departmental Committee on Justice and Legal Affairs was briefed by the Parliamentary Budget Office on the contents of the Budget policy Statement with regard to the Governance, Justice, Law and Order sector. Thereafter, the Committee engaged the relevant stakeholders and met with the Accounting Officers of the various agencies under the purview of the Committee and reviewed their proposed budgets under the Budget Estimate for the FY 2021/22.

Emanating from those discussions and reviews, the Committee made several observations as contained in section 3 of the Report. Subsequently, the Committee made several recommendations also as contained in section 3 of the Report.

The Committee wishes to record its appreciation to the Offices of the Speaker and Clerk for the services rendered in facilitating the Committee in executing its mandate.

On behalf of the Committee, it is my singular duty and honour to forward the Committee report to the Budget and Appropriations Committee for consideration.

1. PREFACE

1.1. ESTABLISHMENT AND MANDATE OF THE COMMITTEE

The Departmental Committee on Justice and Legal Affairs derives its mandate from Standing Order No. 216(5) which provides for the functions of Departmental Committees as follows-

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

The Second Schedule of the Standing Orders on Departmental Committees further outlines the Subjects of the Committee, as follows-

- a. Constitutional affairs;

- b. The administration of law and Justice
- c. The Judiciary;
- d. Public prosecutions;
- e. Elections;
- f. Ethics, integrity and anti-corruption; and
- g. Human rights.

1.2. COMMITTEE MEMBERSHIP

The Committee on Justice and Legal Affairs comprises of the following Honourable Members -

Chairperson

Hon. Clement Muturi Kigano, M.P.
Kangema Constituency
Jubilee Party

Vice Chairperson

Hon. T.J. Kajwang, M.P.
Ruaraka Constituency
ODM - Party

Hon. John Olago Aluoch, M.P.
Kisumu West Constituency
FORD-Kenya

Hon. George Peter Kaluma, M.P.
Homa Bay Town Constituency
ODM-Party

Hon. Roselinda Soipan Tuya, M.P.
Narok County
Jubilee Party

Hon. Junet Sheikh Mohammed, M.P.
Suna East Constituency
ODM-Party

Hon. Emmanuel Wangwe, M.P.
Navakholo Constituency
Jubilee-Party

Hon. W. Kamoti Mwamkale, M.P.
Rabai Constituency
ODM-Party

Hon. Josephine Naisula Lesuuda, M.P.
Samburu West Constituency
KANU-Party

Hon. Zuleikha Hassan, M.P.
Kwale County
ODM-Party

Hon. Jennifer Shamalla, M.P.
Nominated MP
Jubilee Party

Hon. Robert Gichimu Githinji, M.P.
Gichugu Constituency
Jubilee-Party

Hon. Anthony Oluoch M.P.
Mathare Constituency
ODM-Party

Hon. John Munene Wambugu, M.P.
Kirinyaga Central
Jubilee -Party

Hon. George Gitonga Murugara, M.P.
Tharaka Constituency
Democratic Party (DP)

Hon. Anthony Githiaka Kiai, M.P.
Mukurueni Constituency
Jubilee-Party

Hon. John Kiarie Waweru, M.P.
Dagoretti South Constituency
Jubilee-Party

Hon. Japheth Mutai, M.P.
Bureti Constituency
Jubilee-Party

Hon. Adan Haji Yussuf, M.P.
Mandera West Constituency
Economic Freedom Party

1.3. COMMITTEE SECRETARIAT

The Committee secretariat comprises the following staff-

Mr. Abenayo Wasike
Principal Clerk Assistant
Lead Clerk

Mr. Denis Abisai
Principal Legal Counsel I

Ms. Halima Hussein
Clerk Assistant II

Mr. Ahmed Hassan Odhawa
Principal Research Officer

Mr. Omar Abdirahim
Fiscal Analyst II

Ms. Roselyne Ndegi
Serjeant-at-Arms I

Mr. Joseph Okongo
Media Liaison Officer

1.4. COMMITMENT OF THE BUDGET ESTIMATES TO DEPARTMENTAL COMMITTEES

The Budget Estimate FY 2021/22 was tabled in the House by the Majority Leader on Thursday 29th April, 2021 pursuant to Article 221 of the Constitution and Section 37 (1) of the Public Finance Management Act, 2012 and thereafter referred to the various Departmental Committees for consideration and subsequently the Departmental Committees are required to submit reports to the Budget and Appropriations Committee.

1.5. COMMITTEE'S EXAMINATION OF THE BUDGET ESTIMATES FY 2021/2022

The Committee held six (6) sittings examining the estimates. The first sitting took place on 20th April, 2021 at 10:00am where the Committee was briefed on the estimates with the Parliamentary Budget Office before interacting with the State agencies. The committee held subsequent sittings where the Committee met with the officials from the state agencies that include; the Judiciary and Judicial Service Commission, the Ethics and Anti-Corruption Commission (EACC), Kenya National Commission on Human Rights (KNCHR) , the Independent Electoral and Boundaries Commission (IEBC), the Office of the Attorney General and Department of Justice (OAG&DOJ), Kenya Law Reform Commission (KLRC), the Commission on Administration of Justice (CAJ), Office of the Registrar of Political Parties (ORPP), Witness Protection Agency and the Office of the Directorate of Public Prosecution (ODPP).

The Committee's examination of the Budget Estimate for FY 2021/2022 was based on a report of the Parliamentary Budget Office on the same and submissions from the spending agencies under the committee purview which is captured in the report. In addition the committee received submissions from agencies that are under the purview of the committee which are annexed to the report.

1.6. ACKNOWLEDGEMENTS

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The

Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2021/22 Budget Policy Statement.

Finally, I wish to express my appreciation to the Honourable Members of the Committee who made useful contributions towards the preparation and production of this report.

It is my pleasant duty and privilege, on behalf of the Departmental Committee on Justice and Legal Affairs to submit its Report on the scrutiny of the FY 2021/22 Budget Policy Statement.

Signed..........Date..... 04/06/2021.....

HON. MUTURI KIGANO, M.P.

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

PART 2

2. BACKGROUND

The FY 2021/22 Budget Estimate was prepared at a time when the country is recovering from the adverse effects of the outbreak of the corona virus and its containment measures which have not only disrupted the normal lives and livelihoods but also the businesses and the economic activities of the country. As a result, our economy contracted by 5.7 percent in the second quarter of 2020 from a growth of 4.9 percent in the first quarter in 2020. The economy is therefore estimated to slow down to a growth of around 0.6 percent in 2020 from the earlier projection of 2.6 percent in the 2020 Budget Review and Outlook Paper (BROP). In terms of fiscal years, economic growth is projected to grow by 3.5 percent in FY 2020/21 and further to 6.2 percent over the medium term.

The Governance, Justice Law and Order Sector plays an important role in creating a favorable environment for economic, social and political development in line with the Third Medium Term Plan (2018 – 2022), and is a huge contributor towards the achievement of Kenya's Vision 2030 political pillar.

2.1. BROAD OVERVIEW OF THE FY 2021/22 BUDGET ESTIMATE

The overall budget for the FY 2021/22 amounts to Kshs 3,656.9 billion up from Kshs 3,361.9 billion allocated in the FY 2020/21. The allocation to the National Government amounts to Kshs 1,895.1 billion (51.8%) comprising of Kshs 1,235.2 billion for Recurrent expenditure and Kshs. 660 billion for development expenditure. The Judiciary presented a budget of Kshs 17.9 billion (0.5%) comprised of Kshs 15.6 billion for recurrent expenditure and Kshs 2.3 billion for development expenditure.

In addition, Parliament presented a budget of Kshs 42.4 billion (1%), Consolidated Fund Services – Kshs 1,327.2 billion (37%), and County Government allocation of Kshs 370 billion (10%).

Table 1: Overall Budget Allocation for FY 2021/22 (Kshs. Million)

		2020/21		2021/22		Deviation (%)	
		Printed	Revised Budget	BPS 2021	Estimates	BPS 2021 and Estimates 2021/22	Revised Budget 2021/22
Executive	<i>Recurrent</i>	1,203,814.20	1,226,159.45	1,256,051.90	1,235,187.00	-1.7	
	<i>Development**</i>	628,542.10	690,451.43	654,539.50	659,957.60	0.8	
	Total	1,832,356.30	1,916,610.87	1,910,591.40	1,895,144.60	-0.8	
Parliament	<i>Recurrent</i>	35,240.40	33,740.40	35,817.10	42,389.00	18.3	
	<i>Development</i>	2,065.60	3,565.60	2,065.60	4,220.00	104.3	
	Total	37,306.00	37,306.00	37,882.70	46,609.00	23.0	
Judiciary**	<i>Recurrent</i>	15,298.80	15,211.74	15,584.90	15,585.00	0.0	
	<i>Development</i>	2,701.00	2,558.08	2,333.40	2,333.40	0.0	
	Total	17,999.80	17,769.82	17,918.30	17,918.40	0.0	
CFS	<i>Public Debt related expenses</i>	904,704.00	958,403.00	1,169,165.03	1,169,165.03	0.0	
	<i>Pensions, Salaries, Allowances & Others</i>	123,360.00	115,310.00	137,225.37	158,055.04	15.2	
	Total	1,028,064.00	1,073,713.00	1,306,390.40	1,327,220.07	1.6	
Overall	<i>Recurrent</i>	1,254,353.40	1,275,111.59	1,307,453.90	1,293,161.00	-1.1	
	<i>Development</i>	633,308.70	696,575.11	658,938.50	666,511.00	1.1	
	<i>CFS</i>	1,028,064.00	1,073,713.00	1,306,390.40	1,327,220.07	1.6	
	<i>County Governments***</i>	316,500.00	316,500.00	370,000.00	370,000.00	0.0	
	Total	3,232,226.10	3,361,899.70	3,642,782.80	3,656,892.07	0.4	

Source: National Treasury, Parliament

a) Revenue Projection

The FY 2021/22 budget targets revenue collection including Appropriation-in-Aid (AIA) of Kshs 1,870.5 billion (16.6 percent of GDP) with ordinary revenues projected at Kshs 1,621.4 billion (14.4 percent of GDP). It is important to note that over the years, the government revenue targets have not been achieved and therefore it is not clear whether

the projected revenue under the 2020/21 budget will be realistic to fund government spending priorities.

b) Budget Deficit

The government projected fiscal deficit in the FY 2021/22, is projected at Kshs 823.2 billion (7.3 percent of GDP). The deficit is expected to decline to Ksh 722.9 billion (5.7 per cent of GDP) in the FY 2022/23 and to Kshs 662.7 billion (4.2 percent of GDP) in the FY 2023/24. This will maintain fiscal consolidation over the medium term so as to stabilize growth in public debt.

The fiscal deficit in FY 2021/22 will be financed by net external financing of Kshs 349.7 billion (3.1 percent of GDP), net domestic borrowing of Kshs 486.2 billion (4.3 percent of GDP) and other net domestic repayments of Kshs 12.6 billion.

2.2. REVIEW OF THE PROPOSED BUDGETARY ALLOCATIONS FY 2021/22

The proposed budgetary allocation for the spending agencies under the purview of the Committee in FY 2021/22 is Kshs 46.8 billion comprising of Kshs 44.1 billion (94.1%) as recurrent expenditure and Kshs 2.7 billion (5.9%) as development expenditure. In comparison, the approved budgetary ceiling for the spending agencies in FY 2021/22 was Kshs 46.8 billion composed of Kshs 44.1 billion (94.1%) as recurrent expenditure and Kshs 2.7 billion (5.9%) as development expenditure thereby a slight deviation from the approved ceiling during Budget Policy Statement by Kshs 31.8 million (0.6%).

The Agencies under the purview of the Committee that have deviated from the set ceiling include the following; State Law Office and Department of Justice increased by 31.9 million whereas The Judiciary's budget was reduced by Kshs 0.5 million, Witness Protection Agency (Kshs 0.36 million), Kenya National Commission on Human Rights (0.05 million), Commission on Administrative Justice (Kshs 0.04 million). The Office of the Director of Public Prosecutions, the Office of Registrar of Political Parties and the Independent Electoral and Boundaries Commission was also reduced by Kshs 0.1 million each. Table 2 shows the change in budgetary allocations for the departments under the committee's purview.

It should be noted that budget making is a process where each stage informs and sets the basis for the next stage and therefore the non-adherence to the Ceilings set at the Budget Policy Statement stage is a violation of section 25(8) and 27(4) of the PFM act and Regulations respectively.

Table 2: Proposed Budget allocation versus Budget Ceiling FY 2020/21 (Kshs millions)

Sector/ Vote/Programme Details	Revised allocation 2020/21 – vote book			FY 2021/22 BPS Ceiling			Proposed allocation 2021/22			Variation
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	
1252 State Law Office & Dept. of Justice	4,646.2	123	4,769.2	4,977.5	123.5	5,101	4,977.5	155.5	5,132.9	31.9
1261 The Judiciary	14,693.2	2,558.1	17,251.3	15,003	2,333.4	17,336.5	15,003	2,333.4	17,336	(0.5)
1271 Ethics & Anti-Corruption Commission	3,272.2	40.8	3,313	3,258.5	64.9	3,323.4	3,258.5	64.9	3,323.4	-
1291 Office of the Director of Public Prosecutions	3,237	129	3,366	3,125.4	145.1	3,270.4	3,125.3	145.1	3,270.4	-
1311 Office of Registrar of Political Parties	1,330.3	-	1,330.3	1,346.5	-	1,346.5	1,346.5	-	1,346.5	-
1321 Witness Protection Agency	466.08	-	466.08	487.5	-	487.5	487.9	-	487.9	(0.3)
2011 Kenya National Commission on Human Rights	381.66	-	381.66	407.9	-	407.9	407.9	-	407.9	-
2031 Independent Electoral & Boundaries Commission	5,201.24	75	5,276.24	14,385.9	78.5	14,464.4	14,385.8	78.5	14,464.3	(0.1)
Judicial Service Commission	518.5	-	518.5	581.8	-	581.8	581.8	-	581.8	-
2131 Commission on Administrative Justice	470.3	-	470.3	527.9	-	527.9	527.86	-	527.86	(0.04)
TOTALS	34,216.6	2,925.9	37,142.5	44,102.2	2,745.4	46,847.7	44,101.7	2,777.4	46,8789.1	1.9

Source: BPS 2021 and Budget Estimate 2021/22

(i) Analysis of the Recurrent Expenditure

The proposed recurrent budget estimate for the spending agencies under the purview of the Committee in FY 2021/22 is Kshs 44.1 billion. This allocation has increased significantly by Kshs 9.8 billion from the FY 2020/21 representing a percentage growth of 28.89%.

The increase is largely due to enhanced allocation to the Independent Electoral & Boundaries Commission – Kshs. 9.18 billion, State Law Office & Department of Justice - Kshs 331.3 million, and the Judiciary – Kshs 309.8 million. However, the allocation for Office of the Director of Public Prosecutions has been reduced by Kshs 111.8 million.

Table 3: Allocation by Vote – Kshs Millions

Sector/ Vote/Programme Details	2020/21 allocation	2021/22 Budget Estimate	Change	% Change
1252 State Law Office & Dept. of Justice	4,646.20	4,977.50	331.30	▲7.13%
1261 The Judiciary	14,693.20	15,003	309.80	▲2.11%
1271 Ethics & Anti-Corruption Commission	3,272.20	3,258.50	-13.70	▼0.42%
1291 Office of the Director of Public Prosecutions	3,237	3,125.20	-111.80	▼3.45%
1311 Office of Registrar of Political Parties	1,330.30	1,346.40	16.10	▲1.21%
1321 Witness Protection Agency	466.08	487.86	21.78	▲4.67%
2011 Kenya National Commission on Human Rights	381.66	407.85	26.19	▲6.86%
2031 Independent Electoral & Boundaries Commission	5,201.24	14,385.80	9,184.56	▲176.58%
Judicial Service Commission	518.5	581.5	63.00	▲12.15%
2131 Commission on Administrative Justice	470.3	527.86	57.56	▲12.24%
TOTAL	34,216.68	44,101.47	9,884.79	▲28.89%

Source: Budget Estimates 2021/22

The significant increase in the budgetary allocation for the Independent Electoral and Boundaries Commission of Kshs 9.18 billion is largely meant to finance the costs related to the upcoming General election. In particular, the Commission has set aside Kshs 2.8 billion for voter registration, Kshs 1.1 billion for voter education, legal and public affairs – Kshs 445.9 million and Kshs 3.2 billion for acquisition of ICT infrastructure.

(ii) Analysis of the Development Expenditure

The proposed development budget estimate for the spending agencies under the purview of the Committee in FY 2021/22 is Kshs 2.77 billion. This allocation has slightly decreased by Kshs 148.5 million from the FY 2020/21 representing a percentage drop of 5.08%.

Table 4 below shows the allocations according by vote classification. The State Law Office and Department of Justice has an allocation of Kshs 155.5 million largely attributed towards the completion of the Ultra-Modern Library & Moot Court at Kenya School of Law in Karen – Kshs 53.5 million, Refurbishment of Sheria House and Company's Registry – Kshs 49 million and Refurbishment of Regional offices in Machakos, Kisii, Kisumu & Malindi – Kshs. 16 million.

The Ethics & Anti-Corruption Commission has an allocation of Kshs. 64.9 million with Kshs. 44.9 million being specifically allocated towards the Refurbishment of EACC Headquarters and Kshs 20 million for automation of EACC business processes. In addition, the Independent Electoral and Boundaries Commission has been allocated Kshs 78.5 million to complete the ongoing construction of warehouses in Wajir, Isiolo, Machakos, Garissa and Kakamega.

The Office of the Director of Public Prosecution has been allocated Kshs 145.1 million for development expenditure. The allocation is meant for refurbishment of county offices – Kshs 73 million and construction of PTI moot court – Kshs 68 million.

Table 4: Allocation by Vote – Kshs Millions

Sector/ Vote/Programme Details	2020/21 allocation	2021/22 Budget Estimate	Change	% Change
1252 State Law Office & Dept. of Justice	123	155.5	32.50	▲ 26.42%
1261 The Judiciary	2,558.10	2,333.40	-224.70	▼ 8.78%
1271 Ethics & Anti-Corruption Commission	40.8	64.9	24.10	▲ 59.07%
1291 Office of the Director of Public Prosecutions	129	145.1	16.10	▲ 12.48%
2031 Independent Electoral & Boundaries Commission	75	78.5	3.50	▲ 4.67%
TOTAL	2,925.90	2,777.40	-148.50	▼ 5.08%

Source: Budget Estimates 2021/22

2.3. REVIEW OF NON-FINANCIAL INDICATORS FOR JUDICIARY FY 2021/22

I. Ongoing Projects - Constructions and Rehabilitations

In reviewing the performance of the non-indicators of the sector, the Committee has focused mainly on the ongoing projects of the Judiciary. Presently, there are seventy four (74) projects that are ongoing out of which seventeen (17) projects are funded under the World Bank loan while the remaining twenty seven (27) projects are funded from the exchequer. In the FY 2021/22, the Judiciary has been allocated Kshs 738 million for the JPIP projects and Kshs 1.6 billion for the G.O.K funded projects.

The JPIP projects total estimated cost is Kshs 6.6 billion. The actual cumulative expenditure for the projects to date stands at Kshs 5.1 billion bringing the total outstanding project cost to Kshs 1.3 billion as at 31st March, 2020. The projects were allocated additional Kshs 738 million in FY 2021/22 therefore reducing outstanding cost of the project substantially. The list of the donor funded projects is annexed to the report.

Table 4: Judicial Performance Improvements Projects – Kshs millions

Key Projects	Total Cost	Actual Expenditure	Outstanding Balance	Status	Allocation 2021/22
Ol'Kalou Law Courts	399.1	119.9	279.2	57%	89.1
Wajir Law Courts	369.6	144.3	225.3	63%	116.6
Mukurweini Law Courts	159	63.4	95.6	60%	76.5
Kwale Law Courts	340	271.7	68.3	90%	47.0
Kibera Law Courts	137.7	104.8	32.9	84%	27.2
Others	5,190.1	4,340.4	571.2	-	381.6
Total	6,595.5	5,044.5	1,272.5	-	738.0

Source: Budget estimates 2021/22, National Treasury

The costs of the G.O.K funded projects that are ongoing are estimated to be Kshs 12.6 billion. The actual cumulative expenditure for the projects to-date stands at Kshs 1.7 billion bringing the total outstanding project cost to Kshs 10.2 billion. In FY 2021/22, the projects were allocated Kshs 1.6 billion. The average completion rate for the projects stands at 53%. Once completed, these courts are expected to provide adequate infrastructure that will improve physical access to courts and reduce the distance travelled in search of justice. The list of the donor funded projects is annexed to the report.

Table 5: G.O.K Funded Projects – Kshs millions

Key Projects	Total Cost	Actual Expenditure	Outstanding Balance	Status	Allocation 2021/22
Marsabit Law Courts	370.2	73.7	296.5	35%	78.3
Homabay Law Courts	367.3	51.7	315.6	32%	50.0
Kabarnet Law Courts	366.8	52.1	314.7	15%	48.4
Narok Law Courts	74	21.2	37.3	85%	52.9
Habaswein Law Courts	143.2	10.0	133.2	10%	15.0
Others	11,316.5	1,534.3	9,105.7	-	1,350.4
Total	12,638	1,743	10,203	-	1,595

Source: Budget estimates 2021/22, National Treasury

II. ICT Hardware and Infrastructure Development

The fourth pillar of the Judiciary Transformation Framework (JTF) (2012-2016) identified ICT as a key result area that would facilitate speedier trials and enhance administrative efficiency.

The Judiciary Digital Strategy covers five broad areas. These are Judicial Operations Support Systems, Court Management Systems, Enterprise Resource Planning, Document and Archive Management, and ICT Infrastructure. The programmes aim to automate all functions of the institution by 2021.

The total estimated cost of the project is Kshs 3.4 billion. In FY 2020/21, the project was allocated Kshs 272.1 million and an additional Kshs 460 million was allocated in FY 2021/22. The actual expenditure of the project to-date stands at Kshs 209 bringing the outstanding cost of the project to Kshs 3.2 billion.

3. OBSERVATIONS AND RECOMMENDATIONS BY THE COMMITTEE ON THE BUDGET POLICY STATEMENT

3.1.1. Judiciary and Judicial Service Commission Observation

- a) The Judiciary resource requirement in the FY 2021/2022 is Kshs 35.4 billion comprised of Kshs 28.3 billion for recurrent expenditure and Kshs 7.1 billion for development expenditure. However, the department was allocated Kshs. 17.3 billion comprised of Kshs 15.0 billion for recurrent expenditure and Kshs 2.3

billion for development expenditure leading to a shortfall of Kshs 18.1 billion which translates to 51.1% of the total resource requirement for the FY 2021/22.

- b) The funding under the development vote of Kshs 2.3 billion comprising of Kshs 738.4 million for the World Bank funded projects and Kshs 1.6 billion for the G.O.K funded projects. A list of the Judiciary ongoing project is annexed to the report.
- c) The Committee has observed that the Judiciary's budget has stagnated at around Kshs 17 billion. However, the needs and the size of the institution have grown overtime. In particular, the court of appeal stations have been decentralized to 6 region, high court stations have increased from 31 to 43, magistrates and Kathi's Courts have increased from 119 in 2015 to 142 in 2021 and mobile courts have increased from 52 to 60.
- d) It is also noted that the Judiciary collects a considerable amount of funds every year in terms of court fees and fines which the department surrenders to the National Treasury. Indeed, the department has collected Kshs 7.1 billion over the three (3) financial years – FY 2017/18 – FY 2019/20. It is further noted that section 4 (c) and (d) of the Judiciary Fund Act, 2016 allows the Judiciary to retain monies that may accrue from investments, fees and levies administered by the judiciary. It is therefore imperative for the National Treasury to operationalize the judiciary fund accounts in order for the agency to benefit from the revenues it has been raising over years.
- e) In the FY 2021/22, the Judiciary plans to construct four (4) new projects; Court of Appeal Complex – Kshs 100 million, Meru high court (70 million), Kisii High Court – Kshs 70 million and Eldoret High Court – Kshs 70 million.
- f) The challenges faced by the Judiciary include insufficient financial resources, limitations of the IFMIS operations that disrupt implementation of planned activities, delays in release of exchequer and delays in processing title documents for lands belonging to the Judiciary.
- g) The Committee has also observed that in the 1st half of the year, over 204,733 cases were filed and 184,736 cases were resolved meaning the cases filed out

number the cases resolved. This is likely to worsen the backlog of cases in the country.

- h) Court Deposits - By June 30, 2019, the Judiciary held court deposits and other funds held in trust for third parties amounting to Kshs. 5,126,896,135. This was an increase from the Kshs 4,367,834,191 that was held at the end of FY 2016/17. The funds are refundable as and when court orders are issued or after six months liability period for retention monies. However, there has been concern about the magnitude of deposit yet it is not generating interest for the parties involved.
- i) Judicial Service Commission was allocated Kshs 582 million against a resource requirement of Kshs 1,381 million in the Financial Year 2021/22. The following are the key unfunded areas; implementation of the approved organizational structure for the Commission – Kshs 57 million, recruitment for the Judiciary and the tribunals – Kshs 30 million, infrastructure improvement at the Commission – Kshs 65 million, and Judiciary training institute – Kshs 150 million.

Policy Recommendations

- a) The Agency should adopt strategic prioritization to promote allocative efficiency in programs/ projects based on affordability, and the expected results. The Judiciary has many ongoing projects yet there are no adequate funds for the completion of those projects. It is therefore imperative that the department prioritizes ongoing projects without introducing new projects.
- b) Section 4 (c) and (d) of the Judiciary Fund Act, 2016 allows the Judiciary to retain monies that may accrue from investments, fees and levies administered by the judiciary. The National Treasury should therefore operationalize the judiciary fund accounts in order for the agency to benefit from the revenues it has been raising over years.
- c) The Committee urges the National Treasury to stick with the cash flow plans submitted by the various departments and upload budgets on time and more importantly find lasting solutions to the challenges associated with IFMIS to enable the department to implement their budgets fully.

Financial Recommendations

- d) The Committee recommends the reallocation of Kshs 310 million meant for the initiation of new projects to the following critical areas;
- i. The budget for ongoing constructions should be enhanced by Kshs 105 million to fast-track the ongoing constructions in the Judiciary.
 - ii. The budget for digital strategy under ICT should be enhanced by Kshs 100 million from Kshs 460 million to Kshs 560 million.
 - iii. Kshs 20 million be set aside to initiate a critical court in Mandera West namely Takaba
 - iv. Kshs 85 million be reallocated to the Commission for Administrative Justice to address its budgetary shortfall.

3.1.2. Commission for Administrative Justice

Observation

- a) The Committee noted that the Commission's proposed ceiling for FY 2021/22 is Kshs 527.9 million out of which Kshs 334.1 million is for personal emolument and Kshs 193.8 million is for operations and maintenance against a resource requirement of Kshs 1.2 billion.
- b) The Committee further observed that the Commission's budgetary shortfall will affect the following critical areas; recruitment of additional staff - Kshs 30 million, public education and awareness Kshs 5 million, Establishment of two county offices - Kshs 5 million, Access to information activities - Kshs 5 million, procurement of motor vehicles - Kshs 30 million, Systematic investigations and research – Kshs 5 million, and African ombudsman & mediators association activities – Kshs 5 million.
- c) The committee stressed the need for the commission to create awareness on its mandate particularly in ensuring the citizen right to quality service both at the national and county level of government is not compromised.

Financial Recommendations

- d) The Committee recommends the Kshs 85 million reallocated from the Judiciary budget for new projects be allocated to the commission to address its budgetary

shortfall in the following critical areas; recruitment of additional staff - Kshs 30 million, public education and awareness Kshs 5 million, Establishment of two county offices - Kshs 5 million, Access to information activities - Kshs 5 million, procurement of motor vehicles - Kshs 30 million, Systematic investigations and research – Kshs 5 million, and African ombudsman & mediators association activities – Kshs 5 million.

3.1.3. Office of the Attorney General and Department of Justice

Observation

- a) In the FY 2021/22, the office resource requirement is 6.7 billion composed of Kshs 6.3 billion for recurrent expenditure and Kshs 455 billion for development expenditure. However, the proposed allocation for the department is Kshs 5.1 billion composed of Kshs 4.98 billion for recurrent expenditure and Kshs 0.16 billion for development expenditure.
- b) The shortfall will affect the following areas; development of government legal documentation center – Kshs 110 million, acquisition of office space – Kshs 2.5 billion, conducting investigations into complaints against Advocates – Kshs 7 million, operationalization of the Business Registration Services – Kshs 178 million among other projects.
- c) The Committee further observed that there are suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, the awards against the government pending payment stand at approximately Kshs 160 billion and they are ranging from awards to victims of torture as well as business litigants against the State.
- d) However, there have been positive steps taken in addressing the pending court awards through an inter-ministerial Committee chaired by the Solicitor General to address this perennial challenge and the recommendations of the committee is awaiting cabinet consideration.

Financial Recommendations

- a) The Committee recommends an additional allocation of Kshs 178 million for the operationalization of the Business Registration Services and Kshs 7 million for conducting investigations into complaints against Advocates

3.1.4. Independent Electoral and Boundaries Commission

Observation

- a) The Commission resource requirement for the FY 2021/22 is estimated to be Kshs 26.1 billion comprised of Kshs 4.7 billion for normal operations and Kshs 21.5 billion for the 2022 general elections. However the commission was allocated Kshs. 14.5 billion comprised of Kshs 2.6 billion for personnel emoluments, operations and maintenance – Kshs 1.8 billion, General elections – Kshs 10 billion and Development of Kshs 78.5 million.
- b) The development budget of Kshs 78.5 million is meant for the ongoing construction of warehouses in Garissa, Wajir, Kakamega, Machakos and Isiolo Counties. The Commission has a shortfall of Kshs 46.5 million to complete the construction of the warehouses in the FY 2021/22.
- c) The following key areas are underfunded; Proposed Uchaguzi Centre - Kshs. 2.5 billion, preparation for the general elections – Kshs 11.6 billion and Kshs 2.9 billion to cater for pending bills for suppliers goods and services including legal fees.
- d) The Committee noted with concern the commission has pending bills amounting to Kshs 2.9 billion of which non legal suppliers account for Kshs 1.2 billion and Kshs 1.7 billion account for legal fees. The committee stressed the need for the Commission to engage in-house lawyers to undertake some of the petitions.
- e) The Committee further observed the need for the Commission in close collaboration with the National Treasury and the Auditor General Office to undertake thorough scrutiny and audit of the all the pending bills particularly the bills owed to the suppliers and settle them expeditiously. The Committee is cognizant of the fact that the commission is likely to engage the same suppliers when procuring for the next election.

- f) The Committee noted there is need for the commission to undertake continuous voter registration to guarantee the citizens their right to participate in electoral processes.

Policy recommendation

- a) The Committee recommends the Commission to undertake thorough scrutiny and audit of the all the pending bills particularly the bills owed to the suppliers and settle them expeditiously. The committee is cognizant of the fact that the commission is likely to engage the same suppliers when procuring for the next election.

Financial Recommendations

- b) The Committee recommends reallocation of Kshs 46.5 million from the Commission budget for Legal and Compliance to its development budget to fast-track the ongoing construction of warehouses in Garissa, Wajir, Kakamega, Machakos and Isiolo Counties which are required for the upcoming general election of 2022.
- a) The Committee recommends a further reallocation of Kshs 113 million from the Commission's budget for legal and compliance to the Office of Registrar of Political Parties to address budgetary shortfall in the following areas; Kshs 28 million for establishment of 5 county offices in order to decentralize the office and bring services closer to the people and Kshs 85 million for training of political parties agents since political parties and their agents play a critical role in ensuring integrity and building confidence in the conduct and outcome of elections.
- b) The Committee further recommends an additional allocation of Kshs 1 billion for settling of the outstanding pending bills of the commission. In addition, priority should be accorded to legal fees below 5 million and other supplier bills below 20 million when settling the outstanding pending bills.

3.1.5. Registrar of Political Parties

Observations

- a) The Office had requested Kshs. 5.6 billion out of which Kshs 965.6 million was to cater for the Agency's operations, Kshs 4.5 billion for the political parties fund and Kshs 103.2 million for the Political Parties Liaison Committee.
- b) In the proposed budget estimate for FY 2021/22, the proposed allocation for the office is Kshs 1.35 billion out of which Kshs 356.2 million will cater for the Office Operations, Kshs 975.3 million for the Political Parties Fund and Kshs 14.99 million for Political Parties Liaison Committee.
- c) Further the committee has observed that the allocation to the Political Parties Fund is not in compliance with the provision of the section 24 of the Registrar of political parties act as well as the ruling of Justice Aburili on the implementation of the section 24 of the Act.
- d) The Committee has also observed that the Office of the Registrar of Political Parties is frequently enjoined in matters filed in courts and in the Political Parties Dispute Tribunal (PPDT) arising from intra and inters political parties' wrangles. This affects the office in terms of legal fees and time used in defending cases.
- e) The office has requested for an additional Kshs 570.0 million to cater for the following unfunded areas; recruitment of county and constituency monitors for monitoring the general election- Kshs 69.4 million, establishment of 5 county offices – Kshs 28 million, monitoring campaigns and party primaries – Kshs 155.3 million, Training of ORPP staff – Kshs 45 million, training of political party officials on general election matters – Kshs 65.3 million, integrated political parties management system upgrade – Kshs 37.5 million, political parties agents training – Kshs 85 million and review and printing of policies and manuals – Kshs 35.7 million

Financial Recommendations

- c) The Committee recommends the Kshs 113 million reallocated from the budget for the Independent Electoral and Boundary Commission to cater for the following two areas; Kshs 28 million for establishment of 5 county offices in order to

decentralize the office and bring services closer to the people and Kshs 85 million for training of political parties agents since political parties and their agents play a critical role in ensuring integrity and building confidence in the conduct and outcome of elections.

3.1.6. Witness Protection Agency **Observations**

- a) In the FY 2021/22, the agency's proposed allocation is Kshs 487.9 million against a resource requirement of Kshs 631.9 million. The committee further observed that the witness protection programme which is the main mandate of the agency has consistently been unfunded despite the agency's critical role in the protection of witnesses in crucial cases. This has hampered the office ability to protect the witnesses under the programme.
- b) The Committee further acknowledges the critical role the office plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses and further noted that the office has played crucial role in the prosecution of complex corruption and terrorism related cases in the recent past.
- c) The agency's budget deficit in FY 2021/22 will impact the following critical areas; witness protection programme – Kshs 56.7 million, staff housing mortgage – Kshs 30 million, Director/chief executive officer gratuity – Kshs 11.5 million and Kshs 42 million for replacement of boarded field vehicles.

Financial Recommendations

- a) The Committee recommends an additional allocation of Kshs 140.2 million to cater for the following areas; Director/ Chief Executive Officer Gratuity – Kshs 11.5 million, witness protection programme – Kshs 56.7 million, Kshs 42 million for replacement of boarded field vehicles and Kshs 30 million to operationalize the staff Housing mortgage scheme.

3.1.7. Kenya National on Human Right Commission

Observations

- a) The Commission was allocated a budget ceiling of Kshs. 407.9 million in the FY 2021/22 against a resource requirement of Kshs. 600.1 million by the National Treasury. This leaves a resource gap of about Kshs. 192.1 million.
- b) The committee further observed that the commission has critical areas that are underfunded. In particular the commission fleet has aged attracting high maintenance cost and therefore the commission needs to acquire new field vehicles, Operations and maintenance costs – Kshs 29.8 million, Complaints and investigations – Kshs 10 million, implementation of the prevention of torture act – 10 million, staff mortgage and car loan scheme – Kshs 50 million and screening rooms for commission’s witnesses – Kshs 22 million.

Financial Recommendations

- a) The Committee recommends an additional allocation of Kshs 192.1 million to the Commission’s proposed budget for FY 2021/22 to cater for the following key areas; Operations and maintenance costs – Kshs 29.8 million, Complaints and investigations – Kshs 10 million, implementation of the prevention of torture act – 10 million, staff mortgage and car loan scheme – Kshs 50 million and screening rooms for commission’s witnesses – Kshs 22 million.

3.1.8. Ethics and Anti-Corruption Commission

Observation

- a) In the FY 2021/22 the Commission resource requirement is 7.5 billion comprising of Kshs 5.5 billion for recurrent expenditure and Kshs 2.0 billion for development expenditure. However, the proposed budget for the Commission is Kshs 3.3 billion comprised of Kshs 3.26 billion for recurrent expenditure and Kshs. 0.065 billion for development expenditure.
- b) The shortfall is likely to impact the commission’s ability to effectively discharge its prescribed mandate. In particular, the Commission has a shortfall in the following key areas; undercover and sting operations on programmes and projects linked to Big 4 agenda – Kshs 130 million, tracing and recovery of corruptly acquired assets – Kshs 30 million, Anti-corruption academy – Kshs 50 million, public awareness

programme on anti-corruption and ethics – Kshs 50 million, and purchase of additional motor vehicles – Kshs 100 million.

- c) The Committee observed that the commission plays a critical role in the Big Four Agenda since it will be useful in abetting corruption as the government undertakes the big four projects.
- d) The Committee also observed there is need for the commission to devolve to all counties to aid against the rampant corruption that has been witnessed at the county level so as to aid against the misuse of devolved funds.

Financial Recommendations

- a) The Committee recommends an additional of Kshs 230 million to undertake undercover and sting operations on programmes and projects linked to Big 4 agenda – Kshs 130 million and purchase of additional motor vehicles – Kshs 100 million.

3.1.9. Office of the Director of Public Prosecution

Observations

- a) The overall budgetary resource allocated to the Office of Director of Public Prosecutions in FY 2021/22 is Kshs. 3.27 billion comprised of Kshs 3.125 billion for recurrent expenditure and Kshs 0.145 billion for development expenditure. This allocation is against the office resource requirement of Kshs 4.95 billion resulting in a deficit of Kshs 1.68 billion.
- b) The Office requires an additional allocation of Kshs. 1.1billion to adequately fund the following key areas;
 - i) Funding for the ongoing anti-corruption and counter terrorism initiatives – Kshs 200 million
 - ii) Continuous capacity building of prosecutors – Kshs 150 million
 - iii) Provision for personnel emoluments, operation and maintenance costs of the prosecutors training institute in Loresho – Kshs 200 million
 - iv) ICT networking and implementation of a uadulifu case management system nationally – Kshs 100 million
 - v) Witness facilitation – Kshs 50 million
 - vi) Additional provision for staff housing and car loan scheme – Kshs 100 million

- c) The committee further observed that the Office is a key player towards improving the national security, strengthening good governance and fight against corruption and requires increase in resource allocation to enable the Office execute its mandate

Financial Recommendations

- a) The Committee recommends an additional allocation of Kshs 300 million for the following key areas; Kshs 100 million to fund the ongoing anti-corruption and counter terrorism initiatives, Kshs 100 million for ICT networking and implementation of a uadulifu case management system nationally, and Kshs 100 million for provision of staff housing and car loan scheme.

i. Proposed Reallocations on the proposed Allocations

Vote	Programme	Proposed Increases (Millions)	Justification
Judiciary	Dispensation of Justice	<p>The Committee recommends the reallocation of Kshs 310 million meant for the initiation of new projects to the following critical areas;</p> <ul style="list-style-type: none"> - The budget for ongoing constructions should be enhanced by Kshs 105 million to fast-track the ongoing constructions in the Judiciary. - The budget for digital strategy under ICT should be enhanced by Kshs 100 million from Kshs 460 million to Kshs 560 million. - Kshs 20 million be set aside to initiate a critical court in Mandera West namely Takaba 	<ul style="list-style-type: none"> - The Judiciary has many ongoing projects yet there are no adequate funds for the completion of those projects. It is therefore imperative that the department prioritizes ongoing projects without introducing new projects.
Commission for Administrative Justice	Promotion of Administrative Justice	<ul style="list-style-type: none"> - Kshs 85 million be reallocated from the programme of Dispensation of Justice to the programme of Administrative Justice to address its budgetary shortfall. 	<ul style="list-style-type: none"> - The Kshs 85 million reallocated from the Judiciary budget for new projects be allocated to the commission to address its budgetary shortfall in the following critical areas; recruitment of additional staff - Kshs 30 million, public education and awareness Kshs 5 million, Establishment of two county offices - Kshs 5 million, Access to information activities - Kshs 5 million, procurement of motor vehicles - Kshs 30 million, Systematic investigations and research – Kshs 5 million, and African ombudsman & mediators association activities – Kshs 5 million.

Independent Electoral and Boundary Commission	Management of Electoral Process	- The Committee recommends reallocation of Kshs 46.5 million from the Commission budget for Legal and Compliance to its development budget.	- The allocation is meant to fast-track the ongoing construction of warehouses in Garissa, Wajir, Kakamega, Machakos and Isiada Counties which are required for the upcoming general election of 2022.
Registrar of Political Parties	Registration, Regulation and Funding of Political Parties	- The Committee recommends reallocation of Kshs 113 million from the programme of Management of Electoral Process to the programme of Registration, Regulation and Funding of Political Parties	- The allocation is meant to offset the budgetary shortfall in the following areas; Kshs 28 million for establishment of 5 county offices in order to decentralize the office and bring services closer to the people and Kshs 85 million for training of political parties agents since political parties and their agents play a critical role in ensuring integrity and building confidence in the conduct and outcome of elections.

ii. Proposed Additional Allocations on the Proposed Allocations

Vote	Programme	Proposed Increases (Millions)	Justification
Office of the Attorney General Office and Department of Justice		- The Committee recommends an additional allocation of Kshs 178 million for the operationalization of the Business Registration Services and Kshs 7 million for conducting investigations into complaints against Advocates	- The allocation is meant to operationalize the Business Registration Services.
Office of the Director of Public Prosecution	Public Prosecution Services	- The Committee recommends an additional allocation of Kshs 300 million for the following key areas; Kshs 100 million to fund the ongoing anti-corruption and counter terrorism initiatives, Kshs 100 million for ICT networking and implementation of a uadulifu case management system nationally, and Kshs 100 million for provision of staff housing and car loan scheme.	- The additional allocation is meant to fund the ongoing anti-corruption and counter terrorism initiatives, ICT networking and implementation of a uadulifu case management system nationally, and provision of staff housing and car loan scheme
Witness Protection Agency	Witness Protection Programme	- The Committee recommends an additional allocation of Kshs 140.2 million to cater for the following areas; Director/ Chief Executive Officer Gratuity – Kshs 11.5 million , witness protection programme – Kshs 56.7 million , Kshs 42 million for replacement of boarded field vehicles and Kshs 30 million to operationalize the staff Housing mortgage scheme.	- The additional allocation of Kshs 140.2 million is meant for the following areas; Director/ Chief Executive Officer Gratuity – Kshs 11.5 million , witness protection programme – Kshs 56.7 million , Kshs 42 million for replacement of boarded field vehicles and Kshs 30 million to operationalize the staff Housing mortgage scheme

Ethics and Anti-corruption Commission	Ethics and Anti-Corruption programme	<ul style="list-style-type: none"> - The Committee recommends an additional of Kshs 230 million to undertake undercover and sting operations on programmes and projects linked to Big 4 agenda – Kshs 130 million and purchase of additional motor vehicles – Kshs 100 million. 	<ul style="list-style-type: none"> - The additional allocation of Kshs 230 million is meant to undertake undercover and sting operations on programmes and projects linked to Big 4 agenda – Kshs 130 million and purchase of additional motor vehicles – Kshs 100 million.
Kenya National Commission on Human Rights		<ul style="list-style-type: none"> - The Committee recommends an additional allocation of Kshs 192.1 million to the Commission's proposed budget for FY 2021/22 to cater for the following key areas; Operations and maintenance costs – Kshs 29.8 million, Complaints and investigations – Kshs 10 million, implementation of the prevention of torture act – 10 million, staff mortgage and car loan scheme – Kshs 50 million and screening rooms for commission's witnesses – Kshs 22 million. 	<ul style="list-style-type: none"> - The additional allocation of Kshs 192.1 million is meant to cater for the following key areas; Operations and maintenance costs – Kshs 29.8 million, Complaints and investigations – Kshs 10 million, implementation of the prevention of torture act – 10 million, staff mortgage and car loan scheme – Kshs 50 million and screening rooms for commission's witnesses – Kshs 22 million.



**REPUBLIC OF KENYA
KENYA NATIONAL ASSEMBLY**

TWELFTH PARLIAMENT – FIFTH SESSION


THE DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

**REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR FY
2021/22 AND THE MEDIUM TERM FOR THE FOLLOWING SPENDING AGENCIES:**

- Vote 1184- State Department for Labour
- Vote 1185- State Department for Social Protection
- Vote 1211- State Department for Youth Affairs
- Vote 1212- State Department for Gender
- Vote 2141- National Gender and Equality Commission
- Vote 1035- State Department for Development of the ASAL

**Directorate of Departmental Committee
Clerk's Chambers
Parliament Buildings
NAIROBI**

JUNE, 2021

 THE NATIONAL ASSEMBLY PAPERS LAID	
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PART I

1.0 PREFACE

1.1 Introduction

Mr. Chairman,

On behalf of the Departmental Committee on Labour and Social Welfare and pursuant to provisions of Standing Order number 207 (6), it is my pleasant privilege and honor to present to the Budget and appropriations Committee the report of the Committee on its Considerations of the annual estimates of 2021/22 and the medium term.

1.2 Mandate of the Committee and Membership

1. The Committee on Labour and Social Welfare is one of the Departmental Committees of the National Assembly established under Standing Order 216 and mandated:
 - i. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
 - ii. To study the programme and policy objectives of ministries and departments and the effectiveness of the implementation.
 - iii. To study and review all legislation referred to it;
 - iv. To study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
 - v. To investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary and as may be referred to them by the House;
 - vi. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments); and
 - vii. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

2. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider the following subjects-
 - i. Labour;
 - ii. Labour relations,
 - iii. Manpower or Human Resource Planning,
 - iv. Gender,
 - v. Youth,
 - vi. Social Welfare and Security,
 - vii. Children`s Welfare; and
 - viii. Persons living with disability.

3. In executing its mandate, the Committee oversees the following government Ministries and departments and agencies, namely:
 - i. The State Department for Labour
 - ii. The State Department for Social Protection
 - iii. The State Department for Gender
 - iv. The State Department for Youth
 - v. The State Department for Arid and Semi-Arid Lands
 - vi. National Gender and Equality Commission

1.3 Committee Membership

4. The Committee comprises the following Members: -

The Hon. Josephat Kabinga Wachira, M.P (Chairperson)
M.P for Mwea Constituency
Jubilee Party

The Hon. Gideon Koske Kimutai, M.P (Vice Chairperson)
M.P for Chepalungu Constituency
Chama Cha Mashinani (CCM)

The Hon. James Onyango Koyoo, MP
M.P for Muhoroni Constituency
Orange Democratic Movement (ODM)

The Hon. Nelson Koech, MP
M.P for Belgut Constituency
Jubilee Party

The Hon. Moses Malulu Injendi, MP
M.P for Malava Constituency
Jubilee Party

The Hon. Rose Museo, MP
M.P for Makueni County
Wiper Democratic Movement (WDM)

The Hon. Omboko Milemba, MP
M.P for Emuhaya Constituency
Amani National Congress Party (ANC)

The Hon. Fabian Kyule Muli, MP
M.P for Kangundo Constituency
Muungano Party

The Hon. Titus Mukhwana Khamala, MP
M.P for Lurambi Constituency
Amani National Congress Party (ANC)

The Hon. Ole Sankok David, MP
Nominated M.P
Jubilee Party

The Hon. Gideon Keter, MP
Nominated M.P
Jubilee Party

The Hon. Janet Marania Teyiaa, MP
M.P for Kajaido County
Jubilee Party

The Hon. Ronald Kiprotich Tunoi, MP
M.P for Bomet Central
Jubilee Party

The Hon. Tom Odege, MP
M.P for Nyatike Constituency
Orange Democratic Movement (ODM)

The Hon. Caleb Amisi, MP
M.P for Saboti Constituency
Orange Democratic Movement (ODM)

The Hon. Charles Kanyi Njagua, MP
M.P for Starehe Constituency
Jubilee Party

The Hon. Abdi Mude Ibrahim, MP
M.P for Lafey Constituency
Economic Freedom Party (EFP)

The Hon. Safia Sheikh Adan, MP
M.P for Marsabit County
Jubilee Party

The Hon. Wilson Sossion, MP
Nominated M.P
Orange Democratic Movement (ODM)

1.4 Committee Secretariat

Mr. Adan Gindicha
Senior Clerk Assistant/ Head of Secretariat

Mr. John Mugoma
Clerk Assistant II

Ms. Doreen Karani
Legal Counsel

Ms. Fiona Masili
Research Officer

Mr. Ahmed Abdi
Fiscal Analyst

Mr. Nickson Kibet
Audio Officer

Mr. Mohamed Said
Sergeant-At-Arms

1.5 Overview of the examination of the Budget Estimates for FY 2021/22

5. The Budget estimates were submitted to the National Assembly pursuant to Article 221 of the Constitution of Kenya, section 37 of the Public Finance Management Act, 2012 and Standing Order 235 and subsequently tabled on the floor of the House on Thursday 29th April, 2021. The estimates of revenue and expenditure for the coming financial year and over the medium term were submitted at a time when the global economy is taking the heat from the COVID-19 pandemic. The Committee held a total of eight consultative meetings; these were preceded by a briefing by the Parliamentary Budget Office. The Committee held meetings with the spending agencies under its purview. The agencies include the State Department for Labour- Vote 1184, State Department for Social Protection- Vote 1185, State Department for Youth Affairs- Vote 1211, State Department for Gender – Vote 1212, State Department for ASAL – Vote 1035 and National Gender and Equality Commission – Vote 2141.

1.6 Acknowledgements

6. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2021/2022 Budget Estimates.
7. Finally, I wish to express my appreciation to the Honorable Members of the Committee and the Secretariat who made useful contributions towards the preparation and production of this report.
8. It is my pleasant duty and privilege, on behalf of the Departmental Committee on Labour and Social Welfare to submit its report on the scrutiny of the 2021/2022 Budget Estimate.

THE HON. JOSEPHAT KABINGA WACHIRA, M.P.

PART II

2.0 BROAD OVERVIEW OF THE BUDGET ESTIMATES FOR FY 2021/22.

2.1 State Department for Labour

2.1.1 Allocation for FY 2021/22 and the medium-term

9. The state department for Labour has been allocated **Kshs 5.356 billion** for the Financial Year 2021/22 which is an increase from the **Kshs 4.147 billion** allocated in the revised estimates I for the Financial Year 2021/22. It is also noted that allocations to the State Department is above the BPS ceilings by **Kshs.106 million**. The proposed allocation comprises of **Kshs. 2.770 billion** for recurrent and **Kshs. 2.586 billion** for Development Expenditures.

2.1.2 Analysis of recurrent Expenditure

10. The state department has an allocation of **Kshs. 2.770 billion** for recurrent expenditure of which 53 percent is towards current transfers to government agencies such as the National Industrial Training Authority and the National Employment Authority while 29 percent and 18 percent is for compensation to employees and use of goods and services respectively.

2.1.3 Analysis of the Development Expenditure

11. The State Department has been allocated **Kshs. 2.586 billion** for development expenditure of which **Kshs. 2.387 billion** is foreign financed through the Project **1184101800 Kenya Youth Empowerment and Opportunities Project** with a proposed allocation of **Kshs.1.876 billion** and **1184100500 Establishment of National Labour Market Information System (LMIS)** is allocated **Kshs. 511 million** which is from development partners.
12. The State Department implements its activities through three programmes, namely, **Promotion of best labour Practices** which is allocated Kshs. 706 million. Major targets identified for FY 2021/22 are; 80% resolution of labour disputes, 13,500 workplace inspections on wages, and terms & conditions of employment carried out, 2000 Children withdrawn from child labour, 580 contracts attested for renewal or extension for Kenyan migrant workers in Qatar, 585 for Saudi Arabia and 585 for UAE. The state department should report interventions done to alleviate cases of harassment of Kenyan workers especially in Saudi Arabia and the United Arab Emirates.
13. **Manpower Development, Employment and Productivity Management** is allocated of **Kshs. 3.88 billion**. Some of the major key Performance Indicators include; 28,000 trainees placed on industrial attachment by NITA, 450 private employment agencies vetted and registered/licensed, 10,000 graduates placed internship positions by the National Employment Authority and 600 public officers sensitized on productivity improvement among others.
14. **General Administration Planning and Support Services:** is allocated **Kshs. 44 million**. Key indicator includes 100% compliance to budgetary provisions, 5 policies reviewed/developed and preparation of 4 bills among others.

2.2 State Department for Social Protection

2.2.1 Allocations for 2021/22 and the medium-term

15. The state department for social protection has been allocated Kshs. 33.5 billion for FY 2021/22 further stagnating at Kshs 32.8 billion over the medium-term. The allocation is an increase from the Kshs.32.4 billion allocated in the financial year 2020/21 and in the BPS ceiling of Kshs. 33.2 billion. These allocations comprise of Kshs. 30.4 billion for recurrent and Kshs.3.0 billion for development expenditure.

2.2.2 Analysis of Recurrent Expenditure

16. The state department has an allocation of Kshs.30.4 billion for recurrent expenditure of which Kshs. 27.7 billion is a transfer to other levels of governments as follows;
- i. **0909000 National Social Safety Net programme:** In the FY 2021/22 the programme is allocated **Kshs. 27.7 billion** through the cash transfer project with following targets; 1,183,000 households with older persons supported with cash transfers; 540,500 households with OVC supported with cash transfer and 94,000 households with PWSD supported with cash transfers.
 - ii. **1185001900 Street Families rehabilitation trust fund:** is allocated Kshs. 212 million to attain the following; 800 street persons reintegrated to the community and 4000 street persons supported for rehabilitation, education and training.

2.2.3 Analysis of Development Expenditure

17. The State Department has been allocated Kshs.3.0 billion for development expenditure for FY 2021/22. The allocation is an increase from the Kshs.1.7 billion allocated in revised estimates II for FY 2020/21. The increase is largely on account of the Kenya Social and economic inclusion project whose allocation for the financial year 2021/22 has almost doubled.
- a) **1185104000 Kenya Social and Economic Inclusion Project** has been allocated **Kshs. 2.82 billion**. This is a donor funded project and aims at increased access to social inclusion interventions by providing nutrition sensitive cash transfers to 7,500 households and 75% of National Safety Net Programme (NSNP) beneficiaries enrolled in NHIF.
 - b) The Kenya Social and Economic Inclusion Project (KSEIP) builds on the National Safety Net Programme (NSNP) which seeks to improve the welfare to increase resilience among specific vulnerable groups through better coordination and harmonization of the four cash transfer programmes.
 - c) **1185101000 National Development Fund for Persons with Disabilities (PWDs)** has been allocated Kshs. 200 million with a target to support 617 Registered Persons with Disabilities (PWDs) through grants. There is need to have an audit of the socio-economic impact of this fund on the lives and livelihoods of persons with disabilities.
 - d) The State Department implements its activities through the following three programmes whose allocations and major targets are discussed below.

- i. **0908000 Social Development and Children Services:** The programme has been allocated Kshs 4.0 billion up from Kshs.3.0 billion allocated in the financial year 2020/21
- ii. **0909000 National Social Safety Net:** it has been allocated Kshs. 29.2 billion the programme implements the two projects.
- iii. **0914000 General Administration, Planning and Support Services:** The programme has a proposed allocation of Kshs. 215 million to develop 6 policies on social services, and 3 bills.

2.3 State Department for Gender

2.3.1 Allocations for 2021/22 and the Medium-term

18. The state department for gender has been allocated Kshs.3.662 billion for the FY 2021/22 declining from Kshs.3.89 billion it was allocated in the revised estimates II for FY 2020/21 and is above the BPS ceiling by Kshs. 308 million. The allocation comprises of Kshs. 1.0 billion for recurrent expenditure and Kshs. 2.6 billion for development expenditure.

2.3.2 Analysis of Recurrent Expenditure

19. The proposed recurrent expenditure amounting to Kshs.1.0 billion of which Kshs. 287 million is for compensation to employees and Kshs. 670 million is current Transfers to other levels of government mainly on account of transfers to Women enterprise fund amounting Kshs. 332 million and Kshs. 338 million to **Youth** Employment and Enterprise (UWEZO FUND).

2.3.3 Development Expenditure

20. The State Department for Gender has-been allocated Kshs.2.6 billion for development expenditure of which Kshs. 2.2 billion is transfers to other level of government on account of affirmative action social development fund receiving Kshs. 2.1 billion, Kshs. 120 million to women enterprise fund and Kshs.62 million to Youth employment enterprise- UWEZO Fund. The State Department implements its activities through **three programmes**; namely,

- i. **0911000 Community Development** which has an allocation of Kshs. **2.13** billion entirely for affirmative action social development project with a target of 26,800 students benefiting from Bursary and Scholarships, 3000 groups supported through grants for socio-economic development and 1,000 groups funded for value addition initiatives.
- ii. **0912000 Gender Empowerment:** the programme is allocated **Kshs. 1.2 billion with a target of sensitizing 2000 people on FGM issues.**
- iii. **0913000 General Administration, Planning and Support Services:** The Programme has an allocation of Kshs. 300 million.

2.4 State Department for Development of the ASAL

2.4.1 Allocation for 2021/22 and the Medium-term

21. The State Department for Development of ASALs has been allocated Kshs.7.30 billion for the financial year 2021/22. The allocation is an increase from the Kshs. 6.04 billion it was allocated in the revised estimates II for FY 2020/21 and Kshs. 1.57 billion less the approved BPS ceiling. The allocation is composed of Kshs.980 million for recurrent and Kshs.6.32 billion for development expenditures.

2.4.2 Analysis of Recurrent Expenditure

22. The state department has been allocated Kshs.980 million for recurrent expenditure of which, Kshs. 174 million goes towards compensation to employees while Kshs.646 million is allocated as a transfer to government agencies that is National Drought Management Authority.

2.4.3 Analysis of Development Expenditure

23. The State Department for the Development of the ASALs has been allocated **Kshs.9.0 billion** for development expenditure comprising of a grant of **Kshs 4.6 billion** is foreign financed. Major projects that will benefit from the allocation under the project accelerated ASAL development are as follows;

- a. **1035100100 Kenya Hunger Safety Net Programme** has been allocated Kshs. 4.1 billion under development expenditures. The project targets to support 125,850 vulnerable and drought affected households under regular programme through cash transfers.
- b. **1035101400 Kenya Social and Economic Inclusion Project:** the project has been allocated Kshs. 325 million. The project target to support 60,000 vulnerable and drought affected households under emergency scale up during draught through cash transfers.
- c. **1035101600 Ending Drought Emergencies: Support to Resilient livelihood II:** the project is allocated Kshs. 379 million with an aim of supporting 38 counties with funds to mitigate effect of drought.
- d. **1035101800 Kenya Development Response to Displacement Impact:** The Project has been allocated Kshs. 3.7 billion to achieve the following for communities hosting refugees in Carissa, Turkana and Wajir; Rehabilitate and construct water facilities-215 boreholes; Equip and rehabilitate 194 health facilities and Construct 194 health facilities.

2.5 The National Youth Service (NYS)

2.5.1 Allocation for 2021/22 and the Medium-term

24. The National Youth Service has been allocated Kshs.10.0 billion for the financial year 2021/22. The allocation is an increase from the Kshs. 8.1 billion it was allocated in the revised estimates II for FY 2020/21 but in compliance with the approved BPS ceiling. The allocation is composed of Kshs.9.9 billion for recurrent and Kshs.50 million for development expenditures. The allocation in capital expenditure has reduced from the base year allocation of Kshs 977 million in the 2020/21 financial year. The program has a target to recruit 30,000

youths on paramilitary training skills, construct 15 barracks and 20 classrooms, and undertake 15 commercial activities.

25. Implementation of Commercial and Enterprise activities detailed in the NYS Strategic Plan aimed at increasing revenue generation hence sustainability of the Service requires a seed capital of Kshs 9.1 billion spread over the five-year implementation period. During 2021/2022 FY, NYS made a request for Kshs 1.9 billion which is not funded and NYS request for Kshs. 2 billion in 2019/2020 and Kshs 1.9 billion in 2020/2021 FY were equally not funded. This continued delay in the implementation of commercialization activities will necessitate NYS's continued over reliance on exchequer funding.
26. Historical pending bills for the National Youth Service (NYS) has remained unsolved for five consecutive years i.e. from financial year 2013/14 to 2017/18. This is due to various reasons including poor documentation and record keeping as evidenced by missing LPOs, LSOs, Certificates, contracts, and minutes of various Procurement Committees flagged out by either the auditor general or Public Accounts Committee.
27. A first multi-agency verification committee verified all vouchers and claims and recommended for payment of vouchers amounting to Kshs. 3.5 billion which was funded which met all the criteria as provided by the PFM Act 2012, and PPO Act, 2015. In addition, in 2019/2020 FY, NYS was provided with additional Kshs. 6 billion to cater for part of historical pending bills. However, there were other claims and vouchers that were not recommended for payment for not meeting the set criteria.
28. The second Multi agency Committee therefore verified and recommended payment of vouchers and claims including those held by EACC and DCI worth KShs. 15,578,137,713.75 that met the two criteria above.

2.6 National Gender and Equality Commission

29. The National Gender and equality commission has been allocated Kshs. 435 million of which the entire amount is for recurrent expenditure. Kshs. 249.8 million of the recurrent expenditure is for compensation to employees and Kshs. 169.7 million is for use of goods and services.
30. The lack of development budget is likely to derail advocacy, Prevention and Response to Gender-Based Violence. The Commission may not also actively engage political parties and all stakeholders in the election process to respect and uphold gender equality and freedom from discrimination.

3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

3.1 State Department for Labour

31. As per the Draft Budget 2021/22 the State Department was allocated **Kshs. 5.36 Billion** (which include **Kshs. 2.77 Billion** under Recurrent and **Kshs. 2.59 Billion** under Development) against a requirement of **Kshs. 8.06 Billion**, hence a variance of **KShs. 2.72 Billion**. Under the Recurrent budget the net allocation amounts to **Kshs. 1,857 Million** with AIA amounting to **Kshs. 913.4 Million (32.9%)**, which is mainly under the SAGAs (**Kshs. 855.3 Million** for NITA and **Kshs. 50 Million** for NEA).

32. After transferring grants to the SASAs, the amount left to run the six (6) Departments including Headquarters of the State Department is quite minimal to support achievement of the its mandate. On the Development allocation, Donor Component accounts for **Kshs. 2.39 Billion (92%)** with GoK amounting to **Kshs. 198 Million (8%)**.

Approved Estimates FYs 2018/19-2020/21 vis-a-vis Draft Estimates FY 2021/22 Programme

Economic Classification	Approved Estimates FY 2018/19 (Kshs.M)	Approved Estimates FY 2019/20 (Kshs.M)	Approved Supplementary Estimates FY 2020/21 (Kshs.M)	Draft Estimates FY 2021/22 (Kshs.M)
PROGRAMME 1: Promotion of the Best Labour Practice				
S.P 1.1: Promotion of harmonious industrial relations	425.89	315.97	361.97	410.17
S.P 1.2: Regulation of Trade Unions	16.14	14.96	15.67	20.34
S.P 1.3: Provision of Occupational Safety and Health	382.67	294.52	304.14	311.95
TOTAL PROGRAMME 1	824.7	625.45	681.78	742.46
PROGRAMME 2: Manpower Development, Employment and Productivity Management				
S.P 2.1 Human Resource Planning & Development	379.62	262.65	376.80	572.51
S.P 2.2 Provision of Industrial Skills	1,729.62	2,193.73	2,186.91	3,031.94
S.P 2.3 Employment Promotion	374.02	365.21	378.17	485.23
S.P 2.4 Productivity Promotion, Measurement & improvement	69.66	76.21	71.91	74.21
TOTAL PROGRAMME 2	2,552.92	2,897.80	3,013.80	4,163.89

PROGRAMME 3: General Planning and Support Services				
S.P 5.1: Policy, Planning and General administrative services	590.82	564.41	452.12	450.62
TOTAL PROGRAMME 3	590.82	564.41	452.12	450.62
TOTAL VOTE	3,968.44	4,087.66	4,147.70	5,356.97

Approved Estimates 2018/19-2020/21 FYs Verses Draft Estimates 2021/22 FY by Programme

PROGRAMME	APPROVED SUPPLEMENTARY ESTIMATES FY 2020/21 (Kshs. Million)			DRAFT ESTIMATES FY 2021/22 (Kshs. Million)		
	CURRENT	CAPITAL	TOTAL	CURRENT	CAPITAL	TOTAL
Promotion of the Best Labour Practice	631.78	50.000	681.78	691.10	87.00	778.10
Manpower Development, Employment and Productivity Management	1,601.83	1,411.97	3,013.8	1,612.90	2,499.50	4,132.40
General Administration, Planning and Support Services	452.12	-	452.12	446.50	-	446.50
Total	2,685.73	1,461.97	4,147.7	2,750.50	2,586.50	5,357.00

33. In Recurrent, the Printed Estimates for the State Department was **Kshs. 2,764.33 Million** was reduced to **Kshs 2,685.73** during Supplementary Estimates No.1, a variance of **Kshs. 78.6 million**. A total of **Kshs 893.42 Million** was Appropriation in Aid (AIA) which was generated by the SAGAs and the State Department. The Net Estimates is thus **Kshs. 1,792.31 Million** and **Kshs. 1,800.41 Million** when departmental AIA is incorporated. Out of the Estimates, **Kshs. 1,406.62 Million** has been utilized so far resulting to an absorption rate of **78%** as at May, 2021. The absorption noted for Recurrent Vote is 78% which is attributed to low absorption levels for PE where part of the original allocation was for staff recruitment which is in progress now; and IFMIS System closure challenges and regulations from time to time
34. In the Development Printed Estimates, the State Department was allocated **Kshs. 2,444.4 Million** which was reduced to **Kshs 1,461.97 Million** in the Supplementary Estimates No. 1, hence a cut of **Kshs. 982.43 Million** of which GOK is **Kshs 107.5 Million** and donor is **Kshs. 1,354.47 Million**. **Kshs 846.79 Million** has been utilized resulting to an Absorption Rate of **60%** as at May, 2021

Recurrent Budget Implementation Performance status as at May, 2021 for FY 2020/21

Programme	Approved Estimates FY 2020/21 (Kshs millions)	Total Commitment (Kshs millions)	Balance as at May 2021 (Kshs millions)	% Utilization
Promotion of the Best Labour Practice	377.64	257.27	120.29	68%
Manpower Development, Employment and Productivity Management	970.64	765.15	205.50	79%
General Administration, Planning and Support Services	452.12	384.20	67.92	85%
Total	1,800.40	1,406.62	393.71	78%

Development Vote Expenditure Absorption Status – May 2021

No.	Project Name	Head	Source	Supplement. Estimates No. 1 (Kshs.)	Total Commitment (Kshs.)	Balance (Kshs.)	%age Utilization
1	Construction of Occupational Safety and Health Institute - Phase 1	1003	GOK	47,018,947	66,418,524	-19,399,577	141
2	Rehabilitation of Safety House in Nairobi	1004	GOK	2,981,053	5,962,106	-2,981,053	200
3	Establishment of Labour Market Information System - GOK Component	1005	GOK	0	5,032,860	-5,032,860	-
	Establishment of Labour Market Information System – KYEOP	1005	World Bank	321,000,000	42,831,754	278,168,246	13
	Sub Total of Head 1005						
4	Construction of National Employment Promotion Centre – Kabete	1006	GOK	49,100,000	49,100,000	49,100,000	100
5	Up grading of Kisumu Industrial Training Centre (KITC)	1008	GOK	7,500,000	7,500,000	7,500,000	100
6	Kenya Youth Empowerment and Opportunities Project	1018	World Bank	1,033,473,937	699,040,126	364,433,811	68

7	Construction of Modern Employment Office in Eldoret	1024	GOK	900,000	900,000	0	100
TOTALS				1,461,973,937	846,785,369	615,188,568	60

35. The low absorption recorded in the development vote is attributed to the following: Delayed release of Exchequer to facilitate payment of pending bills; delayed approvals (including no objections) for some activities of the KYEOP WB IDA project, and COVID-19 pandemic protocols that limited activities involving groupings and gatherings.
36. The State Department had pending bills of **Kshs.116 million** at the beginning of the FY 2020/21, which have been settled with a current balance of **Kshs.36 million**. Despite the difficult circumstances of constraining budget and with no separate additional allocation to cater for pending bills mentioned, the State Department made great strides towards clearing about 69% of the bills which is commendable. Of the balance, about **Kshs.32 million** (89%) relate to development vote for projects whose current budget was cut by 50% in the Supplementary Estimates No.1 of FY 2020/21.
37. The State Department was not been able to implement most of its planned activities during FY 2020/21 as a result of commitment of allocated funds to clear pending bills of **Kshs,115.9 Million** carried forward from the FY 2019/20 and the IFMIS closure challenges and regulations from time to time.
38. The State Department has developed Policies and Bills, which are at different stages of approval by various government agencies prior to submission to the National Assembly. These include: Occupational Safety and Health Bill; Work Injury Compensation Bill; Occupational Safety and Health Practitioners Bill; Labour Migration Management Bill, Labour Migration Policy, Wages and Remuneration Policy; and National Productivity and Competiveness Bill.

3.2 State Department for Social Protection

39. The State Department's total of Gross Expenditure allocation for the Financial Year 2021/2022 is **Ksh33,527,012,021**, which comprises **Ksh30,490,462,021** for Recurrent Expenditure and **Ksh3,036,550,000** for Development Expenditure. The allocation by Economic Classification is tabulated below.

Economic Classification	Allocation for FY 2021/22 (Ksh)
Current Expenditure	30,490,462,021
Compensation to employee	1,706,842,021
Use of goods and services	1,018,912,544
Current Transfers to Govt agencies	27,757,700,000
Social Benefits	1,109,006
Non-Financial Assets	5,898,450
Capital Expenditure	3,036,550,000

Compensation to employee	190,119,500
Use of goods and services	1,156,429,658
Current Transfers to Govt agencies	1,157,200,000
Non-Financial Assets	532,800,842
Total	33,527,012,021

The Recurrent Expenditure allocation of **Ksh 30,490,462,025** will cater for the following expenditure.

Item	Amount in Ksh
Compensation to employees	1,706,842,021
Utilities	49,305,100
Rents	40,351,173
Specialized material and Supplies to institutions	248,563,000
Grants and Other Transfers	27,757,700,000
Social Benefits	1,109,006
Other Use of good services	686,591,721
Total	30,490,462,025

The Development Expenditure allocation of **Ksh3,036,550,000** will be used for the following expenditure.

Item	Amounts in Ksh
Renovation of Vocational Rehabilitation Centre's (VRC)	4,500,000
Education equipment for vocational rehabilitation centres	4,500,000
Construction of Buuri Sub County Social Development Office	1,145,000
National Development Fund for Persons with Disabilities (PWD)	200,000,000
Renovation of Likoni Children's Rehabilitation School	7,100,000
Kenya Social Economic Inclusion Project	2,819,305,000
Total	3,036,550,000

40. The Development Expenditure allocation consists of **Ksh1,894,500,000** loan from the World Bank and **Ksh1,142, 050,000** from the Government of Kenya. The Recurrent Expenditure allocation is inadequate for effective discharge of the State Department's mandate.

41. Consolidate Cash Transfer (Inua Jamii) Programme (**Ksh4,700million**). The programme requires Ksh29,606.92 for Direct Cash Transfers and Commissions to Payment Service Providers (PSPs). The allocation is Ksh24,906.92, hence a deficit of **Ksh4.7billion**.

42. Social Development and Children Services (**Ksh1,740.2million**)

- i. **Ksh300million** for the development and implementation of policies, including: the National Policy on Community Development; Community Groups Registration (CGR) Bill; Volunteerism Bill; National Family Promotion and Protection Policy Family Promotion and Protection Bill; Social Development Bill; Persons With Disabilities Bill; Social Assistance (Repeal) Bill 2019; Public Finance Management (Social Assistance

Fund) Regulations 2019; National Social Protection Policy Children Bill, 2019; and National Policy on Rehabilitation of Street Families.

- ii. **Kshs.600million** for field services was erroneously devolved to the County Government alongside social services in FY 2014/15 but when the services were again domiciled in the National Government, the resources didn't follow the functions.
- iii. The Presidential Bursary Scheme offers assistance to Orphans and Vulnerable Children (OVCs) by paying school fees in boarding secondary schools. The programme has been allocated Ksh400million against a requirement of Ksh897 million, resulting in a deficit of **Ksh497million**.
- iv. As at 2020, there were 1500 victims of human trafficking in various shelters whose requirement for maintenance and repatriation is Ksh263.2million against an allocation of Ksh20million, hence a shortfall of **Ksh243.2million**.
- v. **Ksh100million** is required for operationalization and strengthening of statutory committees, including the Adoption Committee, Board of Trustees of the National Trust Fund for Victims of Trafficking and Ministerial Audit Committee.

43. Programmes under SAGAs (**Ksh2,254.5million**)

- i. The National Council for Persons with Disabilities (NCPWD) requires additional **Ksh.59 million** for the National Development Fund for Persons with Disabilities (NDFPWD). The gap will affect education assistance (infrastructure & equipment), support to groups for income generating activities and support to PWDs under the AGPO programme. The Council also has a shortfall of **Ksh103million** for Operation and Maintenance, including staff salaries. In addition, the Autism and Other Developmental Disabilities Programme requires **Kshs.100million** to support 10,000 persons with autism.
- ii. The Street Families Rehabilitation Trust Fund (SFRTF) requires additional **Ksh.74 million** for implementation of its programmes, which include prevention, rescue, rehabilitation, re-integration and resocialization. The Street persons have increased due the covid-19 pandemic and the associated social challenges.
- iii. Child Welfare Society of Kenya (CWSK) requires **Ksh1.715billion** for implementation of five priority projects (integrated child and family centres).
- iv. National Council for Children Services (NCCS) requires additional **Ksh260.5million** for operationalization which include strengthening of AACs, rent and office furniture & equipment.

44. Personnel Emoluments (Ksh22.369million). Approval has been granted by the Public Service Commission for the recruitment of drivers to bridge the current staffing gap in the State Department. **Ksh22.369million** is required for the annual salaries of the drivers.

45. The State department does not have historical and current pending bills. However, Support of the committee is required for the development and implementation of the policies and pieces of twelve pieces of legislation

3.3 State Department for Gender

46. The total net budget for the State Department is Kshs. 3.2 billion whereby Kshs.895 million is Recurrent and Kshs.2.3 billion. The State Department's proposed recurrent estimate for the FY 2021/22 is Kshs 1,030,300,000 which includes an A.I.A of Kshs 135,000,000 to be collected by the Women Enterprise Fund as administrative fees. Out of the Net total of Kshs. 895,300,000, Salaries and Allowances accounts for kshs. 287,040,000, Operations and Maintenance Kshs. 154,940,000 and current transfers Kshs.453,320,000 as demonstrated below:-

Economic Classification	Approved 2020/21 (kshs)	Proposed 2021/2022 (Kshs.)
Compensation of employees	273,190,000	287,040,000
Operations and Maintenance (O&M)	318,148,205	154,940,000
Current transfers	267,520,000	453,320,000
Total	854,854,205	895,300,000

47. The O&M figure in the table includes mandatory expenditure of rent Kshs. 42,998,000 and contractual obligations of Kshs. 4,306,784 leaving the Department with a meager Kshs. 107,635,216 to implement its programmes. The current grants are transfers to sagas as shown below

	Baseline 2020/21 (Kshs)	-(Approved	Proposed 2021/2022 (Kshs)
Anti FGM Board	97,500,00		102,500,000
Uwezo Fund	95,000,000		153,600,000
Women Enterprise Fund	75,020,000		197,220,000

48. Summary of the State Department's proposed Development estimate for the FY 2021/22 is Kshs 2,312,000,000 excluding the A.I.A.

	Baseline 2020/21 (Kshs)	-(Approved	Proposed 2021/2022 (Kshs)
NGAAF	2,130,000,000		2,130,000,000
Uwezo Fund	41,000,000		62,000,000
W.E.F	75,000,000		120,000,000
A.I.A			320,000,000
Total	2,258,000,000		2,632,000,000

The A.I.A of Kshs. 320,000,000 is in respect of the programme on Strengthening, Prevention and Response to Gender Based Violence in Kenya in collaboration with the Government of Finland.

49. The Department is planning to implement a new programme in collaboration with the Government of Finland on Prevention and Response to Gender Based Violence. The

program, “Strengthening Prevention and Response to Gender Based Violence in Kenya” will be funded in form of a Grant AIA of 5 million Euros (Kshs. 640 million) from the Finnish Government and 1 million Euros (Kshs. 128 million) as counterpart funding as a contribution from the Kenya Government. The Programme is supposed to be implemented in the FY2021/22 and FY2022/23. In the F/Y 2021/22 an amount of Kshs. 320 million has been allocated, however the GOK counterpart funding to the tune of Kshs. 64 million has not been provided. The evidence of prove for the new programme is the Grant Agreement signed between the Government of Kenya and the Finish Government as per attached.

Summary of Disbursements as at April 2021

Project Title	Source of Funds	FY 2020/21(Kshs.)	
		Total Estimates	Actual Expenditure
NGAAF	GOK	2,130,000,000	1,618,940,083
Women Enterprise Fund	GOK	75,000,000	75,000,000
Uwezo Fund	GOK	41,000,000	41,000,000

50. Under NGAAF, there are stalled Gender Based Violence Rescue centers in some counties eg. Migori, Bungoma and Nairobi and this is due to insufficient funding. That there are no pending bills in the State Department for Gender.
51. In the current F/Y 2020/21, the State Department for Gender was allocated Kshs. 200 million out of Kshs. 2.2 billion approved by the Cabinet to carter for Anti-Gender Based Violence activities at the onset of COVID-19 pandemic in the country, whereby there was a sharp and sustained rise of GBV cases. However in the F/Y 2021/22 the GOK promise of 2 billion has not been factored as per the Cabinet Memo 20 (74), dated 3rd September 2020. Therefore, the State Department is requesting for the balance of Kshs 2 billion which has not been captured in draft Estimates.
52. The Anti-FGM Board is mandated to create awareness, formulate policies and strategies to eliminate Female Genital Mutilation in Kenya. The Board needs to implement the eradication of FGM policy 2019 and the Anti-FGM Board strategic plan 2019-2023. The Board has been directed by the President to eliminate FGM in Kenya by 2022. The Board therefore requires resources to facilitate activities across the 22 counties with high FGM prevalence. The allocated amount of Kshs.102.5 million for the FY 2021/22 is insufficient. There is therefore need to fully fund the Board to implement the policy, strategy and President’s acceleration plan. The eradication of FGM policy has been adopted by Parliament and requires funds to enable the Anti-FGM Board to create awareness, through mainstreaming and social media, community dialogues, cross border FGM and medicalization of FGM. The Board requires a total of Kshs.382 million in the F/Y 2021/22 to undertake the activities.
53. The State Department Launched the Sessional Paper No. 02 of 2019 on the National Policy on Gender and Development and Sessional Paper No. 03 of 2019 on the National Policy for the Eradication of FGM on 23rd March 2021 as one of the **‘Bringing CSW65 Home’** under localization of activities of the CSW65. This activity will entail:

- a) Printing of 2,000 copies of the NPGAD, develop popular version, develop an action plan, disseminate the policy and develop a monitoring and evaluation framework.
- b) Review of National Policy on Prevention of GBV-The National Policy for the Prevention and Response to GBV was developed in 2014 requires a review to update it.
- c) Development of a workplace Sexual Harassment Policy
- d) Develop a Gender Mainstreaming Policy to guide in the processes of ensuring that gender issues and concerns are mainstreamed in all sectoral policies and
- e) Development of the Gender Status Report in Kenya

To undertake these activities, the state department requires **kshs. 111.2 million**.

54. **Women Enterprise Fund's** net recurrent allocation of Kshs 197.2 million only covers personnel emoluments and therefore the following contractual obligations amounting to approximately Kshs. 105 million remain unfunded. This gap has been a subject of concern and has been captured by the Office of the Auditor General in their annual Reports. We appeal for favorable consideration in this budget cycle. The Women Enterprise Fund requests for an additional funding of at least Kshs 103 million to cater for the above.

55. The status of Biashara Kenya Fund remains as reported in the Budget Policy statement presentation in February 2021 that, the Cabinet approved the establishment of the proposed Biashara Kenya Fund on the 14th May, 2018 proposing the merging of the Affirmative Action Funds. The Public Finance Management (Biashara Kenya Fund) Regulations, 2019 were formally submitted to the National Assembly for approval on 26th June, 2019. These Regulations had undergone through public participation and pre-publication scrutiny by the National Assembly's Committee on Delegated Legislation. The Committee on Delegated Legislation recommended the annulment of the regulations and re-instatement of the Revocation Orders. The Committee instead recommended that the National Treasury reform the three funds—Uwezo, YEF and WEF—instead of the merged entity, which it argues exposes use of public funds by private banks and lacks watertight rules on dealing with defaulters. The Public Finance Management (Biashara Kenya Fund) Regulations, 2020 have been re-published and re-submitted to parliament for discussion and approval.

3.4 State Department for Youth

56. The State Department for Youth Intends to implement one Programme and Five Sub-Programmes in the FY2021/2022; the programme and Sub-Programmes are as follows:

Programme 071100: Youth Empowerment

57. The Ministry has proposed **Kshs. 4,659,834,076** to be spent in the implementation of activities under this programme in the FY 2021/2022 and its five sub-programmes. The Youth programme has four Sub-Programmes which include:

- i. Sub-programme: Youth Development Services-Kshs.3, 870,583,909
- ii. Sub-programme: Youth Employment Scheme-Kshs.454, 089,300

- iii. Sub-programme: Youth Coordination and Representation-Kshs. 98,000,000
- iv. Sub-programme: General Administration, Planning and Support Services-Kshs. 237,160,867
- v. Key highlights of this programme in the 2021/2022 budget estimates is; Youth Development Services **Kshs. 3, 870,583,909**; the Youth Enterprises Development Fund (YEDF), **Kshs. 454, 089,300**; support to the National Youth Council, **Kshs.98,000,000**.

58. The Ministry will oversee the implementation of the programmes of the President's Award Kenya (PA-K) **Kshs. 20,000,000** and the General Administration and support services **Kshs. 237,160,867**.

59. Specific Budget highlights in various vote Heads

The total Gross Budget for the State Department in 2020/21 Financial Year is **Kshs.4,659,834,076** made up of Kshs.1,429,343,000 in recurrent vote and Kshs.3,230,491,076 in development vote. The main highlight of the recurrent budget includes:

- i. P.E. - The Personnel Emoluments is Kshs.652, 730,000.
- ii. Kshs.324, 170, 000 has been budgeted for as operations and maintenances for the State Department. Part of the resources will partially fund the Youth Field Offices which have not been funded since 2013. The Youth Services were not devolved but funding their operations has not been forthcoming. In this current FY 2020/21, the State Department has provided Kshs.56, 647,299 to fund the operations of the Field Offices as State Department engages the National Treasury and the National Assembly for additional resources on the same.
- iii. Kshs.452,443,000 has been budgeted as transfers to the Semi-Autonomous Governmental Agencies which includes:
 - a) Kshs.299,290,000 Youth Enterprise Development Fund
 - b) Kshs.98,000,000 National Youth Council
 - c) Kshs. 20,000,000-President's Award Secretariat Kenya (PA-K)
 - d) Kshs. 10,353,700-International Conference for Great Lakes Region Secretariat (ICGLR)

60. Under the Development Vote, Kshs.3, 230,491,076 has been proposed to finance the State Departments capital projects as shown below:

- i. Kenya Youth Opportunities and Employment Project which is a World Bank donor funded. This is through Loan Revenue of Kshs.2,380,000,000
- ii. Youth Enterprise Development Fund - Kshs.130,000,000
- iii. Youth Empowerment Centres - Kshs. 381,819,490
- iv. Youth Empowerment Programme(UNFPA)-7,000,000
- v. VIVA Youth Programme- 331,671,586

61. The following Development Partners for their continued support to the State Department through programme loans and grants. A summary of the externally funded projects is provided in the table below.

Donor	Projects	Amount Kshs.
UNFPA	Youth Empowerment	7,000,000
World Bank	Kenya Youth Employment and Opportunities Project	2,237,000,000
KfW Development Bank	VIVA Youth Programme	301,971,076.26
Total		2,545,971,076

Resource Requirements Vs Allocation in the FY 2021/2022

Sub Programme	Printed Estimates 2020/21	Approved Estimates 2020/21	Resource Requirement 2021/2022	Resource Ceilings 2020/21	Resource Gap
Youth Development Services	3,014.74	2,810.13	7,642.05	3,870.58	3,771.47
Youth Employment Scheme(YEDF)	359.49	329.49	1,580.49	454.09	1,126.40
Youth Coordination and Representation(NYC)	98.00	88.00	277.00	98	179
General Administration, Planning and Support Services	189.63	165.23	476.02	237.16	238.86
Total	3,661.85	3,392.89	9,975.56	4,659.83	5,315.73

62. Implementation of the 2020/2021 Budgetary Allocation to the Ministry: The State Department for Youth Affairs has been appropriated a gross budget of **Kshs. 3,392,887,705** spread one (1) Programme which the Department is implementing as shown in the table below;

Programme 0711000-Youth Empowerment

Vote	Approved Estimates	Absorption Level	Percentage
Recurrent	1,294,565,705	1,112,553,994	85.94%
Development	2,098,322,000	1,188,697,079	56.65%

Gross Total	3,392,887,705	2,301,251,073	71.30%
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63. Pending Bills which were carried from the last FY2019/2020 were given first priority and cleared at the start of the current FY2020/2021. Due to budget Cuts in the first Supplementary of the Current FY2020/2021 there is a likelihood of the State Department having pending bills at the closure of this current FY2020/2021. The State Department has already notified the National of the effect of the budget cuts which were approved in Supplementary Estimates No. 1.

Summary of Critical Areas which require Additional Funding in the FY2020/21

Recurrent Vote

S/N	Title	Additional Amount Required-Kshs.
1.	Support to the Administration Headquarters ie CAS and PS offices	156,000,000
2.	Funding of Youth Field Offices	525,136,275
3.	The international youth Day held on every 12 th of August each year(<i>International Commitment on Organization of annual internal youth events by all UN member states</i>)	70,000,000
5.	Youth Enterprise Development Fund—For Programme Support Services	126,400,000
6.	Holding of the NYC Elections and Operationalization of the National Youth Advisory Board	179,000,000
7.	Kenya Association of Youth Centers (KAYC)	50,000,000
8.	Counter Part Funding[Youth Development Index]	7,000,000
Sub- Total [Recurrent]-Kshs		1,113,536,275

Development Vote

S/N	Title	Additional Amount Required-Kshs.
1.	Completion of, Youth Empowerment Centres @Kshs. 8m for 138 YECs remaining-	453,000,000
2.	Operationalization and Equipping of Youth Empowerment Centres(YECs) already completed @Kshs. 4m for 132 YECs	350,000,000
3.	Youth Development Research	50,000,000

4.	Youth Enterprise Development Fund-Loans Disbursement	1,000,000,000
Sub- Total [Development Vote] –Kshs		1,853,000,000
GRAND TOTAL [KSHS]		2,966,536,275

3.5 National Youth Service

64. The proposed budget allocation for NYS for 2021/2022 FY is KShs. **9.9B and 50M** for Recurrent and Development Budget respectively. In the FY 2021/22, the budget allocation for Vocational Training and Research of **KShs.895M** which had previously been budgeted in development has been moved to recurrent vote. This has seemingly increased the recurrent allocation from the previous sector allocation of **KShs.9.2B**.
65. The resource requirement for NYS in the FY 2021/22 was **KShs. 26.4B** against a resource allocation of **KShs.10B** leaving a deficit of **KShs. 16.4B**. The implication is that a number of key priority programmes and projects including recruitment, paramilitary training, national service duties and technical and vocational training will not be adequately funded due to reduced budget allocation. The gap will seriously affect the implementation of our Strategic Plan which is already behind schedule in implementation.

Key Underfunded Areas in the 2021/2022 FY Budget Estimate (Recurrent)

S/no	Item	Requirement (KShs)	Allocation (KShs)	Resource Gap (KShs)
1.	Personnel Emolument	3,993,884,646	1,198,481,000	2,795,403,646
2.	Food and Ration	4,810,830,750	2,704,111,199	2,106,719,551
3.	Trainee Allowance	1,714,658,400	1,631,712,800	2,945,600
4.	Supplies for Production	706,385,200	418,599,000	287,786,200
5.	Vocational Training and Research	3,327,144,100	895,000,000	2,431,544,100
6.	Monthly Issues	622,071,048	228,514,685	393,556,363
7.	Enterprise Development	1,864,834,000	-	1,864,834,000

66. Implementation of **Commercial and Enterprise** activities detailed in the NYS Strategic Plan aims at increasing revenue generation hence sustainability of the Service. This requires seed capital of **KShs 9.1B** spread over the five-year implementation period. During 2021/22 FY, NYS made a request for **KShs 1.9B** which was not funded. NYS request for **KShs. 2B** in 2019/2020 and **KShs 1.9B** in 2020/2021 FY were equally not funded. This has caused delays

in the implementation of commercialization activities necessitating NYS's continued over reliance on exchequer funding.

67. In FY 2021/22, NYS will have one category in development that is Construction of Buildings and Other Infrastructure in NYS since Vocational Training and Research has been moved to recurrent. The resource requirement for development amounted to **KShs 812M** against an allocation of **KShs. 50M** leaving a shortfall of **KShs. 762M**. Table 8 below provides a summary of resource requirements, allocation and resource gaps for the proposed development budget for 2021/2022 FY.
68. In the 2020/2021 FY, NYS suffered a budget cut of KShs.2.2B in the first supplementary budget. This has significantly affected the achievement of the budgeted activities. The Service has not received 3rd Quarter Exchequer further complicating payment to service providers and other operational activities.
69. NYS has only one capital project namely; Construction of Buildings and other Infrastructure initiated on 1st July, 2015 at an initial cost was **KShs. 1.7B**. There are several components under this project category which are at various stages of completion. overall project completion status as at 30th June, 2020 was 44% with a cumulative expenditure of **KShs. 728.58M**. To bring the project to completion, NYS requires **KShs. 957M**. Of these, NYS requested for **KShs. 812M** for 2021/2022 FY and the balance of **KShs.145M** in 2022/2023FY. NYS has only been allocated **KShs. 50M** leaving a deficit of **KShs. 762M**.
70. The NYS historical pending bills were incurred between the FY 2013/14 to FY 2018/19 and are categorised in five levels as shown below.

S/No	Level of Category	Amount (KShs.)
1.	KShs.2M and below	2,844,588,237.47
2.	KShs.2M-5M	2,402,509,432.08
3.	KShs. 5M-10M	1,854,901,659.80;
4.	KShs. 10M-15M	2,014,931,624.00;
5.	KShs. above 15M	6,461,205,741.00.
Total		15,578,137,713.75

3.6 State Department for ASAL

71. In the F/Y 2021/2022, the State Department has been allocated Kshs. **1,059.48** Million and Kshs. **8,958.0** Million in the recurrent budget and Development budget respectively against resource requirements of Kshs. **1,378.39** Million and Kshs. **13,565.99** Million for the Recurrent and Development budgets respectively. Therefore, out of our total resource requirements of Kshs. **14,944.38** million, we have been allocated total budget of Ksh.**10,017.38** Million, which translates to a total deficit of Kshs. **4,927.92** Million.

Analysis of Programme Expenditure Budget Resource Allocation (Millions)		
Programme	Baseline 2020/2021	Budget Allocations 2021/22

		Current	Capital	Total	Current	Capital	Total
P.1:	Accelerated ASAL Development						
SP. 1.1	Administrative Headquarters	170.59		170.59	193.08	-	193.08
SP. 1.2	ASAL Development	142.99	182	324.99	154.39	224.00	378.39
SP. 1.3	Drought Management	646.94	5,142.29	5,789.23	692.36	5,034.00	5,726.36
SP. 1.4	Peace Building and Conflict Management	19.92	3,500.00	3,519.92	19.58	3,700.00	3,719.58
TOTAL Vote 1035		980.43	8,824.29	9,804.73	1059.48	8,958	10,017.48

72. **Programmes, Key Outputs and Targets for 2021/22 And The Medium Term** -During the 2021/22 – and the medium term, the State Department will:

- i. Diversify livelihoods in ASALs through fodder cultivation, agro-nutrition work and vegetable cultivation programme among others;
- ii. Ensure sustainable natural resource management in targeted communities in ASALs is realized through improvement of borehole water abstraction systems and conservation of water structures;
- iii. Create and operationalize integrated information systems for ASALs by holding consultative forums to provide and update developmental information that feeds into the ASALs knowledge management system;
- iv. Provide drought and food security information through production and dissemination of drought early warning bulletins and food security assessment reports;
- v. Support vulnerable and drought affected households through cash transfers under regular programme and also emergency scale up during drought;
- vi. Implement ending drought emergencies (EDE) strategies;
- vii. Respond to drought episodes timely and effectively;
- viii. Build resilience of ASAL communities through various projects and engaging youths in alternative economic activities (stabilization projects);
- ix. Coordinate and implement cross-border integrated programme for sustainable peace and socio-economic transformation including peace dividend projects;
- x. Improve access to social and economic services for refugee host communities specifically in water, education, health and roads;
- xi. Rehabilitate and restore environment and natural resources by restoring and rehabilitating degraded land and also promoting alternative sources of energy;
- xii. Improve livelihoods and strengthen community resilience through identification and funding of self-help/community groups to undertake livelihood activities and supporting producer organizations with grants;

- xiii. Strengthen institutional and technical capacities in food security and resilience programming by developing partnership coordination framework, resilience programming framework and monitoring, evaluation and learning (MEAL) management information systems framework.
73. Implementation of sustainable food systems and resilient livelihoods programme. The project supports four areas of cooperation and key activities to be undertaken will be;
- i. Strengthening the State Department for Development of ASALs institutional and technical capacities in food security and resilience programming
 - ii. Formulation and operationalization of appropriate policies and legal frameworks on matters relating to food security under the ambit of the State Department
 - iii. Strengthening the State Departments' technical capacity to guide ASAL stakeholders in the designing and management of resilience and livelihood programs in the ASALs
 - iv. Strengthening the State Department technical capacity to design and manage special Programmes on integrated economic development for refugee host communities and Programmes that cut across different counties.
74. The GoK – Ksh. 33.4 million and WFP –Ksh. 18.8 million as indicated in the table above, supports the project. The project documents including the signed agreements were approved by National Treasury and are attached to the report for your reference.
75. Consolidating Democratic Dividends for Sustainable Transformation in Kenya project. The United Nations Development Assistance Framework (UNDAF) support the Government of Kenya to achieve the Vision 2030. The UNDAF (2018-2022) has three Strategic Priority Areas (SRAs) that are aligned to MTP III. The Ministry of Devolution and ASALs coordinates SRA 1 on Transformative Governance, which focuses on respect for the rule of law, improved security, and effective implementation of devolution. The new project supports eight outputs to be achieved by key MDAs, UN Agencies and other stakeholders:
76. The Ministry of Devolution and ASALs is the Lead Agency for the projects and will co-chair the Project Steering Committee with UNDP. The State Department will implement activities under the project in line with the given mandates. The project is supported by GOK and UN Agencies and will run from March 2021 to December 2023 at a cost of USD 25,665,886. The GOK is expected to support 10% of the project cost.

Summary of Capital Projects for Implementation in FY 2021/22

S/No	Project Title	Allocation for 2021/2022 (Millions)

1.	Ending Drought Emergencies Support to Resilient Livelihoods I	182.00
2.	Enhancing Community Resilience Against Drought II (ECORAD II)	142.00
3.	Medium Term ASAL Programme	30.00
4.	Ending Drought Emergencies Support to Resilient Livelihoods and Drought Risk Management	379.10
5.	Kenya Social And Economic Inclusion Project (KSEIP)	325.00
6.	Kenya Hunger Safety Net Programme implemented by NDMA	4,100.0
7.	Resilience and Sustainable Food Systems Project	152.40
8.	Implementation of sustainable food systems and resilient livelihoods	52.19
9.	Kenya Development Response to Displacement Impact Project (KDRDIP) implementation under the state department)	3,700.00
10	Consolidating gains and Deepening of Devolution in Kenya.	16.80
	TOTAL	9,079.49

77. The State Department has one pending bill carried forward from the previous Financial year as indicated below

S/No.	Services /Goods Delivered	Date Of Bill	Amount	Remarks	
1.	M/s Johu b. Gen Suppliers	Stationary – tonners	2019/2020	680,0000	The bill was part of last year's Ksh.6.5million pending bills that has again remained outstanding due to this year's budget cuts effected in Supplementary estimates 1. We plan to pay the bill using next year's budget

As a result of the limited Budget, allocations in the F/Y 2021/2022 the state department will not be able to undertake most of its projects and activities.

78. ECORAD II PROGRAMME (Effects on Budget Cuts)

The decrease adversely affects rehabilitation of water pans, boreholes and purchase of certified seeds; thus adversely affecting implementation of livelihoods diversification programmes in the

project areas in Turkana County. The beneficiary communities will be negatively affected interme of food and water shortages. This also affects alignment of the programme to the big 4 agenda on food and nutrition security in the ASALs as commitments of the following programmes have already been effected as shown below.

Ecorad II Project Commitments

S/No.	Item Description	Contractor	Amount	Status
1	Procurement of Seeds	M/S Simlaw Seeds	503,095.00	RFQ
2	Procurement of Seedlings	JKUAT	526,000.00	RFQ
3	Procurement of Pasture Seeds - Cencrus celiaris (African Foxtail Grass Seeds)	KVDA	375,000.00	RFQ
4	Solarization of Lochor Edome Borehole	M/S Smartways Holdings LTD	3,758,674.50	Awarded and waiting signing of contract
5	Construction of Kalobeyei Water Pan	M/S Cilneod Kenya LTD	7,221,795.00	Awarded and waiting signing of contract
GRAND TOTAL			12,384,564.50	

3.7 National Gender and Equality Commission

79. The Commission was allocated a budget of **KES 435,780,000** out of which **KES 250 is PE, KES 155 for operation and KES 30 for program activities**. Notwithstanding this financial allocation, the Commission has critical needs worth your consideration. The need to complete strategic and signature interventions already initiated in the past year, and the need to strengthen the institution through vehicles, staff training and operationalization of the regional offices.
80. The Commission has 4 sub programs namely; a) Legal Compliance and Redress, b) Mainstreaming and Coordination, c) Public education, advocacy, and research, and d) Headquarter Administrative Services. Some of our signature programs and interventions for the year include *the audit of the political parties and public institution on their compliance* with principles freedom from discrimination and gender equality, *public interest litigation, review of the legislative, policy and administrative guidelines on compliance with the principles of gender equality and freedom from discrimination*, and *operationalization of a complaints handling and determination of disputes mechanism*. The Commission also proposes to fully operationalize 2 regional offices (Malindi and Kitui) and expand our reach to 2 new more regions.
81. The Commission is an enabler towards the realization of the Big 4 Agenda and therefore we shall concentrate on our functions on; auditing, monitoring implementation of the agenda, issuing of advisories on matters relating to equality and inclusion in the agenda and processing, including referral and determination of any complaints on the Big 4 Agenda. Further, the Commission was not allocated any fund under Big 4 Agenda.

82. On COVID-19 the Commission is well placed to audit the inclusion and participation of the special interest groups in the medical, socio-economic COVID-19 recovery programs. The interventions include;

- a) monitoring effects of COVID-19 on PWDS and older members of society, and the impacts of COVID-19 economic stimulus program on the SIGs,
- b) monitoring freedom from discrimination and gender equality issues in the uptake of COVID-19 vaccine.

83. These activities are worth Kes 131 as shown in Table I below. A justification has been highlighted for the essential items that require additional funding. The total request therefore is Kes 435.8M + Kes 131 M = Kes 566.8 M

Key strategic Interventions for the Commission FY 2021/2022

Description	2021/22 Allocated Budget	Additional Requested Resources	Total Proposed Budget	Justification
Personnel Emoluments (PE)	249.9	17.2	267.1	Recruitment of two additional staff. The Commission has established 51% of the approved human resources. The Commission will require to recruit a) Assistant Director Research Monitoring and Evaluation and Documentation, b) Assistant Director Human Resource and Administration, and promotion of staff
Utilities	3.5		3.5	
Rentals	42.0		42.0	
Insurance	36.3		36.3	
Contracted Cleaning Services	1.8		1.8	
Gratuity	7.5		7.5	
Other Operational Costs	64.3		64.3	
Support to County Operations	1.5	25.0	26.5	To strengthen Commission interventions at County Level by Operationalising three regional offices. Also open two regional offices (Western and Central region)
Purchase of Motor Vehicles	-	12.0	12.0	To enhance Commission's Service delivery for SIGs at the County level
Programmatic Activities	29.0	76.8	105.8	Vital programmatic interventions
Total	435.8	131.0	566.8	

84. The Commission requests this Committee to recommend an allocation of KES **566.8M** with KES **35.5M** as special fund to conduct two essential audits (compliance of political parties and General Elections process with principles of gender equality and freedom from discrimination, and an audit of cash transfers) and immediate applications of NGEK rules and regulations through public hearings and public education.
85. The Commission highlighted the following policy issues:
- i. Since 2019, the Commission has operated without the minimum prescribed membership. Section 9 of the National Gender and Equality Commission Act, No 15 of 2011 defines the membership to include a Chairperson and 4 members. Today the Commission has only two members. This deficiency affects the ability of the Commission to deliver on its policy and strategic mandate.
 - ii. In many jurisdictions, government agencies access their budget and grants upon submission of a certificate of clearance from equal opportunities oversight bodies (the equivalent of the NGEK) stating that the agency has put adequate measures in their planning and budgeting tools to address inequalities and exclusions. If such a measure is introduced in Kenya, certainly many government agencies would comply with the requirements of inclusiveness. This Committee can take leadership in making such requirements.
 - iii. The Commission's mandate is often misunderstood. This has resulted to inadequate and unpredictable budget allocations. The Commission serves the most disadvantaged groups and vulnerable populations in Kenya and therefore we must walk out of our comfort offices in Nairobi and walk to serve the needy in the streets and villages.
 - iv. Over the years, there have been an upsurge of the violation of the rights and freedoms of the most vulnerable populations particularly those living in the informal settlements, on the streets, in the forest areas, in hard-to-reach parts of Kenya, and more recently in the flooded areas and locust invaded parts of this country. Despite these violations, the survivors and victims are unable to reach us to file the complaints either due to our thinly spread physical presence through regional offices or their inability to use ICT to effectively file the complaint. In times of COVID-19, vulnerable populations would suffer double tragedy if they travel to be served at the Commission offices.
 - v. The Commission requires support to establish itself in at least 10 regions as per our Strategic Plan. This requires at minimum, some personnel, office space and transport. We pray that this Committee continues supporting us expand and reach more vulnerable people.

4.0 COMMITTEE OBSERVATIONS

The Committee made the following observations

I. STATE DEPARTMENT FOR LABOUR

1. That there is an urgent need for the fast tracking of the formulation of the National Labour Migration Policy and its enabling legislation. This should provide a clear framework for the establishment of Labour Migration Data with a centralized data base for job seekers, recruitment agencies, foreign employers, number, location and skills of Kenyan migrant workers. This is expected to address the increasing cases of Kenyans subjected to suffering abroad due to the mushrooming of unscrupulous recruitment agencies.
2. The construction of the Occupational Safety and Health Institute and the National Employment Promotion Centre have continue to drag for over eight (8) Financial Years now thus attracting high costs.
3. That as a measure to mitigate the effects of COVID-19 pandemic and any other unforeseen work place calamities, the State Department has initiated the establishment of a Contributory Unemployment Insurance Fund and a migrant workers welfare Fund.
4. That the State Department does not have adequate capacity to explore existing and emerging labour migration destinations for Kenyans. The Department have attaches in only four (4) Kenyan missions of Geneva, Riyadh, Abu Dhabi and Doha. This is despite the fact that diaspora remittances has overtaken traditional foreign exchange earners for the country such as coffee and tea. The country can harness its human resource base and address the challenge of unemployment through securing more opportunities for Kenyans in areas with labour market short falls.
5. That the State Department has initiated the process of establishing the Occupational Disease Fund (ODF) whose objective is to protect workers directly affected through death and disability by occupational accidents and diseases.

II. STATE DEPARTMENT FOR SOCIAL PROTECTION

6. The deficit of Kshs. 4.7 billion for the consolidated Cash Transfer Program continues to deny 142,000 eligible Kenyans an opportunity to benefit from this program.
7. That five priority projects- Integrated Child and Family Centres in Bungoma, Joska, Muranga, Nanyuki and Isiolo under the Child Welfare Society of Kenya have not been funded in the last two Financial Years. These projects are all at over 70 per cent completion, and require financing to the tune of Kshs. 1.5 billion.

8. That Kshs. 600 million earmarked for field services was erroneously devolved to the counties alongside social services in the Year 2014/2015. The State Department could not explain why it has taken this long to rectify the error.

III. STATE DEPARTMENT FOR GENDER

9. That the State Department has secured funding to the tune of Kshs. 640 million from the Finnish Government for the Program, strengthening Prevention and response to Gender Based Violence in Kenya. It was further observed that the donor amount is subject to allocation of Kshs. 64 million by the National Treasury to allow access to the initial 320 million in the 2021/2022 Financial Year. This amount has not been allocated.

IV. STATE DEPARTMENT FOR YOUTH AFFAIRS

10. That the funds for operations and maintenance for the field offices under the State Department were devolved in 2013, leaving the State Department with officers in the field receiving salaries but with no allocation for operations thus hampering effective implementation of youth empowerment policies at the grassroots.

V. STATE DEPARTMENT FOR ARID AND SEMI-ARID LANDS

11. That there is need to consolidate the various Social Protection measures undertaken by the Government under one umbrella in order to maximize on resource utilization and ease coordination. It was observed that the Hunger Safety Net Program which is a form of cash transfer under the State Department has similarities with the National Safety Net Program under the State Department for Social Protection.

VI. STATE DEPARTMENT FOR PUBLIC SERVICE- NATIONAL YOUTH SERVICE

12. The National Youth Service owes various suppliers over Kshs. 15 billion, dating as far back as 2010/2011 Financial Year.
13. The envisaged commercialization of NYS has not effectively taken off due to inadequate allocation of seed capital. It was observed that the Service has developed a five year plan towards fully commercialization and self-reliance requiring a total of Ksh. 9.1 billion.

VII. THE NATIONAL GENDER AND EQUALITY COMMISSION

14. That the Commission has operated without the minimum prescribed membership since 2019. Currently the Commission has only three Members.

5.0 COMMITTEE RECOMMENDATIONS

5.1 Policy Recommendations

1. The State Department for Labour should fast track the formulation of policy guidelines on the establishment of the Unemployment Insurance Fund, Occupational Disease Fund and the Migrant Welfare Fund and submit the same to the National Assembly within the next 6 months.
2. The State Department for Labour should initiate awareness creation campaigns on foreign employment opportunities to safeguard Kenyans against exploitation by unscrupulous recruitment agencies. Labour migration data on opportunities available, vetted and registered recruitment agencies and foreign employers should be updated and published on a quarterly basis.
3. The State Department for Social Protection in conjunction with the National Treasury should submit a report to the National Assembly within one month on the issues surrounding Kshs. 600 million erroneously devolved to counties during the Financial Year 2014/2015 indicating the counties which received the funds and the authority under which the funds were devolved.
4. The National Treasury, the State Department for Social Protection and the State Department for ASAL explore the consolidation of all the existing cash transfer programs under one umbrella. A Report on this exercise be submitted to the National Assembly within the next 6 months.
5. The Cabinet Secretary for Public Service and Gender in conjunction with the Executive Office of the President initiates the process of filling the 2 vacant positions of members of the National Gender and Equality Commission.

5.2 Financial recommendations

The Committee recommends that the House approves the following allocations:

1. Kshs 33,563,100,844 for Vote 1185: - State department for Social Protection of which Recurrent expenditures is Kshs. 30,480,462,021; and Development expenditure is Kshs. 3,082,550,000
2. Kshs 5,373,961,377 for Vote 1184: - State department of labour of which recurrent expenditure is Kshs 2,780,500,000 and development expenditures is Kshs 2,593,461,377.
3. Kshs 3,662,300,000 for vote 1212: - State department for Gender of which recurrent expenditure is Kshs 1,030,300,000 and development expenditure is Kshs 2,632,000,000
4. Kshs 4,639,834,076 for vote 1214: - State department for Youth Affairs of which recurrent expenditure is Kshs 1,429,343,000 and development expenditures is Kshs 3,210,491,076

5. Kshs 10,023,796,673 for vote 1213: - State department for Public Service (National Youth Service) of which recurrent expenditure is Kshs 9,973,796,673 and development expenditure is Kshs 50,000,000
6. Kshs 10,139,545,116 for vote 1035: - State department for development of ASAL (Accelerated ASAL development) of which recurrent expenditures is kshs 1,059,480,000 and development expenditure is kshs 9,080,065,116
7. Kshs 435,780,000 for vote 2141: - National Gender and Equality Commission of which recurrent expenditure is Kshs 435,780,000

5.3 Proposed reallocations

5.3.1 Proposed reductions

Vote	Programme	Project/ Head	Proposed Reduction	Justification
Vote R1184: - State department for Labour	General Administration, Planning & Support Services	Headquarters administrative Services	Kshs10,000,000	The Budget allocation for the Hqs administrative services on the use of goods and services
Vote R1185 State department for Social Protection	National Social Safety Net	Street families rehabilitation trust fund	Kshs 10,000,000	The Budget allocation is almost double from its allocation in the FY 2020/21
Vote D1184 State department for Labour	Promotion of best labour practice	Construction of Meru County Labour Offices	Kshs. 5,000,000	The Budget allocation can be enhanced in the next financial year
Vote D1184 State department for Labour	Promotion of best labour practice	Construction of occupational safety & health-OSH-Institution Phase 1	Kshs. 4,548,823	The Budget allocation can be enhanced in the next financial year
Vote D1184 State department for Labour	Manpower Development, Employment and Productivity Management	Upgrading of Kisumu, Industrial Training Centre	Kshs. 2,000,000	The project has significant allocation in the medium-term
Vote D1184	Manpower	Construction	Kshs.14,540,000	The Budget allocation

State department for Labour	Development, Employment and Productivity Management	of National Employment Centre-Kabete		can be enhanced in the next financial year
Vote D1214 State department for Youth Affairs	Youth Empowerment	Youth Empowerment Centres	Kshs. 20,000,000	The Budget allocation can be enhanced in the next financial year

5.3.2 Proposed increments

Vote	Programme	Project	Proposed Increases	Justification
Vote D 1185: - State department for Social Protection	Social Development and Children's Services	Child welfare Society of Kenya- JOSKA foster care center	46,088,823	To enable the completion of the Joska Foster Care Centre to ease the current over-crowding at the Mama Ngina Childrens Home. This is particularly urgent considering the need for adherence to the Covid-19 protocols.
Vote R 1184: - State department for Labour	Manpower Development, Employment and Productivity Management	National Employment Authority- Employment Promotion	20,000,000	To enable the Authority, finalize the ongoing negotiations on the Bilateral Labour Agreements with Bahrain, Kuwait and Jordan to expand employment opportunities for Kenyans while at the same time safeguarding their welfare through inter-State engagement.

5.3.3 Other recommendations

The Committee further recommends that the National Treasury should avail additional funding as follows:

1. Kshs. 100 million to enable the State Department for Labour, through the National Employment Authority set up more offices for Labour attaches to expand the opportunities for foreign employment for more Kenyans. There is need to target emerging markets mostly for professionals such accountants, bankers, ICT experts etc in Australia, Canada and Western Europe.
2. Kshs. 2 billion to the NYS to pay part of the historical pending bills for the category of small contactors owed less than 2 million some of whom have been attached by banks.
3. Kshs 1.9 billion to enable NYS fast track the ongoing commercialization ventures some, planned to implement in 5 phases.
4. Kshs. 64 million to the State Department for Gender for the Program Strengthening ,prevention and response to Gender Based Violence in Kenya. This amount is required to unlock Kshs. 640 million funding from the Finnish Government.
5. KShs. 4.7 million to enable the State Department for Social Protection under the National Safety Net Program to absorb 142,000 eligible Kenyans above the age of 70 years into the program.
6. Kshs. 103 million to the National Council for persons with Disabilities to bridge the shortfall in staff emoluments and Kshs. 59 million for support to PWDs undr income generating activities and purchase of assistive devices.

5.3.4 Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change/ Non. Financial Recommendation	Financial Recommendation (If any)
1.	That there is an urgent need for the fast tracking of the formulation of the National Labour Migration Policy and its enabling legislation. This should provide a clear framework for the establishment of Labour Migration Data with a centralized data base for job seekers, recruitment agencies, foreign employers, number, location and skills of Kenyan migrant workers. This is expected to address the increasing cases of Kenyans subjected to suffering abroad due to the mushrooming of unscrupulous recruitment agencies.	The State Department for Labour should fast track the formulation of policy guidelines on the establishment of the Unemployment Insurance Fund, Occupational Disease Fund and the Migrant Welfare Fund and submit the same to the National Assembly within the next 6 months.	Additional Kshs. 100 million to enable the State Department for Labour, through the National Employment Authority set up more offices for Labour attaches to expand the opportunities for foreign employment for more Kenyans. There is need to target emerging markets mostly for professionals such accountants, bankers, ICT experts etc in Australia, Canada and Western Europe.
2	The construction of the Occupational Safety and Health Institute and the National Employment Promotion Centre have continue to drag for over eight (8) Financial Years now thus attracting high costs.	“	
3	That as a measure to mitigate the effects of COVID-19 pandemic and any other unforeseen work place calamities, the State Department for Labour has initiated the establishment of a Contributory Unemployment Insurance Fund and a migrant workers welfare Fund.	“	
4	That the State Department for Labour does not have adequate capacity to explore existing and emerging labour migration destinations for Kenyans. The		Additional allocation of Kshs. 20,000,000 to enable the Authority finalize the ongoing negotiations on the Bilateral Labour Agreements with

	Department have attaches in only four (4) Kenyan missions of Geneva, Riyadh, Abu Dhabi and Doha. This is despite the fact that diaspora remittances has overtaken traditional foreign exchange earners for the country such as coffee and tea. The country can harness its human resource base and address the challenge of unemployment through securing more opportunities for Kenyans in areas with labour market short falls.		Bahrain, Kuwait and Jordan to expand employment opportunities for Kenyans while at the same time safeguarding their welfare through inter-State engagement.
5	That the State Department for Labour has initiated the process of establishing the Occupational Disease Fund (ODF) whose objective is to protect workers directly affected through death and disability by occupational accidents and diseases.	“	
6	The deficit of Kshs. 4.7 billion for the consolidated Cash Transfer Program continues to deny 142,000 eligible Kenyans an opportunity to benefit from this program.		Additional allocation of KShs. 4.7 million to enable the State Department for Gender under the National Safety Net Program to absorb 142,000 eligible Kenyans above the age of 70 years into the program.
7	That five priority projects-Integrated Child and Family Centres in Bungoma, Joska, Muranga, Nanyuki and Isiolo under the Child Welfare Society of Kenya have not been funded in the last two Financial Years. These projects are all at over 70 per cent completion, and require financing to the tune of Kshs. 1.5 billion.		Proposed increase of Kshs. 46,088,823 to enable the completion of the Joska Foster Care Centre to ease the current over-crowding at the Mama Ngina Childrens Home. This is particularly urgent considering the need for adherence to the Covid-19 protocols.
8	That Kshs. 600 million earmarked for field services was erroneously devolved to the counties alongside social services in the Year 2014/2015. The State Department could not explain	The State Department for Social Protection in conjunction with the National Treasury should submit a report to the National Assembly within one month on the	

	why it has taken this long to rectify the error.	issues surrounding Kshs. 600 million erroneously devolved to counties during the Financial Year 2014/2015 indicating the counties which received the funds and the authority under which the funds were devolved.	
9	That the State Department for Gender has secured funding to the tune of Kshs. 640 million from the Finnish Government for the Program, strengthening Prevention and response to Gender Based Violence in Kenya. It was further observed that the donor amount is subject to allocation of Kshs. 64 million by the National Treasury to allow access to the initial 320 million in the 2021/2022 Financial Year. This amount has not been allocated.		Additional allocation of Kshs. 64 million to the State Department for Gender for the Program Strengthening ,prevention and response to Gender Based Violence in Kenya. This amount is required to unlock Kshs. 640 million funding from the Finnish Government.
10	That the funds for operations and maintenance for the field offices under the State Department for Youth Affairs were devolved in 2013, leaving the State Department with officers in the field receiving salaries but with no allocation for operations thus hampering effective implementation of youth empowerment policies at the grassroots.		
11	That there is need to consolidate the various Social Protection measures undertaken by the Government under one umbrella in order to maximize on resource utilization and ease coordination. It was observed that the Hunger Safety Net Program which is a form of cash transfer under the State Department has similarities with the National Safety Net	The National Treasury, the State Department for Social Protection and the State Department for ASAL explore the consolidation of all the existing cash transfer programs under one umbrella. A Report on this exercise be submitted to the National Assembly within the next 6 months	


	Program under the State Department for Social Protection.		
12	The National Youth Service owes various suppliers over Kshs. 15 billion, dating as far back as 2010/2011 Financial Year.		Additional Kshs. 2 billion to the NYS to pay part of the historical pending bills for the category of small contactors owed less than 2 million some of whom have been attached by banks.
13	The envisaged commercialization of NYS has not effectively taken off due to inadequate allocation of seed capital. It was observed that the Service has developed a five year plan towards fully commercialization and self-reliance requiring a total of Ksh. 9.1 billion.		Kshs 1.9 billion to enable NYS fast track the ongoing commercialization ventures some, planned to implement in 5 phases.
14	That the NGENC has operated without the minimum prescribed membership since 2019. Currently the Commission has only three Members	The Cabinet Secretary for Public Service and Gender in conjunction with the Executive Office of the President initiates the process of filling the 2 vacant positions of members of the National Gender and Equality Commission.	

Signed..... 

HON. JOSEPHAT KABINGA WACHIRA, M.P

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

Date..... 21/05/2021

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 JUN 2021	
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REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY


TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE ON LANDS

**REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR THE FY
2021/2022 FOR THE FOLLOWING SPENDING AGENCIES:**

Vote 1112- Ministry of Lands and Physical Planning

Vote 2021- The National Land Commission

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 JUN 2021	DAY. _____ _____
TABLED BY _____	_____
CLERK-AT THE-TABLE:	_____

**DIRECTORATE OF DEPARTMENTAL COMMITTEES
CLERKS CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI**

MAY, 2021

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PART I

1.0 PREFACE

Mr. Chairman,

1. On behalf of the Departmental Committee on Lands and pursuant to provisions of Standing Order 235, it is my pleasant privilege and honor to present to the Budget and Appropriation Committee, the report of the Committee on its consideration of the Annual Estimates for the FY 2021/2022 and the medium term for the Ministry of Land & Physical Planning vote 1112 and the National Land Commission vote 2021.

1.1 Mandate of the Committee

2. The Departmental Committee on Lands is established pursuant to the provisions of Standing Order No. 216 (1) and (5) with the following terms of reference: -
 - (i) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 - (ii) 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) Study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
 - (iv) 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) 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
 - (vi) Study and review all legislation referred to it.

1.2 Oversight

3. The Committee oversights:
 - i. The Ministry of Lands and Physical Planning; and
 - ii. The National Land Commission.

1.3 Committee membership

4. The Committee membership comprises: -

Chairperson

Hon. Dr. Rachael Nyamai, CBS, MP
MP for Kitui South Constituency
Jubilee Party

Vice Chairperson

Hon. Khatib Mwashetani, MP
MP for Lunga Lunga Constituency
Jubilee Party

Hon. Benjamin Washiali, CBS, MP
Member for Mumias East
Constituency
Jubilee Party

Hon George Risa Sunkuyia, MP
Member for Kajiado West
Constituency
Jubilee Party

Hon Joshua Kutuny Serem, MP
Member for Cherangany Constituency
Jubilee Party

Hon. John Muchiri Nyaga, MP
Member for Manyatta Constituency
Jubilee Party

Hon. Mishi Mboko, MP
Member for Likoni Constituency
Orange Democratic Movement
(ODM)

Hon. Josphat Gichunge Kabeabea, MP
Member for Tigania East
Constituency
Party of National Unity (PNU)

Hon. Omar Mwinyi, MP
Member for Changamwe
Constituency
Orange Democratic Movement
(ODM)

Hon. Lilian Tomitom, MP
Member for West Pokot County
Jubilee Party

Hon. Ahmed Kolosh, MP
Member for Wajir West Constituency
Jubilee Party

Hon. Owen Yaa Baya, MP
Member for Kilifi North Constituency
Orange Democratic Movement
(ODM)

Hon. Ali Mbogo, MP
Member for Kisauni Constituency
Wiper Democratic Movement
(WDM)

Hon. Patrick Munene Ntwiga, MP
Member for Chuka/Igambangombe
Constituency
Jubilee Party

Hon. Babu Owino, MP
Member for Embakasi East
Constituency
**Orange Democratic Movement
(ODM)**

Hon. Caleb Kipkemei Kositany, MP
Member for Soy Constituency
Jubilee Party

Hon George Aladwa, MP
Member for Makadara Constituency
**Orange Democratic Movement
(ODM)**

Hon. Samuel Kinuthia Gachobe, MP
Member for Subukia Constituency
Jubilee Party

Hon. Teddy Mwambire, MP
Member for Ganze Constituency
**Orange Democratic Movement
(ODM)**

1.4 Committee secretariat

5. The Committee secretariat comprises:

Head of the Secretariat

Mr. Leonard Machira

Senior Clerk Assistant

Mr. Ahmad Guliye

Clerk Assistant II

Mr. Adan Ahmed

Fiscal Analyst II

Dr. Kefa Omoti

Principal Research Officer

Ms. Peris Kaburi

Serjeant At Arms

Ms. Jemimah Waigwah

Legal Counsel I

Mr. Joseph Okongo

Media Relations Officer

Ms. Maureen Kweyu

Audio Recording Officer

1.5 Overview of the examination of the Estimates

6. According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is required to table the Estimates of Revenue and Expenditure in the House on or before 30th of April, 2021 of every year. Pursuant to the provisions of the Standing Order No 235 (4), the Estimates of Revenue and Expenditure subsequently ‘shall stand committed to each Departmental Committee without question put’.
7. Following the tabling of the Estimates on 29th April 2021, the Departmental Committee on Lands held a briefing meeting with the Parliamentary Budget Office and subsequently held consultative meetings with the Cabinet Secretary Ministry of Lands and Physical Planning and the Chairperson National Land Commission and thereafter adopted this report. The committee meetings took place on Tuesday 17th May 2021 and Thursday 20th May 2021.
8. The Committee made the following observations:
 - a) Ministry of Lands and Physical Planning Vote – 1112**
 - i. The National Treasury has not implemented the House resolution contained in the Budget Policy Statement 2021 recommending the allocation of a budget vote to the State Department for Physical Planning;
 - ii. The State Department of Physical Planning continued to operate with a budget of Kshs 60 million under the Physical Planning project against a resource requirement of Kshs 1.950 billion in the 2021/2022 Financial year. Therefore, the budget allocations for the Ministry of Lands and Physical Planning in the 2021/2022 Financial Year did not reflect the enhanced funding proposals for the State Department;
 - iii. The State Department for Physical Planning needs to be allocated a budget vote to facilitate the implementation of the proposed National Sectoral Spatial Programme (NSSP) and the County Spatial Support Programme;
 - iv. The Ministry of Lands and Physical Planning needs to cease all cash revenue collection and introduce cashless revenue collection to reduce revenue collection leakages;
 - v. The implementation of the Resettlement of the Landless project in the country by the Ministry of Lands and Physical Planning was not comprehensive as evidenced by the allocation of Ksh. 49 million in the 2021/2022 Financial Year against a target of resettling 39,000 persons;
 - vi. The Ministry of Lands and Physical Planning has pending bills amounting to Ksh. 7, 245,228,954 arising from court and arbitration awards. This was majorly occasioned by

awards made in court cases in which the Ministry had been sued due to commission or omission and falsification of documents by ministry personnel contributing to fraudulent land transactions; and

vii. However, the said pending bills were not reflected in the previous Financial Year despite the cases dating back to 2005 casting doubt on the authenticity of the pending bills. Consequently, there is a need to investigate the officers responsible for occasioning the alleged fraudulent land transactions and omissions leading to court awards.

b) National Land Commission Vote - 2021

viii. The National Land Commission registered a nil achievement in the upgrading and Purchase of hardware for its ICT Infrastructure mainly due to delay in the implementation of the activities by the State Department for the allocation for all ICT projects is domiciled in the State Department for ICT;

ix. The National Land Commission has not been allocated funds for development expenditure despite presenting proposals for development expenditure to the National Treasury including a proposal for vesting of land compulsorily acquired by all government Agencies for the development of infrastructural projects to safeguard the land from grabbing; and

x. The daily operations of the National Land Commission County Offices had been strained due to inadequate motor vehicles to facilitate the operations of the County offices.

1.6 Recommendations

9. The Committee recommends that:

a) Policy Recommendations

(i) The Ministry of Lands and Physical Planning should commence the use of a cash less revenue collection by 30th May 2021.

(ii) The National Treasury should allocate a budget vote to the State Department of Physical Planning to facilitate the implementation of the proposed National Sectoral Spatial Programme (NSSP) and the County Spatial Support Programme (CSSP);

(iii) The Government through the Cabinet should review the current policy of centralizing the implementation of all ICT projects through the State Department for ICT to allow for the timely implementation of ICT projects and activities by respective State Departments and agencies.

- (iv) The Ministry of Lands and Physical Planning should expedite the full implementation of the Digitization of Land Registries project in all registries by the 2023/2024 Financial Year to mitigate against fraudulent land transactions.

b) Financial recommendations

10. The Committee recommends that the House approves the following allocations:

- i. Kshs 1, 437,200,000 for Vote 2021: - the National Land Commission consisting of Recurrent expenditures.
- ii. Kshs for Vote 1112: - Ministry of Lands and Physical Planning comprising recurrent expenditures of Kshs 3,044,600,000 and development expenditures of Kshs 2,411,700,000.

Financial recommendations/Proposed reallocations

Proposed reductions

11. The Committee recommends that Kshs. 450, 000,000 be reduced from the Processing and Registration of Title deeds project in the Land Policy and Planning Program (0101000) in vote 1112 – Ministry of Lands

Increases

12. The Committee recommends that:

- b. Kshs. 250, 000,000 be increased in the Settlement of the Landless project in the Land Policy and Planning Program (0101000) in vote 1112 – Ministry of Lands
- c. Ksh 100,000 be increased in the Physical Planning project in the Land Policy and Planning Program (0101000) in vote 1112 – Ministry of Lands.
- d. Ksh. 50,000,000 be increased in the Digitization of Land Registries programme in the Land Policy and Planning Program (0101000) in vote 1112 – Ministry of Lands.
- e. Kshs. 50,000,000 be increased in the Construction of Land Registries project in the Land Policy and Planning Program (0101000) in vote 1112 – Ministry of Lands.

c) Other recommendations

13. The Committee recommends that the National Treasury should avail an additional funding as follows:

- a. Kshs. 578 Million to Vote 1112-Ministry of Lands and Physical Planning for the digitization of land registries projects (including Ksh 150 million for public sensitization).
- b. Kshs. 300 Million to Vote 1112-Ministry of Lands and Physical Planning for the Settlement of the Landless project.


- c. Kshs. 65 Million to Vote 1112-Ministry of Lands and Physical Planning for the construction of land registry project to facilitate the construction of a land registry in Ganze constituency.
- d. Kshs. 600 Million to Vote 2021 - National Land Commission to facilitate the vesting of land compulsorily acquired by the Commission.
- e. Kshs. 74 Million to Vote 2021 - National Land Commission for purchase of vehicles for the County Offices.
- f. Ksh. 65 Million to facilitate the recruitment of technical staff for the National Land Commission County offices.

1.7 Acknowledgements

14. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank the Cabinet Secretary, Ministry of Lands & Physical Planning and the Chairperson, National Land Commission, and the officers from the two institutions for their participation during the Committee scrutiny of the Budget Estimates.



HON. DR. RACHAEL KAKI NYAMAI, CBS, M.P
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LANDS

 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE: 08 JUN 2021 <table border="1" style="float: right; margin-left: 20px;"> <tr> <td style="padding: 2px;">DAY</td> </tr> <tr> <td style="height: 15px;"> </td> </tr> </table>		DAY	
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PART II

2.0 BROAD OVERVIEW OF THE ESTIMATES

Introduction

15. The expenditure estimates for FY 2021/2022 were tabled in the National Assembly on Thursday 29th April, 2021 pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act, 2012. Standing Order 235 of the National Assembly provides that the Estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committees, after which the Committees shall consider, discuss and review the estimates according to their mandates and make recommendation to the Budget and Appropriations Committee of the National Assembly.

Highlights of the 2021/2022 Budget Estimates

Recent Economic Developments

16. The estimates of revenue and expenditure for the FY 2021/22 and the medium term has been submitted against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected the global economy by disrupting financial and commodity markets, global supply chains, trade, travel, and economic activity. This has plunged the global economy into a severe recession akin to the great depression of the 1930s. Consequently, the International Monetary Fund (IMF) has projected a contraction of 4.9 percent in 2020 from a growth of 2.9 percent in 2019.
17. On the domestic scene, the Kenyan economy has been adversely affected by the pandemic and the swift containment measures taken by the Government to contain the spread. As a result, the economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter of 2020. The economy demonstrated signs of recovery in the third quarter of 2020 as it improved to contract by 1.1 percent. However, this was a

slowdown compared to the growth of 5.8 percent in the third quarter of 2019. Should the pandemic persist, recovery may not be achieved any time soon.

18. The poor performance by the economy has resulted in Kenya seeking for financial assistance from the International Monetary Fund with the Board approving a loan of \$ 2.34 billion in April 2021. The three-year financing package will support the next phase of Kenya's COVID-19 response and their plan to reduce debt vulnerabilities while safeguarding resources to protect vulnerable groups. The Fund-supported program will also advance the broader reform and governance agenda, including addressing weaknesses in some state-owned enterprises (SOEs) and strengthening transparency and accountability through the anticorruption framework.

Overall Expenditure

19. The overall estimates of expenditure for the FY 2021/2022 are projected at Ksh 3.7 trillion. It comprises of Ksh 1.9 trillion for the National Executive, Ksh 46.6 billion for the legislature and Ksh 17.9 billion for the Judiciary. In addition, Ksh 1.3 trillion has been allocated for expenditures under the Consolidated Fund Services (CFS), which includes payment of public debt, while the County Governments were allocated Ksh 370 billion.

Analysis of Expenditure for MDAs under Committees Purview

Ministry of Lands and Physical Planning

20. The Ministry has been allocated Ksh 5.4 billion comprising Ksh 3.0 billion for recurrent expenditure and Ksh 2.4 billion for development expenditure. When compared to the BPS ceilings, the recurrent estimates are above the approved ceiling by Ksh 116.2 million while the development estimates are unchanged. A review of the budget documents presented to the National Assembly by the National Treasury gives no explanation for this deviation.
21. When the 2021/2022 estimates are compared to the 2020/2021 revised budget, it is seen that the recurrent expenditure has an increase of Ksh 198.7 million while the development expenditure has a reduction of Ksh 1.18 billion. The largest reduction on the development

estimates is on the expenditure for non-financial assets which is reducing by Kshs 775 million.

22. An analysis of the trend in the components of recurrent expenditure reveals that Compensation to employees and the use of goods and services are expected to be the highest consumers of recurrent expenditures in the financial year 2021/22 and the medium-term. The allocation to the two components have increased marginally from the allocation in the financial year 2020/21.
23. Compensation to employees includes basic salaries of employees whether permanent or temporary whereas use of goods and services includes operations and maintenance items. The increase in the use of goods and services is contrary to projected restrictions that are expected to persist for the better part of 2021 due to COVID-19. Figure 2 shows the breakdown in recurrent expenditures.
24. The total development budget is mainly on the use of goods and services at 48 percent followed by non-financial assets at 34 percent and capital transfers at 18 percent. Use of goods and services constitutes the administrative input that goes into the production of goods or service that is mainly construction or production of a title deed or any other development project. Non-financial assets include the machinery applied in coming up with an output.
25. The recurrent pending bills for the Ministry of Lands and Physical Planning have been managed between the period FY 2014/15 and FY 2019/20. The Bills have reduced from Kshs 1.7 billion in 2015/16 FY to Kshs 431 million in 2019/20 (figure 2). The pending bills have been on account of inadequate exchequer release and lack of provision at the close of the financial year. While pending bills which occur due to lack of exchequer are within the provisions of the PFM regulations, pending bills which occur due to lack of provision are in contravention of the PFM Regulations which requires Accounting Officers to make commitments only when there is a budgetary provision. Failure to contain pending bills may jeopardize the budget implementation process in subsequent years since pending bills form a priority charge to the Ministry's funds.

The National Land Commission

26. The NLC has been allocated Ksh 1.4 billion of which all is for recurrent expenditure. The allocation is identical to the budget ceiling proposed in the BPS.

27. Compared to the 2020/2021 revised budget, the 2021/2022 estimates are higher by 26% (Ksh 298.9 million). The total proposed recurrent expenditure for the National Land Commission amounts to Ksh.1.437 billion in the FY 2021/22 with major expenditures going towards Personnel Emoluments at 80 percent of total recurrent budget and 15 percent towards Operations and Maintenance.
28. The other five percent is on financial assets. It is also observed that the Commission has registered an increase in Personnel emoluments (7% increase) and a further increase in O&M (49%). The increase in personnel emoluments is mainly for salary adjustment of staff in the Commission. The increase in the allocation in Operation and maintenance is mainly on account of operations and administrative needs of staff recruited by the commission.
29. During the period under review, the Commission issued 1,450 allotment letters; processed 1,132 transfer documents on public land including titling of public schools; facilitated acquisition of land for public projects such as construction of Karimenu dam, Lower Nzoia Irrigation project, Mwache dam, KENHA projects which include James Gichuru Junction/Rironi road, Nairobi Expressway, Dongo Kundu Bypass, and Malindi Airport Phase II; developed 20 natural resource maps; gave various advisories to Government and relevant institutions in land governance and resolved 223 land disputes through Alternative Dispute Resolution (ADR) and Traditional Dispute Resolution (TDR) mechanisms. The Commission has developed various tools of work such as Oversight, frameworks, rules and regulations and disseminated to various stakeholders.

3.0 COMMITTEE REVIEW OF THE BUDGET ESTIMATES

3.1 Briefing by the Parliamentary Budget Office

30. The Committee held a briefing session with the Parliamentary Budget Office on Tuesday 17th May 2021. The highlights of the brief included the following.

Budget Allocation for 2020/21 and the Medium-Term

31. The Ministry's proposed allocation for 2021/22 Financial Year amounted to Kshs. 5.456 billion comprising Kshs. 3.044 billion for recurrent and Kshs. 2.411 billion for development. The proposed allocation had increased by 2 percent compared to the ceiling set by the House Resolutions on the BPS.

Recurrent Expenditure:

32. The Ministry of Lands and Physical Planning had a gross proposed recurrent expenditure allocation increasing by Ksh 116.2 above the approved BPS ceiling.

33. The Budgetary heads with an increase in allocation included Compensation to employees and use of goods and services. The allocation for the two components increased marginally.

Development Expenditure:

34. The development budget for the Ministry of Lands and Physical Planning amounted to Kshs. 2,411 billion in the FY 2021/22 Which is a reduction from Kshs 3.299 billion in the financial year 2020/21.

35. The Ministry would be implementing a total of 12 projects in the 2021/22 Financial Year. The total estimated cost of completing all the projects in the medium-term is estimated at Ksh. 18 billion against a projected allocation of Ksh. 9.5 billion over the same period. This meant that the allocations are not adequate to complete the projects giving an early indication that the Ministry may not complete projects within its targeted timeline of 2022/23 FY.

36. The largest share of the development budget is for Processing and Registration of Title Deeds (Kshs. 1.5 billion) and Digitization of Land Registries Kshs. 622 million.

Vote 2021- The National Land Commission

37. The Committee was informed that the total proposed recurrent allocation for the National Land Commission amounted to Ksh.1.437 billion in the FY 2021/22. This represented an increase of Kshs. 298.9 million compared to the 2020/2021 allocation with major expenditures going towards Personnel Emoluments which registered a 7 percent increase on account of salary adjustment of staff in the commission. Operations and maintenance also registered a 40% percent increase in allocation.

38. The proposed allocation conformed to the approved Budget Policy Statement 2021 ceiling for the commission.

3.2 Submissions by the Principal Secretaries, State Department for Lands and State Department for Physical Planning (Ministry of Lands and Physical Planning)

39. The Committee held a meeting with the Principal Secretaries State Department for Lands and the State Department for Physical Planning, Ministry of Lands and Physical Planning on Wednesday 19th May 2021.
40. During the meeting, the Committee was informed that the State Department for Physical Planning had not been allocated a budgetary vote more than one year after its establishment. Therefore, the budget allocations for the Ministry in the 2021/2022 Financial Year did not reflect the proposals of funding for the state department.
41. The Committee observed that the failure to allocate a budget vote for the State Department for Physical Planning will hamper the implementation of the department's proposed programmes.
42. The Committee also noted that the State Department for Physical Planning would play a key role in the coordination of the implementation of the National Spatial Plan, establishment of special economic Zones such as the ongoing zone in Naivasha, preparation of plans for the allocation of public land and planning support in urban development.
43. The Committee was also informed that the review of the Physical Planning Handbook is one of the key projects earmarked for implementation by the State Department for Physical Planning. The review requires Ksh 130 million and is critical in disaster management in built up areas in the context of the implementation of the Land Use Act 2019.
44. On the proposed allocation for on-going projects for the 2021/22 FY for the Ministry of Lands and Physical Planning. The following projects accounted for more than 80% of the total development budget allocation:
- Processing and Registration of Title deeds that had an allocation of Kshs. 1,450 million against a target of 450,000 title deeds.
 - Digitization of Land Registries that had been allocated Kshs. 622 million against a target of 30 Land Registries.

45. **Achievements in the 2019/2020 FY (as at 30th April 2021):** The Committee was informed that the key achievements made by the Ministry of Lands and Physical Planning during the period included the following:

- i) Registered 314,873 land title deeds countrywide against an annual target of 460,000 titles;
- ii) Provided technical support to 2 counties in preparation of physical development plans.
- iii) National Land Use Policy Implementation that registered 80% achievement
- iv) Geo- referencing of land Parcels which registered a 60% achievement.

46. Some of the projects with dismal performance during the period included:

- i. Development of National Land Value index in which registered a nil achievement against an annual target of developing the index in 15 Counties. However, the Ministry reported that it has collected data and created submarkets and provisional value maps in 21 Counties;
- ii. Construction of Land Registries – the Ministry recorded a nil achievement against a target of four registries. However, 4 land offices in Naivasha, Nandi, Laikipia and Samburu are expected to be completed in June 2021: and
- iii. Settled 181 landless) against a target of 8,300 persons settled.

47. **Digitization of land records:** On the digitization of land records and development of the National Land Information System (NLIS), the Principal Secretary, State Department for Lands stated that the Ministry had rolled out online land transactions in the Nairobi Central Registry. The rollout of online land transactions in the other Nairobi Metropolis registries were ongoing with key activities being the uploading of data and linking of land parcels with the actual land parcels. He added that the system would facilitate reduction in cases of fraud in land transactions.

48. The Committee was also informed that three Counties: Wajir, Mandera and Turkana did not have land registries. The requested the Principal Secretary, State Department for Lands to optimally utilize the allocation of Kshs. 105 million in the 201/2022 budget allocation for construction of land registries to establish land registries in Lunga Lunga in Kwale, Wajir and Gaza in Kilifi considering the long distance covered by customers seeking the services of land registries in the said areas. However, the Principal Secretary clarified that the allocation was based on the construction of two model land registries.

49. **Settlement of landless:** The Principal Secretary further stated that the Ministry received an additional allocation of Kshs. 330 million in the Supplementary Estimates I/2020 /2021 FY for the purchase of 3 parcels of land for the settlement of squatters in Kilifi County. The

parcels are Mazrui Wakfu, Kagaa Cooperative Society and Dr. E. N. Gakuo. However, he acknowledged the concern raised by members that the utilization of the total budget allocation of Kshs. 660 million for the project was only at 11% had not been utilised. This was attributed to ownership disputes arising from the two parcels earmarked for purchase. The Members requested the Principal Secretary to consider purchasing, through the Settlement Trust Fund, a parcel of land owned by Taita Taveta Teachers Investment Company in Junda, Kisauni Constituency that was currently occupied by squatters and which was also a subject of a petition considered by the Committee.

50. **Status of pending bills:** The Principal Secretary, State Department for Lands informed the Committee that the Ministry has pending bills amounting to Ksh. 7, 245,228,954 arising from court and arbitration awards. This was majorly occasioned by court cases arising from commission or omission and falsification of documents by ministry personnel.

51. **Projects linked to the ‘Big Four’.** The Committee was informed that the Ministry supported the Big Four agenda through:

- Processing and Registration of Title deeds that had an allocation of Kshs. 1,450 million.
- Digitization of Land Registries that had been allocated Kshs. 622 million.

52. On revenue collection the Committee was informed that the Ministry had realized a collection of Kshs. 7,101,036,548 as at 31st March 2021 against a target of Kshs. 13,395,069,518 in the 2020/2021 Financial Year. The Committee further informed that the Ministry would commence the use of a digital online platform for all revenue collection transactions by 30th May 2021.

3.3 Submissions by the Chairperson National Land Commission

53. The Committee held a meeting with the Chairperson, National Land Commission accompanied by two Commissioners, the Ag. Chief Executive Officer and the Ag Director Finance on Tuesday 17 May 2021. On the Budget Estimates for the 2021/2022, the Chairperson informed the meeting that:

54. The Commission made a bid for Budget resource requirements in the Financial Year 2021/2022 of **Kshs 5.853 billion** made up of Recurrent Budget **Kshs 4.113 billion** and Development budget **Kshs 1.740 billion** However the Commission was allocated **Kshs 1.437 billion** for the recurrent budget.

55. **New capital projects:** The Committee was informed that the Commission had made proposals for five new development projects and the same awaiting approval from the

National Treasury for new capital projects with a resource requirement of Kshs. **1.740 billion** as follows:

- i) Final survey and vesting of compulsorily acquired land– Kshs 600 million.
- ii) Security of tenure for Public Institutions Land, and Inventory of Public Land and Natural Resources – Kshs 550 million
- iii) Formalization of allocations and Regularization of Informal Urban Settlements in Kenya – Kshs. 200 million
- iv) State of Land use Planning Baseline study – Kshs 250 million and
- v) Land Dispute Resolution Management at National and County levels as per article 67 (2) (d, e, f), article 68 (c) (v), article 252 (1) of Constitution. -Kshs 140 million.

56. **The status of pending bills;** The Committee was informed that the Commission had a pending bill amounting to Kshs. 23,730,435 as at 31st March 2021.

57. **Areas Affected by the Resource Allocation in budget 2020/21:** The Chairperson informed the Committee that the Commission activities that required additional budgetary allocation included:

- i) Purchase of motor vehicles for county offices – The county offices were strained in their daily operations due to lack of logistical support since the Commission have no vehicles;
- ii) Development of a public land inventory;
- iii) Execution of leases (issuance of ground reports); and
- iv) Staff training and capacity building

4.0 COMMITTEE OBSERVATIONS

58. The Committee made the following observations:

Ministry of Lands and Physical Planning Vote – 1112

- i. The National Treasury has not implemented the House resolution contained in the Budget Policy Statement 2021 recommending the allocation of a budget vote to the State Department for Physical Planning;
- ii. The State Department of Physical Planning continued to operate with a budget of Kshs 60 million under the Physical Planning project against a resource requirement of Kshs 1.950 billion in the 2021/2022 Financial year. Therefore, the budget allocations for the Ministry of Lands and Physical Planning in the 2021/2022 Financial Year did not reflect the enhanced funding proposals for the State Department;
- iii. The State Department for Physical Planning needs to be allocated a budget vote to facilitate the implementation of the proposed National Sectoral Spatial Programme (NSSP) and the County Spatial Support Programme;
- iv. The Ministry of Lands and Physical Planning needs to cease all cash revenue collection and introduce cashless revenue collection to reduce revenue collection leakages;
- v. The implementation of the Resettlement of the Landless project in the country by the Ministry of Lands and Physical Planning was not comprehensive as evidenced by the allocation of Ksh. 49 million in the 2021/2022 Financial Year against a target of resettling 39,000 persons;
- vi. The Ministry of Lands and Physical Planning has pending bills amounting to Ksh. 7, 245,228,954 arising from court and arbitration awards. This was majorly occasioned by awards made in court cases in which the Ministry had been sued due to commission or omission and falsification of documents by ministry personnel contributing to fraudulent land transactions;
- vii. However, the said pending bills were not reflected in the previous Financial Years despite the cases dating back to 2005 casting doubt on the authenticity of the pending bills. Consequently, there is need to investigate the authenticity of the bills and the officers responsible for occasioning the alleged fraudulent land transactions and omissions leading to the said court awards.

National Land Commission Vote - 2021

- viii. The National Land Commission registered a nil achievement in the upgrading and Purchase of hardware for its ICT Infrastructure mainly due to delay in the implementation of the activities by the State Department for the allocation for all ICT projects is domiciled in the State Department for ICT;
- ix. The National Land Commission has not been allocated funds for development expenditure despite presenting proposals for development expenditure to the National Treasury including a proposal for vesting of land compulsorily acquired by government Agencies for the development of infrastructural projects to safeguard the land from grabbing; and
- x. The daily operations of the National Land Commission County Offices had been strained due to inadequate motor vehicles to facilitate the operations of the County offices.

PART III

5.0 COMMITTEE RECOMMENDATIONS

59. The Committee recommends that:

Policy Recommendations

- i. The Ministry of Lands and Physical Planning should commence the use of a cashless revenue collection system by 30th May 2021;
- ii. The National Treasury should allocate a budget vote to the State Department of Physical Planning to facilitate the implementation of the proposed National Sectoral Spatial Programme (NSSP) and the County Spatial Support Programme (CSSP);
- iii. The Government through the Cabinet should review the current policy of centralizing the implementation of all ICT projects through the State Department for ICT to allow for the timely implementation of ICT projects and activities by respective State Departments and agencies; and
- iv. The Ministry of Lands and Physical Planning should expedite the full implementation of the Digitization of Land Registries project in all registries by the 2023/2024 Financial Year to mitigate against fraudulent land transactions.

Financial recommendations

The Committee recommends that the House approves the following allocations:

- i. Kshs 1, 437,200,000 for Vote 2021: - the National Land Commission comprising of Recurrent expenditures; and
- ii. Kshs 5,455,850,000 for Vote 1112: - Ministry of Lands and Physical Planning comprising of recurrent expenditures of Kshs 3,044,600,000 and development expenditures of Kshs 2,411,700,000.

Proposed reallocations

i. Proposed reductions

Vote	Programme	Project	Proposed Reduction	Justification
Vote 1112: - Ministry of Lands and Physical Planning	the Land Policy and Planning Program (0101000)	Processing and Registration of Title deeds	Kshs. 450, 000,000	The Budget allocation for the Vote is grossly imbalanced with the Processing and Registration of Title deeds receiving the bulk of the allocation to the disadvantage of other projects

ii. Proposed increments

Vote	Programme	Project	Proposed Increases	Justification
Vote 1112: - Ministry of Lands and Physical Planning	the Land Policy and Planning Program (0101000)	Settlement of the Landless	250,000,000	The Resettlement of the landless project is grossly underfunded with an allocation of Kshs. 49 million against a target of 39,000 people. The additional allocation of Kshs. 250 million will address a persistent problem of squatters through the purchase of land owned by Taita Taveta Teachers Cooperative in Junda Ward, Kisauni Constituency.
Vote 1112: - Ministry of Lands and	the Land Policy and Planning	Physical Planning	100,000,000	To facilitate the operations of the State Department of Physical

Physical Planning	Program (0101000)			Planning by implementing the activities of the Physical Planning Project.
Vote 1112: - Ministry of Lands and Physical Planning	the Land Policy and Planning Program (0101000)	Digitalization	50,000,000	To fast track the digitization process to enhance revenue collection and ease of doing business.
Vote 1112: - Ministry of Lands and Physical Planning	the Land Policy and Planning Program (0101000)	Construction of Land Registries	50,000,000	The additional allocation of Kshs. 50 Million will enhance the existing allocation of Kshs. 105 Million to facilitate the construction of three land registries in Wajir County, Mutomo and Lunga Lunga

Other recommendations


60. The Committee further recommends that the National Treasury should avail additional funding as follows:

- i. Kshs. 700 Million to Vote 1112-Ministry of Lands and Physical Planning for the digitization of land registries projects (including Ksh 200 million for public sensitization);
- ii. Kshs. 300 Million to Vote 1112-Ministry of Lands and Physical Planning for the settlement of the landless project;
- iii. Kshs. 65 Million to Vote 1112-Ministry of Lands and Physical Planning for the construction of land registry project to facilitate the construction of a land registry in Ganze constituency.
- iv. Kshs. 600 Million to Vote 2021 - National Land Commission to facilitate the vesting of land compulsorily acquired by the Commission;
- v. Kshs. 74 Million to Vote 2021 - National Land Commission for purchase of vehicles for the County Offices; and
- vi. Ksh. 65 Million to facilitate the recruitment of technical staff for the National Land Commission County offices.

Summary of Observations and Recommendations

S/No.	Observation	Recommended Policy Change/ Non-Financial Recommendation	Financial Recommendation (If any)
1.	The implementation of the Resettlement of the landless project in the country by the Ministry of Lands and Physical Planning was not comprehensive as evidenced by the allocation of Ksh. 49 million in the 2021/2022 Financial Year against a target of resettling 39,000 people.		Reallocation of Kshs. 250 million for purchase of land owned by Taita Taveta Teachers Cooperative in Junda Ward, Kisauni Constituency
2	The Ministry of Lands and Physical Planning has pending bills amounting to Ksh. 7, 245,228,954 arising from court and arbitration awards. This was majorly occasioned by awards made by courts due to fraudulent land transactions facilitated by staff of the Ministry.		The Ministry of Lands and Physical Planning should ensure the full implementation of the Digitization of Land Registries project in all registries by the 2023/2024 Financial Year to mitigate against fraudulent land transactions.
3	The Ministry of Lands and Physical Planning needs to cease all cash revenue collection and introduce a cash less revenue collection to reduce revenue collection leakages.	The Ministry of Lands and Physical Planning should commence the use of a cashless revenue by 30 th May 2021. The completion of the digitization process is key to the enhancements of revenues in the Ministry.	

4	The delay in upgrading and purchase of hardware for the National Land Commission ICT Infrastructure can be mainly due to slow implementation of the activities by the State Department for ICT	The Government through the Cabinet should review the current policy of centralizing the implementation of all ICT projects through the State Department for ICT to allow for the timely implementation of ICT projects	
5	Wajir, Mandera and Turkana Counties do not have land registries and residents in the said counties travel long distances to access services in nearby Counties		Reallocation Ksh 50 million for Construction of a land registry in Wajir County

Signed.....


HON. DR. RACHAEL KAKI NYAMAI, M.P
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LANDS

Date..... 25-05-2021

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 08 JUN 2021

TABLED BY:	DAY:
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REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

THE DEPARTMENTAL COMMITTEE

ON

SPORTS, CULTURE AND TOURISM

**REPORT ON THE CONSIDERATION OF THE FINANCIAL YEAR 2021/2022
BUDGET ESTIMATES FOR THE FOLLOWING SPENDING AGENCIES:**

Vote 1132 - State Department for Sports
Vote 1133 - State Department for Culture and Heritage
Vote 1202 – State Department of Tourism


DIRECTORATE OF DEPARTMENTAL COMMITTEES

CLERKS CHAMBERS

PARLIAMENT BUILDINGS

NAIROBI

MAY 2021

 THE NATIONAL ASSEMBLY PAPERS LAID	
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1. Preface

1.1 Introduction

1. This is the Committee's report on its consideration of the 2021/2022 Budget Estimates in accordance with Section 38 and 39 of the Public Finance Management Act, 2012 and the National Assembly Standing Order 235. The Departmental Committee on Sports, Culture and Tourism held meetings with the Ministries, Departments and Agencies under its purview to scrutinize the Financial Year 2021/2022 Budget Estimates on 17th and 18th May, 2021 in Sawela Hotel, Naivasha. The Committee then consolidated its recommendations for submission to the Budget Committee pursuant to the provision of Standing Order 235(4).

1.2 Mandate of the Committee

2. The Departmental Committee on Sports, Culture and Tourism is one of the fifteen departmental committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:
 - (a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
 - (b) Study the programme and policy objectives of ministries and departments and the effectiveness of the implementation.
 - (c) study and review all legislation referred to it;
 - (d) study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
 - (e) investigate and inquire into all matters relating to the assigned ministries and departments as they may deem necessary and as may be referred to them by the House;
 - (f) vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (*Committee on Appointments*); and
 - (g) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.
3. The Committee is charged with the following subject matter as provided for in the Second Schedule of the National Assembly Standing Orders No. 216 (M): - Sports, culture, language, arts, national heritage, betting and lotteries, tourism promotion and management.
4. The Departmental Committee on Sports, Culture and Tourism oversees the following Ministries/Departments/Agencies:
 - i. State Department for Sports
 - ii. State Department for Culture and Heritage
 - iii. State Department for Tourism

1.3 Committee Membership

5. The Committee on Sports, Culture and Tourism comprises of the following Members:

Hon. Patrick Makau Kingóla, M.P – Chairperson

Mavoko Constituency

Wiper Democratic Party

Hon. (Dr.) Korei Ole Lemein, M.P - Vice Chairperson

Narok South Constituency

Jubilee Party

Hon. Christopher Omulele, M.P
Luanda Constituency
Orange Democratic Movement Party

Hon. Lydia Haika Mnene Mizighi, M.P
Taita Taveta County
Jubilee Party

Hon. Beatrice Kones, M.P
Bomet East Constituency
Jubilee Party

Hon. Jane Jepkorir Kiptoo Chebaibai, M.P
Elgeyo Marakwet County
Jubilee Party

Hon. Cyprian Kubai Iringo, M.P
Igembe Central Constituency
Jubilee Party

Hon. Rehema Dida Jaldesa, M.P
Isiolo County
Jubilee Party

Hon. Jones Mlolwa, M.P
Voi Constituency
Orange Democratic Movement Party

Hon. Sylvanus Maritim, M.P
Ainamoi Constituency
Jubilee Party

Hon. Daniel Wanyama Sitati, M.P
Webuye West Constituency
Jubilee Party

Hon. Jane Kihara, M.P
Naivasha Constituency
Jubilee Party

Hon. Florence Chepngtich, M.P
Kericho County
Jubilee Party

Hon. Charles Ngusya Nguna, M.P
Mwingi West Constituency
Wiper Democratic Party

Hon. (Prof.) Jacqueline Oduol, M.P
Nominated
Orange Democratic Movement Party

Hon. Titus Mukhwana Khamala, M.P
Lurambi Constituency
Amani National Congress

Hon. (Dr.) Tecla Chebet Tum, M.P
Nandi County
Jubilee Party

Hon. Mohammed Garane, M.P
Lagdera Constituency
KANU Party

Hon. Jeremiah Lomurukai, M.P
Loima Constituency
Orange Democratic Movement Party

1.4 Committee Secretariat

6. The Committee secretariat comprises of:

Mr. Samuel Kalama
Senior Clerk Assistant
Lead Clerk

Mr. Fredrick Otieno
Second Clerk Assistant

Ms. Emma Essendi
Legal Counsel I

Mr. Omar Abdirahim
Fiscal Analyst II

Mr. Vitus Okech
Research officer III

Ms. Noelle Chelagat
Media Relations Officer

Ms. Sheila Chebotibin
Sergeant At-Arms

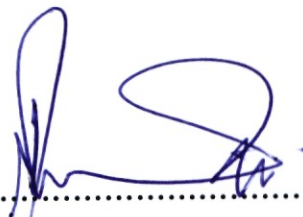
Ms. Jane Serem
Audio Officer

1.5 Overview of the examination of the Budget Estimates

7. The Budget Estimates was submitted to the National Assembly pursuant to Article 221 of the Constitution of Kenya, Section 37 (2) of the Public Finance Management Act, 2012 and the Standing Order 235 of the National assembly Standing Orders and subsequently tabled on the floor of the House on 29th April, 2021. Consequently, the estimates were committed to the relevant Departmental Committees for consideration and make recommendations to the Budget and Appropriations Committee pursuant to Standing Order 235(4).
8. The Committee held a total of five (5) consultative meetings; these were preceded by a briefing by the Parliamentary Budget Office. The Committee held meetings with the spending agencies under its purview on 17th and 18th May, 2021 at Sawela Hotel, Naivasha.

1.6 Acknowledgement

9. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. I wish to also express my appreciation to the Honourable Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules and the useful contributions they made towards the preparation and production of this report. I also thank the Secretariat for their overwhelming support to the Committee.
10. Finally, the Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the Financial Year 2021/2022 Budget Estimates.
11. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Sport, Culture and Tourism, to submit its Report on the scrutiny of the Financial Year 2021/2022 Budget Estimates.

Signature:  Date: 27/5/21

**(THE HON. PATRICK MAKAU KINGÓLA, M.P.)
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND
TOURISM**

PART II

2. BROAD OVERVIEW OF THE FY 2021/2022 BUDGET ESTIMATES

2.1 State Department for Sports - Vote 1132

12. The proposed budget estimate for the department in FY 2020/21 is **Kshs. 16.5 billion** comprised of **Kshs. 1.3 billion** for recurrent expenditure and **Kshs. 15.2 billion** for development expenditure. The department allocation has increased significantly increased by Kshs. 11.9 billion in FY 2021/22 comprised of Kshs. 0.04 billion for recurrent expenditure and Kshs. 11.9 billion for development expenditure representing a percentage growth 32.6% and 360% respectively.
13. The significant increase in budgetary allocation under the development vote is due to the revision of the projected Appropriation in Aid (AIA) for Sport, Arts, and Social Development Fund from Kshs. 4.3 billion in FY 2020/21 to Kshs. 15.0 billion in FY 2021/22. The lower projection of AIA in FY 2020/21 was due to the outbreak of the corona virus which has affected significantly the key sources of revenue for the fund such as sports betting.
14. It is important to note that the funds will be shared as per the provisions of the Public Finance Management (Sports, Arts and Social Development Fund) Regulations, 2018. The allocation under the fund will be shared out in the following manner; 60% will go towards social development including universal health care, thirty-five (35%) for promotion and development of sports, twenty (20%) percent for promotion and development of arts and five (5%) percent for government strategic interventions. This will put the entitlement of the state department of sports from the fund at Kshs. 5.3 billion. However, the department is not specific on what projects the proceeds from the sports fund will cater for in FY 2021/22. This is contrary to the provisions of the fund's regulations which require the department to submit the items to be funded from the fund for pre-budget scrutiny.
15. It is also notable that the budgetary requirements of the state department for the FY 2021/22 totaled to Kshs. 27.9 billion comprised of Kshs. 8.0 billion for recurrent expenditure and Kshs. 19.9 billion for development expenditure. However, the department was allocated Kshs. 16.5 billion comprised of Kshs. 1.3 for recurrent expenditure and Kshs. 15.2 billion for development expenditure leading to a deviation of Kshs. 11.4 billion.
16. A comparison between the FY 2021/22 proposed allocations and the 2021 BPS ceilings as shown in (Table 2) indicates that the allocations for the department has not deviated from the set ceilings during the Budget Policy Statement.

Table 1: Allocation to the State Department for Sports FY 2021/22 – Kshs. Billions

Programme	Item	Budget Estimates 2020/21	Resource Requirement 2021/22	BPS 2020 Ceilings	Proposed Budget Estimate 2021/22	Resource requirement v/s Allocation	% Gross Change
Sports	Current	1.3	8.0	1.3	1.3	6.7	83.8%
	Dev't	3.3	19.9	15.2	15.2	4.7	23.6%
Total		4.6	27.9	16.5	16.5	11.4	40.9%

Source: Budget estimates FY 2021/22 - National Treasury

17. The Department proposed recurrent budget for FY 2021/22 is Kshs. 1.34 billion which is higher than its 2020/21 budget of Kshs. 1.31 billion. The increase is largely due to enhanced

allocation for agencies such as Kenya Academy of Sports – Kshs. 33.6 million, Sports, Arts and Social Development Fund – Kshs. 43.4 million, and Anti-doping Agency of Kenya – Kshs. 52.9 million. However, the allocation for Sports Kenya has been reduced by Kshs. 84.8 million and Headquarters by Kshs. 25 million.

18. In the financial year 2021/22, the proposed development budget for the department is Kshs. 15,144.6 million which is significantly higher than its development budget for FY 2020/21 which stood at Kshs. 3,292.9 million. The proposed allocation is composed of the projected AIA of Kshs. 15,000 million for the Sports, Arts and Social Development Fund. However, the department is entitled to only 35% of the projected Kshs. 15,000 million bringing its share to Kshs. 5,250 million.
19. In addition, the department was also allocated **Kshs. 90 million** for the refurbishment of five regional stadia, and **Kshs. 54.6 million** for the Kenya Academy of Sports. The projects are fully funded under the exchequer.

2.2 State Department for Culture and Heritage - Vote 1133

20. The proposed allocation for the State Department for FY 2021/22 is **Kshs. 2,803.8 million**. Out of this amount, **Kshs. 2,749.2 million** is for recurrent expenditure while **Kshs. 54.6 million** is for development expenditure. However, the total requirement for the State Department for the FY 2021/22 was **Kshs. 7.22 Billion** of which recurrent was **Kshs. 4.62 Billion** and Development requirement was **Kshs. 2.60 Billion**.
21. In the financial year 2021/22, the total recurrent expenditure for the State Department is **2,749.2 million** composed of a net estimate of **Kshs. 2,340.7 million** and Appropriation in Aid of **Kshs. 408.5 million**.
22. In financial year 2020/21, the State Department proposed development budget is **Kshs. 54.6 million**. In comparison, the department was allocated **Kshs. 32.4 million** in FY 2020/21 representing an increase of **Kshs. 22.2 million (68.5%)**. The increase is largely due to enhanced allocation of Kshs. 24.5 million for the refurbishment of Archives offices in Nairobi.
23. In the financial year 2021/22, the total recurrent expenditure for the state department for Culture and Heritage is **2,749.2 million** composed of a net estimate of **Kshs. 2,340.7 million** and Appropriation in Aid of **Kshs. 408.5 million**. The Appropriation in Aid will be raised through agencies such as National Archives – Kshs. 2 million, National museum headquarters and Regional museums – Kshs. 300 million, Permanent Presidential Commission – Kshs. 0.5 million, Kenya Culture Centre – Kshs. 42 million and the Kenya National Library Service – Kshs 64 million. In comparison the department was allocated **Kshs. 2,394.2 million** in FY 2020/21 representing an increase of **Kshs 387.4 million**.
24. The department recurrent expenditure will be spent on the following items; compensation to employees – Kshs 240.2 million, Use of goods and services – Kshs 241.4 million, current transfers to gov't agencies – Kshs 2,254.9 million, Non-financial assets – Kshs 7.9 million and Kshs 4.8 million for social benefits.

Table 2: Allocation by Economic Classification – Kshs Millions

Current expenditure	FY 2020/21	FY 2021/22	% of total
Compensation to employees	236.2	240.2	8.7%

Use of goods and services	222.1	241.4	8.8%
Current transfers to gov't agencies	1,892.7	2,254.9	82.0%
Social benefits	1,840.0	4.8	0.2%
Non-financial assets	9.1	7.9	0.3%
Total	2,361.8	2,749.2	100%

Source: Budget Estimate – National Treasury 2021/22

25. An analysis of the recurrent expenditure reveals that the National Museums headquarters and Regional museums has been allocated Kshs 1,428.0 million which translates to 51.9% of the total recurrent expenditure which is significantly higher than its allocation of Kshs 1,080.2 million in FY 2020/21, Kenya National Library Service – Kshs 747.1 million, National Archives – Kshs 71.2 million, and Kenya Cultural Centre – Kshs 79.8 million.

Table 3: Recurrent Transfers to Parastatals – 2021/22 – Kshs Millions

Agency	FY 2020/21	Estimates FY 2021/22		
		Gross	AIA	Net Estimates
Kenya National Library Service	661.0	747.1	64.0	683.1
National Museum and Regional Museum	1,080.2	1,428.0	300	1,128.0
National Archives	73.3	71.1	2.0	69.1
Kenya Cultural Centre	35.5	79.8	42.0	37.8
Permanent Presidential Commission on Music	45.6	48.0	0.5	47.5

Source: National Treasury – Budget Estimate 2021/22

Analysis of the Development Expenditure

26. In financial year 2020/21, the department proposed development budget is **Kshs. 54.6 million**. In comparison, the department was allocated **Kshs 32.4 million** in FY 2020/21 representing an increase of **Kshs. 22.2 million (68.5%)**. The increase is largely due to enhanced allocation of Kshs. 24.5 million for the refurbishment of Archives offices in Nairobi.
27. The projects to be funded in FY 2020/21 include the following; refurbishment of archive offices – Kshs. 24.5 million, Infrastructure upgrade at Institute of Primate Research – Kshs. 19.1 million, and Installation of the Library Information Management System (LIMS) – Kshs. 11 million.

Table 4: Allocations for the Department’s Capital Projects – FY 2020/21 – Kshs millions

PROJECT CODE AND TITLE	EST. COST OF PROJECT	Actual Cumulative Exp. up to 30 th June 2020	Project Completion status % as at End June 2020	ALLOCATION FOR FY 2020/21		ALLOCATION FOR FY 2021/22	
				Foreign	G.o.K	Foreign	G.o.K
Refurbishment of Archive Offices	43.6	3.3	38.2%	0	0	0	24.5
Installation of the Library Information Management System (LIMS)	150.0	10.0	19.1%	0	17.1	0	11.0
Infrastructure upgrade at Institute of Primate Research	240.0	40.0	70%	0	10.0	0	19.1
Rehabilitation and Upgrade of Lokitaung Memorial	20.0	4.2	73.5%	0	2.65	0	0
Rehabilitation and Upgrade of Maralal Kenyatta House	20.0	4.2	73.5%	0	2.65	0	0
Total	473.6	61.7	-	0	32.4	0	54.6

Source: Budget Estimates FY 2021/22 - National Treasury

2.3 State Department for Tourism- Vote 1202

28. In the financial year 2021/22, the department’s proposed allocation is **Kshs. 6,977.1 million** which is composed of **Kshs. 6,477.1 million** is for recurrent expenditure while **Kshs. 500.0 million** is for development expenditure. The proposed allocation is significantly lower than the ceiling approved during the budget policy statement by **Kshs. 2,569.9 million**.
29. The State Department’s proposed recurrent budget for FY 2021/22 is **Kshs. 6,477.1 million** composed of a net estimate of Kshs. 1,342.0 million and an Appropriation In Aid of Kshs. 5,135.1 million. The allocation will be spent on the following items; Kshs 230.9 million for Compensation to employees, Kshs. 249.5 million for Use of goods and services, Kshs 8,042.0 million for Current transfers to Gov’t Agencies, Kshs. 8.0 million for social benefits and Kshs. 4.0 million for non-financial assets.
30. In financial year 2021/22, the department’s proposed development budget is **Kshs. 500 million**. In comparison, the department was allocated **Kshs. 3,549.9 million** in FY 2020/21 representing a decrease of **Kshs. 3,049.9 million (85.9%)**. The reduction is largely due to the one-off allocation of Kshs. 2.3 billion to the Kenya Tourism finance corporation for capital lending to Hoteliers during the covid-19 pandemic.
31. The projects to be funded in FY 2021/22 include the following; open space modelling and security system fitting – Kshs. 61 million, Coastal Beach Management Programme – Kshs. 59.0 million, Rehabilitation of basic facilities at Bomas of Kenya – Kshs. 100 million, Sustaining New Markets & Siting Booths in Tourism Target Markets (KTB) – Kshs. 80 million, and Construction of Ronald Ngala Utalii College (TF) – Kshs 200 million.

3. SUBMISSIONS BY MINISTRIES AND STATE DEPARTMENTS

3.1 State Department for Sports - Vote 1132

32. In the FY 2021/22 the State Department for Sports Development has been allocated **Kshs. 16.483 billion**, of which **Kshs. 1.338 billion** has been allocated in the recurrent vote while **Kshs. 15.1445 billion** allocated under the development vote.
33. There is a difference as compared to the 2020/21 revised estimate which stands at **Kshs. 4,605,037,399** for both recurrent and development. This was on account of reduction in A-I-A in the revised estimates due to effects of the Covid -19 Pandemic.
34. The State Department's overall performance for the first three quarters was above average despite financial challenges among other impeding factors. However, the effect of the Covid-19 Virus has continuously reduced performance and remains a threat to effective achievement of the annual set targets.
35. The State Department has so far absorbed 51% of its FY 2020/21 allocated budget in the recurrent and development vote. This is on account of effects of COVID-19 which hampered the A-I-A collection hence the State Department could not collect and spend the budgeted A-I-A. In addition, the IFMIS system was closed in the FY 2020/21 for a period of more than three months. This also hampered absorption by the State Department hence it could not reach its targets.
36. The State Department has no new projects that are approved by the National Treasury for the financial year 2021/2022 as per the Treasury Budget Guidelines. However, the State Department is undertaking the construction of various stadia among them being flagship projects.
37. The State Department is indirectly linked to the *Big Four Agenda* through its contribution to Universal Healthcare, by ensuring medical insurance cover is provided to Sports persons who travel for sporting competitions to represent the country. In the FY 2020/2021, several sports teams have been facilitated to travel and have been provided with adequate medical cover.
38. The State Department for Sports together with Sports Kenya are currently implementing 13 capital projects which includes: Renovation of Nyayo National Stadium and Moi International Sports Centre, Refurbishment of Kipchoge Keino Stadium Phase I & Phase II, Jamhuri Posta Grounds, Jomo Kenyatta Stadium, Wanguru Stadium, Kirigiti Stadium, Kinoru Stadium, Ruringu Stadium, Marsabit Stadium, Kirubia Stadium, Wote Stadium and Karatu Ndarungu at an estimated project cost of Kshs. 5,388 million and actual expenditure of Kshs. 2,205 million.
39. The State Department has two stalled projects, Kamariny and Wote Stadiums.
 - i. Kamariny Stadium has stalled at 20% and the original contract period has expired. The contractor assigned to the project has abandoned the site without warning forcing the construction to be at a halt. However, Sports Kenya plans to sub-contract the works remaining so that the stadium can finally be completed. The stadium has been allocated a budget provision of **Kshs. 90,000,000** in the FY 2021/2022 and a proposed **Kshs. 116,247,670** in the FY 2022/2023 to assist in the completion of the stadium.
 - ii. Wote Stadium has also stalled at 40% due to unpaid certificates forcing the contractor to abandon the site following a direction from the Cabinet Secretary for the contractor to leave the site. However, the existing contractor has negotiated with

the State Department and has therefore been given the go ahead to continue with construction. The Stadium has a proposed budget provision of **Kshs. 17,752,330** in the FY 2022/2023 and **Kshs. 139,635,545** in the FY 2023/2024.

40. The State Department has a recurrent pending bill of Kshs. 56,486,984 while Sports Kenya has a recurrent pending bill of Kshs. 151,585,507.64 comprising of staff gratuity and outstanding payments to various suppliers.
41. With regards to Development Pending bills, the State Department has pending bills on ongoing projects (i.e. Soft Services-CHAN Contracts) of which The Ministry of Public Works is undertaking project appraisal to advise on the actual outstanding bills currently estimated at Kshs. 1,140,371,688. The Kenya Academy of Sports also has Development pending bills of Kshs. 153,028,657 on its ongoing Capital Project.
42. The Head of Public Service Commission wrote to the National Treasury to avail Kshs. 7 billion to the Sports, Arts and Social Development Fund because they could not be able to collect the budgeted A-I-A for the FY 2020/2021 of Kshs. 14billion. However, this money has not been availed to the fund. Out of the Kshs. 7 billion, Kshs. 2 billion will cater towards the Constituency Academies that are being constructed by the Kenya Academy of Sports.
43. It is important to note that the National Treasury has projected Appropriation in Aid of Kshs. 15,000 million which might prove not to be realistic and achievable considering the effect of the COVID 19 pandemic. This has adversely affected the State Department's allocation from the exchequer.

(Appendix 3(I) Shows detailed Submissions by the State Department)

3.2 State Department for Culture and Heritage - Vote 1133

44. The total requirement for the State Department for the FY 2021/22 was **Ksh.7.22 Billion** of which recurrent was **Kshs. 4.62 Billion** and Development requirement was **Kshs 2.60 Billion**. The State Department has been allocated **Kshs. 2.80 Billion** this comprises of **Kshs. 2.75 Billion** and **Kshs. 54.60 Million** for both recurrent and development estimates respectively. This translates to a shortfall of **Kshs. 4.42 Billion** which is 62% underfunding.
45. The recurrent budget allocation for the FY 2021/22 is **Kshs. 2.749 Million** composed of a net estimate of **Kshs. 2,340.7 million** and Appropriation in Aid of **Kshs. 408.5 million**.
46. The State Department's Development budget allocation for the FY 2021/22 is **Kshs. 54.60M** against a requirement of **Kshs. 2,599.40M**. Therefore, the State Department is only able to implement the following projects; Refurbishment of Archives offices – Kshs. 24.5 million, Installation of Library Information Management System (LIMS) – Kshs. 11, million, Infrastructure Upgrade at Institute of primate Research – Kshs. 19.1 million. These are projects that are ongoing and almost complete, however, the State Department have other projects that have stalled due to lack of funding.
47. The State Department had a total allocation of **Kshs. 2.3 Billion** in Supplementary 1 Estimates. This comprises of **Kshs. 2.24 Billion** and **Kshs. 32.3 Million** for recurrent and development respectively.
48. The expenditure up to third quarter of FY 2020/21 is **Kshs. 1.63 Billion** and **Kshs. 27.20 Million** in recurrent and Development respectively. This translates to an overall absorption rate of 95.0% and 84% for Recurrent and Development respectively.

49. The State Department has not been funded by the National Treasury for new project. However, we will seek funding from the Sports, Arts and Social Development Fund for some proposed projects which are yet to be approved by the National Treasury.
50. The State Department was funded **Kshs. 43.1 Million** in FY 2020-21. The projects funded were prioritized as they were ongoing projects to be completed within two financial years; however, this will not be achieved due to budget cuts under supplementary 1 Estimates and delay in release of exchequer.
51. Under the development budget, Refurbishment of archives offices lost 100% of its funding of **Kshs. 12,500,000** during Supplementary I Estimates which will lead to a pending bill since the contractor is already on site.
52. The State Department has stalled projects which were as a result of lack of funding. This is as tabulated in the table below:

Table 5: STALLED PROJECTS

S.No	Name of Project	Start Date	Total Project Cost (Kshs)	Total Funding Received As At 2019/20	Last Year Funding	Pending Amount	Status % Completion	Resource Allocation in FY 2021/22 Budget
1.	Fred Kubai Mausoleum	2012	13,500,000	8,500,000	2012/13	5,000,000	62.9	No Funding Allocated
2.	Tseikuru Cultural Museum	2013	110,000,000	20,000,000	2013/14	90,000,000	18.19	No Funding Allocated
3.	Kisumu Exhibition Showcase	2011	3,200,000	1,600,000	2011/12	1,600,000	50	No Funding Allocated
4.	Njuri Ncheke Phase II	2011	61,150,000	11,000,000	2011/12	50,150,000	18	No Funding Allocated
5.	Mashujaa Square II	2012	500,000,000	0	Nil	500,000,000	0	No Funding Allocated
6.	Heritage Collection Center	11/8/17	1,100,000,000	8,500,000	2017/18	1,091,500,000	1	No Funding Allocated
7.	International Arts and Cultural Centre	16/10/16	3,000,000,000	22,500,000	2017/18	2,977,500,000	0.75%	No Funding Allocated
	TOTAL		4,787,850,000	72,100,000		4,715,750,000		

53. The total verified pending bills declared at the beginning of the financial year was **Kshs. 33.01 Million** of which development was **Kshs. 17.45 Million** and **Kshs. 15.56 Million** was recurrent. The State Department has paid a total of **Kshs. 29.56 Million** and is left with a balance of **Kshs. 3.45 Million** which is yet to be cleared due to insufficient funds.

(Appendix 3(II) Shows detailed Submissions by the State Department)

3.3 State Department for Tourism- Vote 1202

54. The Gross allocation to the State Department for the FY 2021/22 is **Kshs. 6,977,059,152**. This amount consists of AIA of **Kshs. 5,135,059,152** and a Net Exchequer of **Kshs. 1,842,000,000**
55. From the Gross amount of **Kshs 6,977,059,152**, the recurrent expenditure is **Kshs. 6,477,059,152** while Development expenditure is **Kshs. 500,000,000**. At the Sector Working Group (SWG), the development requirement was **Kshs. 12Billion**, but only **Kshs. 500Million** has been allocated. As a result, critical programmes/projects such as Economic Stimulus Programmes (ESP) will not continue.
56. The projects to be funded in FY 2021/22 include the following; open space modelling and security system fitting – Kshs. 61 million, Coastal Beach Management Programme – Kshs. 59.0 million, Rehabilitation of basic facilities at Bomas of Kenya – Kshs. 100 million, Sustaining New Markets & Siting Booths in Tourism Target Markets (KTB) – Kshs. 80 million, and Construction of Ronald Ngala Utalii College (TF) – Kshs. 200 million.
57. The State Department's proposed recurrent budget for FY 2021/22 is **Kshs. 6,477.1 million** composed of a net estimate of Kshs. 1,342.0 million and an Appropriation In Aid of Kshs. 5,135.1 million.
58. The State Department does not have any new projects in the FY 2021/21, all the projects are on-going.
59. There are no *Big Four Project* in the State Department, however State Department is an enabler of the Big Four Agenda.
60. The Stated Department has historical pending bills of Kshs. 126.8 million. Further, Tourism Fund has a pending bill of **Kshs. 1.5Billion** relating to Ronald Ngala Utalii College.

Appendix 3(III) Shows detailed Submissions by the State Department)

4. COMMITTEE OBSERVATIONS

4.1 State Department for Sports – Vote 1132

The Committee made the following observations:

1. That, in the FY 2021/22 the State Department for Sports Development has been allocated **Kshs. 16.483 billion**, of which **Kshs. 1.338 billion** has been allocated in the recurrent vote while **Kshs. 15.1445 billion** allocated under the development vote.
2. The projected estimate for the Sports, Arts and Social Development is Kshs. 15,000 million. However, this may not be realized considering the effects of COVID-19 pandemic. This has also affected the State Department's exchequer allocations which might hamper its programmes.
3. The State Department for Sports together with Sports Kenya are currently implementing 13 capital projects which includes: Renovation of Nyayo National Stadium and Moi International Sports Centre, Refurbishment of Kipchoge Keino Stadium Phase I & Phase II, Jamhuri Posta Grounds, Jomo Kenyatta Stadium, Wanguru Stadium, Kirigiti Stadium, Kinoru Stadium, Ruringu Stadium, Marsabit Stadium, Kirubia Stadium, Wote Stadium and Karatu Ndarungu at an estimated project cost of Kshs. 5,388 million and actual expenditure of Kshs. 2,205 million.
4. The State Department has two stalled projects, Kamariny and Wote Stadiums which has stalled at 20% and 40% respectively. The contractor assigned to kamariny project abandoned the site without warning forcing the construction to be at a halt. However, the project has been allocated **Kshs. 90 million**. Wote stadium stalled due to unpaid certificates forcing the contractor to abandon the site following a direction from the Cabinet Secretary for the contractor to leave the site.
5. The State Department has a recurrent pending bill of Kshs. 56,486,984 while Sports Kenya has a recurrent pending bill of Kshs. 151,585,507.64 comprising of staff gratuity and outstanding payments to various suppliers.
6. The State Department has development pending bills on ongoing projects (i.e. Soft Services-CHAN Contracts) of which The Ministry of Public Works is undertaking project appraisal to advise on the actual outstanding bills currently estimated at Kshs. 1,140,371,688. The Kenya Academy of Sports also has Development pending bills of Kshs. 153,028,657 on its ongoing Capital Projects.
7. The National Treasury has not honoured the correspondence from the Head of Public Service Commission to avail Kshs. 7 billion to the Sports, Arts and Social Development Fund since they could not be able to collect the budgeted A-I-A for the FY 2020/2021 of Kshs. 14 billion. Out of the Kshs. 7 billion, Kshs. 2 billion was to cater for the construction of the Constituency Academies that are to be constructed by the Kenya Academy of Sports.

4.2 State Department of Culture and Heritage – Vote 1133

8. The State Department has been allocated **Kshs. 2.80 Billion** this comprises of **Kshs. 2.75 Billion** and **Kshs. 54.60 Million** for both recurrent and development estimates respectively. This translates to a shortfall of **Kshs. 4.42 Billion** which is 62% underfunding compared to a total requirement of **Ksh.7.22 Billion** of which recurrent was **Kshs. 4.62 Billion** and Development requirement was **Kshs 2.60 Billion**.
9. The recurrent budget allocation for the FY 2021/22 is **Kshs. 2.749 Million** composed of a net estimate of **Kshs. 2,340.7 million** and Appropriation in Aid of **Kshs. 408.5 million**.

10. The State Department's Development budget allocation for the FY 2021/22 is **Kshs. 54.60M** against a requirement of **Kshs. 2,599.40 million**. The State Department might not be able to implement its programmes effectively due to underfunding.
11. The State Department's total verified pending bills declared at the beginning of the financial year was **Kshs. 33.01 Million** of which development was **Kshs. 17.45 Million** and **Kshs. 15.56 Million** was recurrent. The State Department has paid a total of **Kshs. 29.56 Million** and is left with a balance of **Kshs. 3.45 Million** which is yet to be cleared due to insufficient funds.
12. The Committee has observed that notwithstanding the great potential of the State Department in creating employment for the youth and revenues for the government. The national treasury has continued to consistently underfund the department thereby denying the department its ability to undertake programmes in the creative sector which can impact the society and youths in particular.
13. The department is also currently faced with serious shortage of vehicles and has only two (2) pool vehicles thus hampering its ability to reach far flung areas of the country. In addition, the department has recently relocated to the newly built Kenya National Library Headquarters; however, the department requires additional funds for partitioning of the offices.
14. The Committee has also observed that the state department for culture and Heritage is currently faced with inadequate Human capital due to slow pace in succession management coupled with ageing workforce particularly in the Kenya National Archives. For instance, seventy percent of the National Archives employees are retiring with the regional offices such as Kisumu offices operating on skeleton staff yet the government has no plans to recruit new staff and manage the passage of skills and knowledge. In addition, the department requires an additional allocation of Kshs. 217.4 million for recruitment and replacement of staff due to natural attrition in technical departments.
15. The National Museums of Kenya has been greatly affected by the COVID-19 Pandemic by closure of the Museums to the public. The funds generated are normally ploughed back for normal operations and maintenance. However, for the past two years the institution has been struggling to collect revenue and therefore the agency requires Kshs 398.96 million to clear outstanding pending bills. And other mandatory obligations that will be required in the next financial year.
16. The Institute of Primate Research launched COVID-19 detection, testing and research in FY 2019/20 and has continued to test to date due to the upsurge in COVID-19. The institute therefore has incurred pending bills of Kshs. 88.8M related to suppliers and import taxes. The institute requires an additional Ksh.109.03M for continued purchase of testing kits, reagents and vaccine cages, and phase II funding of Kshs. 250M for the COVID-19 research and development of diagnostics as part of the Presidential directive.
17. The Kenya National Library requires an additional allocation of Ksh.44.87M for implementation of job evaluation phase IV and Kshs. 18.93M for Housing and hardship allowances.

4.3 State Department for Tourism

18. The Gross allocation to the State Department for the FY 2021/22 is **Kshs. 6,977,059,152**. This amount consists of AIA of **Kshs. 5,135,059,152** and a Net Exchequer of **Kshs. 1,842,000,000**. From this amount, the recurrent expenditure is **Kshs. 6,477,059,152** while Development expenditure is **Kshs. 500,000,000**.

19. The State Department's proposed recurrent budget for FY 2021/22 is **Kshs. 6,477.1 million** composed of a net estimate of Kshs. 1,342.0 million and an Appropriation In Aid of Kshs. 5,135.1 million.
20. As indicated in the Draft estimates submitted to the National Assembly by the National Treasury, the State Department for Tourism is projected to raise Appropriation- In- Aid of **Kshs. 5.1 billion** in the FY 2021/22. This amount is not attainable. The State Department is only able to raise **Kshs. 3.8 billion**. As a result, the State Department will have a deficit of **Kshs. 1.3 billion**. This is therefore to request an addition exchequer of **Ksh. 1.3 billion** to offset the shortfall in AIA.
21. The Committee has also observed that the countries all over the world are focusing on improving and revamping their tourism infrastructure during this period in preparation for post COVID 19 recovery. In particular, the Committee felt there is need for the government to revamp and modernize the Kenya Utalii College as part of its post COVID 19 strategy because of its vital role in the sector. Therefore, the committee felt there is need for increasing the ceiling of the department to address these emerging challenges.
22. The Kenya Utalii College (KUC) has a budget deficit of **Kshs. 347.3 million**. The deficit is in the following areas. Equipping of the practical kitchen – **Kshs 200 million**. The practical kitchen will be complete in FY 2020/21 KUC hence this amount will be utilized for equipping and operationalization in the FY 2021/22, and Support of the 20 Zambian students who were awarded scholarship by the Kenya Government - **Kshs. 25.1 million**. In addition, the agency owes the government Kshs 122.1 million as a principal amount loan
23. The projects to be funded in FY 2021/22 with Kshs. 500 million includes: open space modelling and security system fitting – Kshs. 61 million, Coastal Beach Management Programme – Kshs. 59.0 million, Rehabilitation of basic facilities at Bomas of Kenya – Kshs. 100 million, Sustaining New Markets & Siting Booths in Tourism Target Markets (KTB) – Kshs. 80 million, and Construction of Ronald Ngala Utalii College (TF) – Kshs. 200 million.
24. There are no stalled projects in the State Department all its projects are ongoing.
25. The State Department under Tourism Fund has a pending bill of **Kshs. 1.5 billion** relating to Ronald Ngala Utalii College. However, the department clarified that the department will settle the pending bill through proceeds from the Tourims Promotion Fund.
26. The committee has also observed that the State Department for Tourism has pending bill amounting to Kshs 82 million owed to Tele News Africa and Atlantic Region that dates back from 2004. The bill has remained outstanding because of court litigations and lack of budget to settle it. On 8th June 2020, the Parliamentary Accounts Committee directed the State Department to settle this pending bill owed to Tele News Africa and Atlantic Region without further delay.

5. RECOMMENDATIONS

5.1 State Department for Sports

The Committee recommends the approval of the Budget Estimate for FY 2020/21 for the State Department for Sports in line with the following recommendations:

5.1.1 Policy Recommendations

1. The State Department should fast track the completion of refurbishment and construction of the regional stadia in order for the government to realize value for the money spent on these projects so far. The Committee further recommends that the state department of sports should engage the services of the National Youth Services to Fast-track the completion of regional stadia such as Wote and Kamariny Stadiums which are lagging behind mainly due to inability by the contractor to meet his obligation.
2. Further, the State Department should prioritize commencement of the construction of the Constituency academies through the Kenya Academy of Sports and be funded through the proceeds from the Sports, Arts and Social Development Fund.
3. The State Department should come up with a strategy on how to reign in on the escalating pending Bills. In particular, the state department should fast-track settling of pending bills on ongoing projects (i.e. Soft Services-CHAN Contracts). The Ministry of Public Works should further undertake project appraisal on the CHAN Contracts for Soft Services to advise on the actual outstanding bills currently estimated at Kshs. 1,140,371,688.

5.1.2 Financial Recommendations

Table 6: Proposed Reallocations on the proposed Allocations

Vote	Programme/ Area/Item	Proposed Increases (Millions)	Justification
State Department for Sports	Sports	- Reallocate Kshs 30 million from the Development Budget for Sports Kenya to the Kenya Academy of Sports development budget to undertake feasibility study on the Constituency Academies	The allocation will facilitate the Agency to undertake feasibility study and site identification in twenty counties.
Proposed Additional Allocations Kshs Millions			
State Department for Sports	Sports	- Allocate the Kenya Academy of Sports an additional Kshs 1 billion from the Exchequer to finance the construction of constituency academies in twenty counties.	The government has reallocated Kshs 7 billion from the Sports, Arts and Social Development Fund in FY 2020/21 to support covid related interventions. This has substantially affected programs to be financed from the fund such as the construction of constituency academies. Therefore, the Committee is recommending an allocation of Kshs 1 billion from the exchequer to finance the construction of constituency academies.

5.2 State Department for Culture and Heritage

5.2.1 Policy Recommendations

1. The Committee has also observed that the State Department for Culture and Heritage is currently faced with inadequate Human capital due to slow pace in succession management coupled with ageing workforce particularly in the Kenya National Archives. For instance, seventy percent of the National Archives employees are retiring with the regional offices such as Kisumu offices operating on skeleton staff yet the government has no plans to recruit new staff and manage the passage of skills and knowledge. In addition, the department requires an additional allocation of Kshs 217.4 million for recruitment and replacement of staff due to natural attrition in technical departments. Therefore, the public service commission should undertake some urgent measures to ensure the passage of skills and knowledge is managed in that docket.
2. The Committee recommends that the department should refocus the Ushanga initiative mandate solely on the following three main areas; providing a revolving fund to the cooperatives, training of the cooperative members and marketing of their products.

5.2.2 Financial Recommendations

Table 7: Proposed Reallocations on the Proposed Allocations – Kshs Million

Vote	Programme/Area/Item	Proposed Increases (Millions)	Justification
State Department for Culture and Heritage	Library Services	- Reallocate Kshs 18.9 million from the programme of General Administration and Supports Services to the programme of Library Services.	The reallocation is meant to address a shortfall of Kshs. 18.9 Million on Housing and hardship allowances for the Kenya National Library Service.

Table 8: Proposed Additional Allocations on the Proposed Allocations – Kshs Million

Vote	Programme/ Area/Item	Proposed Increases (Millions)	Justification
State Department for Culture and Heritage	Culture	Allocate National Museum of Kenya an additional Kshs 398.96 million	The National Museums of Kenya has been greatly affected by the COVID-19 Pandemic by closure of the Museums to the public. The funds generated are normally ploughed back for normal operations and maintenance. However, for the past two years the institution has been struggling to collect revenue and hence requires an additional Kshs 398.96 million to clear pending bills. And other mandatory obligations that will be required in the next financial year.
		Allocate the Institute of Primate Research an additional 447.8 million	The Institute of Primate Research launched COVID-19 detection, testing and research in FY 2019/20 and has continued to test to date due to the upsurge in COVID-19. The institute therefore has incurred pending bills of Ksh.88.8M related to suppliers and import taxes. The institute requires an additional Ksh.109.03M for continued purchase of testing kits, reagents and vaccine cages, and phase II funding of Ksh.250M for the COVID-19 research and development of diagnostics as part of the Presidential directive.
	Library Services	Allocate Kenya National Library additional Kshs. 44.87 million	Kshs. 44.87M for implementation of job evaluation Phase IV

5.3 State Department for Tourism

5.3.1 Policy Recommendations

1. The funding for the State Department heavily relies on Appropriation in Aid raised by Agencies under the department. As indicated in the Draft estimates submitted to the National Assembly by the National Treasury, the State Department for Tourism is projected to raise Appropriation- In- Aid of **Kshs. 5.1 billion** in the FY 2021/22. However, this amount is not attainable due to the prevailing environment as a result of the outbreak of corona virus. As a result, the State Department will have a deficit of **Kshs. 1.3 billion**. Therefore, the government should support the tourism sector from the exchequer until the sector recovers from the effects of the corona virus.
2. The Committee has noted that the Countries all over the world are focusing on improving and revamping their tourism infrastructure during this period in preparation for post COVID 19 recovery. In particular, the Committee felt there is need for the government to revamp and modernize the Kenya Utalii College as part of its post COVID 19 strategy because of its vital role in the sector. Therefore, the Committee recommends the increasing of the allocations of key agencies under the department to address these emerging challenges.


5.3.2 Financial Recommendations

Table 9: Proposed Reallocations on the proposed Allocations – Kshs million

Vote	Programme	Proposed Increases (Millions)	Justification
State Department for Tourism	Tourism Promotion and Development	- Reallocate Kshs. 25 million from the Development Budget for Kenya Tourism Board to the recurrent budget of Kenya Utalii College to support the training needs of 20 Zambian students who were awarded scholarship by the Kenya Government.	The allocation will facilitate and support the training needs of 20 Zambian students who are on scholarship programme by the Kenya Government.
		- Deduct Kshs. 42 million from the Recurrent Budget of the Kenya Tourism Board and reallocate it to the State Department Headquarters – Administration - Deduct Kshs. 40 million from the Recurrent Budget of the Kenyatta International Conference Center and reallocate it to the State Department Headquarters - Administration	The allocation is meant to settle an outstanding pending bill of Kshs. 82 million owed to Tele News Africa and Atlantic Region by the State Department for Tourism.

Signature:  Date: 27/5/2021

(THE HON. PATRICK MAKAU KINGOLA, M.P.)
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND TOURISM

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- Annex 1: Mini Schedule indicating the final ceilings per programme
- Annex 2: PBO brief on the proposed 2020/21 Budget Estimates
- Annex 3: MDA's submissions
- Annex 4: Minutes of the Committee sittings
- Annex 5: Adoption List

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION – 2021
DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES
.....

REPORT ON THE CONSIDERATION OF THE ESTIMATES OF REVENUE AND
EXPENDITURE FOR THE FY 2021/22

**REVENUE AND EXPENDITURE ESTIMATES FOR THE FY 2021/22 FOR THE
FOLLOWING SPENDING AGENCIES:**

Vote 1173: State Department for Cooperatives

Vote 1174: State Department for Trade and Enterprise Development

Vote 1175: State Department for Industrialization

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

JUNE, 2021


 THE NATIONAL ASSEMBLY PAPERS LAID	
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PART ONE

1.0 PREFACE

Mr. Chairman,

1. On behalf of the Departmental Committee on Trade, Industry and Cooperatives and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the Annual Estimates for the FY 2021/22 and the medium term.

1.1 ESTABLISHMENT OF THE COMMITTEE

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

1.2 MANDATE OF THE COMMITTEE

3. In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to oversee: Trade, securities exchange, consumer protection, pricing policies, commerce, and industrialization including special economic zones, enterprise promotion and development including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and co-operatives development.
4. In executing its mandate, the Committee oversees the:-
 - i. State Department for Cooperatives
 - ii. State Department for Industrialization
 - iii. State Department for Trade and Enterprise Development

1.3 COMMITTEE MEMBERSHIP

Hon. Adan Hajj Ali, MP, **Chairperson**
MP for Mandera South Constituency
Jubilee Party

Hon. Wangari Mwaniki, MP, **Vice Chairperson**
MP for Kigumo Constituency
Jubilee Party

Hon. William Cheptumo, MP
MP for Baringo North Constituency
Jubilee Party

Hon. Raymond Kipruto Moi, MP
MP for Rongai Constituency
KANU

Hon. Alois Musa Lentoimanga, MP
MP for Samburu North Constituency
Jubilee Party

Hon. Jared Okelo, MP
MP for Nyando Constituency
ODM Party

Hon. Anab Mohamed Gure, MP
MP for Garissa County
Jubilee Party

Hon. Gichimu Robert, MP
MP for Gichugu Constituency
Jubilee Party

Hon. Andrew Mwadime, MP
MP for Mwatate Constituency
ODM Party

Hon. Patrick Wainaina Jungle, MP
MP for Thika Town Constituency
Independent Member

Hon. Shariff Athman Ali, MP
MP for Lamu East Constituency
Jubilee Party

Hon. Ayub Savula Angatia, MP
MP for Lugari Constituency
ANC Party

Hon. Daniel Maanzo, MP
MP for Makueni Constituency
Wiper Party

Nduati Joseph Ngugi, MP
MP for Gatanga Constituency
Jubilee Party

Hon. Fred Odhiambo Ouda, MP
MP for Kisumu Central Constituency
ODM Party

Hon. Wachira Rahab Mukami, MP
MP for Nyeri County
Jubilee Party

Hon. Christopher Nakuleu, MP
MP for Turkana North Constituency
Jubilee Party

Hon. (Dr.) Wilberforce Oundo, Phd, MP
MP for Funyula Constituency
ODM Party

Hon. Jones Mlolwa, MP
MP for Voi Constituency
ODM Party

1.4 COMMITTEE SECRETARIAT

Mr. Erick Nyambati
Clerk Assistant II
(Head of Secretariat)

Ms. Nuri Kitel Nataan
Clerk Assistant II

Ms. Marlene Ayiro
Senior Legal Counsel

Mr. Joseph Ndirangu
Fiscal Analyst I

1.5 OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

1. Budget Estimates for the FY 2020/21 were tabled in the House on **Thursday, 29th April, 2021** and thereafter referred to Departmental Committees for consideration.
2. The Committee held meetings with the State Department for Industrialization, State Department for Trade and Enterprise Development and State Department for Cooperatives from 18th to 20th May, 2021.

1.6 ACKNOWLEDGEMENTS

3. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its functions in considering the Budget Estimates for the FY 2020/21.
4. I also wish to express my appreciation to the Honorable Members of the Committee, State Department for Industrialization, State Department for Trade and Enterprise Development and State Department for Cooperatives for the useful information that they provided to the Committee on the Budget Estimates for the FY 2021/22.

PART TWO

2.0 BROAD OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

5. The budget estimates for 2021/22 is prepared at a time the economy is expected to recover from the effects of the global pandemic that has affected businesses and livelihoods in a significant way. As such the economy is projected to bounce back from 3.8 in 2020/21 to about 6.3% in 2021/22. This is attributable to effects of a lower base in 2020, government investment on Post-COVID economic recovery strategy and implementation of the Big Four economic plan among other interventions.

2.1 OVERALL FISCAL FRAMEWORK FOR 2021/22

6. The proposed overall budget for 2021/22 is Ksh. 3.656 trillion up from Ksh. 3.361 trillion in the current financial year. This increase of about Ksh 295 billion is mainly occasioned by some significant increase in the Consolidated Fund Services. However, the differences between the 2021/22 estimates and the approved ceilings under the Budget Policy Statement is minimal.
7. The overall deficit is Ksh. 952.9 billion which is intended to be financed through foreign borrowing of Ksh. 291.3 billion and domestic borrowing of Ksh. 661.9 billion. It is noted that on overall, the deficit financing is projected to reduce Ksh. 18 billion which comprises of an increase in domestic borrowing by Ksh. 118 billion in 2021/22 compared to the current financial year and a decline in foreign borrowing by Ksh. 135 billion.
8. The submitted estimates for FY 2021/22 has been prepared against a background of a recovering global economy from the effects of the outbreak and the rapid spread of the Covid-19 pandemic. There is still uncertainty on when we will be able to contain the pandemic however there are expectations of a vaccine powered economic recovery with the continued reopening of economies that is improving economic activities. From the domestic front, during the Covid-19 pandemic, the value of Kenya's domestic exports rose by 6.4% in 2020 (as compared to 2019) and in particular exports to Africa markets rose to an eight year high in 2020 defying delays at border points caused by efforts to stem the spread of the global coronavirus pandemic.
9. To this end, exports (including re-exports) hit a high of Kshs. 532.9 Billion in value compared to Kshs. 499.9 Billion in 2019 (between January and October) while imports during the period went down, thus improving the balance of trade deficit with the total import value standing at Kshs. 1.341 trillion compared to Kshs. 1.486 trillion in a similar period the previous year. Uganda was the lead destination of our exports (food and beverages, industrial supplies), followed by Pakistan (Tea), Netherlands (Horticulture), UK, US, Tanzania, Egypt, Rwanda, UAE, Germany and France. In addition, it is important to mention that there has been a tremendous improvement in the value of Kenya's avocado exports from January to March, 2021 with the Country having exported 26,481 tonnes as compared to 15,101 tonnes in 2020 with the country earning Kshs. 4.6 Billion in three months. On the other hand, China leads the import market accounting for

Kshs. 293.1 billion worth of goods, followed by India, UAE, Saudi Arabia, Japan, South Africa, US and UK,

10. This submitted estimates therefore serves; as a planning tool for the government for the next financial year and the medium term through allocation of expenditures to MDA's in the respective programmes, reporting document on fiscal performance over the last medium term period and on key achievements and challenges faced during the review period. It is important to mention that if the estimates are approved they are expected to facilitate the continuous implementing of the BIG (4) Four agenda, an economic stimulus programme (ESP) and the recently launched Post Covid-19 economic recovery strategy (ERS).

2.2 COMMITTEE REVIEW OF THE MDAS' PROPOSED BUDGET ESTIMATES

11. The Departmental Committee on Trade, Industry and Cooperatives is mandated to scrutinize Budget estimates for the following votes: -
- i. Vote 1071: State Department for Cooperatives
 - ii. Vote 1175: State Department for Industrialization
 - iii. Vote 1174: State Department for Trade and Enterprise Development

2.2.1 The State Department for Cooperatives

12. The allocation to the State Department for Cooperatives for the FY 2021/22 is is **Ksh. 1,594 million** of which **Ksh.1, 223 million** is for recurrent expenditure and **Ksh. 374.6 million** is for development expenditure. The proposed allocation represents an increase of **Kshs. 27 Million** from the BPS approved ceiling of **Ksh. 1,626 million**.
13. The State Department for Cooperatives had a resource requirement of Ksh. 65.424 billion for the FY 2021/2022 and had been given a proposed allocation of **Ksh. 45.802 billion** hence a shortfall of Ksh. 19.622 billion.
14. The budget is allocated to the following programmes:
- i. Promotion of Industrial Development and Investment
 - ii. Standards and Business Incubation
 - iii. General Administration, planning and support services

Proposed FY 2021/22 Estimates for Autonomous and Semi-Autonomous Government Agencies (SAGAs)

	Source of Funds	Approved Estimates FY 2020/21	Allocation FY 2021/22
SACCO Societies Regulatory Authority (SASRA)			
Total Recurrent	Appropriations in Aid (AIA)	447.70	480.00
Development		0	0
Total SASRA		447.70	480.00

New Kenya Planters' Co-operative Union Ltd (NKPCU)			
Total Recurrent	Appropriations in Aid (AIA)	80.93	112.3
	GoK	21.20	21.20
Development	GoK	0.00	30.00
Total NKPCU		102.13	163.50
New Kenya Co-operative Creameries (New KCC)			
Recurrent	GoK	0.00	0.00
Development	GoK	400.00	50.00
Total NKCC		400.00	50.00
Kenya National Trading Corporation (KNTC)			
Recurrent	GoK	0.00	0.00
Development	GoK	120.00	25.00
Total KNTC		120.00	25.00

15. They requested for additional funding of Ksh. **7,742.62 million** to fund the following key unfunded areas:

2.2.2 State Department for Trade and Enterprise Development

16. The allocation to the State Department for Trade and Enterprise Development for the FY 2021/22 is **Kshs. 3,342.2 Million** (Development budget of **1,207.9 Million**; recurrent budget is about **Kshs. 2,134.3 Million**). The proposed allocation represents an increase of Kshs. 172 Million from the BPS approved ceiling of Ksh. 3,169 Million. It is important to note that the increase is on account of recurrent expenditure.
17. The State Department for Trade and Enterprise Development had a resource requirement of **Kshs. 11,802.3 Million** for the FY 2021/2022 (current expenditure requirement is **Kshs. 5,981.6** and capital expenditure requirement is **Kshs. 5,820.7 Million**) and had been given a proposed allocation of **Kshs. 3,342.2 Million** hence a shortfall of **Kshs. 8,460.1 Million**.
18. The budget is allocated to Trade development and promotion programmes with the following sub programmes:
- i. Domestic Trade Development
 - ii. Fair Trade and Consumer Protection
 - iii. Export Market Development, Promotion and Nation Branding
 - iv. Regional Economic Integration Initiatives
 - v. Entrepreneurial and Management Training
 - vi. International Trade
 - vii. General Administration, Planning and Support Services
19. The State Department requested for additional funding of **Ksh. 486 Million** to fund the following key activities:

No	Department	Project Name/Item	Justification	Required Budget Estimates (Ksh. Millions)
1	Administration (Headquarters)	Operation and maintenance	The proposed allocation of Kshs.363 million on use of goods caters for rent of kshs.164million , contracted services of kshs.16million , utilities of kshs.20million and kshs.144million for AIE to foreign trade services thus the state department is left with Kshs.16million for other office operation which is inadequate. The amount is expected to take care of: domestic/foreign travel, repair and maintenance expenses for the office the PS, CAS office and the technical departments. The additional amount of kshs.50million requested will enhance the budget and cater for the above item to facilitate smooth operations of the department.	50
2	Establishment of Commodities exchange Platform (KOMEX)	KOMEX	The project faced a budget cut of Kshs.70million in the Supplementary Estimate No.I for FY 2020/21 thereby affecting implementation of planned activities. To support operationalization of KOMEX, the State Department will require additional amount of Kshs.70million for: Development of office infrastructure (partitioning Kshs.30million and Kshs.20million for equipping the office, and Ksh.20million for county and stakeholder engagement and sensitization.	70
3	External trade	Foreign Trade Services	Promote external trade and market diversification for Kenyan product.	84
4	Kenya Trade Remedies Agency (KETRA)	Rent	Additional allocation to cater for rent.	17
5	Kenya Consumer Protection and Advisory Committee	Consumer Protection Act & Policy	To facilitate amendment of the Consumer Protection Act and development of Consumer	25

	(KECOPAC)		Protection Policy.	
6	Weights and Measures	Legal Metrology Laboratory	To facilitate operationalization of the laboratory through installation of water and electricity meter lig and to refurbish the air conditioning system	20
		Verification and inspection standards.	To facilitate purchase of verification and inspection standards and equipment.	20
7	Anti-Counterfeit Authority (ACA)	Godown	To facilitate the purchase of a godown in Mombasa to store counterfeit exhibit goods.	50
		Multiagency Operations	To facilitate multiagency enforcement and awareness in combating counterfeiting.	50
8	Micro and Small Enterprises Authority (MSEA)	Constituency Industrial Development Centers (CIDCs)	The project is under Economic Stimulus Programme (ESP) and the Big 4 Agenda. To facilitate construction, refurbishment and equipping of Phase One (210 Constituencies).	100
Total				486

2.2.3 The State Department for Industrialization

20. The allocation to the State Department for Industrialization for the FY 2021/22 is **Kshs.6.83 billion** (Development budget of **Kshs.3.72 billion**; recurrent budget is about **Kshs.3.11 billion**).
21. The total budget allocation for the State Department for Industrialization FY 2021/22 is **Kshs. 6,833.9 million** against a requirement of **kshs. 16,661.36 million** translating to a shortfall/ additional budget requirement of **kshs. 9,827.46 million**.
22. The **Recurrent** budget allocation for the State Department for Industrialization FY 2021/22 is **Kshs. 3,111 million** against a requirement of **kshs. 4,556.71 million** translating to a shortfall/ additional budget requirement of **kshs. 1, 445.71**.
23. The **Development** budget allocation for the State Department for Industrialization FY 2021/22 is **Kshs 3,722.90 million** against a requirement of **kshs.12, 104.65 million** translating to a shortfall/ additional budget requirement of **kshs. 8,381.75**
24. The budget is allocated to the following programmes:
 - iv. Promotion of Industrial Development and Investment
 - v. Standards and Business Incubation
 - vi. General Administration, planning and support services

Recurrent Budget Requirement vs. Allocation in Kshs Millions

	Recurrent Items	Requirements 2021/2022	Allocation FY 2021/2022	Shortfall
NO.	TOTAL	4,556.71	3,111.00	1,445.71
1.	Kenya Industrial Training Institute (KITI)	165	126.09	60.91
2.	Transfers to SAGAs	3,292.5	2,284.0	1,008.50
3.	Compensation to employees	490.4	405	85.40
4.	Rent	131.07	131.07	0.00
5.	Contracted Services	13.5	9.57	3.93
6.	Utilities (Headquarters)	3.7	2.7	1.00
7.	AIE to 28 Field Stations	67.0	22.12	44.88
8.	Gratuity	0.54	0.54	0.00
9.	Training expenses	25.0	18.46	6.54
10.	Medical Drugs	3.0	2.1	0.90
11.	Motor Vehicle Fuel & Lubricants	15.0	11.2	3.80
	Balance for Operations and Maintenance	350	98.15	251.85

Table 2: Recurrent Transfers to SAGAs vs. Allocation in Kshs Millions

No.	RECURRENT	BASELINE 2020/2021	Requirements 2021/2022	Allocation FY 2021/2022	Shortfall
1.	Numerical Machining Complex	148.06	242.34	230.83	11.51
2.	Kenya Investment Authority	228.51	287.94	228.51	59.43
3.	Export Processing Zones Authority	563.61	625.00	564.46	60.54
4.	Special Economic Zones Authority	22.37	313.00	22.37	290.63
5.	Scrap Metal Council	18.75	265.00	21.75	243.25
6.	Kenya Accreditation Services	180.31	250.50	180.31	70.19
7.	Kenya Industrial Estates	422.34	559.35	392.34	167.01
8.	Kenya Industrial Research and Development Institute	558.23	749.40	643.43	105.97

No.	RECURRENT	BASELINE 2020/2021	Requirements 2021/2022	Allocation FY 2021/2022	Shortfall
	TOTAL	2,142.18	3,292.53	2,284	1,008.53

Table 3: Key Critical Areas of underfunding in the Recurrent Budget in Kshs Millions

N O.	ITEM	REQUIREMENT FY 2021/22	ALLOCATION FY 2021/22	SHORTFALL
1.	Operations and Maintenance for SDI Headquarters	350	98.15	251.85
2.	Compensation to employees	490.4	405	85.4
3.	Operations and Maintenance for field Offices	67	22.12	44.88
4.	Kenya Industrial Estates (KIE) staff salaries	30	0	30
5.	Operation of Accreditation Appeals Tribunal-KENAS	10	0	10
	TOTALS	947.4	525.27	422.13

Table 4: Development Budget Requirement vs. Allocation in Kshs Millions

NO.	Name of Project	Baseline FY 2020/21	Requirement FY 2021/22	Allocation FY 2021/22	Shortfall
1.	Modernization of NMC Foundry Plant, Machining & Fabrication Workshop	59.15	800	70	730
2.	Development of Athi River Textile Hub-EPZA	97.87	2,182.50	95	2,087.5
3.	Railway Siding & related infrastructure-EPZA	50	85	45.1	39.9
4.	Kenya Investment Authority One stop Centre	0	25	10	15
5.	Special Economic Zones - Naivasha	259.15	1,500.00	100	1,400
6.	Special Economic Zones - Dondo Kundu	313.61	1,600.00	80	1,520
7.	Provision of Credit to SMEs - KIE	712.15	1,200.00	604.63	595.37
8.	Construction of Industrial Research Laboratories – KIRDI South B	360.47	1,312.00	448	864
9.	Upgrading of Infrastructure at Kenya Industrial Training Institute	25	320	180	140
	Purchase of Motor vehicle	45	-	0	0
	Monitoring & Evaluation Expenses	-	16	0	16
10.	Modernization of Rivatex Machinery Eldoret	128.35	521.65	130.17	391.48

NO.	Name of Project	Baseline FY 2020/21	Requirement FY 2021/22	Allocation FY 2021/22	Shortfall
11.	Modernization of Rivatex Machinery Eldoret-Donor	715	0	0	0
12.	Cotton Extension Subsidy - Rivatex	29.57	400	50	350
13.	Kenya Industry and Entrepreneurship Project (KIEP)	16.20	130	56.50	73.5
14.	Kenya Industry and Entrepreneurship Project (KIEP)-WB	898.27	1,312	1,312	0
15.	Development of Various small and Medium Enterprises IDB Capital – Donor	800	500	500	0
16.	Monitoring & Evaluation Expenses (5% of net GOK Development budget)	-	100.5	41.5	59
17.	Conformity Assessment Bodies Accreditation Project - KENAS	-	100	0	100
	Total	5,268.13	12,104.65	3,722.90	8,381.75

Table 5: Key Critical Areas of Underfunding In the Development Budget in Kshs Millions

NO.	ITEM	REQUIREMENT FY 2021/22	ALLOCATION FY 2021/22	SHORTFALL
1.	Monitoring and evaluation of Big 4 projects (5% of net GoK development budget)	100.5	41.5	59
2.	Approval of additional funding for Special Economic Zones-Mombasa	1,600	80	1,520
3.	Approval of additional funding for Special Economic Zones-Naivasha	1,500	100	1,400
4.	Nyando and Kieni Apparels and Value Addition Centres	173.7	0	173.7
5.	KIE project on Provisions of Credit to MSMES/PC – ESP PROGRAMME	1,284	604.63	679.37
6.	EPZ funds for effluent treatment	538	0	538
7.	Infrastructure facilities at Kenya Industrial Estates	670	180	480
8.	Regional Biashara Centres	550	0	550
9.	Construction of research lab at KIRDI south B	1,800	448	1352
	TOTALS	8,216.2	1,454.13	6,752.07

PART THREE

3.0 OBSERVATIONS

25. Following the submissions from the State Department for Cooperatives, State Department for Industrialization, State Department for Trade and Enterprise Development and the briefing by the Parliamentary Budget Office on the proposed Budget Estimates for the FY 2021/22, the Committee made the following observations:- **That**

3.1 Vote 1173: The State Department for Cooperatives

26. The total allocation for the State Department for Co-operatives for the FY 2021/22 is **Kshs. 1,594.90 Million** against a requirement of **Kshs. 5,409.30 Million**. The allocation is comprised of recurrent budget of **Kshs. 1,220.30 Million** and development budget of **KShs. 374.6 Million**.
27. The key performers indicators and output do not correspond with the proposed financial allocations in the estimates. In particular, the completion of Luanda cooperative cotton ginnery has not been allocated resources while resources have been allocated towards purchase of specialized plant, equipment's and machinery for the same ginnery.
28. There has been demand for mopping up of surplus rice produced locally while the available storage facilities at the Kenya National Trading Corporation are insufficient and the existing ones require refurbishment to accommodate the expanded rice production.
29. **Kshs. 2.8 Billion** is targeted to be disbursed to coffee farmers in the FY 21/22 under the New Kenya Planters Cooperative Union (NKPCU) from the Coffee Cherry Fund however, there are structural and managerial weaknesses need to be urgently strengthened.

3.2 Vote 1074: State Department for Trade and Enterprise Development

30. The total resource requirement for the State Department for Trade and Enterprise Developments **Kshs. 11,802.3 Million** against an allocation of **Kshs. 3,342.2 Million** giving a variance of **Kshs. 8,460.1 Million**. The current expenditure requirement is **Kshs. 5,981.6 Million** against an allocation of **Kshs. 2,134.3 Million** with a variance of **Kshs. 3,847.3 Million**. Capital expenditure requirement is **Kshs. 5,820.7 Million** against an allocation of **Kshs. 1,207.9 Million** giving a variance of **Kshs. 4,612.8 Million**. The implication on the shortfall of the resource requirement is that the State Department priority programmes will not be implemented.
31. Critical agencies like the Anti-Counterfeit Agency (ACA) that are charged with inspection, enforcement of intellectual property rights and metrology to the ports of entry in order to promote fair trade practices and consumer protection are no longer operation at the various point of entry. In addition, they lack resources to carry out sensitization, inspections and investigations on counterfeits which would

lead to an increase in Appropriations in Aid (A.I.A), as well as prerequisite exhibit warehouses for storage of seized goods in which they are currently leasing at a cost of Kshs. 40Million per year.

32. During the COVID-19 pandemic, the value of Kenya Exports (including re-exports) hit a high of KShs. 532.9 Billion in value which is an increase of 6.5% within 10 months compared to similar period the previous year, however there has been no initiative (s) to support exporters who are incredibly important to the economy as they offer market for our products. In addition, our export volumes have remained below the potential mainly due to failure to meet the market phytosanitary requirements and quality standards.

33. Kenya is unacceptably underrepresented in terms of trade representative offices in key existing and potential export markets within the various regional economic blocks and countries that we have bilateral relationships. The current estimate proposes posting of twenty-two (22) trade attachés in our various missions abroad, however, the allocations are not adequate as some offices are allocated as low as Kshs. 4 Million.

34. Kenya is expected to take part in the Expo 2020 in Dubai from 1st October 2021 to 31st March, 2022 yet there is no budgetary allocation in budget for FY 2021/22 to facilitate the country's participation.

35. The Capital expenditure for the development of various Small and Medium Enterprises (SME's) which has an allocation of **Kshs. 500 Million** has been captured under the State Department for Industrialization while the recurrent expenditure for MSEA is in the State Department for Trade and Enterprise Development.

36. Various trade and related functions/activities whose key performance indicators and targets are within the purview of the State Department for Trade and Enterprise Development continue to be funded and carried out by other Ministries or Departments such as; the elimination of restrictive trade practices and the micro-finance sector support and development sub-programmes in the National Treasury which has been allocated **Kshs.332 Million** and **Kshs.50 Million** respectively , and the Economic and Commercial Cooperation in the Ministry of Foreign Affairs that has been allocated **Kshs.51 Million**. This may lead to duplication and overlap of functions.

Vote 1175: State Department for Industrialization

37. The total budget allocation for the State Department for Industrialization FY 2021/22 is **Kshs. 6,833.9 million** against a requirement of **Kshs. 16,661.36 million** translating to a shortfall/ additional budget requirement of **Kshs. 9,827.46 million**. The **recurrent** budget allocation for the State Department for Industrialization FY 2021/22 is **Kshs. 3,111 million** against a requirement of **Kshs. 4,556.71 million** translating to a shortfall/ additional budget requirement of **Kshs. 1,445.71**. The **development** budget allocation for the State Department for Industrialization FY 2021/22 is **KShs. 3,722.90 million** against a requirement of **Kshs. 12,104.65 million** translating to a shortfall/ additional budget requirement of **Kshs. 8,381.75**.
38. There is a grant of **KShs. 5.36 Billion** from the Japanese government for infrastructure support for Dongo Kundu Special Economic Zones however the resources have not been captured in the proposed estimates.
39. There are several projects under the State Department that are in the inception stage (target to be 10% completion at the end of FY 21/22) such as Development of Freeport and Industrial Parks in Mombasa and the Textile Park in Naivasha while Athi River Textile Hub (EPZA) is targeted at 70% and construction of Industrial Research Laboratories (KIRDI) is target at 85%.
40. Lack of comprehensiveness in the submitted estimates for all SAGAs under the State Department while others such as Kenya Bureau of Standards and East Africa Portland Cement Company, Industrial Commercial and Development Corporation (ICDC) did not appear before the Committee on account that they do not receive resources from exchequer yet they handle public money.
41. There is duplication of functions across various State Departments such as Cotton Industry Projects which are funded in State Departments for Agriculture, Cooperatives and Industrialization, funds for infrastructure projects under the SEZ are under State Departments for Industrialization, Infrastructure and The National Treasury; and in addition funds for Small and Medium Enterprises (SME) particularly for capacity building is funded through the State Departments for Industrialization and Trade and Enterprise Development.
42. The Capital expenditure of **Kshs. 500 Million** for Small and Medium Enterprises (MSEA) has been captured under the State Department for Industrialization while the recurrent expenditure is in State Department for Trade and Enterprise Development.

PART FOUR

4.0 RECOMMENDATIONS

The Committee made the following recommendations: -

4.1 POLICY RECOMMENDATIONS

The Committee made the following policy recommendations, THAT: -

1. An export management office (EMO) to be established which will have representation from all agencies that deals with the entire export value chain of our products. The State Department for Trade should take the lead role and should submit a status report to the National Assembly by 30th September, 2021
2. The State Department for Trade to develop a proposal on the establishment and implementation of sector specific financing or support initiatives to enable MSME's and Exporters access affordable finances through Exim Bank and MSE Fund through the consolidation of the various MSME's funding programmes that exists in the country. This should be done by 30th September, 2021
3. All trade functions (currently domiciled in the National Treasury and Ministry for Foreign Affairs) and respective resources should be transferred to State Department for Trade before the finalization of the FY 2021/22 budget.
4. The State Department for Trade should conduct a study on the need to establish trade offices or logistical centers in key existing and potential markets within the various regional economic blocks and countries that we have bilateral relationships in order to focus on international export opportunities that match Kenya's current/potential business capability. The study should be completed by 31st December, 2021
5. The National Assembly in the estimates for revenue for FY 2021/22 consider and approve zero-rating the VAT and import duty tax on;
 - i. Jute or sisal bags imported for bagging of Kenyan Coffee for export,
 - ii. Coffee making packaging material for enhanced valued addition,
 - iii. introduction of an import levy on value of added coffee imports to Kenya chargeable at 100% of invoice value for the development of the domestic coffee market,
 - iv. VAT on machinery and packaging materials used in tea in order to encourage value addition, and
 - v. Tea imports and value addition imports for re-exports from the annual certification of product conformity and inspection requirements by KEBS
6. The National Assembly to immediately halt the implementation of the recently gazetted Horticultural Crops Regulations, 2020 which have increased the CESS levy from the previous 30 cents per kilo to 0.25% of the customs value therefore hurting exporters of horticulture products in the Country who are struggling to recover from the impact of Covid-19 pandemic.

4.2 FINANCIAL RECOMMENDATIONS

State Department	Proposed Decrease					Remarks
	programme	Vote head	Allocated amount (in Kshs. Millions)	Decrease (in Kshs. Millions)	Net Amount (in Kshs. Millions)	
Cooperatives	Cooperative Development and Management	Acquisition of equipment and machinery - NKCC	50	50	0	Resource requirement was 760 Million, the amount allocated will not create an impact. (Kshs. 50 Million to be reallocated to KNTC)
Industrialization	Industrial Development and Investments	Develop a Freeport and Industrial Parks - SEZs Mombasa	90	40	50	Completion is targeted at 10% in the FY 21/22. (Kshs. 40 Million to be reallocated to KEPROBA)
Industrialization	Industrial Development and Investments	Development of SEZ Textile Park - Naivasha	110	60	50	Completion is targeted at 10% in the FY 21/22. (Kshs. 30 Million to be reallocated to KEPROBA and Kshs. 30 Million to be allocated to Luanda Cotton Ginnery)
Industrialization	Industrial Development and Investment	Cotton Development Subsidy and Extension Support - RIVATEX	50	50	0	The resources to be reallocated to EPZA Athi River Textile Hub
Industrialization	Standards and Business Incubation	Development of various SMEs	500	500	0	The resources should be with the SDTED (The resources to be moved to the State Department of Trade and Enterprise Development where the SMEs function is domiciled under the executive order)
Total Reductions	700					

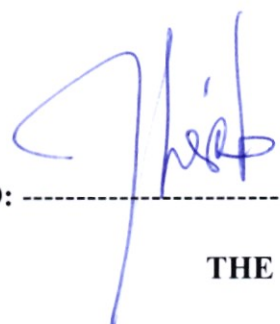
Proposed Increases						
State Department	programme	Vote head	Allocated amount (in Kshs. Millions)	Increase (in Kshs. Millions)	Net Amount (in Kshs. Millions)	Remarks
Cooperatives	Cooperative Management and Development	Warehousing – KNTC	25	50	75	Resources will make a higher impact in modernization of warehouses to accommodate the surplus rice being mopped out.
Cooperatives	Cooperative Management and Development	Completion of Luanda Cotton Ginnery	0	30	30	The resources will achieve 100% completion in the FY 21/22
Trade and Enterprise Development	Export Trade Development, Promotion and Nation Branding	World Expo 202 Dubai – KEPROBA	0	70	70	Kshs. 479 Million is required for Kenya participations in the Expo. The Committee is requesting for BAC to intervene and ensure Kenya is represented in the UAE Market and the World at large.
Industrialization		Athi River Textile Hub – EPZA	95	50	145	Resource of Kshs. 50 Million to be reallocated from RIVATEX Cotton Subsidy and Extension Support
Trade and Enterprise Development	Trade Promotion and Development	Development of various SMEs	0	500	500	The reallocation of the Kshs. 500 Million is to ensure both current and capital expenditure are under the same State Department.
Total Increases	700					

Consideration of the amendments from the National Treasury (Addendum on the Estimates)						
Cooperatives	Cooperative development and Management	ICT related expenditures	0	0.9	0.9	For current expenditure to cater for decentralization of ICT related expenditure
Trade and Enterprise Development	Trade Development and Promotion	ICT related expenditures	0	32.946	32.946	Kshs. 1.829 million current and Kshs. 31.117 Million for capital expenditures to cater for decentralization of ICT related expenditure
Industrialization	General Administration , Planning and Support Services	ICT related expenditures	0	1.433	1.433	For current expenditure to cater for decentralization of ICT related expenditure
Total Increases			35.370			

Additional request for consideration by Budget and Appropriations Committee


1. **Kshs. 400 Million** to Kenya Export Promotion and Branding Agency (KEPROBA) in order to facilitate Kenya's participation in the upcoming 2020 Dubai Expo to be held from 1st October, 2021 to 31st March, 2022.
2. **Kshs. 80 Million** to cater for shortfall in allocation under the foreign trade service for posting of Trade attaches who have been posted in the various missions abroad.
3. **Kshs. 125 Million** to cater for activities under the External Trade Promotion Services in order to improve Kenya's presence in the various export markets across the world and thus increase our export market share and thus improving our export earnings.
4. **Kshs. 25 Million** for Cooperative Management and Development under New Kenya Planters Cooperative Union (NKPCU) to cater for development of strategic plan, valuation of assets and facilitate operationalization of the Coffee Cherry Fund.
5. **Kshs. 150 Million** for Kenya Industrial Research and Development Institute (KIRDI) towards the completion of the KIRDI South B building.
6. **Kshs. 29 Million** to cater for personnel emoluments shortfall for the Kenya Industrial Estates (K.I.E).
7. **Kshs. 173.7 Million** to cater for the full establishment of Nyando and Kieni apparels and value addition centres under Rivatex East Africa Ltd.

SIGNED: _____ DATE: *3/6/2021*



**THE HON. ADAN HAJI ALI, MP
CHAIRPERSON**

**DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND
COOPERATIVES**

 THE NATIONAL ASSEMBLY PAPERS LAID	
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REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FOURTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
ADMINISTRATION & NATIONAL SECURITY

REPORT ON THE EXAMINATION OF BUDGET ESTIMATES
FOR THE FINANCIAL YEAR 2021/2022

- (i) VOTE 1011: THE EXECUTIVE OFFICE OF THE PRESIDENT
- (ii) VOTE 1021 STATE DEPARTMENT FOR INTERIOR AND CITIZEN SERVICES
- (iii) VOTE 1022: STATE DEPARTMENT FOR CORRECTIONAL SERVICES
- (iv) VOTE 1213: STATE DEPARTMENT FOR PUBLIC SERVICE
- (v) VOTE 2071: PUBLIC SERVICE COMMISSION
- (vi) VOTE 2101: NATIONAL POLICE SERVICE COMMISSION
- (vii) VOTE 2151: THE INDEPENDENT POLICING OVERSIGHT AUTHORITY

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

MAY, 2021	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 JUN 2021	DAY.
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1.1 PREFACE

This is the report of the scrutiny of the estimates of expenditures for Ministries, Departments and Agencies under the purview of the Committee. The MDAs under the purview of the Committee are: -

- a) Executive Office of the president, Vote 1011
- b) State Department for Interior and Citizen Services, Vote 1021
- c) State Department for Correctional Services, Vote 1022
- d) State Department for Public Service, Vote 1213
- e) Public Service Commission, Vote 2071
- f) National Police Service Commission, Vote 2101
- g) Independent Policing Oversight Authority, Vote 2151

This report has been processed pursuant to the Constitution, the Public Finance Management Act 2012 as well as the rules of procedure of the National Assembly. The proposed estimates of revenues and expenditures were submitted and tabled before the National Assembly on Thursday, 29th April 2021 pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act 2012.

The Standing Orders (S.O 235) of the National Assembly provides that the estimates, upon being laid in the House, are deemed to have been committed to the respective departmental committees, after which the committee shall consider, discuss, and review the estimates according to their mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly within twenty-one days of being tabled.

In considering the estimates, the Public Finance Management Act and the Standing Order require the House to take into consideration its resolutions on the Budget Policy Statement and ensure that an increase in expenditure in a proposed appropriation is balanced by a reduction in expenditure in another proposed appropriation while a proposed reduction is used to reduce the deficit.

1.2 Mandate of the Committee

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

- i. *Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments.*
- ii. *Study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation.*
- iii. *Study and review all legislation referred to it.*
- iv. *Study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives.*

- v *Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House*
- vi *Vet and report on all appointments where the constitution or any law requires the National Assembly to approve, except those under Standing Order 204, and*
- vii *Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation*

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

The second schedule of the Standing Orders for the National Assembly mandates the Committee on Administration and National Security to consider matters relating to National security, Police services, home affairs, Public Administration, Public Service, prisons, Immigration and the management of natural disasters. It is from this perspective that the Committee scrutinized the aforementioned votes

1.2 Committee Membership

Chairperson

Hon. Peter Mwathi, MP

Limuru Constituency

Jubilee Party

Vice-Chairperson

Hon. Fatuma Gedi, MP

Wajir County

Jubilee Party

Hon. Jeremiah Lomurukai, MP

Loima Constituency

ODM Party

Hon. (Dr.) Tecla Tum, MP

Nandi County

Jubilee Party

Hon. Kaluma, George Peter, MP

Homa Bay Town Constituency

ODM Party

Hon. William Chepkut, MP

Ainabkoi

Independent Party

Hon. (Dr.) Makali Mulu, MP

Kitui Central Constituency

Wiper Party

Hon. Nimrod Mbai, MP

Kitui East Constituency

Jubilee Party

Hon. Ngunjiri Wambugu, MP

Nyeri Town Constituency

Jubilee Party

Hon. Peter Masara, MP

Suna West Constituency

Independent Party

Hon. Aduma Owuor, MP

Nyakach Constituency

ODM Party

Hon. Abdi Shurie, MP

Balambala Constituency

Jubilee Party

Hon. Swarup Mishra, MP

Kesses Constituency

Jubilee Party

Hon. Halima Mucheke, MP

Nominated Member

Jubilee Party

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

Mbeere South Constituency

Jubilee Party

Hon. Oku Kaunya, MP

Teso North Constituency

ANC Party

Hon. Arbelle, Marselino Malimo, MP

Laisamis Constituency

Jubilee Party

Hon. Rozaah Buyu, MP

Kisumu County

ODM Party

1.3 Committee Secretariat

Mr. George Gazemba, ACArb, CPM
Principal Clerk Assistant
Lead Clerk

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Clerk Assistant

Ms Brigitta Mati
Legal Counsel

Mr. Edison Odhiambo
Fiscal Analyst

Mr. Josphat Bundotich
Serjeant-at-Arms

Ms. Eva Kaare
Serjeant-at-Arms

Mr. Yakub Ahmed,
Media Officer

Rodgers Kilungya
Audio Recording Officer

1.4 Overview of the Examination of Estimates

The estimates of Revenue and Expenditure is prepared by the National Treasury pursuant to Article 221 of the Constitution. The Cabinet Secretary responsible for the National Treasury is required by law to submit the estimates two months before the end of the financial year i.e., 30th of April every year. Accordingly, these estimates were laid in the House on Thursday April 29th, 2021.

The Standing Orders of the National Assembly requires that once tabled in the House, the estimates stand committed to the various departmental committees of the House for scrutiny for 21 days before they can report back to the select Committee of the House, being the Budget and Appropriations Committee.

Section 37 requires the National Assembly to review the estimates before enacting the Appropriation Act to authorize for spending. It is on this basis that the Committee held consultative meetings with various MDAs during the scrutiny of the estimates. The Committee held nine meetings including a detailed briefing session by the Parliamentary Budget Office and the meeting to adopt this report. Specifically, the meetings were held from Monday 17th - Friday 21st May 2021. The Committee further held two meetings to consider and adopt this report on Monday and Tuesday the 24th and 25th May 2021.

1.5 ACKNOWLEDGEMENT

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also appreciates the Secretariat for the preparation of this report. The Committee also thank the Executive Office of the President, Ministry of Interior and Coordination of National Government, State Department for Public Service, Public Service Commission, National Police Service Commission and the Independent Police Oversight Authority for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who gave quality contributions during our deliberations and took their time to sit for long hours to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Administration and National Security, to present this report on the Budget Estimates for the Financial Year 2021/2022.

Thank You

HON. PETER MWATHI, MP

2.0 BROAD OVERVIEW OF THE BUDGET ESTIMATES

Recent Economic Developments

The estimates of revenue and expenditure for the FY 2021/22 and the medium term has been submitted against a backdrop of subdued economy occasioned by the effects of COVID-19 which has adversely affected the global economy by disrupting financial and commodity markets, global supply chains, trade, travel and economic activity. This has plunged the global economy into a severe recession akin to the great depression of 1930s. Consequently, the International Monetary Fund (IMF) has projected a contraction of 4.9 percent in 2020 from a growth of 2.9 percent in 2019.

On the domestic scene, the Kenyan economy has been adversely affected by the Pandemic and the swift containment measures taken by the Government to contain the spread. As a result, the economy contracted by 5.5 percent in the second quarter of 2020 from a growth of 5.2 percent in the first quarter of 2020. The economy demonstrated signs of recovery in the third quarter of 2020 as it improved to contract by 1.1 percent, however this was a slowdown compared to the growth of 5.8 percent in the third quarter of 2019. Should the pandemic persist, recovery may not be achieved any time soon.

The poor performance by the economy has resulted in Kenya seeking for financial assistance from the International Monetary Fund with the Board approving a loan of \$ 2.34 billion in April 2021. The three-year financing package will support the next phase of Kenya's COVID-19 response and their plan to reduce debt vulnerabilities while safeguarding resources to protect vulnerable groups. The Fund-supported program will also advance the broader reform and governance agenda, including addressing weaknesses in some state-owned enterprises (SOEs) and strengthening transparency and accountability through the anticorruption framework.

Overall Expenditure

The allocation to the National Government is KSh. 1,934.9 billion which comprise of KSh. 1,879.1 billion for the Executive, KSh. 46.6(As tabled by Parliament) billion for Parliament and KSh. 17.9 billion for the Judiciary. The allocation to County Governments of KSh. 370 billion excludes conditional grants. Additionally, the allocation towards CFS is KSh. 1,327 billion. This allocation includes KSh. 20.8 billion for the Public Service superannuation Scheme.

3.0 BRIEFING BY THE PARLIAMENTARY BUDGET OFFICE

The Committee had a briefing session from the Parliamentary Budget Office on the proposed allocations to the MDAs. The Office submitted along the Votes as follows: -

Presidency

1. The Proposed allocation for the Presidency was KSh. 50 million more than what was approved by the House in the BPS 2021 and the medium term.
2. The BPS was the guiding document for resource allocation at the estimates. Failure to adhere to the BPS ceilings without any meaningful justification makes the BPS not to be an effective tool for planning.
3. The budgetary allocation for the Presidency had been on an upward trend from the FY 2013/14 . The allocation moved from KSh.6.7 billion in 2013/14 to KSh. 16.5 billion by 2019/20 representing a nominal growth of 137 percent in budgetary allocation. The growth was mainly attributed to Nairobi county government functions that were transferred to the national government under the Nairobi Metropolitan Services.
4. The recurrent expenditure for the Presidency increased marginally from KSh. 24.6 billion to 25.2 billion representing an increase of 2.6 percent. Major Heads with allocation included State House Nairobi, Cabinet Office, among others. Under the NMS, Health Administration, Planning and Solid Waste Management were the major heads with high recurrent allocation.
5. The total proposed budget for development expenditure amounted to KSh. 9.6 billion, up from KSh. 7.5 billion in the FY 2020/21. The development budget was mainly on NMS projects. The Heads with major allocations included Transport, Roads, and public works at KSh. 4.4 billion, Energy Reticulation and public lighting at KSh. 1.2 billion, Mukuru Kwa Njenga project at KSh. million, among others.
6. KSh. 4.2 billion of the development estimates under NMS was related to wages and O&M. This spending was therefore not for creation of other assets/wealth.

State Department for Interior and Citizen Services

7. Over the medium term, the budgetary allocation for the State Department had risen from KSh. 130 billion to KSh. 142 billion on account of the National Integrated Identity Management System (NIIMS), replacement of police house supplementation with police house allowance, allocation to new SAGAs including National Transport and Safety Authority.

8. The proposed expenditure for the State Department for Interior amounted to KSh. 138.9 billion comprising of KSh. 131 billion for recurrent and KSh. 7.4 billion for development spread across the seven programmes. The proposed allocation had marginally gone beyond the ceiling on the BPS by KSh. 700 million mainly under the Road Safety, General Administration and Population Management programmes.
9. The BPS policy prioritization included operationalization of newly gazetted sub-counties, increasing staff welfare of the police, acquisition of assorted security equipment, among others. The allocations however were not informed by these policy priorities.

State Department for Correctional Services

10. The proposed budgetary allocation of KSh. 29.8 billion for the state department was in conformity with the House resolutions on the BPS 2021 and the medium term.
11. The resources will mainly go towards policy reviews, legal and institutional reforms, offer of formal and vocational education/training to 54,350 inmates, provision of physiological/spiritual counseling to all inmates, containment, and provision of safe custody to a daily average of 56,000 inmates, coordination of security operations in 129 penal institutions, revitalization of prisons farms and industries, enhancement of security in penal institutions among others.
12. The proposed allocation would increase the PE from KSh. 20,508 million (75 percent) of the total recurrent to KSh. 22,080 million (77 percent). However, the O&M was losing 1 percentage point to stand at KSh. 6,557 million (23) percent of the total recurrent estimates.
13. The Proposed allocation for O&M of KSh. 6.6 billion for prisons was not commensurate with the legal requirement of per capita allocation of KSh. 217.5 per prisoner per day given the total population of prisoners.
14. There was no report on payment of historical pending bills that had been provided in the second supplementary of FY 2029/20.
15. Over the past years, the State Department had recurring problems of pending bills. The audit report of 2016/17 revealed part of the problem associated with the prisons service was related to distribution of AIEs across all the 129 prisons where some prisons were Over provided while some are under provided based on the amount of food ration per prisoner of KSh. 217. There would be a need for the State Department to justify the allocations across the various cost centers as was proposed in the estimates.
16. The Service had a total of 177 projects which had stalled. The estimated cost of implementing the projects to completion was KSh. 14 billion against a provision of KSh. 1,000 million.

State Department for Public Service

17. The proposed allocation for the State Department for Public Service Transformation and General Administration amounted to KSh **8,554.3 million** comprising of **KSh. 8,344.2 million** for recurrent activities and **KSh. 210.1 million** for Capital projects. The allocation was beyond the BPS ceilings by KSh. 165.7 million.
18. The resources would mainly be channeled towards review and administration of the Civil Servants and State Officers Medical Scheme; continuation of upgrading GHRIS and IPPD system; review of CARPS framework; strategic guidance on development of Master Plan for critical and rare skills for the public service; reinvigorating in-service training Programmes for performance improvement in collaboration with the Kenya School of Government; monitoring the implementation of competency framework by MDAs; carrying out payroll audit and expanding IPPD and GHRIS sites; uploading and re-engineering business process through Huduma channels; enhanced access to Government services at Huduma Centres and Huduma mashinani; roll out public service transformation framework among others.

Public Service Commission

19. The proposed expenditures amount to KSh.2,284.4 million comprising of KSh.2,265 million for recurrent expenditure and KSh. 19.3 million for Development expenditure. The expenditure proposals were in conformity with the House Resolutions on the BPS 2021 and the medium term.

National Police Service Commission

20. The allocation to the Commission of KSh. 722 million would mainly go towards Personnel Emoluments (PE) at KSh. 417 million and Operations and Maintenance(O&M) at KSh. 241 million, among others.
21. The Commission would deliver on strengthening human resource management practices, building human resource capacity, and modernizing human resource processes. The envisioned activities would focus on recruitment, retention, succession planning, promotion, performance evaluation, among others.

Independent Policing Oversight Authority

22. The Authority has been proposed for allocation a sum of **KSh.914.2 million** in the budget for 2021//22. All the expenditure were deemed recurrent. Both PE and O&M was set to increase from KSh. 518.9 million and KSh. 240 million in FY 2020/21 to KSh. 550.9 million and 311.3 million respectively in FY 2021/2.

4.0 PRESENTATION BY MDAs

4.1 EXECUTIVE OFFICE OF THE PRESIDENT

The delegation from the Executive Office of the President led by the State House Comptroller Mr. Mbugua Kinuthia appeared before the Committee on the consideration of the estimates. The Comptroller informed the meeting that: -

1. The proposed total budgetary allocation for the Executive Office of the President for the FY 2021/22 was **KSh. 34,856.1 million** comprising of **KSh. 25,230 million** for Recurrent Expenditure and **KSh. 9,625.7 million** for Development Expenditure. The allocation reflected a decrease of **KSh. 7,034 million**, equivalent of 16.9 percent from the baseline estimates of the FY 2020/21 reflected in the total expenditures of **KSh. 41,890.1 million** comprising of **KSh. 27,881 million** and development estimates of **KSh. 14,008.3 million**.
2. The projects being implemented by the Nairobi Metropolitan Services linked to the Big Four Agenda included construction and completion of Mathare Nyayo Hospital, refurbishment of Mama Lucy Hospital, construction and equipping of 5 level 3 facilities, Construction and equipping of 19 level 2&3 health facilities and rehabilitation of various roads within Nairobi.
3. The rest of the projects under the Executive Office of the President were related to refurbishments of State House and state lodges across the country.
4. The Office did not have any stalled project.
5. The Office had pending bills amounting to **KSh. 1,426 million** and **KSh. 780 million** for historical and current pending bills respectively. Out of the historical pending claims, **KSh. 1,384 million** were related to the bills inherited from the Nairobi City County Government.
6. The following areas were underfunded: -
 - a) Office operational expenses for the SME unit- KSh. 90 million
 - b) Office operational expenses for Presidential Strategic and Advisory Unit- KSh. 200 million
 - c) Construction of new perimeter fence at Nairobi State House- KSh. 650 million
 - d) Construction and refurbishment of buildings for the newly gazetted Kisii State Lodge at KSh. 150 million, among others.

4.2 STATE DEPARTMENT FOR INTERIOR AND CITIZEN SERVICES

The Delegation from the State Department for Interior and Citizen Services led by the Principal Secretary Dr. (Eng.) Karanja Kibicho appeared before the Committee on the consideration of the estimates. The Principal Secretary submitted as follows: -

1. During the 2021/2022 FY the State Department for Interior and Citizen Services would be implementing the following seven (7) programmes.
 - a) Policing Services
 - b) General Administration and Support Services
 - c) Government Printing Services
 - d) Population Management Services

- e) Road safety
 - f) Migration and citizen services management
 - g) Policy Coordination Services (NACADA, NGO-Coordination Board and National Crime Research Centre)
2. The proposed allocation for the State Department amounted to **KSh. 138.9 billion** against a BPS ceiling of **KSh. 138.1 billion** on account of increased donor commitments from the International Development Association. The commitments were loans AIA of **KSh. 461 million** and Revenue of **KSh. 198 million**.
 3. The key projects being implemented by the State Department included the National Secure Communication and Surveillance System, National Identity and Integrated Management Systems, Police modernization, Equipping of the national forensic laboratory and construction of county and sub-county headquarters among others. The total development budget amounted to **KSh. 6,966 million** against a resource requirement of **KSh. 55,457 million**.
 4. The cumulative expenditure for the State Department amounted to **KSh. 97,127 million** against a revised budget of **KSh. 128,794 million** giving an uptake of resources of 75.4 percent as at the end of the third quarter. Some heads with high absorption rates included NACADA at 94.2%, Crime Research at 92%, NGO Board at 86.4 % in recurrent expenditures.
 5. On Development expenditures, the Directorate of Criminal Investigations, Kenya Police Service, General Service Unit, National Crime Research had an uptake of resources of 218%, 101%, 100% and 401% respectively. The high absorption was attributable to revised expenditures where AIEs had been issued but were subjected to budget cut in the revised budget.
 6. The review of achievement of programme outputs and targets showed that the department was fairly meeting its target as was budgeted for however under performance was registered mainly on issuance of birth certificates, ID cards and passports. These however were the most critical outputs for the State Department.
 7. The State Department had pending bills amounting to **KSh. 4,243 million** both Historical and current. The recurrent expenditure pending bills amounted to **KSh. 363.2 million** while the development pending bills amounted to **KSh. 2,373 million**. Also in the pending bills were legal suits amounting to **KSh. 1,506 million**.
 8. The Department had the following critically underfunded areas.
 - a) Operationalization of newly Gazetted NGA offices-KSh. 2,200 million.
 - b) Presidential Directive for special allocation to NGAOs and NPS – KSh. 544 million.
 - c) Huduma Card – KSh. 8,500 million.
 - d) National Celebrations- KSh. 1,000 million.
 - e) Security operations – KSh. 2,000 million.
 - f) Repair of leased properties – KSh. 476.1 million
 - g) Utilities – KSh. 416.3 million
 - h) Police Modernization- KSh. 9,000 million

- i) Maintenance of police equipment – KSh. 400 million
- j) New uniform for NPS officers KSh. 3.6 billion
- k) Outstanding personal claims for GSU officers on security operations (P103 claim forms) – KSh. 176 million
- l) Modernization of Government press – KSh. 500 million
- m) Training of 220 new Immigration officers – KSh. 70 million
- n) Purchase of medical equipment for the government chemist department – KSh. 50 million
- o) Underfunding of SAGAs such as NGO board, NTSA, PSRA, FLB, NCIC, NACADA AND CRC – KSh. 1.1 billion. Most critically underfunded is NACADA at KSh. 150 million.
- p) Kanyonyo Border Patrol Unit Hospital-KSh. 250 million
- q) Operationalization of the newly gazetted police stations – KSh. 2.5 billion
- r) Purchase of motorcycles for chiefs and assistant chiefs – KSh. 1.5 billion
- s) Equipping of the National Police Forensic Lab – KSh. 1.5 billion
- t) Refurbishment of CID Training School – KSh. 45 million
- u) Construction and refurbishment of DCI offices and facilities at the headquarters and field stations – KSh. 500 million
- v) Digitization of immigration records – KSh. 300 million
- w) Construction of the NPS hospital – KSh. 15 billion
- x) Digitalization of NRB and CRS – KSh. 500 million
- y) Construction of CRS and Regional offices – KSh. 200 million

3.2 STATE DEPARTMENT FOR CORRECTIONAL SERVICES

The Delegation from the State Department for Correctional Services led by the Principal Secretary Ms. Zeinab Hussein appeared before the Committee on the consideration of the estimates. The Principal Secretary submitted to the Committee that: -

1. The major outputs to be provided in the 2020/21-2022/23 MTEF included; policy reviews, legal and institutional reforms, offer formal and vocational education /training to 54,350 inmates, provide physiological/ spiritual counseling to all inmates, contain and provide safe custody to a daily average of 56,000 inmates, coordinate security operations in 129 penal institutions, revitalize prisons farms and industries, enhance security in penal institutions by construction and completion of security perimeter walls in 33 stations, prisoners ward in 55 stations, gate lodges and armories in 5 stations, enhance catering services in penal institutions through acquisition of energy saving jikos, boilers and feeding pans, contribute to effective administration of justice through timely production of inmates to courts, generation and provision of 75,445 social inquiry reports to courts among others.
2. The Development Budget for MTEF period 2021/2022 would be implemented as guided government policy for prioritization of on-going projects.
3. The State Department had over the years experienced dilapidated infrastructure and overcrowding of inmates against the human rights dignity as required by the Constitution.

4. The total declared historical pending claims submitted to National Treasury amounted to **KSh. 6,200 million** mostly in respect of food & ration and firewood supplied to various penal institutions between FY 2010/2011 and FY 2017/2018.
5. Following the National wide verification of historical pending claims, the National Treasury provided funding amounting to **KSh. 5,724.8 million** towards the end of FY 2019/20 and deposited in a special account for payments. The following table shows the status as at 15th May 2021.

Region	Treasury List	Verified and Processed	Unreconciled	Approved	Paid	variance
North Eastern Region	118.3	106.9	11.4	81.9	79.3	2.6
Lower Eastern	215.0	120.4	94.6	70.9	53.4	17.5
Upper Eastern	407.0	330.2	76.8	249.7	245.7	4.0
Central	436.0	436.5	0.5	208.0	205.7	2.3
South Rift	883.7	565.1	318.6	272.2	272.3	- 0.1
Nyanza	1,049.0	791.7	257.3	488.1	488.1	-
Nairobi	996.5	654.3	342.2	337.1	308.5	28.6
North Rift	452.8	200.5	252.3	80.3	66.8	13.5
Western	473.4	319.9	153.5	95.4		95.4
Coast	1,168.7		1,168.7			-
Total	6,200.8	3,525.7	2,675.1	1,833.5	1,719.7	163.8

Source: State Department for Correctional Services

6. The Committee was further informed that: -
 - a) the Coast region pending bills of **KSh. 676.3 million** were currently being processed in IFMIS. The balance of KSh. 463 million had issues of documentations.
 - b) the Western region pending bills of **KSh. 319 million** had been processed in IFMIS, approved for payment and were now being processed in internet banking. However, most suppliers were yet to update their i-tax status for the payments to go through.
 - c) the variance of **KSh. 163.8 million** were approved but not cleared due to anomalies in suppliers' banks accounts.

7. The PS informed the meeting that the following were critical funding gaps: -
 - a) Integrated Correctional Reforms-KSh. 300 million.
 - b) Compensation to Employees – KSh. 1.1 billion.
 - c) Food and Rations - KSh. 1.2 billion
 - d) Wood fuel - KSh.208.8 million.
 - e) Uniforms for staff - KSh.363 million
 - f) Uniforms for inmates- KSh. 430.5 million
 - g) Prison Staff Training College – KSh. 1,182 million

3.3 STATE DEPARTMENT FOR PUBLIC SERVICE

The Committee held a consultative meeting with the delegation from the State Department led by the PS, Mrs. Mary Kimonye who briefed the Committee that: -

1. The State Department presented a budget proposal for the FY 2021/22 of **KSh.17,763.91 million composed of KSh.12,373.91 million and KSh.5,390.0 million** in Recurrent and Development, respectively.
2. The State Department was allocated **KSh.8,554.39 million** comprising of **KSh.8,344.22 million and KSh.210.17 million** Recurrent and Development, respectively.
3. The shortfall would affect the following key areas.
 - a) Furnishing of the ultra-modern complex in Mombasa - KSh. 250 million
 - b) ICT infrastructure upgrade for the Huduma Kenya Service Delivery Programme- KSh. 533 million
 - c) Construction of Huduma Centres in Ruiru and Embu- KSh. 150 million
 - d) Repair and Maintenance of the 52 Huduma Centres - KSh. 416 million
 - e) In-Service training - KSh. 200
 - f) Enhanced Comprehensive Medical Insurance Scheme for Civil Servants – KSh. 2,000 million
 - g) Development and operationalization of Post-Retirement Medical Insurance Scheme (PRMISCS) and other HRM Policies – KSh. 3,172 million
4. The pending bills amounted to KSh. 81.3 million. Included in the pending bills was a claim of KSh 36 million for Fit out works for the proposed Huduma Centre at Garden City Mall Huduma Centre

The Committee was further informed that: -

1. The construction of KSG in Mombasa had been completed but the facility could not be used due since it had not been furnished over the last two years.
2. To address the challenges of offering public services during the pandemic and disruptions period, Huduma Kenya was identified as a key focus area in the post-COVID-19 recovery plan. The digitization and automation of public service delivery, including e-services, e – government will have to be considered. The improvement in this area of service delivery requires a budget of KSh. 3 billion which is currently not available.

3.4 PUBLIC SERVICE COMMISSION

The Committee held a consultative meeting with the Public Service Commission led by the Vice Chairperson. The Commission submitted that: -

1. The proposed expenditures amount to KSh.2,284.4 million comprising of KSh.2,265 million for recurrent expenditure and KSh. 19.3 million for Development expenditure.
2. Critical areas were underfunded, and they included: -

No.	Details	Proposed Budget (KSh. Millions)	Remarks
1	Stipend for 6,000 Interns	1,200	To increase the recruited interns to 6,000. Current request from MDAs are 7,500 interns
2	Administrative costs for Internship Programme (Recruitment, Induction & monitoring)	200	The allocation of KSh. . 1 billion does not include administrative costs
3	ICT	95	As an aftermath of the COVID-19 disruptions, the Commission wishes to adopt virtual job interviews as the new normal. This will also advantage job candidates from far-flung areas of this country who must travel all the way to Nairobi to attend such interviews.
4	Recruitment and Selection for Public Universities, TVET and Constitutional Commissions	60	Recruitment mandate is expanded to include Public Universities, TVET and Constitutional Commission and other Statutory bodies .The amount is required for processing of applications and payment of selection panel allowances as approved by SRC.
5	Performance and Public Service Delivery Improvement programmes (RRI, Citizen Feedback Contact Centre)	50	The amount is required for full operationalization of Citizen Service Delivery contact centre
6	Promotion of the National Values and Values and Principles of Public Service and evaluation	50	The Commission has not been able to implement this mandate effectively due to budget constraints
7	Development Project for refurbishment	27.6	The Commission awarded contract on refurbishment for KSh. 66.2 million in 2019/20 FY but due to budget Cut the project stalled . The available allocation for 2020/21 and 2021/22 is not sufficient
	Total	1,682.6	

3.5 NATIONAL POLICE SERVICE COMMISSION

The Commission led by the Vice-Chairperson informed the meeting that: -

1. In current financial year 2020/21 the Commission had an approved budget of KSh.606.33Million out of which KSh.366.99 million had been spent as at 31stMarch 2021 which represents an overall absorption rate of 68%. During supplementary one Estimates the Commission was allocated an additional KSh. 50.5 million bringing the total approved Estimates to KSh. 656.8 million.
2. The proposed allocation in FY 2021/22 amounted to KSh. 722 million covering mainly personnel emoluments and operations. However, the following interventions were not funded.

	Priority	Requirement	Allocation	Shortfall
1.	Decentralization of counselling services	50	20	30

	Priority	Requirement	Allocation	Shortfall
2.	Decentralization of NPS services	40	10	20
3.	Automation of NPSC and NPS processes	30	10	20
4.	Compliance and Human Resource Audit	10	0	10
5.	Purchase of Commission vehicles	60	0	60
6.	Relocation of Commission Offices	100	0	100
	Total	390	40	350

3. The Commission had no stalled projects.
4. The Commission had no pending bills.

3.6 INDEPENDENT POLICING OVERSIGHT AUTHORITY

The Committee held a consultative meeting the Independent Policing Oversight Authority Board led by the Chairperson Mrs. Anne Makori. The Authority submitted that: -

1. IPOA was a sub-sector in the Governance, Justice, Law and Order sector. In the BPS, the Authority had been given a ceiling of **KSh. 914.2 million** against a resource requirement of **KSh. 1,536 million**. The authority had operational shortfall of **KSh. 621.9 million**.
2. The Authority's staff salary costs were projected at **KSh. 555 million** during the year but was only allocated **KSh. 550.9 million**. The Authority therefore had a deficit of **KSh.4.08 million**.
3. The Department of Public Service Management recommended an optimal staffing establishment of 326 but the Authority had so far recruited 231 employees.
4. For the Authority to operate optimally and be able to implement its strategic plan, it required **KSh. 981 million** for O&M but was only allocated **KSh. 363.2 million** leading to a shortfall of **KSh. 617.8 million**.
5. The shortfall would affect the following services/activities.
 - a) Decentralization of IPOA services to two additional regional offices as envisaged in her strategic plan- KSh. 110 million
 - b) Purchase of assorted equipment's for operational holding lab for forensic exhibits-KSh.15 million
 - c) Administration, support services for supporting authority's operations- KSh. 117 million
 - d) Staff car loan/Mortgage scheme – KSh.165 million
 - e) Field Expenses - KSh. 45 million
 - f) Purchase of motor vehicles among others- KSh.90 million among others

4.0 COMMITTEE OBSERVATIONS

4.1 Executive Office of the President

1. The transferred functions under the Nairobi Metropolitan Services were funded from the portion of the sharable revenue and Own Source Revenue collected by Kenya Revenue Authority and deposited into the County Revenue Fund.
2. Further, the NMS was also funded through the National exchequer on specific interventions by the National Government.
3. Article 5.1 of the Deed of Transfer of Functions provided for the financing of NMS to be drawn from both Consolidated Fund and the County Revenue Fund. There was a need for the National Assembly to exercise its oversight role on resources withdrawn from the Consolidated Fund.

4.2 State Department for Interior and Citizen Services

1. The State Department had introduced one programme of Policy Coordination Services. In total, the number of programmes implemented by the State Department will rise from six to seven.
2. The proposed allocation for the State Department amounts KSh. 138.9 billion against a BPS ceiling of KSh. 138.1 billion on account of increased donor commitments International Development Association. The commitments are loans AIA of KSh. 461 million and Revenue of KSh. 198 million.
3. Despite the BPS promising to prioritize operationalizing of sub-county Headquarters to bring government services closer to the people, there were no resources proposed for allocation to implement the policy.
4. There was a variance between the cumulative expenditures on key projects of the State Department as published by the National Treasury sector reports and the report by the ministry. The projects included the National Secure Communication and Surveillance system, equipping of the national forensic laboratory, National Identity, and Integrated Management Systems (Huduma Namba), Police modernization, among others.
5. The National Agency for Campaign Against Drugs Abuse was underfunded. The operations allocation for the agency was crippled on account of transfer of liquor licensing to the county governments where the agency used to get its operations budget. Further projects which were critical towards rehabilitation of addicts have not started despite Presidential directives on the same.
6. The uptake of resources by the state department for FY 2020/21 was beyond 100 percent for development expenditure under Kenya policing services mainly on account of budget cuts which were affected after the expenditures had been incurred.

4.3 State Department for Correctional Services

1. The Committee observed that there was critical mass of prison service officers who had stagnated without being promoted for more than 20 years. While the Public Service

Commission jointly with the State Department for Public Service had approved the mass promotions, funds have not been availed to address the situation.

2. The Historical Pending claims of KSh. 6.2 billion that had been provided in the second supplementary of FY 2019/20 had not been settled fully. While the Service had verified and processed KSh. 3.5 billion, only KSh. 1.7 billion had been paid.

4.4 State Department for Public Service

1. The construction of KSG in Mombasa had not been completed fully to allow for its usage. The Committee observed there was need to complete the project to enable reduce its dependency on the Exchequer.
2. To address the challenges of offering public services during the pandemic and disruptions period, Huduma Kenya was identified as a key focus area in the post-COVID-19 recovery plan. The digitization and automation of public service delivery, including e-services, e – government will have to be considered. The improvement in this area of service delivery requires a budget of KSh. 3 billion which was currently not available.

4.5 Public Service Commission

1. The COVID-19 pandemic has prompted the Commission to rethink of other efficient ways to undertake its mandate of recruitment for MDAs. The Committee observed that the Commission had prioritized creation of virtual centers for conducting on-line interviews. However, the Commission was unfunded to the tune of KSh. 82 million to actualize this.
2. Further while the Commission has been allocated KSh. 1 billion for internship programme, the Commission has not been allocated administrative costs for recruitment of interns, induction and payroll management and monitoring and evaluation of the internship programme. To this end, the Commission is unfunded to the tune of KSh. 200 million.

4.6 Independent Policing Oversight Authority

1. There was a need to decentralize the services of the Authority further in every county by use of desk office in all the Huduma centers across the country.

4.7 National Police Service Commission

1. The shortfall in allocation under the Commission may not enable the Commission to fully undertake its constitutional mandate. There was need to enhance its budgetary allocation on Operations and Maintenance.

5.0 RECOMMENDATIONS

5.1 Reductions

1. Reduce the allocation towards the State Department for Interior by: -
 - a) KSh. 300 million under the programme General Administration and Support Services, Recurrent expenditure - Other Operating Expenses.
 - b) KSh. 50 million under the programme Road Safety- Recurrent Expenditure.
 - c) KSh. 500 million from the Programme General Administration and Support Services, Development Expenditure – National Secure Communication and Surveillance System
2. Reduce the allocation towards the State Department for Correctional Services by KSh. 150 Million from the programme Prison Services, Development Expenditure.
3. Reduce the allocation towards Executive Office of the President, Nairobi Metropolitan Services by KSh. 300 million, Development Expenditure.

5.2 Increases

1. Increase the allocation towards the State Department for Interior by: -
 - a) **KSh. 610 million** under the programme General Administration and Support Services, Development Expenditure to facilitate the construction of sub-county Headquarters and operationalization of newly gazetted sub-counties.
 - b) **KSh. 40 million** under the programme Policing Services, Development Expenditure to facilitate the completion of the construction of Kanyonyo Border Patrol Unit Hospital.
 - c) **KSh. 50 million** to facilitate the ongoing construction of Miritini Rehabilitation Centre, Development Expenditure under the programme Policy Coordination and Support Services.
 - d) **KSh. 50 million** to National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA), Recurrent Expenditure under the programme Policy Coordination and Support Services to enhance their operations.
 - e) **KSh. 150 million** towards the Directorate of Criminal Investigations, Recurrent Expenditure under the programme Policing Services to enhance their operations.
2. Increase the allocation towards the State Department for Public Service by **KSh. 200 million** under the programme Public Service Transformation, Development expenditure to facilitate the completion of Kenya School of Government, Mombasa.
3. Increase the allocation towards Public Service Commission by **KSh. 100 million** under the programme General Administration and Support Services, Recurrent Expenditure to facilitate the administration and monitoring of the internship programme.
4. Increase the allocation towards the National Police Service Commission by: -
 - a) **KSh. 40 million** to facilitate decentralization of counselling services.
 - b) **KSh. 30 million** to operationalize the Staff Mortgage Scheme.
5. Increase the allocation towards Independent Policing Oversight Authority by **KSh. 30 million** to operationalize the Staff Mortgage Scheme.

5.3 Other Recommendations (Wishlist) – KSh. 2,689 million

1. Increase the allocation towards the state Department for Interior- Policing Services by **KSh. 250 million** to facilitate equipping of Kanyonyo Border Patrol Unit Hospital.
2. Increase the allocation towards National Authority for the Campaign Against Alcohol and Drug Abuse under the State Department for Interior by **KSh. 500 million** to facilitate media campaigns against drug abuse.
3. Increase the allocation towards the State Department for Correctional Services by **KSh. 1.1 billion** to facilitate mass promotions of prison officers who have stagnated over 20 years.
4. Increase the allocation towards the State Department for Public Service- General Administration Services by **KSh. 569 million** to facilitate construction of KSG campuses in Baringo, Embu and Matuga.
5. Increase the allocation towards the Public Service Commission by **KSh. 60 million** to facilitate Recruitment and Selection for Public Universities, TVET and Constitutional Commissions
6. Increase the allocation towards the National Police Service Commission by **KSh. 100 million** to facilitate relocation of NPSC offices.
7. Increase the allocation towards Independent Policing Oversight Authority by **KSh. 110 million** to facilitate decentralization of IPOA services to two additional regional offices as envisaged in her strategic plan.

SIGNED




HON. PETER MWATHI, MP

(CHAIRPERSON)

DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY

DATE.....2nd June 2021.....

 THE NATIONAL ASSEMBLY PAPERS LAID	
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Annexures

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Annex II: Adoption Minutes

Annex III: Submission from PBO

Annex IV Submission from MDAs

Annex IV. Compendium of projects/List of projects



REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
AGRICULTURE AND LIVESTOCK

REPORT ON THE SCRUTINY OF THE FY 2021/22 BUDGET ESTIMATES FOR THE
FOLLOWING SPENDING AGENCIES:

State Department for Crop Development and Agricultural Research,
State Department for Livestock
State Department for Fisheries and Blue Economy,

DIRECTORATE OF DEPARTMENTAL COMMITTEE
CLERKS CHAMBERS
PARLIAMENT BUILDINGS



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1.0 Preface

1.1 Introduction

Mr. Chairman,

1. On behalf of the Departmental Committee on Agriculture and Livestock and pursuant to provisions of standing order number 207 (6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its Considerations of the Budget Estimates for 2021/22.

1.2 Mandate of the Committee and Membership

2. The Departmental Committee on Agriculture and Livestock is one of the fifteen Departmental Committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:
 - 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 ministries and departments and the effectiveness of the implementation.
 - iii. study and review all legislation referred to it;
 - iv. 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. 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 (*Committee on Appointments*); and
 - vii. Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.
3. The Committee on Agriculture and Livestock specifically deals with the following sectors Agriculture, Livestock, Fisheries, Development, Production and Marketing. It oversees the following Agencies/ Departments: -
 - i. State Department for Crops Development and Agricultural Research
 - ii. State Department for Livestock
 - iii. State Department for Fisheries & Blue Economy

1.3 Committee Membership

4. The Committee on Agriculture and Livestock comprises of the following Members:

Hon. Silas Kipkoech Tiren, MP- Chairperson

Moiben Constituency

Jubilee Party

Hon. Catherine Waruguru M.P – Vice - Chairperson

Laikipia County

Jubilee Party

Hon. Maison Leshomo, M.P

Samburu County

KANU

Hon. Ferdinand Wanyonyi, M.P

Kwanza Constituency

FORD Kenya Party

Hon. Dr. Chrisantus Wamalwa, CBS, M.P

Kimini Constituency

FORD Kenya Party

Hon. Simba Arati, M.P

Dagoreti North Constituency

Orange Democratic Movement Party

Hon. Majimbo Kalasinga, MP

Kabuchai Constituency

Ford Kenya

Hon. Cecily Mbarire, MGH, M.P

Nominated Member

Jubilee Party

Hon. Jude Njomo, M.P

Kiambu Constituency

Jubilee Party

Hon. Adan Haji Yusuf, M.P

Mandera West Constituency

EFP Party

Hon. Janet Jepkemboi Sitienei, M.P

Turbo Constituency

Independent

Hon. Julius Kibiwott Melly, M.P

Tinderet Constituency

Jubilee Party

Hon. (Dr.) John Mutunga, M.P

Tigania West Constituency

Jubilee Party

Hon. Geoffrey Odanga, M.P

Matayos Constituency

Orange Democratic Movement Party

Hon. Martin Peters Owino, M.P

Ndhiwa Constituency

Orange Democratic Movement Party

Hon. Joyce Kamene, M.P

Machakos County

WDM-Kenya Party

Hon. Yegon Brighton Leonard, M.P

Konoin Constituency

Jubilee Party

Hon. Gabriel Kago Mukuha, M.P

Githunguri Constituency

Jubilee Party

1.4 Committee Secretariat

5. The Committee secretariat comprises of:

Mr. Ahmad Kadhi
Senior Clerk Assistant
Head of Secretariat

Mr. Nicodemus Maluki
Second Clerk Assistant

Ms. Clara Kimeli
Legal Counsel I

Mr. Alex Mutuku
Sergeant at Arms I

Mr. David Ngeno
Research Officer III

Mr. Ahmad Yakubu
Media Relations Officer

Mr. Robert Ngetich
Fiscal Analyst

1.5 Overview of the examination of the 2021/22 Budget Estimates

6. The Budget Estimates for FY 2021/22 were submitted and tabled in the National Assembly on Thursday 29th April, 2021 in accordance with Sections 37 and 38 of the Public Finance Management (PFM) Act 2012 and Article 221 of the Constitution.
7. Standing Order 235 of the National Assembly stipulates that the Estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committee, after which the Committee is to consider, discuss, and review the Estimates according to its mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly. After a briefing by the Parliamentary Budget Office, the Committee held consultative meetings with the State Departments and SAGAs.

1.6 Acknowledgment

8. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the Budget Estimates for FY 2021/22.
9. Finally, I wish to express my appreciation to the Honourable Members of the Committee who made useful contributions towards the preparation and production of this report.
10. It is my pleasant duty and privilege, on behalf of the Departmental Committee on Agriculture and Livestock, to submit the Report on the scrutiny of the Budget Estimates for FY 2021/22.

HON. SILAS KIPKOECH TIREN, M.P CHAIRPERSON
DEPARTMENTAL COMMITTEE ON AGRICULTURE & LIVESTOCK

2.0 BROAD OVERVIEW OF THE 2020/21 BUDGET ALLOCATIONS TO MDAS

2.1 STATE DEPARTMENT FOR LIVESTOCK

11. The State Department for Livestock is mandated to promote, regulate and facilitate livestock production for socio-economic development and industrialization. The department has a proposed allocation of Ksh. 6,126 million comprising of Kshs 3,307 million for recurrent expenditure and Ksh. 2,819 million for development expenditure as shown in the following table.
12. In the FY 2020/21, the department has a revised budget of Ksh. 4,510 million. The 2021 BPS had a proposed ceiling of Ksh. 7,689 million showing a variation of Ksh. 1,563 million from the proposed allocation. The resource requirement for the department is Ksh. 11,501 million in FY 2021/22, and with a proposed budget of Ksh. 6,126 million, it implies the department is short of Ksh. 5,375 million.
13. The **recurrent allocation** is proposed at ksh. 3,307 million an increment of Ksh. 1,003 million from an allocation of Ksh. 2,303 million in 2020/21. The increase is mainly on account of enhanced provision for transfers to SAGAs.
14. The proposed allocation for **development expenditure** is Ksh. 2,819 million. The department had an allocation of Ksh. 2,207 million in 2020/21 which shows an increment of Ksh. 612. The increase is on account of an introduction of two new projects- the Kenya Livestock Commercialization Programme (KeLCoP) and Towards Ending Drought Emergencies in Kenya (TWEENDE).
15. Out of the Ksh. 2,819 development allocation, Ksh. 1,725 (61%) is Gok financing while Ksh. 1,093 (39%) is foreign financing. The budget is to be used in funding 28 ongoing development projects.

2.2 STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

16. The department seeks to improve the livelihood of Kenyans and ensure food and nutrition security through increasing agricultural productivity and outputs amongst others.
17. In the FY 2021/22, the Department is proposed to be allocated Ksh. 44,859 million comprising of Ksh. 13,435 recurrent expenditure and Ksh. 31,424 million capital expenditure. The allocation in the FY 2020/21 is Ksh. 50,506 million. The 2021/22 allocation exceeds the BPS ceilings by Ksh. 908 million- the proposed ceiling was Ksh. 43,951 million. The resource requirement for the FY 2021/22 is Ksh. 58,094 million while the allocation is Ksh. 44,859 million leaving a budget gap of Ksh. 13,235 million.
18. The proposed **recurrent allocation** for the department is Ksh. 13,465 million in 2021/22. When compared with the 2020/21 revised recurrent budget of Ksh. 23,474 million, the 2021/22 budget is reducing by Ksh. 10,009 million. The reduction is because the 2020/21 revised budget had a maize subsidy programme pending bill allocation. 91% of the current allocation goes to Current Transfers to SAGAs. Provision for compensation to employees is increasing by Ksh. 88 million.
19. The **development allocation** to the department is Ksh. 31,424 million an increment of Ksh. 4,392 million as compared to the 2020/21 revised allocation of Ksh. 27,032 million. The 2021 BPS had a ceiling of Ksh. 30,486 million, which shows that the allocation is above

the ceiling by Ksh. 938 million. Out of the Ksh. 31,424 million development allocation, GOK funds Ksh. 5,300 million (17%) while Ksh. 26,124 million (83%) is external funding. The development budget will fund 42 key projects.

20. The department is implementing four programmes namely: the General Administration, Planning and Support Services; Crop Development and Management; Agri-Business and Information Management; and Agricultural Research and Development.
21. The **general administration, planning and support services** has an allocation of Ksh. 6,750 million in 2021/22. This is an increment of Ksh. 2,113 million from an allocation of Ksh. 4,637 million in 2020/21. The key outputs of the programme include; development of Bills and policies, Quality assurance of pest control products, efficiency improvement in operations of Pyrethrum Processing Company of Kenya, increased production of pyrethrum, and construction of pesticide residue laboratory among others.
22. The **crop development and management programme** has an allocation of Ksh. 29,980 million which is reduction of ksh 7,854 million when compared with 2020/21 revised budget allocation of Ksh. 37,834 million. The key outputs of the programme include; planting of tea in Mau and Embobut Forest Complex, strengthened mechanization, increased production of climate Smart agriculture inputs, increased cotton production, adoption of climate resilient farming practices, enrolment of smallholder farmers into e-voucher system, revitalized miraa industry, Crop insurance, Food security and crop diversification project among others.
23. The **agri-business and information management programme** has an allocation of Ksh. 1,603 million, an increment of Ksh 40 million from an allocation of Ksh. 1,563 million in 2020/21 revised budget. The key outputs of the programme include; provision of agricultural information service through electronic and print, support to SMEs in agribusiness, Increased access to water for small scale irrigation, domestic use and livestock; and improved livestock management and market access.
24. **Agricultural Research and Development programme** has an allocation of ksh. 6,470 million in 2021/22 an increment of ksh. 54 from an allocation of Ksh. 6,470 million in the 2020/21 revised budget. The key targets of the programme include: Enhanced capacity for semen production; Livestock Research & Development; Climate Smart Agricultural Productivity; and establishment of Liquid Nitrogen Plant among others.

2.3 STATE DEPARTMENT FOR FISHERIES AND BLUE ECONOMY

25. The allocation to the Fisheries, Aquaculture and Blue economy is proposed at Ksh. 10,220 million comprising of Ksh. 2,264 recurrent allocations and Ksh. 7,956 million for development expenditure. When compared to the 2020/21 revised allocations, it shows a rise by Ksh. 4,665 million. The 2021 BPS allocation is at Ksh. 10,062 implying the allocation is within the set ceilings and less by Ksh 158 million. The department's resource requirement is Ksh. 17,454 million but Ksh. 10,220 million is allocated leaving a funding gap of Ksh. 7,234 million.
26. The allocation for **recurrent allocation** is Ksh. 2,264 million, a reduction of Ksh. 196 million from the FY 2020/21 allocation. The allocation for compensation of employees is set to reduce by Ksh. 102 million, while the Use of Goods and Service provision is set to reduce by Ksh. 427 million. Provision for SAGAs is enhanced by Ksh. 331 million.
27. Allocation for SAGAs is also increasing by Ksh. 331 million. The increase is on increased provision for Kenya Fisheries Services, and an allocation of Ksh. 10 million to the newly

formed Kenya Fishing Industries Corporation. Kenya Fisheries Services will seek to: conduct frame surveys in marine and fisheries waters; develop Lake Turkana Fisheries Management Plan and Octopus Fishery Management Plan.

28. The department is proposed an allocation of Ksh. 7,956 million for **development expenditure** up from an allocation of Ksh. 3,095 million in 2020/21- an increment of Ksh. 4,861 million. The BPS had proposed a ceiling of Ksh. 7,956 million. Out of the Ksh. 7,956 million, GOK funds Ksh. 1,935 million (24%) while Ksh. 6,021 million (76%) is external funding. The allocation goes toward funding 26 projects. Notable increases is on: Aquaculture Business Development Project (ABDP) and the Kenya Marine Fisheries & Social -Economic Development Project.
29. The state department of fisheries is implementing three programmes namely; Fisheries Development & Management, General Admin. Planning & Support Services, and Development & Coordination of the Blue Economy.
30. The **Fisheries Development and Management programme** has a proposed allocation of Ksh. 9,385 million in 2021/22. This is an increase of Ksh. 5,006 million representing 114 percent increase. The key outputs of the programme include; development of maritime spatial plan, upgrading of Sagan National Aquaculture Development Centre and Kiganjo National Trout Hatchery, rehabilitation of landing sites in Lake Victoria, development of fish qualities laboratories, development of domestic fishing fleet, and development of monitoring control and surveillance centre.
31. The **general administration, planning and support services** has an allocation of Ksh. 184 million. The key targets of the programme include; improved financial accountability and production of quarterly financial reports.
32. The **Development and Coordination of the Blue Economy** has an allocation of Ksh. 649 million in 2021/22, down from an allocation of Ksh. 1,038 million in 2020/21. The key outputs of the programme include: profiling of fishers in Blue pages directory; operationalization of Kenya Fisheries Service and Kenya Fish Marketing Authority; development of fisheries infrastructure in Kwale, Lamu, Kilifi and Mombasa; development of fish marketing policy; and renovation, operationalization, and expansion of Liwatoni fisheries complex among others.

3.0 SUBMISSIONS OF THE STATE DEPARTMENTS ON THE 2020/21 BUDGET ALLOCATIONS

3.1 STATE DEPARTMENT FOR CROP DEVELOPMENT AND AGRICULTURAL RESEARCH

33. In the FY 2021/22, the Department is proposed to be allocated Ksh. 44,859 million comprising of Ksh. 13,435 recurrent expenditure and Ksh. 31,424 million capital expenditure. The resource requirement for the FY 2021/22 is Ksh. 58,094 million while the allocation is Ksh. 44,859 million leaving a budget gap of Ksh. 13,235 million.

1. Budget breakdown by programme

	2020/21 Revised Estimates 11	2021/22 estimates	changes
General administration, planning and support services	4,637,360,164	6,750,751,450	2,113,391,286
Crop development and management	37,834,055,526	29,980,000,065	-7,854,055,461
Agribusiness and Information Management	1,563,838,197	1,603,875,579	40,037,382
Agricultural Research and Development	6,470,644,355	6,525,065,560	54,421,205
Totals	50,505,898,242	44,859,692,654	-5,646,205,588

2. Allocation to development projects

Project Name	Baseline Suppl. Estimates FY2020/21	Requirement FY 2021/22 Ksh.Millions	Treasury Allocation 2021/22 Ksh. Million	Resource Gap Ksh.Millions	Linked to Big 4 ✓ or X
•Food Security and Crop Diversification Project-Miraa Industry Revitalization	300	520	130	-390	✓
•Fall Army Worm Mitigation	194	425	300	-125	✓
•Constuction of Headquarters and Satellite Campuses for KSA	0	150	50	-100	✓
•Constuction of Residual Laboratory at PCPB	26	139	136	-3	✓
•Youth and Women Empowerment in Modern Agriculture Project	28	160	40	-120	✓
•Mechanization of Agricultural Development Project	80	500	50	-450	✓
•Development of Mau Buffer Tea Zone	142	706	50	-656	✓
•Pyrethrum Industry Recovery	130	300	100	-200	✓
•Construction of Educational Complex at Bukura Agricultural College	80	100	60	-40	✓
•Construction of Tea Research Development Factory	0	367	23	-344	✓
•Establishment of Liquid Nitrogen Plants - KAGRC	100	335	150	-185	✓

•Sustainable TseTse and Trypanosomiasis free areas in Kenya - KENTTEC	150	710	180	-530	✓
•Bio-Deposit Organic Fertilizer Extraction & Rehabilitation Project	6	60	20	-40	✓
•Equipping of Milk Research & Processing Plant	14	167	15	-152	✓
•Coconut Industry Revitalization	50	250	50	-200	✓
•Expansion of Improved Indigenous Chicken	0	51	5	-46	✓
•Sugar Reforms Support Project II	0	330	70	-260	✓
•Warehouse Receipt System	75	100	50	-50	✓
•Modernization of Jamhuri ASK	0	250	250	0	✓
•Embryo Transfer Project	200	300	200	-100	✓

34. **Historical Pending Bills:** Fertilizer Subsidy Debts Kshs 8Billion, Outstanding cost Maize subsidy Kshs 2Billion. Current pending bills Kshs. 472Million.

35. **Economic Stimulus program budget-** In the 2021-22 Estimates, there is no provision for Post CoViD 19 Economic Stimulus Programme. This will impact negatively on programme operations in 25 counties because the 2020/21 budget was halved therefore only 50,000 farmers will be supported. The programme has registered over 235,000 farmers who are expecting government support through the e-subsidy programme. The e-voucher programme is the only avenue for farmers to get subsidized inputs after stoppage of the fertilizer subsidy programme. The programme appeals for reinstatement of the Post CoViD 19 economic stimulus package budget.

3.2 STATE DEPARTMENT FOR LIVESTOCK

36. SDL implements Livestock Resources Management and Development Programme with five (5) Sub-Programmes namely; Livestock policy development and capacity building; Livestock production and management; Livestock products value addition and marketing; Food safety and animal products development; and Livestock diseases management and control.

37. The department has been allocated Ksh. 6,126 million comprising of Kshs 3,307 million for recurrent expenditure and Ksh. 2,819 million for development expenditure.

38. The breakdown of recurrent expenditure is as shown in the following table:

	Approved 2020/21	2021/22 Estimates
Gross	2,303.6	3,307.4
AIA	22	1,122.3
Net	2,281.6	2,185.1

Compensation to Employees	1,562	1,568.6
Transfers	430.6	1,365.4
Other Recurrent	289	373.4

39. FY 2021/22 Current Transfers include: Kenya Veterinary Vaccines Production Institute (KEVEVAPI)-KShs. 538 Million; KDB-KShs. 499.2 Million; KLDC-KShs. 152.7 Million; KVB-KShs. 111 Million; VMDC-KShs. 64.5 Million;

40. The development budget allocations is as shown in the table below:

	Approved 2020/21	2021/22 Estimates
Gross	2,206.9	2,818.8
GoK	829.9	1,725.7
Loans	711.4	1,093.1
Grants	-	-
Local AIA	-	-

41. **Loans and Grants:** KShs. 458 Million supports Regional Pastoral Livelihood Resilience Project (RPLRP-IDA); and KShs. 130 Million Kenya Value Chain Support Project (LVCSP-Polish Government); KShs. 405 Million supports Kenya Livestock Commercialization Project (KeLCoP-IFAD); and KShs. 100 Million (Grant) supporting Kenya Towards Ending Drought Emergencies Project (TWEENDE-GCF);

New Projects

42. Towards Ending Drought Emergencies (TWEENDE) Supported by GoK and the Green Climate Fund (GCF) through lead role by International Union for Conservation of Nature (IUCN). Targets 11 Counties – Isiolo, Samburu, Marsabit, Wajir, Tana River, Meru, Tharaka Nithi, Garissa, Kajiado, Makueni, Taita Taveta. Partnering Agencies include NDMA, KEFRI, WRA, ICRAF & IUCN. Main activities are rangeland rehabilitation and watershed management. SDL a major implementing agency on component 2 namely restoration and sustainable NRM for both watershed and rangeland management. Financing Agreement in place and project with effective date from 26th November 2020 for 5 years. FY 2021/2022 GoK allocation is KShs. 78 Million and Grants of KShs. 100 Million.

43. Kenya Livestock Commercialization Project (KELCOP) Supported by GoK and IFAD. Targets 4 value chains – indigenous poultry, dairy goat, beekeeping and small ruminants in 10 Counties – Samburu, Baringo, Elgeyo Marakwet, Marsabit, Trans Nzoia, Siaya, Bungoma, Busia, Kakamega, Nakuru. Financing Agreement in place with effective date from 5th March 2021 for 6 years. FY 2021/2022 GoK allocation is KShs.50 Million and Loans of KShs. 405 Million.

Pending Bills

44. FY 2019/20 pending bills by 30th April 2021 were recurrent and development in nature amounting to KShs. 114.64 Million, KShs. 1.8 Million are Recurrent in nature whereas KShs. 112.84 Million are Development. Prioritization for first charges and enhanced resource requests are strategies in place to minimize the bills

Historical Pending Bills

45. The State Department has forwarded reports to the Attorney General's Office and the National Treasury on historical costs of protracted legal cases namely: Halal Meat Products Ltd and Associate Architects Ltd amounting to KShs. 5.2 Billion but negotiated to 4 Billion and KShs.25.9 Million respectively. Requests have been made to Treasury for allocation of resources and payment plan in instalments to minimize court contempt.

Other Policy Issues

46. Kenya Leather Industrial Park requires adequate budgetary allocations for timely completion of the Common Effluent Treatment Plant and Industrial warehouses.
47. Livestock Master Plan requires adequate GoK provisions to sustain partnerships with FAO, USAID, IFAD and ILRI/USAID who have already committed funds.
48. Resources required for: capacity building of national and county government actors; development and monitoring implementation of livestock sector policy instruments; and livestock sector data collection, information dissemination and management.
49. The Parliamentary Committee on Agriculture to fast track the Livestock Bill processing having been forwarded by the Attorney General to Parliament for publication by the Leader of Majority.

3.3 STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY

50. The State Department for Fisheries, Aquaculture and the Blue economy has a gross allocation of **Kshs. 10.22 billion** out of which **Kshs. 2.26 billion** is meant for recurrent expenditure and **Kshs. 7.96 billion** for capital expenditure.
51. The allocation for recurrent expenditure is meant for meeting employee costs to the tune of **Kshs. 238.1 million**, defraying operations and maintenance costs estimated at **Kshs. 188.5 million** and ensuring that our SAGAs operate fully during the fiscal year by transferring **Kshs. 1,838.5 million** to them.
52. The allocation for capital projects is necessitated by the need to accelerate the implementation of coastal and Lake Victoria fish landing sites, finalize the construction and operationalization of the Liwatoni Fish Port, the development of coastal fisheries infrastructure and the expansion of exploitation of living resources under the blue economy, among others.
53. Regional Offices: the department is in the process of establishing our new regional offices across the country to enable us discharge our mandate effectively. To this end, it will be prudent if the department is considered for additional funding to the tune of Kshs. 100 million in the fiscal year 2020/21.
54. Block Funding of Landing Sites: the department is currently constructing several landing sites across the country. Taking into account the amount of resources required to establish them, landing sites can be considered as small to medium-sized projects and as such, it would be appropriate the department adopt the block funding model to avoid them being regarded as new projects every time we have to roll out the construction of a landing site.
55. Aquaponics: The State Department has developed Aquaponics Technology for training demonstrations in learning institutions and for commercial productions. By doing this, the department is targeting the youth to embrace fish farming at an early age to make them self-reliant out of the formal job market. As a result, there is a need to cover at least 5 learning institutions in each of the 47 counties and this requires additional financing of Kshs. 100 million in the FY 2021/22

4.0 COMMITTEE OBSERVATIONS

After the review and deliberations of the submitted views and budget allocations, the Committee observed the following:

General Observations

1. The Committee after having scrutinized and reviewed the 2021/22 Budget Estimates and submissions from the MDAs, recommends the following:
2. That the actual expenditures as at end of third quarter for a number of projects and expenditure items are above the approved 2020/21 (Revised) allocations. This was occasioned by budget reductions- 2020/21 supplementary Estimates 1 which reduced the allocations below the actual commitments and expenditure.
3. Despite the importance of the agriculture sector in its contribution to GDP, economic growth, employment, foreign exchange, and raw materials for the industrial sector, it is grossly underfunded with a budget gap of approximately Ksh. 25.8 billion.
4. The sector is already having numerous ongoing and stalled projects. Implementation of the projects take too long to complete because of the low budget allocations and frequent budget cuts.

4.1 State Department for Livestock

5. The implementation of the Disease Free Zone- Bachuma is facing delays due to retendered process after termination of the previous contractor. During an earlier inspection visit, the Committee noted that the value of work already done is not commensurate with the expenditure incurred.
6. The department requires an allocation as counterpart funding for the development of a Livestock Master Plan (LMP). The project has Ksh. 270 million donor support. The development of a Livestock Master Plan (LMP) is critical to enable planned, effective and efficient investment in the Livestock Sector leading to increased contribution of the sector to the national economy, food and nutrition security and improved livelihoods.
7. The department has current pending bills amounting to KShs. 114.64 Million, and Historical Pending Bills of Ksh.4,025.9 million relating to Halal Meat Products Ltd (Ksh. 4 billion) and Associate Architects Ltd (Ksh.25.9 Million).

4.2 State Department for Crops Development and Agricultural Research

8. During the beginning of the financial year 2020/21, farmers were allocated additional Ksh. 1,500 million towards input subsidy as Post Covid-19 Economic Stimulus Programme. This allocation was later reallocated and therefore farmers were left out from Covid-19 stimulus programme.
9. The proposed allocation in the FY 2021/22 for E-Voucher programme is Ksh. 1,500 million against a resource requirement of Ksh. 3,642 million leaving a funding gap of Ksh. 2,142 million.
10. There is a need to support the sugar sector through the Sugar Reforms Support Project. Additional allocations will see the improvement of cane quality through rehabilitation and maintenance of testing units.
11. The state department for Crop Development and Agricultural Research has historical pending bills of Ksh. 10 billion and current pending bills of Ksh. 472 million.

4.3 State Department for Fisheries, Aquaculture, and Blue Economy

12. Lake Victoria fish landing sites- the projects are to be started afresh after the initial contracts were terminated owing to flooding that affected the integrity of the building thereby rendering them unsuitable for the intended purposes. A cadastral survey was conducted for the proposed new landing sites.

5.0 COMMITTEE RECOMMENDATIONS

The Committee recommends the approval of the Budget Estimate for FY 2020/21 for the State Department for Sports in line with the following recommendations:

5.1 Policy Recommendations

1. The sector is already having numerous ongoing and stalled projects and therefore there is a need for the state departments to prioritize on near completion and the ongoing projects as oppose to initiating new projects. Unless there is justifiable reasons, no new project should be initiated when there are numerous underfunded projects.
2. The National Treasury to provide additional funding to reduce the funding gap on the budget to the state departments. The policies under the sector are direct drivers in the achievement of the Big Four Agenda. In addition, the sector is the mainstay of the economy contributing approximately 61% (directly 34% and indirectly 27%) to GDP.
3. The state departments to improve on the efficiency of utilization of the development budget allocations while adhering to relevant laws so as to ensure that projects are completed within the planned duration and that expected returns and services are achieved the soonest.
4. On the over-expenditure on some projects and programmes resulting from budget cuts under the 2020/21 supplementary estimates 1- the committee proposes that this is regularized in the proposed 2020/21 supplementary Estimates.
5. That the National Treasury provides funds in the upcoming 2020/21 Supplementary Estimates 11 to the state department for Crop Development and Agricultural Research for the payment of the historical pending bills of ksh. 10 billion and current pending bills of Ksh 472 million.
6. That the National Treasury provides funds in the upcoming 2020/21 Supplementary Estimates 11 to the state department for Livestock for the payment of current pending bills amounting to KShs. 114.64 Million, and Historical Pending Bills of Ksh. 4,025.9 million relating to Halal Meat Products Ltd (Ksh. 4 billion) and Associate Architects Ltd (Ksh.25.9 Million).

5.2 Financial recommendations/Proposed reallocations

7. The Committee after having scrutinized and reviewed the 2021/22 Budget Estimates and submissions from the MDAs, recommends the following:

5.3 State for Department for Livestock

Proposed Reductions:

8. **Ksh. 100 million** from the proposed allocation for Disease Free Zones Program- Bachuma. The Committee noted that the value of work already done is not commensurate with the expenditure incurred. The current contract with the implementing contractor has been cancelled on account of poor performance. The remaining amount will be used to process the contract closure.
9. **Ksh. 40 million** from the allocation for Modernizing Foot & Mouth Disease Laboratory for GMP standards-KEVEVAPI. The reduction is on account of budget rationalization. The committee is however cognizant that KEVEVAPI needs to attain Good Manufacturing Standards (GMP) and will be considering the allocation in the next budget. The remaining amount will supplement the AIA.

10. **Ksh. 30 million** from the development budget for Construction and equipping of Bio Safety Level 3 Laboratory-Kabete. The Committee rationalized the cost to about 50million which is considered to be enough.

Proposed Increases

11. **Ksh. 170 million** as counterpart funding for the development of a Livestock Master Plan (LMP). The project has Ksh. 270 million donor support and requires counterpart funding. The development of a Livestock Master Plan (LMP) is critical to enable planned, effective and efficient investment in the Livestock Sector leading to increased contribution of the sector to the national economy, food and nutrition security and improved livelihoods.

5.4 State Department for Crops Development and Agricultural Research

Proposed Reductions:

12. **Ksh. 25 million** from the allocation for Cotton Industry Revitalization Project. The reduction is on account of prioritization of allocations in view of the other needs and the fact that the process will take several years. The remaining balance is sufficient to initiate the process.
13. **Ksh. 150 million** from the development allocation for Fall Army Worm Mitigation. The reduction is on account of prioritization of allocations. Considering that the allocation is for mitigation purposes. Any outbreak may not be quantified at budget stage because it will depend on scope and intensity of the infestation. The remaining amount is sufficient to initiate the control measures
14. **Ksh. 60 million** from the development allocation for the Construction of Residual Laboratory at PCPB. The reduction is on account of prioritization of allocations. The proposed a phased approach where the amount awarded is sufficient to achieve first phase of the construction. More resources will be voted in 2021/22in view of reality.
15. **Ksh. 25 million** from the allocation for Pyrethrum Industry Recovery Project. The reduction is on account of prioritization of allocations in view of the scarcity of resources as per the other priorities and the fact that the recovery process could take a long while.

Proposed Increases

16. **Ksh. 170 million** for the Development of Agriculture Technology Innovation Centers. This is meant to enhance the capacity of SMEs in agro processing and aimed at solving the current marketing challenges of agricultural products and the final product value which translates into revenue to the farmers.
17. **Ksh. 80 million** for the Construction of Headquarters and Satellite Campuses for KSA. The allocation will go towards the completion of five satellite campuses. The satellite campuses are critical in skill development and capacity building which is essential in improving agricultural productivity. Post training apprenticeship enables the officers to effectively discharge their responsibilities.
18. **Ksh. 80 million** towards National Value Chain Support Programme. The allocation is meant for farmer identification, characterization and registration of all famers to be engaged in the National Value Chain Support programme.



19. **Ksh. 30 million** towards Sugar Reforms Support Project. This is meant to enhance the current effort on sugar reforms through rehabilitation and maintenance of cane testing units.

Additional Requests

20. That the National Treasury allocates Ksh. 1,500 million for Post Covid-19 Economic Stimulus Programme. In the 2021-22 Estimates, there is no provision for the stimulus programme. The 2020/21 budget was reallocated. This will impact negatively on programme operations in 25 counties. The programme has registered over 235,000 farmers who are expecting government support through the e-subsidy programme.
21. Additional allocation of Ksh. 1,500 million for National Value Chain Support Programme. The current allocation of Ksh. 1,500 million is inadequate and not able to cover targeted number of smallholder farmers.
22. Additional Ksh. 100 million development allocation for Aflatoxin management. This is meant to enhance pest mitigation measures and minimize harvest losses.
23. Additional Ksh. 810 million towards Food Security and Crop Diversification Project-Other Crops.

5.5 State Department for Fisheries, Aquaculture, and Blue Economy Proposed Reductions

24. **Ksh. 100 million** on the allocation for the Construction of Fish Port (Liwatoni). The current contract was cancelled owing to allegations of procurement irregularities. The reduction is also on account prioritization of allocations.
25. **Ksh. 110 million** from the allocation for Construction of Shimoni Mariculture Center under the Coastal Fisheries Infrastructure Development. The reduction is on account of prioritization on allocations to projects.

Proposed Increases

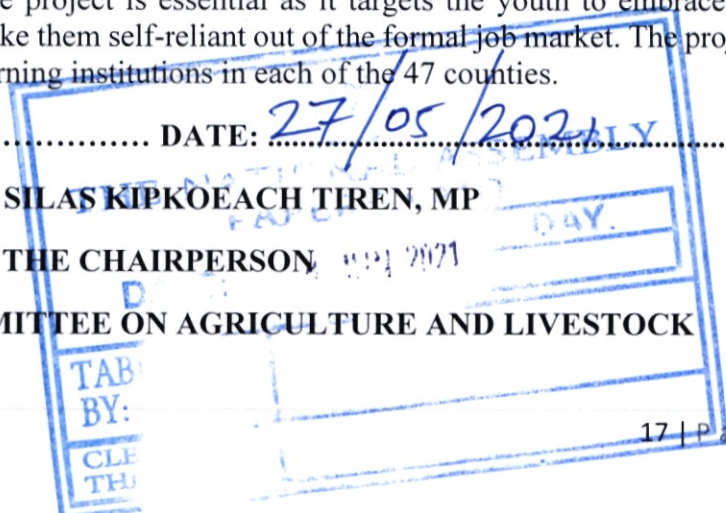
26. **Ksh. 70 million** development allocation for the establishment of Regional Offices. The department is in the process of establishing new regional offices across the country. This is important as it will enable the department to discharge its mandate effectively.
27. **Ksh. 40 million** allocation for Aquaponics development. The Department has developed Aquaponics Technology for training demonstrations in learning institutions and for commercial productions. The project is essential as it targets the youth to embrace fish farming at an early age to make them self-reliant out of the formal job market. The projects targets to cover at least 5 learning institutions in each of the 47 counties.

SIGNED: DATE: 27/05/2021

THE HON. SILAS KIPKOEACH TIREN, MP

THE CHAIRPERSON

DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK





**REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY**

TWELFTH PARLIAMENT – FIFTH SESSION

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

**REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR FY
2021/22 AND THE MEDIUM TERM FOR**

State Department for ICT & Innovation

State Department for Broadcasting & Telecommunication

Published by:-

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PART I

I. PREFACE

1.1 Introduction

1. The report being a culmination of the Committees' engagements and deliberations with the various spending agencies under the purview of the Committee has the principal objective to inform decision making on the 2021/22 allocations to various components of the two votes: 1122(State Departments for ICT & Innovation) and Vote 1123 (State Department for Broadcasting & Telecommunication) under the purview of the Committee as well as the SAGAS under the purview of respective State Departments.
2. The resultant insights gained during the Committee processing of the proposed estimates which have guided the formation of the Committee's observations and recommendations provide crucial and resourceful input in the final Budget and Appropriation Committee's report on the 2021/22 budget Estimates.

1.2 Mandate and Membership of the Committee

3. The Departmental Committee on Communication, Information & Innovation is established under Standing Order No. 216. Its mandate pursuant to Standing Order 216(5) is:-
 - a. Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
 - b. **Study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;**
 - c. Study and review all legislation referred to it;
 - d. Study, assess and analyse the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
 - e. Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
 - f. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);
 - (fa) examine treaties, agreements and conventions;
 - g. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 - h. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 - i. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
 - j. Examine any questions raised by Members on a matter within its mandate.
4. The Departmental Committee has therefore the mandate to consider and review the Estimates in line with the stipulated mandate (Standing Order 235(4), and among other things, taking into account the need to ensure efficiency in spending informed by past actual

performance; realism and attainment of performance indicators and key outputs; programme and project prioritization including completion of ongoing projects amid prevailing resource constraints and Covid 19 crisis; clarity in both the cost centers and delivery units. Subsequently, the Committee is to submit recommendations to the Budget and Appropriations Committee (BAC) for onward tabling and approval in the House.

5. In addition, Section 39(3) of the PFM Act, 2012 empowers the National Assembly to alter the proposed budget estimates provided **that an increase in expenditure is balanced by a reduction elsewhere but a proposed reduction in expenditure need not be reallocated but can be used to reduce the budget deficit.**

1.3 Committee Membership

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

Chairperson

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

Jubilee Party

Vice-Chairperson

Hon. Jane Wanjiku Njiru
MP for Embu County

Jubilee Party

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

Jubilee Party

Hon. Gertrude Mbeyu , MP
MP for Kilifi County

Orange Democratic Party

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

Kenya National Congress

Hon. Anthony Kiai, MP
MP for Mukurweini Constituency

Jubilee Party

Hon. Annie WanjikuKibeh, MP
MP for Gatundu North Constituency

Jubilee Party

Hon. (Eng.) Mark Nyamita Ogola, MP
MP for Uriri Constituency

Orange Democratic Party

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

Wiper Democratic Party

Hon. Victor Munyaka, MP
MP for Machakos Town Constituency

Jubilee Party

Hon. MarwaKitayamaMaisori, MP
MP for Kuria East Constituency

Jubilee Party

Hon. Erastus Nzioka Kivasu, M.P.
MP for Mbooni

New Democrats Party

Hon. Mwambu Mabongah, MP
MP for Bumula Constituency

Independent

Hon. Innocent Momanyi Obiri, MP
Bobasi Constituency

People's Democratic Party

Hon. Maritim Sylvanus, MP
MP for Ainamoi Constituency

Jubilee Party

Hon. Godfrey Osotsi Atieno, MP
Nominated

African National Congress

Hon. Mwangaza Kawira, MP
MP for Meru County
Independent

Hon. Anthony, Tom Oluoch, MP
MP for Mathare Constituency
Orange Democratic Party

Hon. Jonah Mburu, MP
MP for Lari Constituency
Jubilee Party

1.4 Committee Secretariat

7. The Committee secretariat is composed of the following technical staff;

Head of the Secretariat

Ms. Hellen Kina
Clerk Assistant II

Ms. Ella Kendi
Clerk Assistant II

Mr. Salem Lorot
Legal Counsel

Mr. Donald Manyala
Research Officer II

Mr. Thomas Ogwel
Fiscal Analyst I

1.5 Overview of the Budget Estimates for the FY 2021/22 and the Medium Term

8. Pursuant to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the Budget Estimates in the House not later than 30th April of every year. On Thursday, 29th April, 2021, the Budget estimates was laid on the floor of the House pursuant to the provisions of the Standing Order No. 232 of the National Assembly and section 37(2) of the Public Finance Management Act (2012). Pursuant to the provisions of the Standing Order No 235 (2), the Budget estimates subsequently **'shall stand committed to each Departmental Committee without question put'**. In considering the Budget Estimates, the BAC shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.
9. Following the tabling of the Budget estimates, the Departmental Committee on ICT & Innovations held a briefing meeting by the Parliamentary Budget Office (PBO) on 17th May 2021 and thereafter held consultative meetings with the State Departments and the Semi-Autonomous Government Agencies (SAGAs) domiciled in the departments. The deliberations of the meetings together with the contents of the proposed estimates, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

1.6 Acknowledgement

10. The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also extends its appreciation to the State Department for ICT & Innovation and State Department for Broadcasting & Telecommunications and the management team of the relevant agencies (SAGAs) for their active participation during the consultative engagements that culminated into the production of this report.
11. Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Communication, Information and Innovation, to present this report on the 2021/22 and the medium term budget estimates.

Hon. William Kipsang, M.P
(Chairperson)

PART II

II. BROAD OVERVIEW OF THE BUDGETS ESTIMATES FOR THE FY 2021/22

12. The Fiscal Analyst, Parliamentary Budget Office appeared before the Committee on the 17th May 2021 and made a presentation on the analytical brief of the proposed budget estimates for the FY 2021/22 and the Medium Term.
13. The presentation provided both the financial and non-financial analysis of the proposed budget. It was noted that the proposed overall expenditure for the FY 2021/2022 is estimated at Kshs.3,656.89 billion out of which Kshs. 1,895.14 billion is allocated to the Executive arm of the National Government, Kshs. 46.61 billion to Parliament, Kshs. 17.92 billion to Judiciary and Kshs. 1,327.22 billion to the Consolidated Fund Services. Transfers to Counties Equitable Share are estimated at Kshs. 370.00 billion. The allocation to the National Government (all the three arms) and Counties as percentage of the total proposed budget remained as was the case with BPS 2021. However, the share of the Consolidated Fund Services (CFS) has increased from 36% in the BPS 2021 to 37% of the overall proposed spending in the 2021/2022 estimates.
14. As regards the spending agencies under the purview of the committee, the proposed budgetary allocations are discussed under each State Department as follows:

Vote 1122: State Department for ICT & Innovation
15. The State Department has been allocated KSh. 25.48 billion comprising of KSh.1.65 billion for recurrent expenditure and KSh 23.83 billion for development expenditure. When compared to the BPS ceilings, the total recurrent estimates are exactly as the approved BPS ceilings while the development estimates exceeds the BPS ceilings by Ksh 2 billion (8.5 % more than ceilings). The allocations above the BPS ceilings are spread across all the three programmes under implementation with largest being in the programme of ICT Infrastructure development.
16. The lion share of the projects (the total development) is externally funded. Indeed, 82% (Ksh.19.4 billion) of the capital projects whose total allocations in the FY 2021/22 amounts to Ksh 23.8 billion are proposed to be financed through proceeds of external debts.
17. The State Department plans to implement 14 development projects in the FY 2021/2022. All the projects are ongoing with only an introduction of the project of Afro-Cities Summit (KSh.100 Million) introduced under Government Shared Services expenditure head. The largest allocations to the development expenditures are proposed for: Horizontal Infrastructure Phase I –EPCF(KSh.12 billion), Installation and Commissioning of Eldoret Nadapal Fibre Optic (KSh.1.1 billion), Maintenance & Rehabilitation of NOFBI II Cable(KSh.702 Million), connectivity to Big 4 projects (Ksh.604 million).

Vote 1123: State department for broadcasting and telecommunication

18. The State Department has been allocated KSh. 6.4 billion comprising of KSh.5.95 billion for recurrent expenditure and KSh 450 million for development expenditure. When compared approved BPS ceilings, the proposed allocation slightly exceeds the ceilings by KSh.34 Million.
19. When the proposed 2021/2022 estimates are compared to the 2020/2021 revised budget, the recurrent expenditure is proposed to have a reduction of by 2 billion while the development expenditure has an increase 168 million. The decrease in the recurrent estimates is on account of transfers to other government agencies while the largest increments in the development estimates is on the for Non-financial assets and capital transfers to government agencies
20. The State Department plans to implement 8 development projects in the FY 2021/2022. All the projects are ongoing except Construction of Classrooms at KIMC (Eldoret Campus) which is a new project. The largest allocations to the development expenditures are proposed for KBC Analogue to Digital TV Migration at KSh.133.5 Million and Modernization of KNA National Desk and Press Centre at KSh.70.9 Million. All the the capital projects are locally funded (GoK).
21. Key among the salient issues brought to the attention of the Committee by the analyst included:
 - a) **Pending Bills:** Both the State Departments for ICT & Innovation and Broadcasting and Telecommunication have Substantial pending Bills (Ksh 1 B and 1.9 B respectively) as at the time of last submission in February 2021. The PFM Act 2012 provides that pending bills should make the first charge at the beginning of a new financial year. Accumulation of pending bills have the risks of escalating costs associated to the outstanding amounts such as interest costs and penalties. In addition, the existence of pending bills reduces the fiscal flexibility in utilization of allocated resources due to the legal obligation to settle the pending bills. There is need to come up with a strategy to have the eligible bills settled.
 - b) **Maintenance and Rehabilitation of ICT infrastructural projects:** There are substantial expenditures incurred in the maintenance and rehabilitation of the ICT infrastructures such as NOFBI II Expansion Cable and Last Mile County Connectivity. There is need to enhance Monitoring and Evaluation in this area so as to facilitate optimization of value for public money while ensuring that the quality aspects of the works are not overlooked.
 - c) **Sustainability of SAGAs domiciled in the sub-sector:** The Postal Corporation of Kenya has in the recent past been struggling to even cater for basic expenses such as payment of salaries of employees. Key among the tenets of the recently instituted IMF programmes include restructuring of State Owned Enterprises to make them financially viable. There is need to fast track the restructuring of the corporation so that the conditionalities of the IMF do not disrupt the operations of the corporation.
 - d) **Absorption rates:** The absorption rate for the two State Departments for the last three years averages at 85%. Though the underperformance can be attributed to causes not

beyond the departments such as underfunding or delay in exchequer issuance, there is need to enhance discretionary avenues for the improvement of absorption rates. Low absorption or/ and likelihood of not spending allocated funds is a justification for budget cuts during mid-year budget revisions.

- e) ***Delay in completion of capital projects:*** As revealed in annexures contained in the presented brief, there are several capital projects that are lagging behind timelines that were envisaged for their completion while some projects are past set completion time lines (Kenya Film School planned completion time was 2017 and is yet to be completed). These extension of times results into cost over runs and also delays the envisaged public services that are planned to accrue from them.
- f) ***Realism and pragmatism of set targets:*** There are perennial underperformance in the set targets. Besides, some targets such setting to achieve broadcast hours for Kenya Broadcasting Corporation without any aspect to evaluate viewership and listenership make the target lack pragmatic. There is need to set realistic targets and commitment to realize the targets. Unmet targets imply missed opportunities for public service delivery.

PART III

III. SUBMISSIONS BY THE STATE DEPARTMENTS

3.1 The State Department for ICT & Innovations

22. The Principal Secretary of the State Department Mr. Jerome Ochieng, CBS accompanied by the relevant technical team and heads of various Directorates and SAGAs appeared before the committee on the 17th May 2021 and made submissions on the proposed estimates for the FY 2021/22. Pursuant to the information sought through the invite letter, the submission covered specific thematic areas on budgetary issues.

Proposed estimates for the FY 2021/22

23. The proposed total estimates of FY 2021/22 for the department amounts to Ksh 25.48 billion (Ksh 1.65 billion and Ksh 23.82 billion for recurrent and development respectively) exceeds the approved BPS ceilings by Ksh 1.67 billion (ceilings at Ksh 23.81 billion). The additional resources of 1.67 billion (in excess of the ceilings) are proposed to be apportioned to the various programmes as: Ksh 26 Million to the General administration program is proposed to cater for the growth in personnel emolument (PE) due to annual salary increment, KSh 234 million to the E-Government Services Programme for additional budget for Office of Data Protection Commissioner, Afri-cities summit and TEAMS project under Big Four Agenda and Ksh 1.41 billion for the projects of Horn of Africa Gateway development and Konza EPCF.
24. The proposed total gross estimates represents an increase of 17 % (additional Ksh 3.7 billion) when compared to the approved estimates for the current FY 2020/21. The increase is largely on development expenditure with recurrent only having an increase amounting to Ksh 12 million. Considering the resource requirement as at the Sector Working Group stage of resource bidding, that amounted to Ksh 41.2 billion (Ksh 2.6 billion and Ksh 38.55 billion for recurrent and development respectively), the funding gap is estimated at Ksh 15.7 billion (gap of Ksh 1 billion in recurrent and Ksh 14.7 billion in capital expenditure).

Projects linked to the Big Four Agenda

25. Details of the projects domiciled within the department and linked to the big four were provided. The projects involved connectivity to government installations such as hospitals to facilitate Universal Healthcare and connectivity to Industrial parks for Manufacturing. It was reported that 45 hospitals were already connected to WAN while 18 were connected to LAN. Inspection and acceptance of health facilities are currently ongoing to facilitate payments to contractors.

26. Status of connectivity to Konza Data Centre and Smart City Facilities was provided. The Committee was apprised that TEAMS capacity had been expanded from 10 GBs to 100 GBs and independent Fibre connectivity link for Government developed.
27. The proposed allocations for connectivity to universal healthcare amounts to KSh 409.3 Million, to Konza Data Centre and Smart City Facilities Ksh. 28.6 Million. A concern was made that the allocations are meagre and would derail the achievement of the set targets.

Programmes, Key Outputs and Targets for the FY 2021/22 and Medium Term

28. The Committee was taken through the envisaged programmes, key outputs and targets for the FY 2021/22. The submission provided a comparative analysis of performance of the State Department in the previous FY 2019/20 evaluated on the set targets and actual achievements, the current FY 2020/21 targets as the baseline and the proposed targets for the FY 2021/22.
29. For the FY 2019/20, the submission revealed that largely the targets were achieved in the various programmes considering the respective Key Performance Indicators. Stellar performance in targets achievement were in areas which included: 100% maintenance of the 8900 Kilometers of National Fibre Optic Cable Network, 100 % acquisition and distribution of ICT equipment to Ministries, Departments and Agencies, 100% maintenance of the government data centre, horizontal infrastructure works at Konza, 90,154 digital devices procured and distributed to primary schools (target for the period was 75,000).
30. Despite the impressive targets achievement in the aforementioned areas, the State department highlighted on the challenges and constraints it encountered during budget implementation. Key among them included limited funding, slow and low adoption of innovations and technologies, inadequate legal and institutional framework for the protection of intellectual property rights, lack of integrated ICT infrastructure between National Government and County Governments, rapid ICT technological advancements, and Cyber security issues; vandalism of ICT Infrastructure.
31. On account of low funding , delays in exchequer releases and budget cuts, underachievement of targets were registered on areas such as: establishment of 189 Constituency Innovation hubs(targeted 290), connected only 18 health facilities against set target of 60,through County connectivity project, connected 164 government buildings with internet network against the set target of 264.
32. The State Department expounded on the proposed targets for the FY 2021/22 and how the changes in the targets were linked to the proposed variations in allocations. A commitment was made that all the available administrative and planning avenues would be seized and fully optimized to ensure that budget implementation is enhanced to facilitate the realization of the set targets. Key variations in the targets are proposed on: health facilities to be connected to be 27 from 20 set in the current FY, percentage completion of Konza conference facility set at 100%(from 50%), Percentage completion of Konza Horizontal Infrastructure envisaged to rise to 82% from 66%.

Pending Bills

33. The Committee was informed that the pending bills amounted to Ksh.789.7 Million of which Ksh.18.5 Million is owed by the State Department expenditure head while the Ksh.771.3 Million is owed by the Information, Communication and Technology Authority (ICTA). It was pointed out that all the pending bills are contested and once the issues are resolved, then their settlement will be prioritized as a first charge.
34. The pending bills owed by ICTA was indicated relates to a World Bank funded project (Kenya Transparency Communication Infrastructure Programme- KTCIP) closed in 2016. It is for bills owed to Oracle, Microsoft and IBM for supply of software to ICTA. An advice was sought from the Attorney General on the cases of the bills and ICTA was advised to undertake adjudication and arbitration with service providers. The Committee was informed that the service providers no longer pursue payment for the bills.

Stalled Projects and Completion Status of Ongoing Projects

35. It was reported that there are no stalled projects within the State Department and in the relevant SAGAs. However, a concern was raised on the sluggish progress in undertaking the ongoing projects. The total costs for all the ongoing projects was estimated at Ksh.246.3 billion of which actual expenditure was at Ksh.103.7 billion as at May 2021 resulting into outstanding project costs totaling to Ksh.142.7 billion.
36. The details provided indicated that financial performance as evaluated on total cost of projects, actual cumulative expenditure as at to-date, outstanding project cost, percentage completion status and the proposed allocations for the FY 2021/22 revealed that the targeted completion dates for most projects shall not be achieved. Key of the projects whose completion timelines shall be missed include: NOFBI Phase II expansion to all Sub-counties which was planned to be completed in 2020, is at 90% completion therefore its completion is delayed, Maintenance and Rehabilitation of Last Mile County Connectivity Network which was to be completed in 2019, is at 50% completion, Connectivity to Special Economic Zones (Textile Park Naivasha, Kenanie Leather Industrial Park, Dongo Kundu) which were planned to be undertaken in the period 2019 and 2022, are proposed to have their first modest allocations of Ksh. 2 Million each in 2021/22.

New Projects

37. The State department reported only two new projects which include Horn of Africa Gateway Development Project that entails provision of broadband connectivity along Northern corridor (Isiolo- Marsabit- Mandera). The other new project is the Last Mile County Connectivity Project Phase IV and V. The latter project was pointed out had been approved by the National Treasury and awaiting signing of financing and commercial agreements and that its expenditure plans shall be factored in the MTEF period.

Other Relevant Information

38. The Committee was informed that the Office of Data Protection Commissioner which is proposed to be allocated Ksh 50 Million in 2021/22 had been promised by the National Treasury additional KSh. 257 Million to cater for staff emolument, office rent, office fitting

and partitioning, implementation of ICT Automation framework, purchase of three motor vehicles and general office supplies.

3.2 The State Department for Broadcasting & Telecommunication

39. On the 18th May 2021, the PS of the State Department accompanied by relevant heads of Directorates and SAGAs domiciled in the State Department appeared before the Committee to make submissions on the relevant thematic areas on the 2021/22 estimates. The SAGA's represented included: The Kenya Broadcasting Corporation, Communications Authority of Kenya, Postal Corporation of Kenya, Media Council of Kenya, Kenya Yearbook Editorial Board, Kenya Institute of Mass Communication and Kenya Film Classification Board, Kenya Film Commission.

Proposed estimates for the FY 2021/22

40. The Committee was taken through comparative analysis of the proposed estimates for the FY 2021/22 relative to the approved allocations for the current FY and the 2021 BPS. The State Department proposed total estimates amounting to KSh.6.4 billion represents a reduction of by KSh.1.9 billion when the current FY allocation is used as the baseline. This comprises of proposed recurrent expenditure of KSh.5.9 billion and KSh.451 Million for development expenditure which in total translates to a 23 % reduction.
41. The Committee was informed that the proposed reduction was largely on current transfers to government Agencies. In relation to the approved ceilings in BPS, the proposed estimates exceeds the ceiling by KSh 34 Million in the recurrent vote. The variance relates to proposed additional allocation relates to enhancement of operations and maintenance items under the programme of General Administration Services.
42. Areas that are proposed to have major variation if compared with the base year allocations include: Office of the Government Spokesperson to be allocated additional KSh 50 Million to cater for strategic interventions, Government Advertising Agency allocated an additional KSh212 Million to cater for advertising costs and KIMC an additional KSh.19.5 million to cater for Salaries Remuneration Commission approved salary Adjustments and Staff Media Cover.
43. The proposed allocation for the FY 2021/22 as compared to the resource requirement submitted during the Sector Group working revealed substantial funding gap recurrent expenditure in various areas of the economic classifications. The total resource requirements was KSh.10.3 billion while the proposed estimates amounts to KSh.5.9 billion for recurrent, a funding gap of KSh 4.4 billion. The underfunding was noted is largely in grants and transfers to government agencies as shown below.

Table 1: Comparison of Approved Estimates, Resource Requirements and Proposed Estimates (Amounts in KSh. Million).

SAGAS	Approved Estimates	Resource Requires	Proposed Allocations	Funding Gap
Kenya Broadcasting Corporation	2,129	3,333	2,143	-1,190
Kenya Yearbook Editorial Board	142	172	126	-46
Media Council of Kenya	771	591	397	-194
Media Complaints Commission	10	13	10	-3
Kenya Institute of Mass Communication	208	263		-263
National Commission Secretariat	120	212	212	0
Kenya Film Commission	262	811	312	-499
Kenya Film Classification Board	557	519	427	-92
Kenya Film School	64	65	65	0
Postal Corporation of Kenya	810	1,000	0	-1,000
Total	5,076		3,917	3,917
Appropriation in Aid	1,528		1,622	1,622
Net Transfers	3,548		2,295	2,295

Source: Sector Group Working and Estimates

Projects linked to the Big Four Agenda

44. The State department informed the committee it has no project directly linked to the Big Four Agenda. However, the facilitative role, the projects and programmes being undertaken by the department was noted to be linked to the Big Four Agenda. The sub-sector therefore services as an enabler to the achievement of both the Big Four Agenda and Vision 2030. The associated projects are geared towards improving collection and dissemination of information on government programmes and projects. The proposed reduction in allocation was pointed out would adversely affect the enabling role the State Department play in the achievement of Big Four Agenda.

Programmes, Key Outputs and Targets for the FY 2021/22 and Medium Term

45. The Committee was taken through the non-financial performance of the State Department for the past FY 2019/20. The reasons for the underachievement of the envisaged targets were given and the measures taken to mitigate future underperformance in the programmes under implementation highlighted.
46. Achievements were reported in major key outputs. The achievements were in areas which included: completion of digital roll out project, operationalization of studios under mashinani project, enhanced government media coverage, automation of public advertising, enhanced government strategic communication, media standards and film mapping in the country.

47. The underperformance in key projects and programmes were attributed to various reasons. Key among the reasons included:
- a) Budget cuts: The reduction of allocated funds in Supplementary budgets was noted to be derailing the completion of some projects and consequently contributing to underperformance of the targets. An example of a project adversely affected by such cuts is construction of 405 Bed Capacity Hostel at KIMC, construction of Archiving and repository Centre , modernization on identified equipment and facilities under the envisaged key output of Modern Media equipment and facilities.
 - b) Covid 19 Pandemic: The Department demonstrated how the instituted Covid 19 containment measures such as lockdowns, movement restrictions, and reduced physical interactions have adversely affected their activities in collection and dissemination of information which is the bedrock of its mandate. This underperformance was manifested in areas with key performance indicators such as: number of Mobile Cinema shows, number of TV news items produced, number of regional and weekly online Mawasiliano publications, and training for the relevant public communication officers, among others.
 - c) Rapid Technological change: The targeted percentage completion of refurbishment and equipping of Nairobi Film Centre (Nairobi cinema) was not realized since the earlier budgeted for equipment was out of market due to technological advancement. This consequently necessitated the revision of specification leading to the change of cost.
 - d) Delays in exchequer releases: This was pointed out is a cross cutting problem impairing the implementation of various projects and programmes.
48. The Committee was taken through the envisaged targets, key outputs and Key Performance indicators for the FY 2021/22 and the Medium Term. The reasons and justifications for variation of the targets were provided in relation to the proposed changes in allocations when compared to the current FY as the baseline.
49. Measures put in place by the State Department to enhance the budget implementation in the next financial year 2021/22 were noted to include: The Kenya Film Classification Board through its regional offices has heightened its compliance sensitization among film producers and has also adopted online application for licensing. The SAGAs also seek to enhance their administrative capacity to ensure that they optimize on their discretionary avenues for timely execution of planned activities.
50. The Committee was urged to facilitate the allocation of adequate resources to the vote in the FY 2021/22 and in the Medium Term and also to protect such allocations so as not to be reduced during the supplementary budgets.

Pending Bills

51. As the beginning of the current FY 2020/21, under the State Department the validated pending amounted to KSh. 1.5 billion. The approved pending bills under supplementary I was KSh.1.19 billion of which the remaining pending bills of KSh.330.4 Million are likely to transit into 2021/22. It was reported that out of the budget provision of KSh.1.19 billion,

pending bills worth KSh 451 Million have so far been settled. The pending bills worth the remaining KSh.740 Million are at various stages of payment process.

52. Huge pending bills were noted exist within the SAGAs and continue to be accumulated. The Kenya Broadcasting Corporation (KBC) was reported to be having pending bills estimated at KSh.4.6 billion and Postal Corporation of KSh.4.1 billion relating to outstanding statutory deductions i.e. PAYE, Staff Pension, SACCOs, and bills due to suppliers of goods and services. These bills were noted to be largely historical.

Stalled Projects and Completion status of ongoing projects

53. The Committee was informed that there are no stalled projects. However, the sluggish progress in implementation of the ongoing projects were noted would make the achievement of the set timelines unattainable if the funding of the projects are not enhanced. The Key Projects whose accumulated actual expenditures were not in tandem with the envisaged completion timelines include:
- a) KBC Analogue to Digital TV Migration: Out of the estimated total project cost of KSh6 billion, so far actual accumulated expenditure amounts to KSh 5.5 billion, completion rate stands at 92% whereas planned timelines are 2014-2021, this past set time.
 - b) KBC Radio Mashinane: Out of the estimated total project cost of KSh619 million, so far actual accumulated expenditure amounts to KSh 120 million, completion rate stands at 19% whereas planned timelines are 2016-2023.
 - c) Modernization of Kenya News Agency: Out of the estimated total project cost of KSh 791 million, so far actual accumulated expenditure amounts to KSh 65 million, completion rate stands at 8% whereas planned timelines are 2017-2023
 - d) Acquisition and Refurbishment of Cinema Theatre: Out of the estimated total project cost of KSh 759 million, so far actual accumulated expenditure amounts to KSh 172.5 million, completion rate stands at 40 % whereas planned timelines are 2016-2023.

New Projects

54. The Construction of Classrooms at the Kenya Institute of Mass Communication at the Eldoret Campus which is proposed to be allocated KSh 40 Million in the FY 2021/22 is the only new project. The Committee was reminded that the Construction of the classrooms is a component of the Construction of Eldoret Campus KIMC project was envisaged to be undertaken between 2018-2025 and has not been funded.

Other Relevant Information

55. The State Department brought to the attention of the Committee areas that were underfunded and needed urgent intervention. The areas that were pointed out needed funding include:
- a) Headquarters expenditure Head: Shortfall amounting to Ksh.70 Million of which Ksh 45 Million to cater for new recruited staff and promotions and Ksh.25 Million to cater to acquire additional office space for the newly recruited Staff.
 - b) Office of Government Spokesperson: KSh. 120 Million to create public awareness on the progress made in the implementation of Big Four Agenda, risks/social programme, communication and political developments.

- c) Department of Information: KSh.42.8 Million to cater for refurbishment of field offices that are currently in deplorable state.
- d) Department of Communication: Ksh 18.5 Million to procure media and website software that will monitor media coverage and enhance National Government Contact Centre to provide real time information on Government Services
- e) Government Advertising Agency: Ksh 715 Million of which KSh 331 Million to settle pending bills and KSh.384 Million to cater for public communication services to support the forthcoming general election.
- f) Kenya Broadcasting Corporation (KBC): KSh.706.6 Million of which Ksh.191.5 for completion KBC analogue to Digital TV Migration and KSh.518.1 Million to cater for accumulated expenses associated to free school broadcast on channel I Television.
- g) Kenya Yearbook Editorial Board: KSh. 46 Million to revamp online capacity, acquire digital cameras for both video and still photography, editing equipment.
- h) Media Council of Kenya: KSh 379 million to enhance media monitoring and editorial intelligence including early warning on hate speech, propaganda and fake news during the heightened 2022 political environment
- i) Kenya Film Classification Board: KSh.324 Million to equip already refurbished section of the Nairobi Cinema Theatre so that it can be put to use
- j) Kenya Film commission: KSh.218 Million of which Ksh.100 Million for film empowerment programme and KSh.118 Million for recruitment of which approval has already been granted.
- k) Kenya Institute of Mass Communication: KSh 46 Million of which KSh 10 million for construction of Tuition block to facilitate social distancing and KSh 36 Million for streaming content to SIGNET for enhanced training
- l) Kenya Postal Corporation: KSh 1 billion for universal postal service obligations to cater for unserved and undeserved areas of the country.

PART IV

IV. OBSERVATIONS AND RECOMMENDATIONS

4.1 Observations

State Department on ICT & Innovation

56. The Digital Literacy programme has not been well conceptualized for viable implementation occasioning inability to utilize the allocated resources for the procurement and installation of the targeted digital devices in primary schools. This has led to unutilized allocated funds lying in bank accounts.
57. The mandate of the Office of Data Protection Commissioner is so crucial and more so with the imminent full roll out of huduma number and the general election and needs to be facilitated for its full establishment both in its organization and its operational capacity.
58. The maintenance and rehabilitation of the ICT infrastructure such as NOFBI II Cable and Last Mile County Connectivity Network consumes substantial public money every financial year. There is lack of a robust Monitoring and Evaluation framework in such works to facilitate optimization of value for public money.
59. The relocation of offices of SAGAs domiciled in the State department such as ICT Authority to Konza city would substantially save public funds used for renting of office spaces and other associated costs.
60. The completion status of some of the projects being implemented reveal that the set times lines for their completion shall not be achieved. The extension of projects completion not only delays the delivery of envisaged public service but also lead to costs overruns.
61. Despite the improvement in the geographical network coverage achieved through the last mile county connectivity network programme, there exists weak networks across several regions which impairs the realization of the intended public service provision.
62. There is a historical pending bill amounting to KSh.771 million owed by ICTA to Oracle, Microsoft and IBM for supply and licenses of software for a World Bank project that was closed in 2016. The Attorney General advised ICTA to undertake adjudication and arbitration with the service providers which is yet to be concluded on account that the service providers have informally stopped pursuing the payments. Not fully closing the issue of settlement of this pending bill could lead to escalation of costs associated to the bills.
63. The process of procurement and distribution of digital devices through the digital literacy programme take inordinately long. Given the rapid technological advancement, the acquired hardware and softwares are prone to risks of getting obsolete and consequently impairing value for public money.

64. That the decentralization of Government Shared Services shall lead to diseconomies of Scale and the investments already done at the Headquarters shall be lost

State Department for Broadcasting & Telecommunication

65. The Postal Corporation of Kenya (PCK) is financially struggling and its business model is not commercially viable, a matter that has eroded its going concern. The PCK reportedly has 6 month's salary arrears. The Corporation's resource requirement is estimated at KSh. 1 billion to make it operationally afloat. The State Department in collaboration with other Stakeholders such as the National Treasury has instituted a team to work on its restructuring plan.
66. The financial problems the Postal Corporation of Kenya is largely attributable to non-settlement of bills owed to by government entities .The Corporation is still owed substantial amount of money amounting to over KSh 1.2 billion by the Ministry of Public Service on account of outstanding rental bills for hosting Huduma centres across various regions.
67. KBC is facing a lawsuit estimated at KSh.40 billion in London UK for termination of a contract it had with Amjan TV which later incorporated British Virgins Islands. The ongoing arbitration case continues to accumulate legal fees which KBC is unable to raise, a matter that has made KBC's legal counsel to indicate that it will not take further work till paid and assurance for future payments made. KBC has requested for KSh.40 billion as legal contingency. The unfavorable outcome of the case will pose huge financial burden to the Kenyan government as the natural underwriter of the risk of State Owned Enterprise such as KBC.
68. The Office of the Government Spokesperson needs to be facilitated more to enable it be more vibrant and effective in dissemination of government policies and programmes. This is particularly necessary during the heightened political periods such as the approaching electioneering season to stem confusion that arises from the information asymmetry between the public and the government functionaries.
69. Some targets and Key Performance Indicators for the Kenya Broadcasting Corporation (KBC) are neither realistic nor pragmatic. For example, the target is set on the broadcasting hours to be achieved in the financial year but lacks the important aspect of viewership and listenership which stimulates competition and consequently incentivize quality services.
70. There still exists inadequacy in the capacity of Media Council of Kenya and Communication Authority to effectively and efficiently deal with incidences of misuse of social media, radio and television platforms.
71. There are several policies and legislative proposals at various stages of development in this sub-sector, mostly at drafting stage and stakeholders engagements. Key among them include: The National Film Bill, National Spectrum Bill, National Addressing System Bill, Public Relations and Communication Management Bill and Digital Economy Strategy. The

enactment of these shall strengthen the legal and institutional frameworks within the sub-sector

72. The Kenya Broadcasting Corporation was necessitated to provide free airing of approved education content during the closure of schools. The expenses associated to the provision of these education programmes are unfairly borne by the Corporation, consequently worsening its financial struggles.
73. The relocation of offices of SAGAs domiciled in the State department to Konza city would substantially save public money used for renting of office spaces and other associated costs.

4.2 Recommendations

4.2.1 Policy Recommendations

State Department on ICT & Innovation

74. The State department to institute a robust Monitoring and Evaluation framework on the Maintenance and rehabilitation works of the existing ICT Infrastructure (NOFBI II Cable and Last Mile County Connectivity Networks) and to make a submission on the same to the Committee before engagements on the first quarter (2021/22) budget implementation.
75. In Collaboration with the State Department, ICTA to develop a viable framework and practical strategy on how to implement the Digital Literacy Programme and apprise the Committee by end of August 2021.
76. The Department to ensure that purchase of items such as computer and software is well planned so that they are procured in good time to avoid wastage of funds and delays of distribution which leads to rendering the products purchased obsolete.
77. The department to ensure that the relocation of offices of ICTA and other relevant SAGAs to Konza City is implemented by end of second quarter of 2021/22.
78. The State department to institute and conduct an audit on the strength of the connectivity of the existing networks across the regions. The report on the audit and the planned remedial actions to boost the identified weak networks to be presented to the Committee within six months from June 2021.
79. The state department to report to the committee by end of June 2021 on the status of the distribution of the 30,000 digital devices that were procured under Digital Literacy Programme.
80. That the centralization of ICT Government Shared Services at the headquarters to continue be the policy to leverage on the economies of scale.

State Department for Broadcasting & Telecommunication

81. State department in collaboration with other stakeholders (The National Treasury and the Office of Attorney General and Postal Corporation of Kenya) working on the business review and restructuring of the Postal Corporation of Kenya to fast track the process for conclusion before the end of first quarter of the financial year 2021/22.
82. The National Government to enact before end of the first quarter of 2021/22 a policy to prescribe that all government agencies use the Postal Corporation of Kenya as their first call for all the required supply of the logistical and courier services.
83. Adequate funds from the 2021/22 appropriated funds to the Ministry of Public Service (where huduma activities are domiciled) to be ring-fenced for full settlement of the accrued rental pending bills owed to the Postal Corporation of Kenya. The National Treasury to prioritize the disbursement of these funds upon appropriation and to submit a status report to the National Assembly on the same by end of the first quarter 2021/22.
84. The State department to fast track the development of the aforementioned legislative proposals (under observation) for submission and tabling in the National Assembly by the end of the first quarter of 2021/22 for subsequent processing and eventual enactment.
85. The Office of Government Spokesperson needs to be strengthened and its activities at least doubled by end of September 2021 so that its key output of government strategic communication is executed in a timely manner and for the benefit of the entire nation. This shall serve to dispel any perceived dark clouds that may hang over the government policies and programmes as we approach the general election.
86. The Government should institute by end of September 2021 a policy on reimbursement of costs incurred by entities (both public and private) in providing free programs such as airing of approved education program.

4.2.2 Financial Recommendations

Proposed reductions

Vote	Programme/Area/ Item	Proposed Reductions (KSh. mlns)	Justifications
1122: ICT & Innovation	ICT Infrastructure Development Programme :Digital Literacy Programme	600	The Funds allocated in the recent past have not been utilized since the digital devices planned be procured were still being designed for manufacturing. Funds reported to be held in bank accounts. Besides, some 30,000 digital devices procured in the past are yet to be distributed and face the risk of being obsolete given the rapid advancement in technology
	ICT Infrastructure Development Programme:Konza Technopolis Masterplan Consultancy-MDP2	100	The target set to be attained in FY 2021/22 is to reach a 93% of deliverables (deliverables not specified). This is not proportionate with the Project status which according to the submission by the Ministry was at financial performance level of 40% as at May 2021.In the Medium Term,a target of 100 % is envisaged to be achieved in the FY 2022/23 whereas the allocations is projected to continue into 23/24. The expenditure on the same can therefore be phased out.
Total Proposed reductions		700	

Proposed increases

Vote	Programme/Area/Item	Proposed increases (KSh. mlns)	Justifications
1122: ICT & Innovation	E-Government Services Programme :Office of the Data Protection Commissioner	200	To cater for office rent, office fitting and partitioning, staff emolument, implementation of ICT Automation framework, purchase of 3 motor vehicles and other Office Supplies. The need for more allocations had been recognized through the promise by the National Treasury to have the Office allocated KSh 257 Million.
	ICT Infrastructure development Programme: Hotel Facility at Konza Complex Phase 1 B	75	To cater for the initial stages of construction of the hotel Facility at Konza Complex Phase 1 B. The hotel will complement the usage of the facilities at Konza as well as generate AiA through fees from its services offered.
	ICT Infrastructure development Programme: Supervision of Streetscape & Waste Water Reclamation Facilities	75	To enhance the rate and scope of streetscape developed to standard paved Standards as well as to accelerate works in Waste Water Reclamation Facilities.
	ICT Development Infrastructure: Headquarters-Directorate of ICT	50	Being part payment for the Undersea Cable for the entrenchment of the Djibouti-Kenya partnership in line with the Agreement entered into for enhanced ICT connectivity for the ultimate goal of acquiring 1 terrabyte connectivity. The total project is estimated to cost KSh.700 Million.

1123 : Broadcasting &Telecom.	Information and Communication Services :Media Council of Kenya	204	This is to partially restore the allocations towards remaining at the level reached after Supplementary I FY 2020/21 (Ksh 771 M)as the additional supplementary estimates were to cater for expenditures associated to increase personnel which is continuous operational expenses but not a one off expenditure.
	Information and Communication Services : Office of the Government Spokesman	50	To cater for enhanced activities in Government Strategic Communications as the heightened political Season approaches.
	Mass Media Skills Development : : Kenya Yearbook Editorial Board	46	To cater for expansion of space to facilitate adherence to social distancing protocol
Total Proposed Increases		700	

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


WISH LIST

The following underfunded areas should be considered for funding should the fiscal space allow in the FY 2021/22:

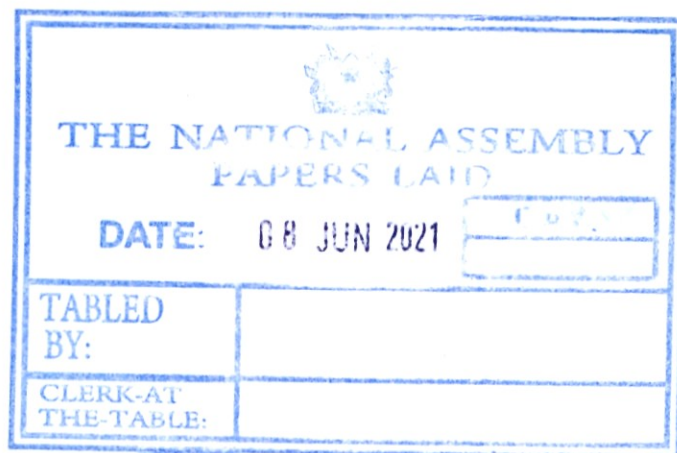
State Department for Broadcasting and Telecommunication

- a). Media Council of Kenya (MCK),Ksh 158 Million to restore the allocations to KSh.771 Million reached after the Supplementary I FY 2020/21.
- b) Department of Information: KSh.42.8 Million to cater for refurbishment of field offices that are currently in deplorable state
- c) Government Advertising Agency: Ksh 715 Million of which KSh 331 Million to settle pending bills and KSh.384 Million to cater for public communication services to support the forthcoming general election.
- d) Kenya Broadcasting Corporation (KBC): KSh.706.6 Million of which Ksh.191.5 for completion KBC analogue to Digital TV Migration and KSh.518.1 Million to cater for accumulated expenses associated to free school broadcast on channel I Television.
- e) Kenya Film Classification Board: KSh.324 Million to equip already refurbished section of the Nairobi Cinema Theatre so that it can be put to use

- f) Kenya Film Commission: KSh.218 Million of which Ksh.100 Million for film empowerment programme and KSh.118 Million for recruitment of which approval has already been granted.
- g) Kenya Institute of Mass Communication: KSh 36 Million for streaming content to SIGNET for enhanced training and Ksh 10 Million for tuition block to expand for social distancing need.
- h) Kenya Postal Corporation: KSh 1 billion for universal postal service obligations to cater for unserved and undeserved areas of the country.
- i) Department of Communication: Ksh 18.5 Million to procure media and website software that will monitor media coverage and enhance National Government Contact Centre to provide real time information on Government Services
- j) Headquarters expenditure Head: Shortfall amounting to Ksh.70 Million of which Ksh 45 Million to cater for new recruited staff and promotions and Ksh.25 Million to cater to acquire additional office space for the newly recruited Staff
- k) Office of the Data Protection Commissioner to be allocated KSh.50 million to cater operational costs.
- l) ICT Infrastructure development Programme: Hotel Facility at Konza Complex Phase 1 B to be allocated KSh 25 million.

SIGNED *for*  DATE *03 June 2021*

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






**REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY**

TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS

**REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR FY 2021/22
AND THE MEDIUM TERM FOR MINISTRY OF EAST AFRICAN COMMUNITY AND
REGIONAL DEVELOPMENT, NATIONAL INTELLIGENCE SERVICE, MINISTRY OF
DEFENCE AND MINISTRY OF FOREIGN AFFAIRS**

 THE NATIONAL ASSEMBLY PAPERS LAID	
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PART I

1.0 PREFACE

1.1 Introduction

1. This report is the Committee's outcome of its scrutiny of the budgetary estimates for the financial year 2021/22, for the following ministries and agency;
 - i.) Ministry of East African Community and Regional Development
 - ii.) The National Intelligence Service
 - iii.) Ministry of Defence
 - iv.) Ministry of Foreign Affairs
2. The budget estimates are based on the Budget Policy Statement that was passed by the House, and this is now a report of the specific programmes to be pursued by the ministries and agency in the subject financial year.

1.2 Mandate and Membership of the Committee

3. 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*
4. 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.

5. 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) Ministry of East African Community & Regional Development
- iv) The National Intelligence Service

1.3 Committee Membership

6. The Committee Membership is as follows:

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

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

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

MP for Kilgoris Constituency
Jubilee Party

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

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

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

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

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

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

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

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

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

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

The Hon. Gideon Konchella, MP

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

Jubilee Party

The Hon. Vincent K. Tuwei, MP
MP for Mosop Constituency

Jubilee Party

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

ANC Party

The Hon. Caleb Amisi, MP
MP for Saboti Constituency

ODM Party

The Hon. Asha Hussein Mohamed,
MP

MP for Mombasa County

ODM Party

1.4 Committee Secretariat

7. The Committee is facilitated by the following members of the secretariat.

Mr. Victor Weke
First Clerk Assistant

Lead Clerk

Mr. Abdiaziz Shobay

Clerk Assistant II

Mr. Edison Odhiambo

Fiscal Analyst

Ms. Mercy Wanyonyi/ Mr. Salem
Lorot

Legal Counsels

Ms Deborah Mupusi
Media Relations Officer

1.5 Overview on the Examination of the Budget Estimates for FY 2021/22

8. The 2021/22 budget estimates were submitted and tabled in the National Assembly pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act 2012. The Constitution of Kenya and the Public Finance Management Act 2012 gives the National Assembly the mandate to review the Budget Estimates and make recommendations before the budget is approved.
9. Standing Order No. 235(3) provides that after being laid in the House, the Budget Estimates are committed to each Departmental Committee to deliberate upon according to their respective mandates. The Standing Orders also allows the Departmental Committees of the National Assembly to review and consider the Budget Estimates for the various spending agencies within their purview and make recommendations to the Budget and Appropriation Committee.
10. During the consideration of the 2021/22 budget estimates for ministries and agencies under the Committee's purview, the Committee was briefed by the Parliamentary Budget Office on Tuesday 11th May, 2021 on the contents and key issues under the various votes.

11. The Committee then met with the Ministry of East African Cooperation and Regional Development and the National Intelligence Service on Wednesday 19th May 2021 and with the Ministries of Defence and that of Foreign Affairs on Thursday 20th May 2021. The Committee adopted this report on Friday 21st May 2021.

1.6 Acknowledgement

12. The Committee is thankful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members of the Committee, secretariat and officers of the ministries and agency for their expertise and insights during the scrutiny of the 2021/22 budget estimates.

13. On behalf of the Departmental Committee on Defence and Foreign Relations and pursuant to provisions Section 25(2) of the Public Finance Management Act, 2012 and Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the proposed 2021/2022 budget estimates for the Ministries of Foreign Affairs, Defence, East African Cooperation & Regional Development and the National Intelligence Service.

Thank You

HON. KATOO OLE METITO, EGH, MGH MP

PART II

2.0 BROAD OVERVIEW OF THE BUDGET ESTIMATES 2021/22

14. The proposed allocation to the **Ministry of Defence** amounts to **KSh. 119.8 billion** comprising of KSh. 114.7 billion for recurrent and KSh. 5 billion for development expenditure. The estimates are projected to rise to KSh.133.3 billion and KSh. 146 billion in the medium term. The estimates for the ministry are within the ceilings of the BPS 2021 as approved by the House. The Defence spending in Kenya amounts to 1.2 percent of the GDP which is slightly above the average sub-Saharan of 1 percent.
15. The Proposed Estimates for the **Ministry of Foreign Affairs** amounts to **KSh. 18,799 million** comprising of KSh. 17,010 million for recurrent and KSh. 1,789 million development. The overall proposed expenditure is slightly above the ceilings of the expenditure as adopted by the House in the BPS 2021 and the medium term by KSh. 492 million.
16. **The State Department for East Africa Community** has a proposed allocation of **KSh. 609 million**. Over the MTEF period 2017/18- 2019/20, approved budget for the FY 2017/18 was KSh. 1.6 billion, FY 2018/19 KSh. 895.9 million and FY 2019/20 KSh. 514.6 million, against the actual expenditure of KSh. 1.5 billion FY 2017/18, KSh. 891.7 million FY 2018/19 and KSh. 507.4 million FY 2019/20 respectively translating to an average absorption rate of 96%. The drop in expenditure is attributable to transfer of subscription to international bodies that was previously under the State Department. Further reductions in 2019/20 was occasioned by expenditure cuts related to COVID-19 pandemic. The National Treasury had signed a partnership agreement with a donor for the construction of a cross border market in Busia but had not committed its counterpart funding of KSh. 83 million. These markets are important for regional trade and integration and should be encouraged. Non provision of counterpart funding may delay the implementation of such critical projects.
17. The proposed estimates for the **State Department for Regional and Northern Corridor Development** amounts to **KSh. 3,780.5 million** comprising of KSh. 2,785 million for recurrent and KSh. 999.5 million for development expenditure. The proposed expenditure has marginally surpassed the BPS ceilings approved by the House by KSh. 29.5 million. An analysis of recurrent transfers to the development authorities shows that most are dependent on exchequer for their operations except for Kerio Valley Development Authority whose 53 percent of its recurrent budget is generated within. Given the rising cost of operations of RDAs, there is need for the Authorities to be self-sustaining by generating revenues for their operations.
18. **The National Intelligence Service** has been allocated KSh. 42.5 billion in 2021/22. The estimates are projected to grow to KSh. 47.8 billion and KSh. 50 .8 billion over the medium term. In the last financial years, the agency got KSh.31.9 billion in FY 2017/18, KSh.34.5 billion in FY 2018/19 and KSh.41.7 billion in FY 2019/20 respectively. During that period, the actual expenditure was KSh. 31.9 billion, KSh. 32.5 billion and KSh. 40.2 billion respectively. This

represents absorption rates of 99.9% in the FY 2017/18, 94% in FY 2018/19 and 96% in FY 2019/20 respectively.

3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

3.1 MINISTRY OF EAST AFRICAN COMMUNITY & REGIONAL DEVELOPMENT

19. The Ministry appeared before the Committee on 19th May 2021, and was led by the Cabinet Secretary, Mr. Adan Mohamed, the Principal Secretary State Department for East African Community Mr. Kevit Desai and the Principal Secretary State Department for Regional & Northern Corridor Development Dr. Belio Kipsang.

20. The ministry coordinates policies, programmes, and projects of the East African Community (EAC) and Regional Development Authorities (RDAs) to facilitate Kenya's economic growth and socio-economic development. The ministry's programmes and activities are aligned the economic pillar of Vision 2030 by seeking to expand demand for local value-added products within and beyond the country.

3.1.1 STATE DEPARTMENT FOR EAST AFRICAN COMMUNITY

21. The state department has one programme namely East African Affairs and Regional Integration. This is pursued through the following three sub-programmes.

- i. East African Customs Union
- ii. East African Common Market
- iii. East African Monetary Union

22. Under this programme, the state department has been allocated **KSh. 609 million** for the financial year 2021/22. The allocation is entirely recurrent, to cater for compensation to employees, rent, scholarships for South Sudanese civil servants and other operations and maintenance expenses.

23. In the current financial year 2020/21, the approved budget was KSh. 539.3 million of which they had absorbed 73% as at end of the third quarter (March 2021). They currently do not have capital projects in the current financial year, save for the intention to build cross-border markets in Busia, Isebania, Taveta and Namanga. It is on this note that the ministry has secured counterpart funding from a donor for a KSh. 600 million cross-border market in Busia, subject to GOK funding of KSh. 83 million, which has not been provided for.

24. The state department has a historical pending bill of KSh. 4,453,133 that has not been settled due to lack of supportive documents.

25. The state department requested for additional allocation of KSh. 467.68 million to critical functions in hosting and chairmanship of the 22nd Summit of the EAC Heads of State, Busia cross-border market and office equipment.

3.1.2 STATE DEPARTMENT FOR REGIONAL & NORTHERN CORRIDOR DEVELOPMENT

26. The State Department is responsible for coordinating activities of regional development authorities, monitoring and evaluation of the implementation of the northern corridor project. The activities are implemented under one programme of Integrated Regional Development which is divided into three sub-programmes.
- i.) Integrated Basin Based Development
 - ii.) Management of Northern Corridor Integration
 - iii.) General Administration, Planning and Support Services.
27. In the financial year 2021/22, the State Department had a budgetary allocation of **KSh. 3.780 billion** of which KSh. 2.785 was recurrent and KSh. 995.5 million was development. The recurrent component comprised of AIA of KSh. 478.5 million. The budgetary allocations had a variance of KSh. 37.5 million, occasioned by the separation of the salary component of the KOSFIP project.
28. The development projects attributable to the development budget component were the ongoing 17 projects, while 24 had stalled over lack of finances and governance challenges, under the various regional development authorities, as annexed in the ministry's submission. From the foregoing, there were pending bills of KSh. 2.313 billion. The State Department currently had absorbed 63% of its current financial year allocation which was approved at KSh. 1.775 billion.
29. The State Department was in the process of finalizing its regional development policy and strategy and was now requesting for additional budget of KSh. 8.082 billion.

3.2 NATIONAL INTELLIGENCE SERVICE

30. The Service met the Committee on 19th May 2021 led by its Director General, Major General (Rtd.) Phillip Kameru. They took the Committee through the national and global security threats outlook, which informed its operations under the singular programme of National Security Intelligence. The key performance indicators for this programme have been dissemination of actionable intelligence and counterintelligence operations.
31. The agency received a budgetary allocation in the financial year 2020/21 of KSh. 45.551 billion. This had now been reduced to **KSh. 42.451 billion** for the financial year under review, 2021/22, and projected to rise to KSh. 47.837 billion and KSh. 50.794 billion in the medium term.
32. Among its capital projects, the agency intends to establish a National Intelligence Research and University College of which KSh. 1.5 billion has been allocated. This will be a constituent college of the National Defence College. The agency had also been involved in establishment of the small arms factory, national geophysical project and research and development. In the current financial

year, the agency had also expanded its surveillance systems, development of a medical facility and securitization of the headquarters.

33. The agency had neither pending bills nor stalled projects. They had absorbed KSh. 32.11 billion as at 11th May 2021 representing 70% of the approved estimates.

34. The agency requested for additional funding of KSh. 3.5 billion which was for critical operations.

3.2 MINISTRY OF DEFENCE

35. The Ministry appeared before the Committee on 20th May 2021 led by the Cabinet Secretary Amb. Monica Juma.

36. The ministry undertakes the functions of national defence, defence intelligence, management of the defence policy, support to civil authorities and coordination of semi-autonomous agencies. The latter includes the following.

- i.) Kenya Ordnance Factories Corporation
- ii.) Kenya Space Agency
- iii.) Kenya Meat Commission
- iv.) Kenya Shipyards Limited
- v.) National Telecommunication Security Service

37. In the financial year 2021/22, the ministry had been allocated KSh. 119.843 billion, in comparison to KSh. 122.365 billion in 2020/21 and was projected to grow to KSh. 133.336 billion and KSh. 146.059 billion in the medium term. The ministry's development programmes include modernization of its infrastructure in line with emerging threats

38. The subject financial year allocation had no Export Credit Arrangement component as has been the custom in this ministry, due to failure to finalize the agreements in time. The ministry was also pursuing Public Private Partnerships (PPP) especially in development of housing units for its officers.

39. In the current financial year, the ministry had expended 85% of their allocation as at 30th April 2021, translating to KSh. 105.078 billion. The ministry had also remitted its AIA to Treasury, KSh. 3.203 billion from UN/AMISOM reimbursements and KSh. 725 from other internal revenue generation sources.

3.4 MINISTRY OF FOREIGN AFFAIRS

40. The ministry led by the cabinet Secretary, Amb. Raychelle Omamo appeared before the Committee on 20th May 2021.

41. The ministry submitted that they ran their programmes under four budget lines.

- i.) General administration, planning and support services.
- ii.) Foreign relations and diplomacy

iii.) Economic and cultural diplomacy

iv.) Foreign policy research, capacity development and technical cooperation

42. The ministry had in the outgoing financial year 2021/22 a budgetary allocation of KSh. 15.924 billion recurrent and KSh. 1.016 billion for development. The former had an absorption rate of 75% as at 31st March 2021 while the latter had seen 61% absorbed during the same period.
43. These funds had seen varied non-financial achievements including strengthened bilateral and multilateral relations with various countries, promotion of national and international peace, security and stability, economic cooperation, trade and investment, country and individual campaigns, and resource mobilization to combat covid-19. Moreover, the ministry was involved through its missions in repatriation of Kenyans abroad during the covid pandemic.
44. The ministry had seen new missions opened and operationalized, including in Dakar-Senegal, Accra-Ghana, Bern-Switzerland and Djibouti. Further new chanceries had been acquired and/or renovated including Geneva, Mogadishu, New York, Washington D.C and Rome. The itemised list of the projects is annexed to the ministry's submission.
45. The ministry had no stalled project but decried chronic underfunding of existing projects. They had pending bills of KSh. 61,848,530 that were disputed and were awaiting verification.
46. In the subject financial year 2021/22, the ministry had a proposed budgetary allocation of KSh. **18,800** million with KSh. 17.011 million recurrent and KSh. 1,790 million for development. This had left the ministry with huge shortfalls that would hamper important projects.

PART III

4.0 COMMITTEE OBSERVATIONS

4.1 MINISTRY OF EAST AFRICAN COMMUNITY & REGIONAL DEVELOPMENT

STATE DEPARTMENT FOR EAST AFRICAN COMMUNITY

47. The counterpart funding of KSh. 83 million towards construction of Jumuiya cross border market could not be factored in the annual estimates due to delay on the part of the donor to conclude on the financing agreement. The cross-border market once operationalised will deepen EAC integration and ease cross border trade thereby increasing business opportunities for traders along the border.
48. The non-funded areas under the State Department included KSh. 150 million for hosting of the 22nd summit of EAC Heads of state. It was also observed that the item was also under the Ministry of Foreign Affairs. The Committee observed there was a need to have one agency to deal with such matters and have their budgetary allocation be under one vote.
49. The State Department had no pending bills in the FY 2019/20, However they had historical pending bills amounting to KSh.4.5 million relating to financial years 2015/16 and 2016/17 which could not be settled due to lack of supportive documents. The Committee observed there was need to determine the validity of all pending bills with the aim of clearing any genuine claim as a first charge.
50. The proposed estimates had not factored in of KSh. 36 million towards facilitating members of EALA- Kenya chapter while in Nairobi. Other member states had taken care of their respective members given that the EAC secretariat/ EALA had no provisions for the same.

STATE DEPARTMENT FOR REGIONAL & NORTHERN CORRIDOR DEVELOPMENT

51. The AIA generated by RDAs were too low to sustain their operations.
52. The Tana and Athi Rivers Development Authority (TARDA) was incurring costs of maintaining Masinga and Kiambere dams yet the beneficiaries of water from the dam such as Kitui County government were not making any payment to the Authority. Further, KenGen which was also a beneficiary of the dam were only remitting KSh. 65 million annually to the authority, an amount the Committee observed was way below the cost of services they were deriving from their income generated from power sales.
53. The Arror and Kimwarer dams' case was headed to London court of arbitration following an application by the contractor. The GoK was expected to participate in the proceedings in London through the office of the Attorney General and KSh. 150 million was required to be deposited before the case could proceed. The State Department had not been provided with these resources in the proposed budget.

54. The State Department had pending bills amounting to KSh. 6.3 billion. Included in the pending bills was an amount of KSh. 2.9 billion related to the Lake Basin Development Authority mall which had accumulated interest amounting to KSh. 1 billion as at the end of quarter three of the FY 2020/21.
55. The State Department had 24 stalled projects on account of lack of budgetary provision and governance challenges with some of the projects. The total costs of the projects amounted to KSh. 562.9 billion but they had expended KSh. 24.1 billion.

4.2 NATIONAL INTELLIGENCE SERVICE

56. The security threats facing Kenya were threats related to terrorism, extra-ordinary threats, internal socio-political threats, environmental, regional, and international dynamics, economic challenges and cyber threats.
57. The Service was implementing three projects related to the big four agenda which included the National Security Industries (Small Arms Factory), National Geophysical project and Research and Development.
58. The Service proposed budget was at par with the ceilings approved by the House on the BPS 2021 and the medium term despite a critical funding gap of KSh. 3.5 billion.

4.3 MINISTRY OF DEFENCE

59. The proposed allocation to the Ministry of Defence amounted to KSh. 119,843 million against a BPS ceiling s of KSh. 127,563 giving a gap of KSh. 7,720 million. The gap was attributable to donor financing whose negotiations was still ongoing and therefore could not be factored in the estimates.
60. The proposed allocation for the Ministry of Defence included KSh. 2,000 million to Kenya Shipyard Limited, KSh. 550 million to Kenya Meat Commission, KSh. 200 million to the Kenya Space Agency, KSh. 235 million operational grants to Kenya Ordnance Factory Cooperation. Other allocations included KSh. 1,500 million for Kenya-Somalia Border securitization, KSh. 279 million National Air Services Department, among others.
61. The Ministry did not have any stalled projects. All the projects were either completed or ongoing at various stages. Amongst the completed projects were the government funded programmes of firepower, mobility, and sustainment under the military modernisation programme. Others included the rehabilitation works on various railways lines included Thika-Nanyuki line, Nakuru-Kisumu line and Kisumu - Butere, Gilgil-Nyahururu. Some ongoing projects included the construction of Ulinzi Sports Complex in Langata, The Kenya-Somalia Border securitization from BP23 to BP29 among other infrastructure projects.

62. The Ministry had accumulated pending bills amounting to KSh. 8.1 billion on account of lack of exchequer. The pending bills had disrupted the implementation of 2020/21 budget given that they were treated as first charge.

4.4 MINISTRY OF FOREIGN AFFAIRS

63. The budgetary allocation on foreign travel for the Ministry of foreign Affairs had remained high despite the austerity measures and the ongoing COVID-19 pandemic which has restricted travelling in most parts of the world.
64. There Asset acquisition plan which provides for design for Kenya Assets in foreign missions had not been concluded as had been directed by the Committee. The ministry was working jointly with the State Department for Public works.
65. There was a need for policy direction on sharing of AIA proceeds from e-citizen platform between the National Treasury and the Ministry. The current arrangement was that the missions retain collection from visa, passports and other fees and the money was utilized to fund immigration attachees in foreign mission. Since the AIA collection was going direct to National Treasury, there was need for the AIA projections to be reduced accordingly or the State Department for Interior to budget for the Immigration Officers in their vote.
66. The policy on centralisation of ICT services was not possible to be implemented in foreign missions. There was a need for the Ministry of Foreign Affairs to be funded directly to enable them leverage on ICT for service delivery.

5.0 COMMITTEE RECOMMENDATIONS

5.1 Policy/non-financial Recommendations

67. The Cabinet Secretary responsible for Regional Development Authorities in consultation with the Cabinet Secretaries for National Treasury and Energy to develop a framework for adequate compensation to TARDA for the use of waters of Masinga and Kiambere dams by KenGen. This should be in place by 31st December 2021.
68. Given that all litigations by the government is under the domain of the Attorney General, it is recommended that any allocation towards litigation and arbitration to be budgeted/centralized under the Office of the Attorney General in the next financial year.
69. The Cabinet Secretary responsible for Regional Development Authorities and that of the National Treasury together with Cooperative Bank of Kenya enter into a tripartite agreement of transferring the loan owed under the LBDA mall to government to deter any possible loss of public investments to private hands by 31st December 2021.
70. The Cabinet Secretary for the Ministry of Defence and that of National Treasury to fastrack the ongoing negotiations on ECA funding for military modernisation projects and factor in the donor commitment before the enactment of the Appropriations Act by 30th June 2021.
71. The CS Ministry of Defence to work towards reviving the Kenya Meat Commission and the Kenya Ordinance Factory Cooperation fully to reduce their dependency on Exchequer. There was need for the SAGAs to be self-sufficient.
72. The CS National Treasury to provide a budget line for the Immigration Attachees under the State Department for Interior and Immigration Services effective from 1st July 2022.

5.2 Financial recommendations

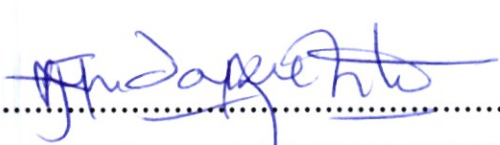
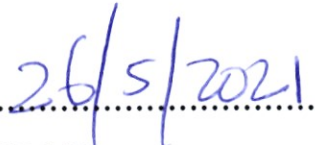
1. Reduce the allocation towards Defense Programme, Operations and Maintenance by KSh. 500 million.
2. Increase the allocation towards Civil Aid programme by KSh. 500 million, under the Ministry of Defence, Recurrent Expenditure.
3. Re-allocate KSh. 500 million from Kenya-Somalia Border Securitization project, Defence Programme to Humanitarian Civil Aid.

5.3 Other Recommendations

1. Allocation of **KSh. 5,170 million** towards the State Department for Regional Development Authorities and Northern Corridor Development to various RDAs as follows: -
 - i. **KSh. 600 million** towards the construction of 12 water pans/small dams for drought mitigation under Ewaso N'giro North Development Authority (ENNDA),


- ii. **KSh. 850 million** towards the Lake Basin Development Authority for construction of Nyakoe and Amariba markets (KSh. 150 million), facilitation of operational and maintenance cost of the Water Hyacinth machine (KSh. 100 million) and Lichota, Muhoroni & Alupe solar irrigation project (KSh. 600 million)
 - iii. **KSh. 560 million** towards Kerio Valley Development Authority for drought mitigation programmes, in Turkana, Samburu, Baringo, West Pokot and Elgeyo Marakwet counties and facilitation of arbitration fees for Arror and Kimwarer at ICC (KSh. 150 million)
 - iv. **KSh. 1,420 million** towards Ewaso Ng'iro South Development Authority for Ewaso Ng'iro leather factory (KSh. 350 million), Tomato processing factory oloitokitok (KSh. 500 million), Drought mitigation programme in Ewaso Ng'iro South river basin (KSh. 500 million) and KSh. 70 million for facilitation of salaries of staff for the Leather factory.
 - v. **KSh. 250 million** for drought mitigation measures in Kwale, Kilifi, Lamu and Tana River counties and comprehensive medical insurance of Staff and Board members for Coast Development Authority (CDA). (KSh. 50 million)
 - vi. **KSh. 1,490 million** towards Tana and Athi Rivers Development Authority (TARDA) for Tana delta irrigation project (KSh. 500 million), Kieni Small holder irrigation project (KSh. 550 million) Muranga Small holder Irrigation Scheme (KSh. 400 million) and Bridging salary shortfalls (KSh. 40 million)
2. Allocation of **KSh. 1,073 million** towards the State Department for East African Community as follows: -
- i. KSh. 549.6 million for EAC Arusha meetings
 - ii. KSh. 150 million for hosting of the 22nd Summit of EAC Heads of State
 - iii. KSh. 79.7 million for Chairmanship of the EAC
 - iv. KSh. 83 million for Busia Jumuiya Cross border market
 - v. KSh. 30 million for office equipment for Business Reforms and Transformation department.
 - vi. KSh. 50 million for office furniture
 - vii. KSh. 40 million for National outreach activities
 - viii. KSh. 35 million for capacity development
3. Allocation of **KSh. 3.5 billion** towards the National Intelligence Service for Security Operations
4. Allocation of **KSh. 3.8 billion** towards the Ministry of Foreign Affairs as follows: -
- i. KSh. 1,500 million for operationalization/establishment of new missions
 - ii. KSh. 500 million for multiple accreditation

- iii. KSh. 300 million for Kenya Maritime Border Dispute case
- iv. KSh.1,500 million for adjustments for missions O&M

SIGNED.......... DATE..........

HON. KATOO OLE METITO, EGH, MGH, MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS)

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Annex 2: PBO brief on the proposed 2021/22 Budget Estimates
Annex 3: MDA's submissions
Annex 4: Minutes of the Committee sittings
Annex 5: Adoption List

REPUBLIC OF KENYA




THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH

REPORT ON THE CONSIDERATION OF THE 2021/2022 FY BUDGET ESTIMATES
FOR THE MINISTRY OF EDUCATION AND THE TEACHERS SERVICE
COMMISSION

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NAIROBI

June, 2021

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1.0 PREFACE

1.1 Introduction

Mr. Chairman,

This is the report of the Departmental Committee on Education and Research on its consideration of the FY 2021/22 Budget Estimates for the Education Sector. The report is as a result of deliberations between the Committee and the officials from the Ministry of Education and the Teachers Service Commission.

The report contains importantly, observations and recommendations of the Committee as regards the proposed 2021/22 Budget Estimates for the Ministry of Education and the Teachers Service Commission.

1.2 Mandate and Membership of the Committee

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

Therefore, this report covers the proposed 2021/22 Budget Estimates for the Education Sector which consists of the Ministry of Education which is made up of four (5) State Departments and one independent Commission as indicated below:

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

1.3 Committee Membership

The Committee comprises of the following Members: -

Chairperson

1. Hon. Florence Mutua, MP
Busia County

Orange Democratic Movement Party

Vice Chairperson

2. Hon. Ngunjiri Wambugu
Nyeri Town Constituency

Jubilee Party

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

1.4 Committee Secretariat

The Committee secretariat comprise of:-

Mr. Daniel Mutunga
Principal Clerk Assistant I
Lead Clerk

Mr. Philip Lekarkar
Clerk Assistant II

Deborah Mupusi
Media Relations Officer

Ms. Grace Wahu
Clerk Assistant III

Ms. Catherine Mukunyi
Serjeant-At-Arms

Mr. Peter Mwaura
Legal Counsel

Mr. Collins Mahamba
Audio Officer

Mr. Eric Kanyi
Fiscal Analyst II

Mr. Samuel Kimaru
Parliamentary Intern

1.5 Overview on the Examination of the Proposed 2021/2022 Budget Estimates

The 2021/22 Budget Estimates were submitted and tabled in the National Assembly pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act 2012. The Constitution of Kenya and the Public Finance Management Act 2012 gives the National Assembly the mandate to review the Budget Estimates and make recommendations before the budget is approved.

Standing Order No. 235(3) provides that after being laid in the House, the Budget Estimates are committed to each Departmental Committee to deliberate upon according to their respective mandates. The Standing Orders also allows the Departmental Committees to review and consider the Budget Estimates for the various spending agencies within their purview and make recommendations to the Budget and Appropriations Committee.

During the consideration of the 2021/22 Budget Estimates for the Education Sector, the Committee was briefed by the Parliamentary Budget Office on Wednesday 12th May 2021 on the contents and key issues regarding the 2021/22 Budget Estimates under the various votes in the Education Sector.

Afterwards, on Thursday 18th and 19th May 2021, the Committee held discussions with the Ministry of Education and the Teachers Service Commission. During the entire period of the budget scrutiny the Committee held six (6) sittings.

Details on this presentation on the Parliamentary Budget Office brief and submissions from the Ministry of Education and the Teachers Service Commission regarding the proposed 2021/22 budget estimates for the education sector is annexed in this report.

1.6 Acknowledgement

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the 2021/2022 Budget Estimates.

On behalf of the Departmental Committee on Education and Research and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the proposed 2021/2022 Budget Estimates for the Ministry of Education and the Teachers Service Commission.

HON. FLORENCE MUTUA, CBS, MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH)

PART II

2.0 BROAD OVERVIEW OF THE 2021/2022 BUDGET ESTIMATES FOR THE EDUCATION SECTOR

In 2021/22 and over the medium terms, the Education sector will be implementing 16 programmes spread across its various State Departments. To finance this programmes, the proposed 2021/22 proposed budget for the sector is Kshs 509.3Billion. The proposed 2021/22 budget represents a Kshs 7.7 Billion increase compared to the current financial year allocation (2020/21) allocation of Kshs 502 Billion. The table below gives a summary of the proposed budget for the votes in the Education sector.

EDUCATION SECTOR MDA's	Programmes Implemented	Allocation (Kshs Mlns)		2021/22	%
		2019/20	2020/21*		
Department for Early Learning and Basic Education	4	94,348	98,619	103.9	20.4
Department for Vocational and Technical Training	3	23,688	24,856	23.4	4.6
Department for University Education and Research	3	123,358	113,134	100	19.6
Department for Post Training and Skills Development	3	123	151	268	0.0
Teachers Service Commission	3	256,332	264,892	281.7	55.4
Total	16	497,849	501,652	509.3	100.0

In terms of source of financing, the sector largely relies on direct GOK funding as well as AIA collected by various SAGAs. There are also some minimal aspects of support from the development partners especially in the State Departments of Vocational and Technical Training and Basic Education.

In terms of adherence to the approved ceilings for 2021/22, the proposed 2021/22 budget estimates have largely adhered to the ceilings set at Vote level. However, there are slight variations in various programmes.

Mr. Chairman,

The following sections indicate how the proposed 2021/22 budget estimates of Kshs 509 Billion has been allocated to various votes within the sector: -

1. State Department for Early Learning and Basic Education

The State Department has a proposed allocation of Kshs 103.9 Billion as indicated below. The proposed allocation is an increase of Kshs 4 Billion compared to the current financial year. The

increase is largely on the budget for the secondary education programme which has increased by Kshs 6 Billion.

Programmes	2020/21 Estimates			2021/22		
	Recc	Dev	Total	Recc	Dev	Total
Primary Education	16,929	4,063	20,992	16,911	2,341	19,252
Secondary Education	63,347	6,801	70,148	66,359	9,245	75,604
Quality Assurance and Standards	3,333	489	3,822	4,151	150	4,301
General Administration, Planning and Support Services	4,398	50	4,448	4,727	75	4,802
Total	88,007	11,403	99,410	92,148	11,811	103,959

This is a Department which is largely in charge of implementation of the free primary and secondary education flagship programmes, infrastructure improvement in institutions of basic learning as well as enforcing quality standards in provision of basic education. The implementation revolves around ensuring learners in both primary and secondary schools are supported through capitation.

The major outputs for the Department in 2021/22 financial year are indicated below:

Programme	Key areas of priority funded	2021/22 key targets set
Secondary Education	<ul style="list-style-type: none"> ▪ Capitation to learners (FDSE) ▪ School infrastructure ▪ Examination waivers ▪ ICT integration in secondary schools 	<ul style="list-style-type: none"> ▪ 3.4 million learners under capitation (Kshs 22,244 per learner) ▪ 45 schools upgraded to national status ▪ 1,380 classroom constructed ▪ 300,000 desks provided ▪ 416 laboratories constructed
Primary Education	<ul style="list-style-type: none"> ▪ Capitation (FPE) ▪ School infrastructure ▪ Digital Literacy ▪ School feeding ▪ Examination waiver 	<ul style="list-style-type: none"> ▪ 8.9 million learners capitated ▪ 250 new classrooms constructed ▪ 380,000 desks provided ▪ 50 infrastructure renovated ▪ 2,000 ICT interns recruited ▪ 2,200 smart computer laboratories established

The key SAGA's funded under this State Department are Kenya Institute of Curriculum Development (KICD), Kenya National Examination Council (KNEC), Kenya Institute of Special Education (KISE), Kenya Management Institute (KEMI) and National Council for Nomadic Education in Kenya (NACONEK).

An analysis of the proposed recurrent estimates indicates that out of the Kshs 89.8 Billion allocation, Kshs 88.4 Billion is from the exchequer whereas Kshs 1.4 Billion is Appropriations in Aid (AIA). A review of the itemized budget indicates that the major recurrent allocations (over Kshs 1 Billion) are on the following heads.

Key areas funded	2020/21	2021/22	Key area (s) funded
Kenya National Examination Council	1,476	1,476	Current transfers
Sub County Education Offices	1,159	1,322	Personnel emoluments (Kshs 1 Billion)
Directorate of Basic Education	14,418	13,725	Grants- Kshs 13.4 Billion KCPE examinations- Kshs 942 Million
Secondary and Tertiary Education HQ Administrative Services	62,684	65,691	Subsidies- Kshs 62 Billion KCSE examinations- Kshs 3.4 Billion
Kenya Institute of Curriculum Development	1,288	1,288	Current transfers
School Feeding Programme	1,982	1,981	Grants- Kshs 1.9 Billion

The State Department will be implementing a total of 22 capital projects. The following are the key capital projects funded in 2021/22.

Major capital projects	2021/22
Primary School Infrastructure Improvement	1,440
Secondary School infrastructure improvement	2,800
Upgrading of the National Schools	300
Kenya Secondary School Education Quality Improvement	5,821
Digital Literacy Programme (DLP)	220
Construction of National Psycho-Education Assessment Centre	121
ICT integration in Secondary Schools	200

The capital projects which are being implemented by the State Department are the ongoing projects and no new project has been introduced in 2021/22.

2. State Department for Vocational and Technical Training

The proposed 2021/22 allocation to this Department is **Kshs 23.3 Billion** which comprises of Kshs 18.8 Billion recurrent and **Kshs 4.5 Billion** development allocation. Compared to the current financial year, the allocation is Kshs 1.4 Billion less.

The reason for this is mainly the fact that the conditional grant to VTC's is no longer budgeted under this Department. Following the passage of the Budget Policy Statement 2021, the Kshs 2 Billion conditional grant to VTC was converted into equitable share for counties.

Programmes	2020/21 Estimates			2021/22 Estimates		
	Recc	Dev	Total	Recc	Dev	Total
Technical Vocational Education	18,224	4,285	22,509	18,646	4,448	23,094
Youth Training and Development	36	2,055	2,091	38	10	48
General Administration, Planning and Support Services	131	0	131	142	0	142
Total	18,391	6,340	24,731	18,826	4,458	23,284

The State Department main work revolves around provision of infrastructure for TVET institutions, administration of capitation as well as regulating the TVET sub sector. Thus, the Department budget is also largely recurrent in nature meant to support technical education in aspects such as capitation and personnel emoluments for TVET instructors. The following programmes have been prioritized for the Department:

Programme	Key areas of priority funded	Targets set	Comments
Technical Vocational Education	<ul style="list-style-type: none"> ▪ Capitation ▪ TVET infrastructure ▪ Personnel emoluments- mainly for TVET instructors 	<ul style="list-style-type: none"> ▪ 80% completion of 12 TTI's under ADB/GOK ▪ 100% completion of Saku, Merti and Kipipiri TTIs ▪ 5 VTCs equipped with modern equipment ▪ 40% completion of the 30 TTI's ▪ 10 TTI's with incubation centres ▪ 30% completion of 4 centers of excellence 	Some targets seem to indicate that the Department is implementing activities which are county related for instance equipping of VTCs

The key institutions funded under this State Department are TVETA, CDACC, National Polytechnics (NP's), Institutes of Technology (IST's), Technical Training Institutes (TTI's), Vocational Training Colleges (VTC's), Kenya Technical Training College (KTTC) and Kenya National Qualification Authority (KNQA).

The major recurrent allocations are on the following areas:

Area	2020/21	2021/22	Key Areas funded
TVETA	265	340	Current transfers
Technical Training Institutes (TTI's)	2,150	2,078	Current transfers
Institutes of Technology (IST's)	252	253	Current transfers
Directorate of Technical Education	11,398	11,582	Personnel emoluments- Kshs 6.3 Billion Current transfers- Kshs 5.2 Billion
KNQA	180	220	Current transfers
CDACC	372	322	Current transfers
National Polytechnics	3,304	3,313	Current transfers
KTTC	303	361	Current Transfers

The following are the major capital projects which are funded in 2021/22.

Project	2020/21			2020/21		
	GOK	Donor	Total	GOK	Donor	Total
38 GOK-ADB Phase II	236	1,600	1,836	169	900	1,068
Equipping and furnishing completed TTIs	-	-	-	46	-	46
Construction of 30 new TTIs	312	-	312	614	-	614
EA Skills transformation and regional integration	-	700	700	-	1,050	1,050
Promotion of youth employment and Vocational Training Phase 1	-	-	-	33	600	633
Promotion of youth employment and Vocational Training Phase 2	-	-	-	17	200	217
GOK/ADB TVET and entrepreneurship	-	-	-	45	700	745

3. State Department for University Education and Research

The proposed 2021/22 budget for the Department is Kshs 99.9 Billion which comprises of Kshs 95.4 Billion is recurrent and Kshs 4.6 Billion is development expenditure. Table below indicates a summary of the proposed budget.

Programmes	2020/21 Estimates			2021/22 Estimates		
	Recc	Dev	Total	Recc	Dev	Total
University Education	104,767	3,565	108,332	94,268	4,536	98,804
Research, Science, Technology and Innovation	799	45	844	900	40	940
General Administration, Planning and Support Services	206	-	206	238	-	238
Total	105,772	3,610	109,382	95,406	4,576	99,982

The key area of spending in this State Department is mostly recurrent in nature meant to support universities through capitation and university students through HELB Loans. The proposed development allocation is mainly funding of various capital projects in various universities. The programmes which have received priority in 2021/22 are:

Programme	Key areas of priority funded	Targets set	Comments
University Education	<ul style="list-style-type: none"> ▪ Capitation for university students ▪ Students HELB loans ▪ University infrastructure 	280,707 students receiving capitation 71,242 GOK students in private universities supported 252,175 students awarded loans 689,289 enrollment in universities. Various completion levels of capital projects (20% to 100%)	Going by past years' experience, the funding of various capital projects in universities is prone to budget cuts midyear hence the set targets may not be achieved.

The key SAGA's funded under this State Department are the National Commission for Science, Technology and Innovation (NACOSTI), the Kenya Universities and Colleges Central Placement Service (KUCCPS), Higher Education Loans Board (HELB), Commission for University Education (CUE), National Research Fund (NRF), University Funding Board (UFB) and the various public universities.

The major areas funded under the proposed recurrent budget are indicated below:

Head	Net	AIA	Gross	Key Area
NACOSTI	32	202	234	Transfers
KUCCPS	21	907	929	Transfers
HELB	11,304	4,500	15,804	Transfers
CUE	193	115	309	Transfers
National Research Fund	323	-	323	Transfers
GOK sponsored students in private universities	2,430	-	2,430	Transfers
Public Universities (Various)	44,127	30,502	74,628	Transfers

The 2021/22 FY itemized development estimates indicates that the State Department will continue to fund the various ongoing projects in public universities and other agencies under it and no new project has been introduced for implementation. The proposed development budget is Kshs 4.6 Billion out of which Kshs 3.8 Billion is from the exchequer and Kshs 750 million is from development partners. The capital projects funded are spread across the various public universities and Agencies within the State Department.

4. State Department for Post Training and Skills Development

The 2021/22 proposed budget for the Department is **Kshs 267 Million** which is entirely recurrent. The table gives a summary of the proposed allocation to the Department per programme.

Programmes	2020/21 Estimates			2021/22		
	Recc	Dev	Total	Recc	Dev	Total
General Administration, Planning and Support Services	104	-	104	135	-	135
Work Place Readiness Services	16	-	16	85	-	85
Post Training Information Management	7	-	7	47	-	47
Total	127	0	127	267	0	267

5. Teachers Service Commission

The 2021/22 proposed budget for TSC is Kshs 282 Billion. This allocation is largely recurrent and is Kshs 8 Billion more compared to the current financial year allocation of Kshs 274 Billion. The table below gives a summary of the proposed allocation per programme:

Programmes	2020/21 Estimates			2021/22 Estimates		
	Recc	Dev	Total	Recc	Dev	Total
Teacher Resource Management	265,359	600	265,959	272,634	600	273,234
Governance and Standards	1002	-	1,002	1,012	0	1,012
General Administration, Planning and Support Services	7,088	40	7,128	7,412	45	7,457
Total	273,449	640	274,089	281,058	645	281,703

The key areas of spending in the Commission is mainly recurrent in nature meant for teacher resources management where a bulk of the resources is for teacher's emoluments. The priority programmes for the Commission in 2021/22 is as follows:

Programme	Key areas of priority funded	Targets set	Comments
Teachers Resource management	Recruitment and personnel emoluments	<ul style="list-style-type: none"> ▪ 2,000 primary school intern teachers recruited ▪ 3,500 secondary school intern teachers recruited ▪ 5,000 secondary school teachers recruited 	The set targets may not be 100% achieved given the resources provided for the Commission.

3.0 SUBMISSIONS BY MINISTRY OF EDUCATION AND TEACHERS SERVICE COMMISSION

The Ministry of Education led by the Cabinet Secretary as well as the Teachers Service Commission led by the CEO appeared before the Committee on Tuesday 18th and Wednesday 19th May, 2021.

Submissions by the Ministry of Education

As regards the 2021/22 Budget Estimates, the various State Departments made presentations through their respective Principal Secretaries. The State Departments in the Ministry highlighted areas which have been funded as well as some critical areas in the sector which have not been adequately funded in 2021/2022.

The State Departments also submitted all the information requested for in the letter of invitation. The below section highlights the submissions made the State Departments. Annexed to this report are the detailed submissions made by the State Departments within the Ministry of Education.

1. State Department for Early Learning and Basic Education

The Principal Secretary for this State Department made the following submission:

The State Department for Early Learning & Basic Education is mandated to undertake the following; provision of basic education, education policy management, management of education standards, management of national examinations and certification, curriculum development, quality assurance in education, special needs education management and adult education management.

This mandate is implemented through projects and activities within the following four programmes;

1. Primary Education
2. Secondary Education
3. Quality Assurance and Standards
4. General Administration, Planning and Support Services

Overview of the 2021/22 FY Budget Estimates

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

Vote	Printed Estimate 2020/21 FY	Allocation 2021/22 FY
Recurrent	89,128,982,114	92,149,000,000
Development	11,690,000,000	11,811,600,000
Total	100,818,982,114	103,960,600,000

The overall increase in recurrent is due to an increase in FDSE allocation and wage drift.

Summary of Allocation per Programme

Name of Programme	Gross Allocation 2020/2021 FY	Gross Estimates for 2021/2022 FY
Primary Education	20,992,375,564	19,252,353,177
Secondary Education	70,148,303,602	75,604,844,764
Quality Assurance and Standards	3,822,452,404	4,301,012,495
General Administration, Planning and Support Services	4,447,840,058	4,802,389,564

The decrease under the primary programme is attributed to GPE PRIEDE and GPE Covid-19 projects that are scheduled to end in Dec.2021. However, there will be a new project funded by GPE to succeed the two projects.

The increase under Secondary programme is in regard to FDSE of **Kshs. 3 billion** and increase of SEQIP project allocation to cater for infrastructure development phase

Overview of the Recurrent Budget

Budget Item	2020/21 FY Printed Estimates (Kshs)	2020/21 FY Supp. I (Kshs)	2021/22 FY Budget Estimates (Kshs)
Personnel Emolument	4,187,700,000	4,009,964,873	4,196,159,423
Current Transfers	20,206,000,000	19,110,000,000	20,232,736,060
FDSE	59,421,865,698	59,421,865,698	62,421,865,698
National Exams	4,023,868,712	4,023,868,712	4,023,868,712
Other O&M	1,289,547,704	1,149,200,717	1,031,267,926
Total Rec. Budget	89,128,982,114	87,714,900,000	92,149,000,000

Overview of the Development Budget

Budget Item	Printed Estimates 2020/21 FY (Kshs)	2020/21FY Supp. Estimates I (Kshs)	Budget Estimates 2021/22FY (Kshs)
GoK	6,157,000,000	4,584,620,000	5,552,000,000
Loans	4,300,000,000	4,000,000,000	6,120,600,000
Grants	1,233,000,000	2,719,000,000	139,000,000
Total	11,690,000,000	11,303,620,000	11,811,600,000

The gross resource allocation for development budget has increased from the Kshs. 11,690,000,000 in the 2020/21 FY printed budget to Kshs. 11,811,600,000 in the proposed Budget Estimates 2021/22 FY.

GOK Budget

Major programmes supported under GOK funding are as follows:

Programme/ project	Kshs.
Provision of Locally Fabricated Desks for primary schools under	900 million
Provision of Locally Fabricated Desks for Secondary schools	1 Billion
Construction of Computer Labs to Support Digital Literacy Programme	220,200,000
Rehabilitation/ construction of Classrooms in Primary Schools (including low cost boarding schools)	540 Million
Rehabilitation/ construction of classrooms in secondary schools	2,099,800,000

Additional critical budget requirements are in the table below:

Programme Name	Budgets Estimates 2021/22 FY (Kshs.)	Additional Requirements 2021/22 FY (Kshs.)	Remarks
CBC Assessments	0	768M	CBC school based assessment for grades 4 and 5.
Primary Schools Infrastructure under the Economic Stimulus Programme	1,440,000,000	1.2 B	Provision of 1,500 classrooms at an average of Kshs 800,000 per class. Some primary schools will be converted into junior secondary schools. In this regard, the extra infrastructure will provide for necessary facilities to deal with congestion through provision of toilets and classrooms to ensure social distancing in public schools is observed in line with the Post Covid-19 measures. Further, infrastructural facilities will be provided to schools affected by flooding disasters experienced in specific areas.
Secondary Schools Infrastructure under the Economic Stimulus Programme	2,799,800,000	3B	This will take care of infrastructure requirements for double intake expected with implementation of CBC. The government initiative of 100% transition from primary to secondary education has increased the target enrollment of school learners hence the need to expand infrastructural facilities to reduce congestion in public schools.

Free Day Secondary Education (100% transition)	62B	10,739M	The enrolment of learners has increased due to the government initiative to achieve 100% transition to secondary schools. The current enrollment in public secondary schools is 3,289,885 students. The cost per child is Kshs. 22,244 therefore translates to a total requirement of KShs.73.180 Billion in 2021/22 FY. We project a growth of 6% on enrollment, therefore the current grant is inadequate to efficiently provide the capitation to learners. There is need for additional funding of Kshs. 10,739M
School Feeding Programme	1,856 M	1,130 M	There is a need for additional funding of Kshs. 1,130M to feed 151 days of the school calendar year. In addition, to cater for the urban slums school ongoing children by providing food.
PTTCs	105M	1B	This is to prepare the institutions to transit to diploma training colleges by upgrading the current infrastructure, and building and equipping of labs and libraries. The colleges will be used for retraining of teachers in competency based teacher education
Quality Assurance and standards	40M	400M	To increase capacity and scale of assessments and quality assurance to ensure effective delivery of CBC at school level.
Primary SNE	455M	629M	This will cater for 36,141 learners at the rate of Kshs 30,000 for provision SNE kits, infrastructure and staffing
NACONEK Programmes	156.9 M	300M	NACONEK is seeking to implement an additional fortified school meal for children between 10 years and below under Naconek Intergrated Water, Food and Energy Solutions for schools (NTWTESS) framework as a sustainable home-grown school feeding strategy. In addition, the Dugsi and Madrasa integration strategy will guide the development of a policy, legal and institutional framework that integrates Dugsi and Mudrasa.
Procurement of vehicles for field offices	0	1.41B	To provide 303 vehicles for CBC implementation and monitoring

2. State Department of Vocational & Technical Training

The Principal Secretary for this State Department made the following submission:

The State department of Vocational & Technical Training will implement its activities and projects in the 2021/2022 FY and MTEF Budget period within the following programmes;

- Technical Vocational Education and training program

- Youth training and Development program
- General Administration, Planning and support services program

The proposed allocation for both Recurrent and Development budget is as follows;

VOTE	2020/2021 FY Gross Allocation	2021/2022 FY Gross Allocation	2022/2023 FY Gross Allocation	2023/24 FY Gross Allocation
Recurrent	18,391,928,195	18,827,000,000	19,165,000,000	19,510,000,000
Development	6,339,506,533	4,458,436,000	4,354,900,000	3,969,000,000
Total	24,731,434,728	23,285,436,000	23,519,900,000	23,479,000,000

Key Programs and activities to be implemented in 2021/22 financial year by the State Department

Key Priority Area	Allocation 2020/2021 (Kshs M)	Estimate 2021/22FY (Kshs M)	Remarks
Technical and Vocational Training	5,200	5,200	The allocated funds will provide Capitation for only 173,000 students. In the recently released KCSE results, 600,159 students or 81% of the candidates who sat KCSE got grade C and below. TVET institutions have capacity to absorb an additional 234,000 students if additional funding is provided.
Special Needs Education(SNIs)	160	160	The proposed allocated will cater for recurrent grants disbursed to 4 No. special needs institutions (Karen, Machakos, Sikri & Nyagoma) for operational costs. There is need to increase this allocation to adequately cater for Boarding costs, tuition costs and assistive devices.
National Polytechnics (11)	3,216	3,313	The proposed allocation will cater for the budgets of 11 No. national polytechnics. The allocation has increased due to the upgrading of Nyandarua TVC to a National Polytechnic.
Training of Technical Trainers by KTTC	283	361	The proposed allocation will cater for training of trainers and teaching practice in KTTC. KTTC is rebranding and will focus purely on training technical trainers and

			capacity building of administrative staff working in the TVET sector
Curriculum Based Education and Training (CBET) under CDACC	271	321	The allocated funds will cater for the Implementation of CBET& Development of Assessment tools. However, the issue of CDACC'S continued existence is a matter currently under discussion.
Accreditation of Technical Institutes and trainers by TVETA	315	340	The allocated funds will cater for Accrediting TVCs & trainers& quality assurance. The allocation has increased since TVETA is finalizing the opening of regional offices in Kisumu, Eldoret and Mombasa
National Qualifications Framework function coordinated by KNQA	160	220	Funds for operationalization of KNQA; recruitment of staff; implementing the National qualifications system
Infrastructure Development – GOK/AFDB Phase II Project	1,753	1,028	Construction and equipping of Workshops in 12No sites. The project duration was extended by 18 months to address the delays brought about by the Covid 19 pandemic.
GOK/AFDB Phase III Project (Loan Amount of Kshs 4.34 Billion)	-	745	The project seeks to expand workshops and classrooms in 4 SNIs; Construct hostels in 16 No institutions; Supply training equipment to 26 TTIs and promote entrepreneurship through training
World Bank EASTRIP Project	550	1,050	For Construction of centers of excellence in 3 National Polytechnics in the areas of Marine, Building and Textile Technology.
Gok/German KFW Project Phase I	35	633	For construction and equipping of workshops in Kiambu Institute of Technology, Nairobi Technical Institute and Thika TTI
GOK/German KFW Project Phase II	-	217	For construction and equipping of workshops in Bumbe TTI, Kitale NP, Ramogi IAT and Ekerubo Geitai TTI
Construction of 30 TVCs	507	614	The funds to complete the construction of the 30 TVCs

Conditional Grant	2,000	-	The Conditional grant has been transferred to the counties and will form part of Counties Equitable share of revenue.
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Key areas that require additional funding

Key Area	2021/2022FY allocation Kshs(M)	Additional Requirement Kshs(M)	Remarks
Capitation for 234,000 students	5,200	7,020	Following the release of the 2020 KCSE results, 600,159 students attained grades of C and below. These students are expected to enroll for courses in TVET institutions during the May and September 2021 intakes and our TVET institutions can absorb 234,000 students requiring Kshs 7.02 Billion. The remaining can be absorbed in VTCs.
Promotion of 2,005 Trainers	-	451	Following the transfer of trainer management function from TSC to PSC in FY 2018/19, trainers due for promotion have not been promoted due to budgetary constraints. The National treasury has indicated that the matter will be considered in the next financial year.
Recruitment of Trainers	1,000	1,360	The Department has a deficit of 1,789 trainers. The number of institutions that have been constructed has increased sharply over the review period and additional funds is required to meet the cost for recruiting the trainers.
Infrastructure Development	-	1,060	Existing institutions require resources for infrastructure development to enable cope with the increased enrolment and to rehabilitate existing facilities in our National Polytechnics and Technical training institutes.
Equipping of TTIs with Training equipment	500	6,500	Funds required for equipping the 34 TVCs under construction and the 29 TVCs that did not get equipment under the GoK/China project. The China project will end in June 30 th 2021 and 63 institutions will not have training equipment.

Digital learning	-	1,000	The need to ensure learning isn't disrupted as was witnessed during the pandemic calls for investing in digital infrastructure. There is urgent need to invest in ICT equipment, internet connectivity (bandwidth), power connectivity (solar/electricity) and trainer training on ICT to enhance online learning
Total	6,700	17,391	

3. State Department for University Education and Research

The Principal Secretary for this State Department made the following submission:

The proposed estimates for the State Department for University Education and Research amounts to Ksh. 99,983,600,000 billion comprising of Ksh. 95,408,000,000 billion recurrent expenditure and Ksh. 4,575,600,000 billion development expenditure.

Resource requirements for the financial year 2021/2022

The resource requirements presented to the Sector was Kshs. 176,920,336,351 for both net exchequer and internally generated revenues. However, due to resource constraints the budget was retained at the same level as the current financial year while the internally generated income was adjusted downwards to reflect the low collection levels caused by the impact of Covid 19 pandemic, in view of the foregoing the State Department was allocated Kshs. 99,983,600,000 resulting to a shortfall of Kshs. 76,936,736,351.

Funds Allocation by Programme.

The State Department will continue to implement the same programmes and sub-programmes in 2021/2022 FY and the Medium-Term Period. The allocated resources have been distributed to fund the on-going programmes and sub programmes as shown in the table below: -

S/No	Name of Programme	Printed Estimates 2020/21 Kshs.	Proposed Allocation 2021/22 Kshs.
1.	University Education	112,012,830,888	98,603,637,058
2.	Research, Science, Technology and Innovation	899,866,254	1,141,207,730
3.	General Administration, Planning and support services	220,061,405	238,755,212
TOTAL		113,132,758,547	99,983,600,000

The summary of the proposed estimates for recurrent and development for FY 2021/2022 and the medium term is as follows:

Recurrent Estimates

Vote Head	Approved Estimates 2020/21	Proposed Allocation 2021/22	Projection 2022/23	Projection 2023/24
GROSS	107,757,158,547	95,408,000,000	98,999,000,000	102,695,000,000
NET	57,342,274,106	59,348,000,000	62,022,430,948	64,245,991,680
A-In-A	50,414,884,441	36,060,000,000	36,976,569,052	38,449,008,320

The net expenditure has increased by Kshs. 2 Billion that the National Treasury allocated as strategic intervention to cover increased salary levels in public universities.

The Appropriation in Aid (A-In-A) has decreased by Kshs. 14 Billion due to impact of Covid 19 pandemic. The following are the recurrent funding gaps and their implications for the 2021/2022 financial year: -

- (i) Public Universities and constituent colleges: - Ksh. 80, 918 million was required but Ksh. 43,907 million was allocated. The implication is that most of the universities are currently insolvent as they cannot meet statutory obligations such KRA, PAYEE, Pension deductions. Collection of AIA is declining due to low numbers in module II in addition to post Covid - 19 effects. The monthly payroll requirement is Kes. 4.5 Billion hence 12months requirement is Kes.54 Billion.
- (ii) Private Universities: - Ksh. 6,600 million was required but Ksh. 2,430 million was allocated. The implication is that private universities will not be able to offer quality University Education to their students including Government sponsored students enrolled to private universities.
- (iii) General Administration and Support Services (Operational and Maintenance - Headquarters): - Ksh. 1,550 million was required but Ksh. 200 million was allocated. The implication is that the Headquarter will be hampered on undertaking its activities, that is, monitoring and evaluation, allocation of bursaries to needy students and every day running of the State Department operations.
- (iv) Research, Science, Technology and Innovation (DRST, NRF, KENIA, and NACOSTI): - Ksh. 3,962 million was required, but Ksh. 853 million was allocated. The implication being that low funding of Research from exchequer is hampering implementation and commercialization of approved Research projects.
- (v) HELB: - Ksh. 20,007 million was required but Ksh. 11,304 million was allocated. The implication is that HELB is not adequately funded to carry out its mandate of financing higher education as the number of students in recent past as continued rise and the need for students to acquire laptops to ensure they are able to adopt to the new norm of learning.

- (vi) Commission for University Education (CUE): - Ksh. 500 million was required but Ksh. 193 million was allocated. The implication is that CUE is inadequately funded to enable them carry their mandate.
- (vii) University Fund Board (UFB): - Ksh. 153 million is required but Ksh. 45 million was allocated. The implication is that UFB is inadequately funded to enable them carry their mandate.

Development Estimates

Vote Head	Approved Estimates 2020/21	Proposed Allocation 2021/22	Projection 2022/23	Projection 2023/24
GROSS	5,375,600,000	4,575,600,000	5,775,200,000	7,852,000,000
AIA	1,236,600,000	1,204,000,000	1,125,000,000	1,311,000,000
NET	4,139,000,000	3,371,600,000	4,650,200,000	6,541,000,000

Development Funding Gap			
Programme	Required FY 2021/2022 (GoK) In Millions	Allocated FY 2021/2022 (GoK) In Millions	Variance In Millions
Approved On - Going Projects	27.3	4.57	22.7

The proposed net recurrent budget for FY 2021/22 includes Ksh. 2 Billion that the National Treasury allocated as strategic intervention to cover increased salary levels in public universities. The cost of the 2017 – 2021 CBA was Ksh. 8.8 Billion and the State Department received Kshs. 6.6 Billion under FY 2019/2020. The difference of Kshs. 2 Billion allocated in FY 2021/22 falls short by Ksh. 200 Million and it is the State Department's appeal that the difference be provided.

The proposed budgetary allocation of the Headquarter for FY 2021/2022 is Ksh. 410,349,538 which comprises Personnel Emolument of Ksh. 210,120,000. The remaining balance for operations and maintenance of Ksh. 200,229,538 is inadequate in effectively carrying out the routine operations and maintenance at the Headquarters. This will negatively affect routine operations and maintenance at the Headquarters.

The Development budget has been reduced from Ksh. 5.4 Billion in FY 2020/2021 to Ksh. 4.6 Billion in FY 2021/2022. This reduction will affect the ongoing project completion rate and may lead to stalled projects and escalation of project costs due to interest on delayed payments and penalties arising out of likely contractual claims.

The state department will continue to persuade the concerned universities to allocate funds collected under AIA to revive and complete the stalled projects and prioritize allocation of funds once some of the ongoing projects gets completed. (List annexed)

Public Universities and SAGAs have accumulated Pending Bills of **Kshs.56.6 Billion** on Statutory Deductions, Project Contractors and Suppliers as at April 2021. These bills have accumulated since **2013** due to reduction of government funding and massive expansion of Public Universities among other factors.

Other information/issues brought to the attention of the Committee: -

- (i) There is need for provision of more resources to the State Department (at HQ) for the coordination of implementation, monitoring and evaluation of projects and programmes in the Universities for improved sector performance.
- (ii) The amendment to the Universities Act, 2012, should remain a priority to provide for rationalization of university establishment, governance and management as well as facilitate the proposed reforms in the sector.
- (iii) There is need for additional funding for university capitation to fund programmes at the required differentiated unit cost from current Ksh. 41 Billion to Ksh. 61Billion for public universities and from Kshs. 2.4 billion to 5.6 billion for private universities respectively. This will cater for the increased enrollment which has not be matched with corresponding increase in funding for the last four years.
- (iv) There is need for additional funding to Higher education loans board to cater for the financing requirements for students' loan which has decreased from an average of Kshs. 60,000 per student to current average of Kshs. 38,000 per student in the last four years. This amount is very inadequate and has continued cause a lot of suffering to government sponsored students in universities. HELB will require further additional funding to compensate for low loan repayments caused by the COVID-19 pandemic and the general underperformance of the economy.
- (v) Equitable funding of government sponsored students in both public and private universities. In the current budget allocation government sponsored students are funded at an average of Kshs 140,000 while students in private universities get an average of Kshs 40,000 per year.
- (vi) There is need for enhanced budgetary allocation to Research, Science, Technology and Innovation to implement the recommendations contained in the National Research Priority Areas 2018-2022 to enable funding of approved Research projects and commercialization of Research and Development in our universities.
- (vii) There is need for the provision of funds to fully operationalize the Semi-Autonomous Government Agencies in the State Department for University Education and Research, to effectively deliver on their mandates. These are: University Funding Board; National Research Fund; Higher Education Loans Board; Commission for University Education;

Kenya Universities and Colleges Central Placement Service; Kenya National Innovation Agency; National Commission for Science for Science, Technology and Innovation.

- (viii) There is need to link data management system for the entire university sector to NEMIS to provide timely, accurate and relevant data for planning, decision making and allocation of resources. Implementation of University Education Data Management Information System will promote accountability and improve management of disbursed funds. An effective data management system will enhance accountability and transparency, self-improvement and performance-based funding and monitoring of projects, policies and programmes in the sector.

4. State Department for Post Training and Skills Development

The Principal Secretary for this State Department made the following submission:

The State Department's broad mandate is to provide an institutional framework to devise and implement national, sectoral and workplace strategies to develop and improve the skills of the Kenyan workforce. The strategies are further integrated within the National Qualification Framework to ensure consistency and standards within and across the various skills.

Financial Year 2021/22 Budget overview

The Department will continue implementing three programmes as indicated below:

Programme and Sub-Programme

S/NO.	Programmes	Sub-Programme
1.	Workplace Readiness Services	Management of Skills Development
		Work-based learning Services
2.	Post-Training Information Management	Management of National Skills Inventory
		Skills and Employment Database Management Services
3.	General Administration, Planning and Support Services	Planning and Administrative Services

The programme-based budget, Financial Year 2021/22 Estimates of the State Department is Kshs. 268 Million.

The State Department have got allocations to general administration, planning and support services, Workplace Readiness services and Post-Training Information Management of Ksh.135.96 Million, 85 Million and 47.02 Million respectively.

The proposed allocated Estimates per programmes are as shown in table below.

Summary of Expenditure by Programmes, FY 2021/2022-2023/2024

Programme	Baseline	Estimates	Projected Estimates	
	2020/2021 Kshs.	2021/2022 Kshs.	2022/2023 Kshs.	2023/2024 Kshs.
0508010 Headquarters Administrative services	104,665,676	112,037,035	112,708,147	113,137,973
0508030 Financial Management Services	-	16,447,315	17,269,888	17,944,520
0508040 Planning and Monitoring Services	-	7,476,983	7,539,997	7,504,187
0508000 General Administration, Planning and Support Services	104,665,676	135,961,333	137,518,032	138,586,680
0512010 Management of Skills Development	5,986,225	24,465,469	24,995,432	26,132,797
0512020 Work-Based Learning Services	10,999,852	60,552,482	62,498,561	65,337,803
0512000 Work Place Readiness Services	16,986,077	85,017,951	87,493,993	91,470,600
0513010 Management of National Skills Inventory	3,651,711	14,050,756	14,361,316	14,646,229
0513020 Skills and Employment Data- Based Management Services	3,767,208	32,969,960	33,626,659	34,296,491
0513000 Post Training Information Management	7,418,919	47,020,716	47,987,975	48,942,720
TOTAL VOTE R1068	129,070,672	268,000,000	273,000,000	279,000,000

In the FY 2021/22, the State Department is allocated Kshs.76 Million to cater for personal emoluments, Kshs. 156.41 Million to cater for use of goods and services and Kshs. 35.59 Million to cater for the acquisition of non- financial assets. It is clearly depicted in table 7.0 below.

Recurrent expenditure summary FY 2021/2022-2023/2024

S/NO.	Economic Item	Baseline	Estimates	Projected Estimates	
			Kshs. In Million	Kshs. In Million	
			2021/22	2022/23	2023/24

1.	Compensation to Employees	73.90	76.00	76.000	76.00
2.	Use of goods and Services	47.29	156.41	161.27	167.13
3.	Acquisition of Non-financial Assets	7,877,000	35.59	35.73	35.87
Total Expenditure for Vote 1068 State Department for Post Training and Skills Development		129.07	268.00	273.00	279.00

FY 2021/22 Development Vote.

In the financial year 2021/22, a new programme known as National Volunteers' programme has been transferred from the State Department of Early Learning and Basic Education to the State Department. The transfer process is ongoing, and thus the allocation for the FY 2021/22 is yet to be communicated to the Department from the National Treasury.

The State Department has prioritized the following key areas for funding in the FY 2021/2022: -

- (i) **National Apprenticeship Programme:-**The overall goal of the Apprenticeship programme is to enhance employability of out-of-school youth. The objective is to provide workplace-based skills training for out-of-school youth in Kenya. The rationale for this programme is the rising youth unemployment. The youth (20-24 years) constitute the largest unemployment cohort at 19.2%. This project will provide hands on skills that will enhance employment. The outputs for this project include 11 curricula developed (Agriculture, Building & Civil works, Plumbing, Textile, Electrical and electronics, leather works, welding, Meat & Milk production, Automotive, Hairdressing, ICT & Soft skills) and 10,000 out-of-school youth trained (213 per County).
- (ii) **National Skills Management Information System:-**The goal of the National Skills Management Information System (NSMIS) is to promote knowledge sharing and networking towards reducing the imbalance in supply and demand of skills in Kenya. The objective of the project is to create and manage a National Skills database module linked in the National Education Management Information System (NEMIS) that will interface all cadres of all graduates and jobs in the market to determine where skills shortages and surpluses are emerging. **List of New Projects 2021/2022**

A new programme has been transferred to the department from the State Department of Early Learning and Basic education, called **National Volunteers' program** branded "*Greatness G-United Programme*". The programme seeks to recruit recent university graduates to serve as volunteer graduates assistants (VGAs) in public primary schools, where they offer reading and numeracy support to pupils. The transfer process is ongoing.

Challenges faced by the State Department

(i) Weak linkage with other MDAs and collaboration with development partners

Delivery of the functions requires strong linkage with other MDAs and collaborations with development partners. The Department has weak linkages and collaboration with other MDAs and development partners. This gap has led to slow implementation of programmes and strategies by the Department.

(ii) Inadequate Funding

Low funding levels in the recurrent vote. Without capital funding the State Department is constrained in implementation of its mandate in line with the establishing Executive Order. The State Department is adversely affected by the embargo on new projects by Ministries, Departments, and Agencies (MDAs). The Department does not have budgetary provision for capital projects under any of the three approved programmes in the MTEF budget.

(iii) Human resource gap

The Department has 39 staff most of which are lower cadres and hardly technical staff.

5. Teachers Service Commission

The Chief Executive Officer made the following submission:

The proposed estimates for the Teachers Service Commission amounts to Ksh. 281.704 billion comprising of Ksh. 281.059 billion recurrent expenditure and Ksh. 645 million development expenditure.

The total proposed recurrent expenditure for the Teachers Service Commission amounts to KSh.281.059 billion with major expenditures going towards compensation to employees at Kshs. 279.196 billion and use of goods and services at Ksh. 1.863 billion.

- (i) The programmes financed in the 2021/2022 financial year with major allocations include:
Recruitment of 5,000 additional teachers at a proposed cost of Ksh. 2.5 billion;
- (ii) Recruitment of 6,000 intern teachers at a cost of Ksh. 1.2 billion;
- (iii) Training of teachers on Competency Based Curriculum (CBC) at a cost of Ksh. 1 billion;
Training of 25,000 teachers on School Based Teacher Support System (SBTSS) under the Secondary Education Quality Improvement (SEQIP) project;
- (iv) Construction of one (1) County office at a proposed cost of Ksh. 45 million and;
- (v) Coaching and mentorship for approximately 25,000 teachers.

The proposed development expenditure amounts to Ksh. 645 million with allocations going towards acquisitions of non-financial assets at a proposed cost of Ksh. 45 million and capital grants to government agencies at a proposed cost of Ksh. 600 million.

In regards to expenditure up to the third quarter of financial year 2020/2021, the Commission reported that the compensation to employees' budget registered 103% absorption rate. The over

expenditure was regularized during financial year 2020/2021 Supplementary 1 Estimates in April 2021. Further, the operation and maintenance budget registered 77% absorption rate. The Commission did not train teachers in April 2021 on CBC due to closure of schools because of the COVID 19 pandemic. However, the training took place in December 2020 and will continue in the month of May and June 2021.

Currently, the Teachers Service Commission has no new or stalled projects and they have no programs or projects linked to the Big Four Agenda. Moreover, Commission declared that it had no pending bills from the financial year 2020/2021.

The Commission brought to the attention of the Committee the Contributory Pension Scheme for teachers. Pursuant to the provisions of the Public Service Superannuation Scheme Act, 2012, contributions by employees in the entire public service commenced on 1st January, 2021. The current deductions are at the rate of 2% for teachers below the age of 45 years.

PART III

4.0 COMMITTEE OBSERVATIONS

Mr. Chairman,

The Committee having securitized the 2021/22 proposed budget for the sector and also considered the various submissions during the scrutiny of the 2021/22 budget estimates, made the following observations: -

State Department for Early Learning and Basic Education

THAT,

1. Mitihani House continues to be a stalled project and requires completion to enable relocation of Kenya National Examination Council services to be centralized in one building and also realize savings on rental costs and associated logistical expenses amounting to Kshs.100.7 Million per year. This will also enhance security of the national examinations especially with the implementation of the CBC. Further, the completion of the building will enable the government to acquire equipment and machine to print examinations within the country at a lower cost.
2. There is no allocation for the Competency Based Curriculum schools based assessment for Grades 4, 5 and 6 learners in the Budget Estimates in the financial year 2021/2022. The requirement is for the programme is Kshs. 768 Million. Further, the allocation to KNEC for national examinations waivers has remained at Kshs. 4 Billion for the last five years despite the increased number of candidates over the years.
3. That the School feeding programme is a critical programme aimed at retaining learners in primary schools in ASAL areas. The Committee is concerned that this programme only covers the ASAL areas thus leaving out other deserving areas in the country such as the slums and other pockets of poverty across the country. There is a need for additional funding of Kshs. 1,130 Million to feed learners from these areas. It is worthwhile noting the NACONEK has engaged development partners to support the school feeding programme and the only hindrance is to get a counterpart funding from the government.
4. There is need to increase capacity and scale of assessments and quality assurance to ensure effective delivery of competency based curriculum. In the FY 2021/2022 Budget Estimates only Kshs 40 Million has been allocated to the programme against a requirement of Kshs. 400 Million. Further, no funding has been provided for procurement of vehicles for monitoring implementation of the competency based curriculum.
5. The contract for the provision of school desks programme was settled in full, however Kshs.200 Million was reduced from the programme in supplementary budget and this will result to an irregular pending bill if not addressed.

6. That the Ministry is not putting effort to scale down the cost of education for instance ensuring availability of quality day schools to discourage the need for boarding schools. The committee noted that, day schooling may boost the achievement of the CBC objectives.
7. Every financial year, resources have been provided towards infrastructure improvement in both primary and secondary schools. However, there are still infrastructural challenges in many public schools evidenced by many public schools missing basic educational facilities especially with the 100% transition policy and response to COVID 19 pandemic. This is an indication that the process of identification of schools to benefit from infrastructural support does not adequately address equity issues.
8. That the National Treasury has not provided budget for the newly established State Department for Implementation of Curriculum reforms despite the National Assembly approving the Principal Secretary of this new Department.

State Department of Vocational and Technical Training

THAT;

1. The Department is allocated resources towards capitation to support learners in TVET institutions. The Committee notes that the Department seems to lack accurate information on the number of TVET learners and hence the need for the Department to develop an information management system for the sub-sector to ensure the correct number of students are capitated.
2. The conditional grants converted to equitable share in the Division of Revenue may affect the functioning of the Village polytechnics since the County Governments may utilize the funds in other priority areas.
3. The transfer of trainer management function from TSC to PSC in FY 2018/19, trainers due for promotion have not been promoted due to lack of clear policy on the management of the trainers.
4. Following the release of the 2020 KCSE results, 600,159 students' attained grades of C and below. These students are expected to enroll for courses in TVET institutions during the May and September 2021 intakes and TVET institutions can admit additional 234,000 students requiring Kshs 7.02 Billion as capitation. The remaining can be absorbed in VTCs.
5. Funds are required for equipping the 34 TVCs under construction and the 29 TVCs that did not get equipment under the GoK/China project. The China project will end in June 30th 2021 and 63 institutions will not have training equipment
6. The functions of Curriculum Development Assessment and Certification Council (CDACC) are proposed to be transferred to Kenya Institute of Curriculum Development (KICD) and Kenya National Examination Council (KNEC) following a directive from the

head of civil service yet the CDACC is established under an act of Parliament which is yet to be amended/revised. The proposal to alter the structure of the TVET Curriculum Development Assessment and Certification Council (CDACC) mandated to design and develop the Curricula for the training institutions will go against the objectives of enhancing the curriculum offered at TVET institutions.

State department for University Education & Research

THAT;

1. There is need for additional funding for university capitation to fund programmes at the required differentiated unit cost from current Kshs. 41 Billion to Kshs. 61Billion for public universities and from Kshs. 2.4 billion to 5.6 billion for private universities respectively. This will cater for the increased enrollment which has not be matched with corresponding increase in funding for the last four years. The support to private universities is not adequate despite close to 70,000 government sponsored students being admitted in this institutions. This puts a lot of strain to private universities given the increased operational costs.
2. The ongoing projects in the universities require Ksh.27.3 billion, however, the state department was allocated only Ksh.4.9 billion. All the projects will be affected and some will stall and attract penalties in delayed payments. Thus, University capital projects at advanced levels of completion should be considered for additional funding to enable completion;
3. That critical institutions within the higher education sub sector which are not well funded hence crippling their operations and hence not fully supporting the goals of the higher education sub sector. These institutions are Commission for University Education, National Research Fund, University Funding Board and Higher Education Loans Board.
4. Many public universities have continued accruing unremitted statutory deductions such as PAYE tax, National Social Security Fund (NSSF), National Hospital Insurance Fund (NHIF), pension and Sacco deductions. The Kenya Revenue Authority agreed to waive the statutory obligations owed by the universities, however the Ministry has delayed in submitting a paper to Cabinet for approval of the waiver.
5. The reduction of Ksh.200 Million in the Supplementary 1 affected the full implementation of the university Lecturers and staff Collective Bargaining agreement (CBA).
6. The National Treasury through the addendum has revised downwards the estimated Appropriations in Aid (AIA) collection by Universities by Kshs 5.3 Billion due to the effects of the COVID 19 pandemic.

The Teachers Service Commission

1. That the country is currently experiencing serious teacher shortages currently estimated at 80,000. This situation is made worse on account of the 100% transition policy which has increased the number of learners transiting to secondary school. The situation will be worse given that in 2023 there will be double intake in secondary school. The first CBC class (currently grade 4) will be transiting to junior secondary school and the 8-4-4 curriculum learners (currently standard 6) will be joining form 1 in 2023. This will to higher enrolment hence straining the available teachers in secondary schools. The current allocation to TSC only allows recruitment of 5,000 teachers in 2021/22.

5.0 RECOMMENDATIONS

1) Policy Recommendations

- i.) That the State Department for University Education and the University Funding Board to hasten the review the University funding formula to ensure it supports recently established universities which seem to be disadvantaged with the current formula in place. The amended formula should also be applied in the allocation of infrastructure funds to various universities.
- ii.) That the universities utilize part of the local revenues (AIA) collected to prioritize funding of their stalled projects instead of waiting entirely for exchequer support. Further, any project initiated by a public university and funded through AIA should not request for support from the exchequer unless there was an undertaking to support the project by the government at the inception of the project.
- iii.) That the State Department for University Education and the various public universities which have problems with non-remittance of statutory deductions should within the next one year (with quarterly) reports come up with clear strategies of clearing out this pending bills including having agreements with the owed institutions such as NSSF and KRA.
- iv.) That in the next six months the Ministry of Education reviews through stakeholders' engagements the capitation provided for both public primary and secondary school learners and propose adjustments to this capitations to be in tandem with the prevailing economic situation to ensure that public schools are well resourced.
- v.) That the Ministry of Education engages with the county governments on the continued funding of the village polytechnics given the transfer of the mandate to counties, particularly with regard to the provision of capitation to students. This is because the counties are not obliged to continue supporting the village polytechnics under the new arrangement.
- vi.) That the functions of Curriculum Development Assessment and Certification Council (CDACC) should not be transferred to Kenya Institute of Curriculum Development (KICD)

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

- vii.) That the Higher and TVET education sub sector should develop and implement data management information system to capture the correct number of students so as to promote accountability and improve management of disbursed capitation funds. This data management systems should also be linked to National Education Management information systems (NEMIS) to create a pool of credible data for the whole education sector.

2) Financial Recommendations

The Committee having reviewed the proposed 2021/22 budget estimates for the education sector and having engaged with the sector stakeholders recommends the following reallocations within the sector:

i) Proposed reductions (Kshs Millions)

Vote	Programme	Description	2020/21 Approved Allocation (Kshs Millions)	2021/22 Proposed Allocation (Kshs Millions)	Proposed Reductions (Kshs Millions)		Justification/Remarks
					Recc	Dev	
Early Learning and Basic Education	Quality Assurance and Standards	Policy and Educational Development- Co curricula activities	435	726	(450)		Reduce 450 Million from Co-curricular activities which may not fully take place due to COVID 19 restrictions
	General Administration, Planning and Support Services	Kenya National Commission for UNESCO- Current grants	352	392	(50)		Reduction in non-core spending areas
		HQ administrative Services- Office General Supplies	459	472	(200)		Reduce 200 Million from office and general supplies
	Primary Education	Directorate of Basic Education - Low cost boarding schools	300	400	(135)		Reduce 150 million from low cost Boarding schools capitation meant for infrastructure since there is allocation for infrastructure under the ESP programme.
		Recruitment of ICT interns to support Digital Literacy Programme	300	300	(150)		The public primary schools are yet to fully implement the digital literacy programme hence the schools may not benefit from the ICT interns hence the need to reduce the number of interns recruited by half.

Vote	Programme	Description	2020/21 Approved Allocation (Kshs Millions)	2021/22 Proposed Allocation (Kshs Millions)	Proposed Reductions (Kshs Millions)		Justification/Remarks
					Recc	Dev	
		Infrastructure improvement in primary schools	1,100	1,440		(200)	Reduce 100 Million from low cost Boarding schools infrastructure and Kshs 100 Million from infrastructure
		Digital Literacy Programme	-	220		(110)	The project is unlikely to take off given absorption issues in the previous three years has delayed its implementation.
	Secondary Education	Upgrade of National Schools	135	300		(165)	Lack of transparency on how this funds are applied and the schools that benefit
		Secondary school infrastructure improvement	2,408	2,800		(250)	Reduce Kshs 200 Million from infrastructure given the previous absorption trends and exchequer released.
University Education and Research	University Education	Public Universities capital transfers	1,977	3,021		(700)	The allocation to various capital projects in universities be reduced by Kshs 700 Million with the exemption of Jaramogi, Alupe, Tharaka, Kaimosi and Chuka universities whose projects are strategic and well advanced in terms of implementation. The reduction in allocation to the other capital projects in the remaining universities is based on the fact that they are usually affected through supplementary budgets cuts hence the need for the allocations to various projects be realistic at the main budget for the universities to plan well with the available funds.
	Technical Education	Directorate of Technical	5,200	5,200	(50)		Reduce Kshs 50 Million current transfers due to lack of clear framework on how

Vote	Programme	Description	2020/21 Approved Allocation (Kshs Millions)	2021/22 Proposed Allocation (Kshs Millions)	Proposed Reductions (Kshs Millions)		Justification/Remarks
					Recc	Dev	
Vocational and Technical Training		Education- current transfers					capitation is distributed as well as lack of accurate data on number of students in TVET institutions supported.
		National Polytechnics current grants	517	614	(50)		Reduction in non-core spending
		Kenya Technical Teachers College (KTTC) current grants	82	160	(50)		Reduction in non-core spending
		Curriculum Development , Accreditation and Certification Council (CDACC)- current transfers	261	312	(50)		Reduction in non-core spending areas and there are also efforts to transfer the functions of the Council to KICD and KNEC.
		Technical Vocational Education Authority (TVETA)-current transfers	290	315	(50)		Reduction in non-core spending areas
					(1,235)	(1,425)	(2,660)

ii) Proposed increments (Kshs Millions)

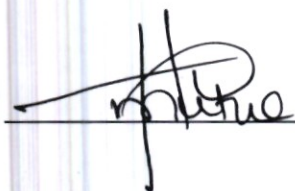
Proposed Increments (Kshs Millions)					
Department	Programme	Description	Recc	Dev	Justification/Remarks
University Education and Research	University Education	Capitation grants to Government sponsored students in Private universities	1,000		To bridge the capitation gap to government sponsored students admitted in private universities. The requirement is Kshs 6.6 Billion. However, only Kshs 2.4 Billion has been provided. This has put a lot of strain on these institutions
		Infrastructure support to public universities		540	To support the ongoing Infrastructure projects in the below universities: Alupe (Administration block- Kshs 150 Million), Kaimosi University College (Tuition block- Kshs 120 Million), Jaramogi (Tuition block- Kshs 100 Million, Tharaka University (Administration block- Kshs 30 Million), Rongo University (Library-Kshs 20 Million) and Masinde Muliro (engineering complex Kshs 100 Million, Kshs 20 Million for Butula Centre for Research)
		University Funding Board current grants	50		To fully operationalize this Institution to effectively deliver on their mandates especially on the anticipated university reforms.
Early Learning and Basic Education	Primary Education	Support to Kenya Institute of Special Needs (KISE)	70	30	Kshs 30 Million to hasten the equipping of the National Psycho- Education Assessment Center which will be a key facility for assessing learners with special needs in EA and Kshs 70 Million current grants to support KISE operations

Proposed Increments (Kshs Millions)					
Department	Programme	Description	Recc	Dev	Justification/Remarks
		Current grants support to Lugari and Eregi Teachers Training College	40		Support to ensure the institutions become center of excellence in primary teacher diploma Education
	Secondary Education	Science Equipment Production Unit (SEPU)-current grants	30		Support SEPU on its mandate on procurement and distribution of laboratory apparatus to secondary schools.
	General Administration, Planning and Support Services	Support to National Council for Nomadic Education in Kenya	140		The Council is seeking to implement an additional fortified school meal for children between 10 years and below under Naconek Integrated Water, Food and Energy Solutions for schools (NTWTESS) framework as a sustainable home-grown school feeding strategy. This is a counterpart funding to unlock funds from development partners to support the project. The project will expand the existing school feeding programme to allow wider coverage.
	Quality Assurance and Standards	Construction of Mitihani House		500	To enable completion relocation of Kenya National Examination Council services to one building and realize savings on rental costs totaling Kshs 100.7 Million per year. This will also enhance security of the national examinations especially as the new curriculum is being implemented. The completion will also enable the printing of national examinations locally since machines and equipment will be procured. It costs over Kshs 1 Billion yearly when exams are printed abroad.

Proposed Increments (Kshs Millions)					
Department	Programme	Description	Recc	Dev	Justification/Remarks
Vocational and Technical Education	Technical Education	Current grants to Kenya National Qualification Authority (KNQA)	100		To support the full operationalization of KNQA
		Infrastructure support to ongoing projects in various TTI's		160	To support ongoing projects in the following TTI's: Butula, Bunyore, Kitutu Masaba, Emululu, Kieni, Bushiangala and Mathare with an allocation of Kshs 20 Million each
Total			1,430	1,230	2,660

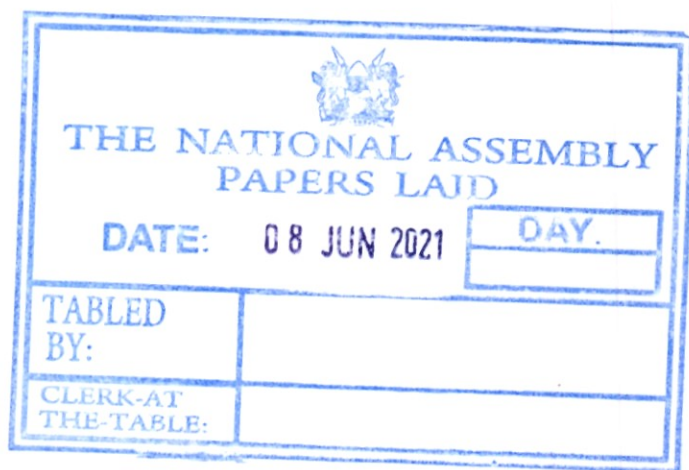
The Committee also recommends that the Budget and Appropriations Committee consider funding the following critical areas within the Education sector which are underfunded in 2021/22.

Vote	Programme	Funding Gap	Amount (Kshs millions)
Early Learning and Basic Education	Primary Education	Assessment for grade 4, 5 and 6 learners under the CBC where school based assessment of learners is expected in 2022	770
University Education and Research	University Education	Current grants to university funding Board	150
Teachers Service Commission	Teacher Resource Management	Recruitment of additional 15,000 teachers to continuously bridge the gap in teaching service both at primary and secondary school level	7,700
Total			8,620

SIGN  _____

DATE 21/5/2021

HON. FLORENCE MUTUA, CBS, MP
(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH)





REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY


TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE ON ENERGY

REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR FY
2021/22 AND THE MEDIUM TERM FOR
VOTE 1152- STATE DEPARTMENT FOR ENERGY
VOTE 1194- STATE DEPARTMENT FOR PETROLEUM AND MINING

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JUNE, 2021

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PART I

1.0 PREFACE

1.1 Introduction

1. The report being a culmination of the Committees' engagements and deliberations with the various spending agencies under the purview of the Committee, has the principal objective of to inform decision making on the FY 2021/22 allocations to various components of the two votes: 1152(State Department for Energy) and Vote 1194 (State Department for Petroleum and Mining) as well as the SAGAS under the purview of the two respective State Departments.
2. The resultant insights gained during the Committee processing of the proposed estimates which have guided the formation of the Committee's observations and recommendations provide crucial and resourceful input in the final Budget and Appropriation Committee's report on the 2021/22 budget Estimates.

1.2 Mandate and Membership of the Committee

3. The Departmental Committee on Energy is established under Standing Order No. 216 and its mandate is 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. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments);
 - (fa) examine treaties, agreements and conventions;
 - g. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 - h. make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
 - i. consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
 - j. Examine any questions raised by Members on a matter within its mandate.

4. The Departmental Committee has therefore the mandate to consider and review the Estimates in line with the stipulated mandate (Standing Order 235(4), and among other things, taking into account the need to ensure efficiency in spending informed by past actual performance; realism and attainment of performance indicators and key outputs; programme and project prioritization including completion of ongoing projects amid prevailing resource constraints and Covid 19 crisis; clarity in both the cost centers and delivery units. Subsequently, the Committee is to submit recommendations to the Budget and Appropriations Committee (BAC) for onward tabling and approval in the House.
5. Further, Section 39(3) of the PFM Act, 2012 empowers the National Assembly to alter the proposed budget estimates provided **that an increase in expenditure is balanced by a reduction elsewhere but a proposed reduction in expenditure need not be reallocated but can be used to reduce the budget deficit.**

1.3 Committee Membership

6. The Departmental Committee on Energy was constituted by the House in December 2017 and comprises of the following Members:

Chairperson

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

Jubilee Party

Vice Chairperson

The Hon. Gladwell Cheruiyot, MP
Baringo County Women Representative

Kenya Africa National Union (KANU)

The Hon. Joseph Kirui Limo, MP
Kipkelion East Constituency

Jubilee Party

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

Jubilee Party

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

Jubilee Party

The Hon. Lemanken Aramat, MP.
Narok East Constituency

Jubilee Party

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

Wiper Democratic Movement- Kenya

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

Maendeleo Chap Chap Party

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

The Hon. Abdikhaim Osman Mohamed, MP
Fafi Constituency

Economic Freedom Party

The Hon. Mary Wamaua Njoroge, MP.
Maragua Constituency

Jubilee Party

The Hon. Elsie Muhanda, MP
Kakamega County Women Representative

Orange Democratic Movement (ODM)

The Hon. Julius Mawathe, MP
Embakasi South Constituency

Wiper Democratic Movement – Kenya

The Hon. Michael Mwangi Muchira, MP
Ol Jorok Constituency

Jubilee Party

The Hon. Mohammed Ali Lokiro, MP
Turkana East Constituency

Orange Democratic Movement (ODM)

Kenya Africa National Union (KANU)

The Hon. Elisha Odhiambo, MP
Gem Constituency

Orange Democratic Movement (ODM)

The Hon. Annie Wanjiku Kibeh, MP
Gatundu North Constituency

Jubilee Party

The Hon. Richard Ken Chonga, MP
Kilifi South Constituency

Orange Democratic Movement (ODM)

The Hon. Walter Owino, MP
Awendo Constituency

Orange Democratic Movement (ODM)

1.4 Committee Secretariat

7. The Committee secretariat is composed of the following technical staff;

Team Leader
Ms. Rose M. Wanjohi
Clerk Assistant I

Mr. Douglas Katho
Clerk Assistant II

Mr. Thomas Ogwel
Fiscal Analyst I

Mr. Sidney Bwire
Legal Counsel I

Mr. David Ngeno
Research Officer III

Ms. Noelle Chelagat
Media Officer

Ms. Mercyline Kerubo
Audio Officer

1.5 Overview of the Budget Estimates for the FY 2021/22 and the Medium Term

8. Pursuant to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the Budget Estimates in the House not later than 30th April of every year. On Thursday, 29th April, 2021, the Budget Estimates were laid on the floor of the House pursuant to the provisions of section 37(2) of the Public Finance Management Act (2012) and Standing Order No. 235 of the National Assembly. Pursuant to the provisions of the Standing Order No 235 (2), the Budget Estimates subsequently **'shall stand committed to each Departmental Committee without question being put'**. In considering the Budget Estimates, the BAC shall consult each Departmental Committee and table a report containing its observations and recommendations to the House for consideration.
9. Following the tabling of the Budget estimates, the Departmental Committee held a briefing meeting by the Parliamentary Budget Office (PBO) on 18th May 2021 and thereafter held consultative meetings with the State Departments and the Semi- Autonomous Government Agencies (SAGAs) under their purview. The deliberations of the meetings together with the contents of the proposed estimates, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

1.6 Acknowledgement

10. The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also extends its appreciation to the Ministries' of Energy and of Petroleum & Mining and the management team of the relevant agencies (SAGAs) for their active participation during the consultative engagements that culminated into the production of this report.
11. Finally, I wish to express my appreciation to the Honorable Members of the Committee who sacrificed their time to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Energy, to present this report on the Budget Estimates FY 2021/22 and the medium term

Signed..... Date:

**Hon. Gladwell Cheruiyot, MP
(VICE- CHAIRPERSON)**

PART II

BROAD OVERVIEW OF THE BUDGETS ESTIMATES FOR THE FY 2021/22

12. The Fiscal Analyst, Parliamentary Budget Office made a presentation on the analytical brief of the proposed budget estimates for the FY 2021/22 and the Medium Term on 18th May 2021.
13. The presentation provided both the financial and non-financial analysis of the proposed budget. It was noted that the proposed overall expenditure for the FY 2021/2022 is estimated at Kshs.3,656.89 billion out of which Kshs. 1,895.14 billion is allocated to the Executive arm of the National Government, Kshs. 46.61 billion to Parliament, Kshs. 17.92 billion to Judiciary and Kshs. 1,327.22 billion to the Consolidated Fund Services. Transfers to Counties Equitable Share are estimated at Kshs. 370.00 billion. The allocation to the National Government (all the three arms) and Counties as percentage of the total proposed budget remained as was the case with BPS 2021. However, the share of the Consolidated Fund Services (CFS) has increased from 36% in the BPS 2021 to 37% of the overall proposed spending in the 2021/2022 estimates.
14. As regards the spending agencies under the purview of the committee, the proposed budgetary allocations are discussed under each State Department as follows:

Vote 1152: State Department for Energy

15. The State Department has a proposed allocation of Kshs. 73.4 billion comprising of Kshs 6.6 billion for recurrent expenditure and Kshs 68.7 billion for development expenditure. When compared to the BPS ceilings, the total recurrent estimates are exactly as the approved BPS ceilings while the development estimates are Kshs. 2.7 billion lower than the approved ceilings (3.7%), which implies that some of the policies envisioned under the BPS estimates might be affected. Allocations to the General Administration program on the other hand, exceeds the BPS' ceilings by 217% (Kshs. 283 Million).
16. The proposed resource allocation to the ministry reflects a decline of Kshs. 9.6 billion (or 11%) from Kshs. 85 billion allocated in FY 2020/21. The decline is a reduction of Kshs. 10.4 billion in development estimates largely in the Power Generation; and Power Transmission and Distribution programs. The development expenditure will account for 91% (Kshs 68.7 billion) of total resource allocation while recurrent expenditure will account for 9% (Kshs. 6.6 billion). A review of budgetary allocations for the ministry in the recent years depicts inconsistent and erratic allocations which largely has taken a downward trend primarily on account of the in-year budget revisions in Supplementary Estimates

17. Of the Kshs. 68 billion allocated for development expenditure, Kshs. 50.95 billion (74%) will be from external sources. 95% of these resources will be loan financed, of which 46% will be sourced from bilateral lenders and 53% from Multilateral creditors. The largest creditors will include: Government of France (AFD-France) – Kshs. 7.5 billion, Government of Japan – Kshs. 5.5 Billion, PR of China – Kshs 7.8 billion, International Development Association (WORLD BANK/IMF) – Kshs. 16.2 billion, European Investment Bank (EIB) – 2.9 billion, African Development Fund (ADB/ADF) – Kshs. 6.7 billion.
18. The Ministry plans to implement Sixty-seven (67) development projects in the FY 2021/2022. The largest share of the development expenditure is proposed for Last Mile Electricity Connectivity (Ksh 6.5 billion), Electrification of Public Facilities (Ksh 6.1 billion), Kenya Electricity Modernization Project (Ksh 5.7 billion) and Electrification of Economic Zones (Ksh 3 billion).
19. A review of the estimates indicates that there are projects whose financing will end in the current financial year. Largest of these projects include the Multi-National Kenya-TZ Power Interconnection Project and the Ol-Karia I Units 1, 2, 3 Geothermal Power Plant Rehabilitation Project. Kenya Electricity Modernization Project, Mariakani Sub-station (400/220kV), If completed, these could create fiscal space to cater for new projects while at the same time the completed projects will facilitate the envisaged delivery of public service.

Vote 1194: State Department for Petroleum and Mining

20. During the last re-organization of the executive arm of government, the State Department for Petroleum was merged with that of Mining to become State Department for Petroleum and Mining to form one Vote 1194. Consequently, the program of Exploration and Distribution of Oil and Gas was transferred from vote 1193 to the new vote 1194 and is one of the four programs being implemented by the new ministry. As the standing orders remain unchanged, the Committee on Energy is still mandated to oversight the program of Exploration and Distribution of Oil and Gas Program .The programme remains the same and is still made up the three sub programs.
21. In the FY 2021/22 the proposed resource allocation for the program is Kshs. 2.99 billion composed of Kshs. 336 Million and Kshs 2.65 billion for recurrent and development expenditure respectively. A review of resource allocation since FY 2017/18 indicates that the resources allocation has declined by Kshs. 1.2 billion (28%). Similar to other years, largest share of resources are allocated to *the Oil and Gas Exploration sub program*, which on average, accounts for over 80% of the programs allocations.

22. The Program of Oil and Gas Exploration is made up of three sub-programs namely: Oil and Gas Exploration, Distribution of oil and gas and Administration, Planning and Support services. The proposed total allocation of Ksh. 2.985 billion is exactly the same as the approved ceilings in the 2021 BPS. When compared to the approved allocations for the current FY 2020/21 it is a reduction of Ksh 602 Million (a 17 % reduction).
23. Key among the salient issues brought to the attention of the in the brief include:-
- a) ***Delay in completion of projects:*** There are projects whose set timelines shall be missed partly on account of inadequate budgetary provisions. This is revealed by the status report of the capital projects submitted during BPS processing vis-a-vis the proposed allocations. The completion of the projects should be fast tracked for the realization of the envisaged public service and to stem the resultant cost-over runs from extension of timelines. Examples of projects facing delays in completion include:
- i. Transmission lines such as Olkaria-Lessos Kisumu-Line and Nanyuki-Isiolo-Meru Line which were planned to be completed in the FY 2020/21, had an outstanding project Kshs. 5.4 B and is proposed to be allocated Kshs. 961 Million.
 - ii. Nanyuki-Isiolo-Meru transmission line (National Grid) set to be completed by December 2022, had an outstanding cost of Kshs. 2.032 billion.
 - iii. Olkaria 1 unit 6 with completion timeline of June 2021 had an outstanding cost of Ksh. 4.7 B but is proposed to be allocated Ksh. 2 billion.
 - iv. Turkwel-Ortum-Kitale (National Grid-transmission line) set for completion by June 2021, had an outstanding cost of Ksh 968 Million but is proposed to be allocated only Ksh .400 Million.
 - v. Bogoria Silali Geothermal Project, started in 2010 and envisaged to be completed in 2028, had an outstanding cost of Ksh. 71 B is proposed to be allocated Ksh. 3.6 B.
 - vi. Table 9 provides details of projects under the Ministry of Mining And Petroleum that are lagging behind in implementation.
- b) ***Social and economic benefits of the capital projects:*** The capacity of power continues to be enhanced through investments in various projects in the programs of Power Generation and Power Transmission and Distribution (enhanced power supply) but this is not having commensurate impact on the price of electricity that has remained high. The capacity has been boosted by the 165 MW Olkaria V Geothermal Power points, 310 MW in Lake Turkana Wind power, 50 MW from Garissa Solar Power plant. There is perhaps the need to lay emphasis on the transmission and distribution of the installed power so that the connectivity level can be enhanced if the envisaged 100% connectivity is to be achieved.
- c) ***Sustainability of SAGAs in the Sector:*** Some State Corporations in the Sector are facing dire financial problems including KPLC and NOCK. Indeed, the financial problem of NOCK as revealed by the 2020 Independent Business and Liquidity review report indicated that NOCK as at the time of the report required Ksh 7.8 billion bailout to remain afloat. The 2020 Special Audit report conducted by Auditor General on KPLC raised fundamental

audit issues casting aspersions to the going concerns aspects of the State Corporations. In the FY ending June 2020, KPLC made a gross loss amounting to Ksh 15.9 billion. With the recently instituted IMF program that among others seek to institute restructuring of State Owned Enterprises, State Corporations need to fast track their own restructuring in order to prevent any likelihood of restructuring conditionalities imposed on them.

- d) **High Cost of power:** The cost of fuel and electricity is among the largest contributor to Consumer Price Index which drives inflation in the economy. Among other contributors to the high costs are the cost ineffectiveness of the existing terms with the Independent Power Producers (IPPs). There is need to review the pricing model of electricity and enhance Feed in Tariffs Policy which shall incentivize private sector investment in below 10 MW from biomass/biogas and small hydros. This can also be addressed by renegotiations of the existing Independent Power Purchase Agreements.
- e) **Inefficiencies in power distribution and transmission:** The existence of monopoly in the distribution and transmission of power by the KPLC has led to inefficiencies in distribution of power that often times lead to power interruptions and power losses during evacuation needs to addressed. There is need to have a policy that introduces healthy competition such as by having Independent Power Distributors in various regions within the country as is the case in other countries like the United Kingdom and other European countries.
- f) **Targets on quality of various Outputs:** Most set targets in the sector are largely quantitative in nature and do not evaluate the quality of public services. There is need for the targets to incorporate the quality aspect of services so as to stem the inefficiencies that are rampant in the sector. Examples include targets of installing transformers in constituencies. Concerns have been raised that a significant number of the installed transformers are faulty. In addition, there is need for enhanced Monitoring and Evaluation (M &E) for these capital projects to ensure that value for public money is achieved.
- g) **Audit issues on projects and SAGAs in the Sector:** Various projects being undertaken in the sector and various aspects of financial management of the SAGAs have been riddled with audit queries. For example, a report for the year ended June 2019 notes that Geothermal Development Company (GDC) spent Kshs. 917 Million on unproductive wells that have been abandoned. The Loiyangalani-Marsabit 400 KV Transmission Line project has been subjected to Special Audit but continue to be resourced (though the GOK allocation is proposed to be reduced Kshs. 1.7 B to Kshs. 188 M, the external funding is being increased by Kshs. 700 Million). There is need to enhance the implementation of the recommendations of the oversight committees of the Parliament and for the determination of allocations to rely on by the audit issues and subsequent findings after processing such reports.

PART III

SUBMISSIONS BY THE STATE DEPARTMENTS

3.1 State Department for Energy

24. The Principal Secretary for the State Department for Energy accompanied by the relevant technical team and heads of various Directorates and SAGAs appeared before the committee on the 25th May 2021 and made submissions on the proposed estimates for the FY 2021/22. Pursuant to the information sought through the invite letter, the submission covered specific thematic areas on budgetary issues which include the following:

Proposed Estimates for the FY 2021/22

25. A comparative analysis on the proposed estimates for the FY 2021/22, the ceilings as set under the approved 2021 BPS and the approved estimates of the current financial year (as the baseline) and the resource requirements was provided.
26. The comparative analysis revealed that the proposed total estimates of FY 2021/22 for the State Department amounts to Ksh 75.4 billion (of which Ksh 6.6 billion and Ksh 68.7 billion are for recurrent and development respectively) is Ksh. 2.67 billion lower than the approved ceilings in the 2021 BPS. The entire reduction is in the developed expenditure whereas recurrent allocations is proposed to remain the same as approved in the BPS. The reduction is on account of downscaled amount of projected loans to be received in the FY 2021/22.
27. The proposed recurrent transfers to Government Agencies remain largely the same as approved ceilings in BPS. However, the Capital Transfers as proposed when compared to ceilings in 2020/21 BPS result into some variations as shown in the table

AGENCY	BPS ALLOCATION FOR FY 2021/22 (Kshs. Millions)				PROPOSED ESTIMATES FY 2021/22 (Kshs. Millions)			
	GoK	Local AIA	Foreign	Total	GoK	Local AIA	Foreign	Total
KETRACO	4,281	0	26,114	30,395	4,131	0	21,402	25,533
NuPEA	550	0	0	550	410	15	0	425
REREC	841	3,774	3,213	7,828	969	3,940	3,511	8,420
KPLC	4,150	0	15,168	19,318	4,612	0	17,027	21,639
KENGEN	0	0	4,714	4,714	0	0	5,201	5,201
GDC	900	2,100	2,135	5,135	600	2,100	1,538	4,238
MOE HQS	0	1,198	2,274	3,472	0	1,017	2,274	3,291
Grand Total	10,722	7,072	53,618	71,412	10,722	7,072	50,953	68,747

Source: The National Treasury (various issues of budget Books)

Projects linked to the Big Four Agenda

28. Details of the projects domiciled within the department and linked to the big four were provided and annexed to the report.

Programmes, Key Outputs and Targets for the FY 2021/22 and Medium Term

29. The submission provided a comparative analysis of performance of the State Department in the previous FY 2019/20 evaluated on the set targets and actual achievements, the current FY 2020/21 targets as the baseline and the proposed targets for the FY 2021/22.
30. For the FY 2019/20, it was revealed that the targets were largely achieved in the various programmes considering the respective Key Performance Indicators.
31. The achievements in the three FY years include generation of 165.4 MW of installed electricity generation capacity from Olkaria V geothermal power plant, 310 MW from Lake Turkana wind power plant and 50 MW from Garissa solar power plant.
32. In addition, seventeen geothermal wells and three coal exploration wells were drilled. The cumulative MWe increased to 175.7 MWe from 171.4MWe from the previous review period. In order to enhance the national electricity grid, 1,399.5 Km of transmission line, four (4) new high voltage substations were constructed, 1,994.2 Km of medium voltage distribution lines were constructed and thirty- nine (39) distribution substations were also constructed. The number of customers connected to electricity increased by 1,522,858 which included 755 public facilities. 73,472 street lighting points were installed in different parts of the country. The Ministry also enhanced connectivity in off-grid areas by construction of fourteen (14) solar/diesel hybrid stations and seven (7) isolated diesel stations in addition to the 50 MW Garissa solar power plant.
33. In the development of the nuclear power programme, one hundred and forty four (144) persons were trained. The National Nuclear Energy Policy was developed, 109 public awareness forums were held and two (2) sites were identified as potential nuclear power plant sites. Further 801.3 Ha of land was planted with tree seedlings, ninety- two (92) woodlots were established in farmer's plots near the catchment areas and sixteen (16) tree seedlings nurseries were established in eight (8) energy centres.
34. Despite the achievements, the Ministry expounded on the various challenges encountered in implementation of the various projects which include; effect of Covid-19 pandemic on economy; complexity in acquisition of way leaves and land; complex geology in coal and geothermal exploration and development; litigation affecting works progress in some projects; damage of underground network by other utilities and vandalism of energy infrastructure.
35. To address these challenges, the Ministry intends to: develop integrated energy disaster and risk mitigation strategy to deal with emerging risks and disasters; enhance budgetary support for the Ministry to promote geothermal resources assessment; power transmission and

distribution network upgrade and expansion; and improve electricity access and promotion of other green alternative energies.

36. In the FY 2021/22 and the medium term, key services and outputs to be achieved include; Generation of 62.82 MW from geothermal resources; drilling of fifteen (15) geothermal wells; drilling of twenty (20) coal exploration wells; training of eighty (80) officers on nuclear related courses and hold twenty-four (24) public awareness forums on nuclear development; construct 457 Km of transmission lines and seven (7) Transmission substations; Construct 363.39 Km of distribution lines and eleven (11) distribution substations; connect to electricity 500,000 new customers and 801 public facilities to the grid and 184 solar PV systems maintained previously installed in Public institutions; install 30,000 street lighting points; install 827 transformers; install twenty (20) water pumping systems in ASAL areas; plant 100 Ha of hydro dams water catchment areas with trees; construct two (2) institutional and 400 domestic biogas plants; and implement KOSAP projects in off-grid areas among others.

Pending Bills

37. It was reported that as at March 2021, the pending bills amounted to Ksh. 3.968 billion spread across the SAGAs under the Ministry. The largest pending bills reported are owed by KETRACO on the Mombasa Nairobi Transmission line project at Ksh. 1.7 billion and on Loiyangalani -Suswa transmission line at Ksh 1.6 billion. The two bills are pending on account of contractual claims due to delays in acquisition of right of way and the problems arising from variations in the scope and design of the projects. The Ministry also explained how exchequer delays and budgetary constraints have contributed to the accumulation of pending bills.

Stalled Projects and Completion Status of Ongoing Projects

38. It was reported that at the time of making submissions, there were no stalled projects within the State Department and in the relevant SAGAs. However, a concern was raised on the sluggish progress in undertaking the ongoing projects which was indicated as largely due to inadequate budgetary allocation. The total costs for all the ongoing projects was estimated at Ksh. 246.3 billion of which actual expenditure was at Ksh. 103.7 billion as at May 2021 resulting into outstanding project costs totaling to Ksh. 142.7 billion.

New Projects

39. The details provided by the Ministry on the status of ongoing projects as annexed revealed that some projects' financial performance are so low that the planned timelines for their respective completion cannot be achieved. The sluggish progress in completion of the capital projects was attributed to budgetary constraints, challenges associated to right of way and leave ways, court cases and contract terminations among others.

3.2 State Department for Petroleum and Mining

40. On the 26th May 2021, the Principal Secretary of the State Department for Petroleum and Mining accompanied by relevant heads of Directorates and SAGAs domiciled in the State Department appeared before the Committee to make submissions on the relevant thematic areas on the 2021/22 estimates which included :

Proposed Budget Estimates for the FY 2021/22

41. A comparative analysis on the proposed estimates for the FY 2021/22, the ceilings as set under the approved 2021 BPS and the approved estimates of the current financial year (as the baseline) and the resource requirements was provided.
42. The comparative analysis revealed that the proposed total estimates of FY 2021/22 for the department amounts to Ksh 2.985 billion (of which Ksh 336 Million and Ksh 2.649 billion are for recurrent and development respectively). The proposed estimates are equal to the ceilings as approved in the 2021 BPS.
43. In comparison to the current FY 2020/21 estimates, the recurrent is proposed to have an increase of by Kshs. 98.7 million up from Kshs. 237.3 million for FY 2020/21. The major expenditure was noted is in personnel emolument proposed at Kshs. 180 million while operation and maintenance at Ksh 156 Million.
44. On the development vote, there is a proposed decrease of Kshs.700 million when compared to the allocations for the current FY. The decrease is on account of the reduced activities in the KEPTAP Project which is coming to an end by August 2021.
45. The proposed capital expenditure shall be apportioned to the various projects as:
- a) Kshs. 500 million to the Kenya Petroleum Technical Assistance Project (KEPTAP)
 - b) Kshs. 250 million to the Petroleum Exploration in Block 14 T
 - c) Kshs.425 million to the Preparatory activities for the Lokichar-Lamu Crude Oil Pipeline
 - d) Kshs. 200 million to the Early Monetization of first oil project
 - e) Kshs. 924 million for oil exploration and monitoring
 - f) Kshs 45 million for fuel marking
 - g) Kshs. 305 million for LPG distribution and infrastructure

Projects linked to the Big Four Agenda

46. The Ministry indicated it does not have any project directly linked to the Big four Agenda but illustrated how its projects are enablers to the Big Four Agenda.

Programmes, Key Outputs and Targets for the FY 2021/22 and Medium Term

47. Key achievements against the approved targets for the previous FY realized by State Department during the MTEF period 2017/18- 2019/20 include: increased volume of mineral produced for exports from 865 million metric tons in 2008 to 1,124 million metric tons in 2019; increased revenue collection from Kshs.1.2 billion in the FY 2017/18 to Kshs.1.6 billion in the FY 2019/20; commissioning of early oil pilot scheme project with a total of 419,076 barrels of early oil delivered to KPRL storage terminal; review of two iteration models on the Field Development Plan (FDP) for South Lokichar field; 39,863 samples of petroleum products tested to mitigate against adulteration and diversion; and reviewed 63 petroleum blocks.
48. Despite the aforementioned achievements, the State Department's experienced a number of challenges which included disruption of production of crude oil by the community over revenue sharing, halting of crude oil trucking due to damaged roads, the COVID-19 pandemic which disrupted industry operations, land access and escalating cost of land acquisition for oil and gas projects, inadequate skilled labour for the industry, cost overruns and litigation, falling of crude oil prices and delays in the finalization of legal and regulatory frameworks by the legislature.
49. To address the above challenges in the FY 2021/22 and in the Medium Term, the Ministry of Petroleum and Mining will engage stakeholders at the National and County levels with a view to repair the damaged roads in order to ease movement of petroleum products. The Ministry will also sensitize the affected communities on the importance of exploration of minerals and oil products in their neighborhood, enhance its capacity through continued implementation of capacity building programmes, finalize the petroleum master plan; develop upstream and mid-stream petroleum regulations to operationalize the Petroleum Act 2019.
50. During the MTEF period 2021/22-2023/2024, the Ministry proposes to initiate development of a 20- year mining strategy, carry out geo-technical site investigation for LAPSSET transport corridor, decentralize the online cadastre system to regional offices and develop royalties' management information system. In addition, the Ministry will prioritize programs intended to provide policy, legal and institutional framework for exploration, development, production, commercialization and ensure security of supply of oil and gas products for sustainable development. It will also facilitate the distribution of 28 million metric tons of petroleum products and promote the uptake of LPG.
51. The Ministry pointed out that the underperformance in some of the targets for the past financial years were on account of inadequate budgetary provisions and issues related to delay in exchequer disbursements. The adverse impact of Covid 19 was noted as having also derailed activities of the Ministry which are largely field based.

52. The reasons for the variations in the proposed targets and the current financial year targets were provided. The main justification provided was related to the resource allocations and the current stages of implementation of the various projects.

Pending Bills

53. As the beginning of the current FY 2020/21, under the State department, the validated pending bills amounted to Kshs. 1.5 billion. The approved pending bills under supplementary I FY 2020/21 was KSh.1.19 billion of which the remaining pending bills of KSh.330.4 Million are likely to transit into 2021/22. It was reported that out of the approved budget provision of KSh.1.19 billion, pending bills worth Kshs 451 Million had been settled so far. The remaining pending bills worth KSh.740 Million are at various stages of payment process.
54. The Ministry further reported that in the FY 2019/20, pending bills amounting to Kshs. 436 Million which arose due to the restructuring of the donor funded KEPTAP project has been settled and a balance of Kshs. 2.5 million is in the process of being settled. The current total outstanding pending bill is Kshs. 225.3 million.
55. In addition a pending bill amounting to KSh.661.5 Million as at 30th June 2020 of which KSh.222.77 million is for the FY 2016/17 relates to the procurement of LPG cylinders which were supplied to the Ministry but had not been inspected and accepted because of a court case which has since been concluded. A third party inspector has been engaged and payments will be made according to recommendations of the inspection report.

Stalled Projects and Completion status of ongoing projects

56. The Ministry does not have any stalled project under the sub-sector of petroleum. It was reported that there are a total of seven ongoing projects one of which is KEPTAP due to be completed in the FY 2021/22. The total costs of all the projects are estimated at Ksh.39.5 billion with the actual accumulated expenditure at Kshs 12.5 billion translating into a financial performance of 32%. Given that the planned timelines for completion of all the projects is by 30th June 2022, it is apparent that the proposed allocation of only Kshs. 2.6 billion to be allocated in the FY 2021/22 is inadequate and that the set timelines shall not be achieved. This was noted, will result in delay in the provision of the expected public service and shall occasion cost overruns.
57. The financial performance of the seven projects were reported as:
- i. KEPTAP: The estimated total costs is KSh.4.77 billion and as at March 31st 2021, accumulative expenditure stood at Kshs 3.8 billion, translating into a completion level of 80%.
 - ii. Petroleum Exploration in Block 14T: The estimated total costs is KSh.6.6 billion and as at March 31st 2021, accumulative expenditure stood at Kshs 2.1 billion, translating into a completion level of 32%.

- iii. Fuel Marking: The estimated total costs is KSh.410 million and as at March 31st 2021, accumulative expenditure stood at Kshs 146 million, translating into a completion level of 36%.
- iv. Preparatory activities for the Lokichar –Lamu crude Oil Pipeline: The estimated total costs is KSh.10 billion and as at March 31st 2021, accumulative expenditure stood at Kshs 1.4 billion, translating into a completion level of 14%.
- v. Early Monetization of First Oil Project – The estimated total costs is Kshs 3.2 billion and as at March 31st 2021, accumulative expenditure stood at Kshs 0.3 billion, translating into a completion level of 9%.
- vi. LPG Distribution and Infrastructure – The estimated total costs is Kshs 8.2 billion and as at March 31st 2021, accumulative expenditure stood at Kshs 0.96 billion, translating into a completion level of 1%.
- vii. Oil Exploration and Monitoring – The estimated total costs is Kshs 6.5 billion and as at March 31st 2021, accumulative expenditure stood at nil

New Projects

- 58. In the FY 2021/22 and in the Medium Term, the State Department reported that no new projects are planned to be introduced.

Other Relevant Information

- 59. Arising from the submission and clarifications made by the heads of the SAGAs in the Petroleum sub-sector, other pertinent information included :
 - a) Energy and Petroleum Regulatory Authority (EPRA) has not been able to receive the approved allocations for fuel marking transferred to it on account that the National Treasury has not created a budget item in IFMIS to facilitate the transfer , a matter that has overtime made EPRA to internally reorganize its lean budget to execute the important mandate.
 - b) National Oil Corporation of Kenya (NOCK): The recommendations that were contained in the Independent Business and Liquidity Review conducted by Consultants for the Lenders (KCB and Stanchart Banks) are under considerations. Overhauling the board and outsourcing management of the corporation is being highly considered for implementation.
 - c) The Kenya Pipeline Company (KPC) is undertaking various capital projects to enhance its capacity and efficiency. Key among the projects include: Installation of SCADA and leak detection systems, rehabilitation of Port Reitz tanks, connection to line 5 and connection to KOT2, construction of liquefied petroleum gas (LPG) Bulk storage and handling facility in Mombasa, among others.

PART IV
OBSERVATIONS AND RECOMMENDATIONS

4.0 COMMITTEE OBSERVATIONS

4.1 State Department for Energy

Arising from the deliberations and engagements on the estimates, the Committee made the following observations:

1. There exist huge Pending bills within the SAGAs in the Ministry. This is despite the legal provision that the pending bills be settled as a first charge. The accumulation of the bills has been largely attributed to inadequate budgetary allocations. There are also incidences where some of the reported pending bills are subject of various audits to establish their authenticity before being cleared for payment. The delay has adverse socio-economic effects to the suppliers of goods and services.
2. The National Government has assisted in installation streetlights and handed over to the County Governments to manage since it is their function pursuant to the Fourth Schedule of the Constitution of Kenya. However, there is hesitancy and negligence by some of the County Governments to pay KPLC the accrued utility bills on the street lighting.
3. The Ministry at the Headquarters holds functions and respective budgetary allocations that ideally should be undertaken by the relevant SAGAs within the sub-sector. The functions include: Geothermal exploration and development in Rift Valley, Coal exploration and development in Coast and Nuclear and fuel resources exploration and development.
4. The incidences of contract termination is high among the capital projects within the energy sub-sector, a matter that casts aspersion to the contract evaluation capacity within the SAGAs. For example, the annual Auditor General's report for the FY ending June 2020 have raised audit queries on the terminated contracts that leads to cost over runs and delay in delivery of expected public service. The terminations are mainly on account of the foreign contractors being declared bankrupt in their respective countries and for reason of non-performance. Examples of the affected projects (being undertaken by KETRACO) include:
 - i. Lessos-Tororo Transmission Line project(non-performance)
 - ii. Turkwel- Ortum – Kitale Sub-Station(contractor bankrupt)
 - iii. Sondu-Homabay-Awendo-Nanyuki-Meru-Isiolo transmission Line(contractor bankrupt)
 - iv. Olkaria-Narok-Lessos-Kabarnet- Nanyuki-Rumuruti Project
5. There is delay in metering customers by KPLC after REREC completes installation of transformers which has led to loss of opportunities to generate public revenue, vandalism of the installations and opened opportunities for illegal connections.

6. The policy of REREC to have within regions central collection points of purchased poles is both cost ineffective and logistically cumbersome. This causes delay in completion of transmission lines projects.
7. There are several stalled power schemes and abandoned projects spread across the country within the programme of Power Transmission and Distribution. The stalled projects hold public resources without yielding the envisaged public service; no value for public money.
8. There are limited pre-qualified contractors for the power projects in various programmes and schemes within Constituencies. In most constituencies, there are single such prequalified contractors in the rural electrification scheme whose capacities are overstretched hence cannot undertake the awarded contracts in time.
9. The completion status of various capital projects reveal that most of them are lagging behind the set timelines for completion. This is evidenced by the low financial performance which is not in tandem with the passage of time since the respective commencement dates of the projects. The sluggish process in completion of projects have been partly attributed to inadequate budgetary allocations, worsened by budget cuts in supplementary estimates.

4.2 Ministry of Petroleum and Mining

Arising from the deliberations and engagements on the estimates, the Committee made the following observations

1. Completion status of projects within the Sub-sector of Petroleum remain so low whereas all of the ongoing projects were planned to be completed by 30th June 2022. It is apparent that the set completion timelines shall not be met, a matter that shall cause a delay in the provision of expected public service.
2. The allocations for the for fuel marking for the last FY 2019/20 and the current FY 2020/21 have not been transferred to EPRA for lack of appropriate budget line in IFMIS to facilitate the transfer. There is laxity in the National Treasury to create the appropriate budget line.
3. The policy by National Oil Corporation of Kenya not to work on weekends and during public holidays causes lots on inconveniences to its clients. The inconveniences are on account of wastage of time, businesses and additional expenses associated to waiting till the next working day for those who reach loading points when the points have closed.
4. There is lack of a robust Monitoring and Evaluation framework and reports for the programmes and projects on oil and gas exploration, a matter that makes it difficult to evaluate and boost realization of value for public money.
5. Early monetization of first oil project whose planned period of execution was 2011-2022 is only at 1% of completion as at 31st March 2021. The sluggish progress of the project casts doubts on the commercial viability of the oil and gas exploration.
6. The financial performance as at 31st March 2021 of most capital projects in the current FY 2020/21 is dismally low, in total out of the allocated funds of KSh 3.349 billion, only KSh

1.3 billion has been spent(an absorption rate of 19%, with only three months to the end of the financial year).

5.0 RECOMMENDATIONS

5.1 POLICY RECOMMENDATIONS

5.1.1 State Department for Energy

Based on the identified salient issues that emerged during the engagements on the estimates, the Committee recommends THAT:

1. To address the problem of delay in metering customers after installation of transformers by REREC, the Ministry of Energy to review and transfer the function and respective budget for metering customers to REREC to facilitate the framework of build, install/meter and Transfer in their contract, while KPLC retains the billing function to all customers. This should streamline the handing over of the projects. The review and transfer to be instituted within by end of the first quarter of the FY 2021/22.
2. The National Treasury in collaboration with the Ministry and the National Assembly to consider allocating and subsequent appropriation of funds for settlement of the existing authenticated pending bills. The allocations should be factored in the next Supplementary budget and full settlements to be done by the end of second quarter of the FY 2021/22.
3. Part of the allocations to the County Governments should be ring-fenced as conditional grants for settlement of pending bills such as on street lighting and maintenance of the high masts, owed to the State Owned Enterprises such as KPLC. This needs to be effected within the FY 2021/22.
4. The Ministry of Energy to review its mandate with an aim of transferring the tasks and functions such as Geothermal exploration and development in Rift Valley, Coal exploration and development in Coast and Nuclear and fuel resources exploration and development to relevant SAGAs of GDC and NuPEA. The transfer of the functions to be effected by mid of the FY 2021/22.
5. The Ministry in collaboration with REREC and KPLC with the help of Members of Parliament in the National Assembly to conduct an audit on all stalled projects, faulty transformers , projects in the programmes of power transmission and distribution and that of power generation whose completions have delayed. The audit to be concluded by end of June 2021. Consequently, the SAGAs where the affected projects are domiciled to fast track the completion of the identified projects and provide to the Departmental Committee monthly updates on the completion status.
6. There is need for the National Government through the National Treasury to institute by end of first quarter a policy or regulations that prohibits allocation of more funds to projects affected by contract terminations until the audit issues on the projects are procedurally processed and resolved as per the recommendations of relevant oversight committees of the National Assembly.

7. REREC to within the first quarter of FY 2021/22 increase the number of prequalified contractors to undertake its projects per constituency to ensure that every Constituency has at least two prequalified contractors.
8. The sub-programme of Nuclear Energy development being implemented by NuPEA needs to be supported more in the FY 2021/22 through enhanced activities of NuPEA such as in public sensitization.
9. The completion of the capital projects under implementation within the subsector should be fast tracked going forward by the respective implementing SAGAs. The budget cuts through supplementary estimates on the projects should be minimized or at best be avoided.

5.1.2 State Department for Petroleum and Mining

Based on the identified salient issues that emerged during the engagements on the estimates, the Committee recommends THAT:

1. National Treasury to create in IFMIS the appropriate budget line before the end of 30th June 2021 to enable the funds appropriated for fuel marking to be transferred to the Energy and Petroleum Regulatory Authority for the execution of its mandate.
2. The Ministry to enhance its Monitoring and Evaluation Framework in oil and gas exploration and to provide a report to the Committee within the first quarter of the FY 2021/22 on the measures taken towards the same.
3. The National Oil Corporation of Kenya to conduct a feasibility study on the commercial viability of working during weekends and public holidays ,and even 24/7 and present its findings to the Departmental Committee on Energy in the first of the FY 2021/22.

5.2 FINANCIAL RECOMMENDATIONS


5.2.1 Proposed reductions


State Department for Energy and State Department for Petroleum and Mining

Programme	Area/Item	Proposed Reductions (Ksh mlns)	Justifications
Power Transmission and Distribution programme	132 kV Sondu Homabay -Ndhiwa- Awendo Transmission Line	300	No works ongoing and the Contractor and KETRACO has written to Attorney General to advise on termination of the contract
	Interconnection Project of Electric Grids of Nile Equatorial Lakes Co.- 400kV Lessos Tororo Interconnector	205	There is an impending court case to challenge arbitration award to the contractor of Kshs. 4.5 billion. Another contractor to complete the remaining works yet to be identified and thus no need for allocations.
	Power Transmission and Distribution programme:	407	The initial contract was Kshs. 1.99 billion. The original contractor had done 78 percent of the work before being terminated. So the

Programme	Area/Item	Proposed Reductions (Ksh mlns)	Justifications
	220 kV Turkwel - Ortum-Kitale		remainder of the works is equivalent to Kshs. 437 million. The ministry identified a new contractor to finish the works and did allocate Kshs. 568 million in the current financial year 2020/2021. Therefore, there is no justification for giving the project more funding in the FY 2021/2022.
Alternative Energy Technologies	Ministry of Energy Headquarters	299	The funds are reduced since the function do not fall under the mandate of the Ministry Headquarters. This funding is for the following projects: <ul style="list-style-type: none"> • Hydrodams water catchment reforestation – Kshs. 72 million, • Solar PV Installation on Institutions and or Community boreholes – Kshs. 80 million • Development of Community Small Hydro Power Projects – Kshs. 20 million • Installation of wind masts & data loggers and rehabilitation – Kshs. 30 million • Construction of Institutional biogas plants - Kshs. 20 million • Pilot programme on Domestic Household biogas digesters -Kshs. 70 million • Biofuel value chain development - Kshs. 7 million
Power Generation	Ministry's Headquarters	300	The proposed allocations are to be largely utilized for Research, Feasibility Studies, Project preparation and Design at the Ministry's Headquarters. There is no justification and plausible targets. The proposed funds are for the following: <ul style="list-style-type: none"> • Geothermal exploration and development in Rift Valley – Kshs. 100 million • Coal exploration and development in Coast – Kshs. 100 million • Nuclear fuel resources exploration and development – Kshs. 100 million
Power Generation	Geothermal Development Company(GDC)	500	The Ministry's submission did not provide justification for this funding.
Total Proposed Reductions		2,011	

The Committee approves the Budget estimates as proposed in the other programmes under the two State Departments.

SIGNED  DATE 03/06/2021
HON. GLADWELL CHERUIYOT, MP – VICE- CHAIRPERSON, DEPARTMENTAL
COMMITTEE ON ENERGY

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5.2.2 Proposed Reallocations for

State Department of Energy

Proposed Increases

Programme	Area/Item	Proposed Increases (Ksh mlns)	Justifications
Power Transmission and Distribution Programme	Electrification of Public facilities	612	The completion status of the project as at 31 st March 2021, was only 45% whereas the targetted end time for the project is June 2024. Given the importance of the resultant output in public service delivery, there is need to enhance the GoK funding of the project
	Streetlighting	100	There is need to enhance the allocations to the project so as to unlock the positive multiplier effects of streetlighting to more people and regions.
	Gilgil-Thika Konza 400 KV Transmission Line	200	The project requires 15% self raised funds from GoK to meet contractual and local costs as condition precedent for loan effectiveness
	Loiyangalani - Marsabit 400 kV Transmission Line	200	The project requires 15% self raised funds from GoK to meet contractual and local costs as condition precedent for loan effectiveness
	220 kV Marsabit Isiolo Transmission Line	200	The project requires 15% self raised funds from GoK to meet contractual and local costs as condition precedent for loan effectiveness
	Last Mile Electricity connectivity	599	There is need to enhance the allocations to the project so as to unlock the positive multiplier effects of electricity connections to more people and regions to facilitate 100% universal connectivity by 2023.
Power Generation	Publicity and Advocacy	100	To facilitate the awareness creation to enhance update of various sources of power
Total Proposed Increments		2,011	

State Department for Petroleum and Mining

Reallocations

Programme	Area/Item	Proposed Reductions (Kshs. mlns)	Justifications
Exploration and Distribution of Oil and Gas Programme	Oil Exploration and Monitoring	150	The project has been placed in the under the Headquarters delivery unit. However, their output as per the Programme Based Budget is policy and overall coordination of the ministry's function. The Committee proposes that the funds be reallocated to Block 14T delivery unit which has outputs related to oil exploration and monitoring.

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT –FIFTH SESSION

THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL
RESOURCES

REPORT ON CONSIDERATION OF THE BUDGET ESTIMATES FOR THE
FINANCIAL YEAR 2021/2022 AND MEDIUM TERM FOR:

VOTE 1203: STATE DEPARTMENT FOR WILDLIFE;
VOTE 1194: MINISTRY OF PETROLEUM AND MINING (MINING VOTE);
VOTE 1108: MINISTRY OF ENVIRONMENT AND FORESTRY; AND
VOTE 1107: MINISTRY OF WATER, SANITATION AND IRRIGATION.

DIRECTORATE OF DEPARTMENTAL COMMITTEES,
CLERK'S CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI.


 THE NATIONAL ASSEMBLY PAPER <u>MAY, 2021</u>	
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PART II

II. BROAD OVERVIEW OF THE FY 2021/2022 BUDGET ESTIMATES

11. The Budget Estimates for the FY 2021/22 was submitted to the National Assembly on Thursday, 29th April, 2021 and subsequently tabled in the House in line with Section 37(2) of the PFM Act, 2012 and Standing Order 235 of the National Assembly Standing Orders.
12. The expenditure estimates for the MDAs under the purview of the Departmental Committee on Environment and Natural Resources amounts to **Kshs. 103.52 billion** comprising of **Kshs. 26.51 billion** for recurrent expenditure and **Kshs. 77.01 billion** for development expenditure. This is 59 percent of the total resource requirement amounting to **Kshs. 175.07 billion**.

Table 1: Summary of the Resource Requirements and Budget Allocations for the MDAs under the Committees purview (Kshs. billions)

MDA	Resource Requirement			Budget Estimates		
	Recurrent	Development	Total	Recurrent	Development	Total
Ministry of Water, Sanitation & Irrigation			114.0	6.4	71.88	78.28
Ministry of Environment and Forestry	16.57	19.0	35.57	10.48	4.25	14.73
State Department for Wildlife	16.39	7.14	23.53	9.0	0.63	9.63
Ministry of Petroleum and Mining (Mining Department)	1.18	0.79	1.97	0.63	0.25	0.88
Total MDAs Allocation			175.07	26.51	77.01	103.52

PART III

III. SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

13. The Departmental Committee on Environment and Natural Resources held a retreat in Naivasha, where it met with the Ministries, Departments and Agencies under its purview to consider the Budget Estimates for the FY 2021/22 and the medium term. The retreat was held from 16th to 20th May, 2021. The Committee was briefed by the Principal Secretary for Wildlife, Prof. Fred Segor, the Principal Secretary for Petroleum and Mining, Mr. Andrew N. Kamau, and the Principal Secretary for Environment and Forestry, Dr. Chris Kiptoo, on Monday, 17th May, 2021. The Principal Secretary for Water, Sanitation and Irrigation, Mr. Joseph Irungu, CBS appeared before the Committee on Tuesday, 18th May, 2021. The following are the highlights of the submissions by the Ministries, Departments and Agencies under the Committee's purview:

3.1 Ministry of Water, Sanitation and Irrigation

14. The proposed Budget Estimates for the Ministry in the FY 2021/2022 is **Kshs. 14.73 billion** comprising of **Kshs.10.48 billion** for recurrent expenditure and **Kshs. 4.25 billion** development expenditure. This allocation is **41 percent** of the total resource requirement amounting to **Kshs. 35.57 billion** out of which **Kshs. 16.57 billion** had been proposed for recurrent expenditure and **Kshs. 19 billion** for development expenditure. The Ministry's recurrent expenditure is funded by GOK exchequer of **Kshs. 9.21 billion** and AIA of **Kshs. 1.27 billion** while the development expenditure is funded by GOK exchequer of **Kshs. 2.21 billion** and donor funds of **Kshs. 2.05 billion**.
15. Some of the key outputs for the FY 2021/2022 include: finalization of various regulations under the water sub-sector, review the water sub-sector policies, finalize the water sub-sector amendment bills, establish and rehabilitate water resource monitoring stations; implement Sub-Catchment Management Plans (SCMPs), undertake 70 abstract and pollution surveys; complete the Northern Water Tunnel; complete the Nairobi water distribution project; construction and expand water supplies and sanitation projects in urban areas; implement the last mile water connectivity of major completed projects; rehabilitate rural water supplies; implement projects for the urban poor and rural marginalized areas; advance the completion of the Thwake Multipurpose Dam, Siyoi-Muruny Dam and water supply, Yamo Dam, Thiba Dam, Mwache Dam, Karimenu II Dam, Ruiru II Dam, and Soin Koru Dam; increase acreage under irrigation by 49,660 acres; rehabilitate and reclaim 300 hectares of degraded land; increase water storage for irrigation by 44.6 million cubic meters; and drill and equip boreholes and construct greenhouses in 95 public schools.
16. The Ministry has one new project in the FY 2021/2022, Nairobi Water and Sanitation Project, which has been allocated **Kshs. 860 million**. The project was included in the budget

since it is donor funded. The Ministry has 4 stalled projects: the Rongo Water Supply project which stalled due to lack of budgetary allocation; the Itare Dam which stalled due to the ongoing investigation; the Kiserian Sewerage project which stalled due to termination of the contractor by the employer; and Awendo Water Supply which stalled due to exhaustion of donor funds before completion. The Ministry has pending bills amounting to **Kshs. 7.08 billion**. This includes **Kshs. 7.02 billion** for various water development agencies under the Ministry and **Kshs. 62.6 million** for the Ministry Headquarters.

17. In the current FY 2020/2021, the Ministry had spent **Kshs. 17.6 billion** by the end of the third quarter against an annual budget of **Kshs. 31.42 billion**. This represents an overall absorption rate of **56 percent** with that of the recurrent expenditure being **80 percent** while that of the development expenditure at **55 percent**.
18. Due to the shortfall in budget allocation, the Ministry requested the Committee to consider additional funding for the FY 2021/2022 for the following areas: resettlement action plan that are outstanding for Karimenu II Dam, Nzoia Cluster, Northern Collector Tunnel Pipeline, Ruiru II Dam, Soin Koru Dam, and Mwache Dam; budget deficits for Thiba Dam, Northern Water Collector, Soin Koru Dam, Siyoi Muruny Dam, and Thwake Dam; Last Mile Water Connectivity; funding for newly created North Rift WWDA and Regional Center for Ground Water Training Education; recurrent budget shortfalls for Lake Victoria South WWDA, Lake Victoria North WWDA, and WRA; funding for annual events; implementation of the sanitation management function; implementation of the water sector institutional reforms; and implementation of irrigation sector reforms.
19. The Ministry also requested the Committee to look into solutions to address some of their budget implementation challenges including: delays in exchequer releases; delays in processing of the taxation master-lists; land and way-leaves acquisition challenges and delays in finalization of the resettlement action plans; mid-year budget cuts; litigations that delay project implementation; failure by county water service providers to implement last mile connectivity; and budget allocations to cater for pending bills.

3.2 Ministry of Environment and Forestry

20. The proposed Budget Estimates for the Ministry in the FY 2021/2022 is **Kshs. 14.73 billion** comprising of **Kshs. 10.48 billion** for recurrent expenditure and **Kshs. 4.25 billion** development expenditure. This allocation is **41 percent** of the total resource requirement amounting to **Kshs. 35.57 billion** out of which **Kshs. 16.57 billion** had been proposed for recurrent expenditure and **Kshs. 19 billion** for development expenditure. The Ministry's recurrent expenditure is funded by GOK exchequer of **Kshs. 9.21 billion** and AIA of **Kshs. 1.27 billion** while the development expenditure is funded by GOK exchequer of **Kshs. 2.21 billion** and donor funds of **Kshs. 2.05 billion**.

21. Some of the key outputs for the FY 2021/2022 include production of 97 million seedlings for planting and rehabilitation of degraded forest areas, protection of 2.7 million hectares of closed canopy forests, establishment of 12,500 hectares of new forests, production of 152 tons of quality seeds for seedling production, protection of 142,101 hectares of critical water towers, fencing of 20 kilometers of rehabilitated water towers, preparation of one national greenhouse gas inventory, monitoring and prosecution of 100 percent of all reported environmental violation cases and modernization of 76 percent of the meteorological services.
22. The ministry has no new projects to be implemented in the FY 2021/2022 and currently has no stalled projects. However, it has pending bills which amounted to **Kshs. 4.73 billion** as at the end of the third quarter of FY 2020/2021. This included **Kshs. 4.01 billion** for the Kenya Forest Services (KFS), **Kshs. 627 million** for compensation payments in respect to court judgments issued against the Ministry, **Kshs. 57.5 million** for the Kenya Forest Research Institute (KEFRI) and **Kshs. 36.77 million** for the Ministry Headquarters.
23. In the current FY 2020/2021, the Ministry had spent **Kshs. 8.51 billion** by the end of the third quarter against an annual budget of **Kshs. 14.07 billion**. This represents an overall absorption rate of **61 percent** with that of the recurrent expenditure being **65 percent** while that of the development expenditure at **48 percent**.
24. Due to the shortfall in budget allocation, the Ministry requested the Committee to consider additional funding for the FY 2021/2022 for the following areas: facilitation of the Presidential direction of 10 percent forest cover by 2022; implementation of the Green Economy Strategy and Plan (GESIP); cater for maintenance and security of Kenya Meteorological Department (KMD) specialized equipment acquired as part of the departments modernization exercise and installed in its more than 47 field offices; promote green projects to mitigate climate change and enhance climate change adaptation; implement 2 presidential directives on cascading environment conservation to local community level, and incorporate climate change in education curriculum; undertake programmes in wetland conservation and protection; funding river riparian rehabilitation such as Nairobi River riparian and urban rivers in the country in line with presidential directive; funding outstanding subscriptions to international bodies that are in arrears amounting to **Kshs. 148 million** and participation to ratified and domesticated agreements, international treaties, conventions and agreement to enhanced international cooperation on environmental conservation; create awareness on plastic bags and sensitizing the public on available bio-degradable alternatives; and facilitation of ministry taskforces and other ad hoc committees set up to address urgent issues of priority to government.

25. The Ministry also requested the Committee to implore the National Treasury to ensure timely release of GOK exchequer and donor funds.

3.3 State Department for Wildlife

26. The proposed Budget Estimates for the State Department for Wildlife in the FY 2021/2022 is **Kshs. 9.64 billion** comprising of **Kshs. 9.01 billion** for recurrent expenditure, and **Kshs. 633 million** for development expenditure. This allocation is **41 percent** of the total resource requirement amounting to **Kshs. 23.53 billion** out of which **Kshs. 16.39 billion** had been proposed for recurrent expenditure and **Kshs. 7.14 billion** for development expenditure. The Department's recurrent expenditure is funded by GOK exchequer of **Kshs. 4.39 billion** and AIA of **Kshs. 4.62 billion** while the development expenditure is funded by GOK exchequer of **Kshs. 554 million** and donor funds of **Kshs. 78.81 million**.
27. Some of the key outputs for the FY 2021/2022 include: establishment of 1 new wildlife sanctuary; increase park visitations by 5 percent; reduce wildlife poaching by 100 percent; rehabilitate 83 kms of fences and construct 30kms of fence; construct 1 water pan; reduce HWC by 10 percent; 100 percent verification and approval of compensation of HWC cases; and construct 15 ranger housing units; conduct 5 wildlife census.
28. The Department has a number of new projects but none has been provided for funds in the FY 2021/2022 since it intends to complete all its ongoing projects first. The Department has not stalled projects but has pending bills amounting to **Kshs. 3.17 billion** as at the end of as at the end of the third quarter of FY 2020/2021. This included **Kshs. 3.13 billion** for approved compensations for Human Wildlife Conflict (HWC) cases and **Kshs. 40.42 million** for the Nairobi Safari Walk Development and Education Outreach Programme funded by Japan. The funds that have been allocated in the FY 2019/2020 were never released and the Department is pursuing the reinstatement of the funding with the National Treasury.
29. In the current FY 2020/2021, the Ministry had spent **Kshs. 6.72 billion** by the end of the third quarter against an annual budget of **Kshs. 8.85 billion**. This represents an overall absorption rate of **76 percent** with that of the recurrent expenditure being **76 percent** while that of the development expenditure at **90 percent**.
30. Due to the shortfall in budget allocation, the Ministry requested the Committee to consider additional funding for the FY 2021/2022 for the following areas: provide funds to cater for the shortfall in revenue generations by the KWS from park fees due to the Covid-19 pandemic following the trend in FY 2020/2021 which indicated that the AIA reduced by 80 percent; provide funding to operationalize the Wildlife Conservation Trust Fund; provide funding for pending bills of approved HWC claims; provide funding for the establishment of HWC insurance scheme as approved by the Insurance Regulatory Authority (IRA);

provide funding for new development projects at the Wildlife Research and Training Institute (WRTI); provide funding to support protected area management plans and adoption of science-based solutions in wildlife conservation; provide funding for conservancy rangers who had been allocated for funding under the Covid-19 Economic Stimulus Package in FY 2020/2021; provide funding for provision of water for wildlife in protected areas to reduce HWC.

3.4 Ministry of Petroleum and Mining (Mining Department)

31. The proposed Budget Estimates for the Mining Department in the Ministry of Petroleum and Mining in the FY 2021/2022 is **Kshs. 882.4 million**. This allocation comprises of **Kshs. 629 million** for recurrent expenditure and **Kshs. 253.4 million** for development expenditure. This allocation is only **45 percent** of the total resource requirement amounting to **Kshs. 2 billion** out of which **Kshs. 1.18 billion** had been proposed for recurrent expenditure and **Kshs. 793 million** for development expenditure. The Department's recurrent expenditure is funded by GOK exchequer of **Kshs. 529 million** and AIA of **Kshs. 100 million** while the development expenditure is fully funded by GOK exchequer.
32. Some of the key outputs for the FY 2021/2022 include: provision of geo-scientific data to prospective investors, research institutions, planners and infrastructure developers; effectively manage mineral resource, licensing and concessions, minerals value addition and marketing; provide policy and legal framework and efficient and effective support services for management of minerals and geo-information data.
33. The Department no new projects in the FY 2021/2022 and no stalled projects. However, it has pending bills amounting to **Kshs. 27.75 million**. A request has been sent to the National treasury to provide funds to clear the pending bills in the second supplementary estimates of FY 2021/2022.
34. In the current FY 2020/2021, the Department had spent **Kshs. 643.1 million** by the end of the third quarter against an annual budget of **Kshs. 428.84 billion**. This represents an overall absorption rate of **66 percent** with that of the recurrent expenditure being **59 percent** while that of the development expenditure at **146 percent**. The over-expenditure was due to the fact that the department had already incurred expenditures over and above the revised estimates.
35. Due to the shortfall in budget allocation, the Department requested the Committee to consider additional funding for the FY 2021/2022 for the following areas: the operationalization of the National Mining Corporation; the establishment of the National Mining Institute; vetting and recommendation of transfer of the Mineral Rights Board; activities in the Regional Mining Offices and inspection of mines, Inter-Governmental

relations Mineral promotion and value addition to operationalize and capacity build Artisanal Mining Committees in 47 Counties will also be affected; the automation and safe storage of Geo-scientific information and mineral data by the Geological Data bank, the online Transactional Mining Cadaster portal which will affect issuance of mining permits and licenses as per the Mining Act 2016. Additionally, lack of budgetary allocation for Mineral Audit Support will affect capacity development in Revenue Management and Mines safety. Further, failure to allocate resources for the Mineral Certification laboratory will impact on the acquisition of minerals testing and analysis equipment critical in mineral exploration and mining. Geological Mapping Mineral exploration project has no allocation, therefore this will affect the follow-up on the finding of the National Airborne Geophysical Survey Project, delay the ongoing civil works and renovations at Madini House, and also affect the project that aims at supporting Artisanal and small scale miners in value addition for improved revenues in Kakamega Gold Refinery, Kisii Soapstone value addition center and Vihiga granite center.

PART IV

IV. COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

4.1 Ministry of Water, Sanitation and Irrigation

Observations

36. The Ministry's total allocation for FY 2021/2022 is **Kshs. 78.3 billion** comprising of **Kshs. 6.4 billion** for recurrent expenditure and **Kshs. 71.9 billion** for development expenditure. This allocation is 69 percent of the total resource requirement amounting to **Kshs. 114 billion**. The Ministry's recurrent expenditure is funded by GOK exchequer of **Kshs. 4 billion** and AIA of **Kshs. 2.4 billion**. The Ministry's development expenditure is funded by GOK exchequer of **Kshs. 20.8 billion**, loans of **Kshs. 48.5 billion** and grants of **Kshs. 2.6 billion**.
37. The Ministry and its SAGAs has a cumulative pending bill amounting to **Kshs. 7.08 billion**, most of which are historical pending bills, mainly due to unremitted statutory deductions as a result of exchequer under issues in the FY 2019/20, where the Ministry did not receive **Kshs. 6 billion** on GOK funded projects. The pending bills are also occasioned by uncleared dues for supply of goods and services under the recurrent budget as a result of lack of budgetary allocation. The national government policy on clearance of pending bills is still in force so it is expected that the Ministry will prioritize the payments of pending bills by settling them as a first charge in the FY 2021/2022. This is likely to affect implementation of proposed projects. The National Treasury should provide funding to settle these pending bills and limit supplementary changes in the Ministry's budget which have been perennial in previous years.
38. Under the General Administration, Planning and Support Services programme, the Ministry's key output is finalized policies, bills, regulations and strategies. The Ministry's targets and actual achievement on non-financial targets and budget outputs have not been reported for up to the third quarter of the FY 2020/21, yet there were allocations for the ongoing activities on regulations, bills, policies and strategies.
39. Most of the development projects under the Ministry are donor funded. This dependency on donor funds poses as a big challenge to project implementation since donors have a preference of supporting water projects in more populated regions like urban areas thereby leaving rural areas with limited resources to implement their projects. This greatly affects the livelihoods of the residents living in such areas, since these are the most water scarce regions of the country. Therefore, there is need for a change in policy to mitigate this inequity in project implementation by the Ministry. More GOK exchequer resources should be allocated to projects in rural areas. In addition to this, there is need to consider the bilateral/trilateral agreements between the county governments and the Ministry to provide funding for water projects.

40. The Ministry has four stalled projects: Rongo Water Supply Project which is **30 percent** complete but stalled due to lack of budgetary allocation; Itare Dam which is **27 percent** complete but has stalled since it is currently under investigation; Kiserian Sewerage Project which is **35 percent** complete but has stalled since it was terminated by the employer due to the contractors failure and is now undergoing arbitration; and Awendo Water Supply Project which is **70 percent** complete but has stalled due to exhaustion of donor funding before completion.

Recommendations

Financial Recommendations

41. The Committee agreed to **approve with amendments** the FY 2021/2022 budgets for the Ministry of Water, Sanitation and Irrigation as presented in the proposed budget estimates. These amendments entail movement of funds between programmes and projects but does not change the overall budget estimates for the Ministry. The Committee has proposed the following amendments:

Reductions

- a) Reduce the development budget for the 'Water Resources Management' Programme by **Kshs. 90 million** from two projects - **Kshs. 40 million** from the 'Kenya Water Security and Climate Resilience' and **Kshs. 50 million** from the 'Upper Tana Natural Resources Management Project'.
- b) Reduce the development budget for the 'Water Sewerage and Infrastructure Development' Programme by **Kshs. 580 million** from seven projects - **Kshs. 150 million** from the 'Chemususu Dam Water Supply Project', **Kshs. 40 million** from the 'Kisumu Water Supply', **Kshs. 50 million** from the 'Kenya Towns Sustainable Water Supply and Sanitation Programme', **Kshs. 40 million** from 'Ending Drought Emergencies Support to Drought Risk Management', **Kshs. 40 million** from 'Water and Sanitation Development Project', **Kshs. 50 million** from the 'Nairobi Metro Area Bulk Water Sources – Ruiru II Dam', and **Kshs. 210 million** from 'Nairobi City Regeneration Programme'.
- c) Reduce the development budget for the 'Water Storage and Flood Control' Programme by **Kshs. 30 million** from the 'water for schools' project.
- d) Reduce the development budget for the 'Irrigation and Land Reclamation' Programme by **Kshs. 120 million** from the 'Community Based Irrigation Projects'.
- e) Reduce the development budget for the 'Water Harvesting and Storage for Irrigation' Programme by **Kshs. 100 million** from the 'Household Water Harvesting Project'.

Increments

- a) Increase the development budget for the ‘Water Harvesting and Storage for Irrigation’ Programme by **Kshs. 920 million** for the ‘Rehabilitation of Strategic Water Facilities – NIA’. This allocation will go towards rehabilitation of existing strategic irrigation water harvesting facilities that have been silted up and breached by flood waters thus leaving the neighboring communities vulnerable and without access to water for farming and domestic use. These facilities that were supposed to attenuate flood levels have also left the communities exposed to ranging runoff waters risking their lives and livelihoods. The projects will be implemented by the National Irrigation Authority (NIA).
42. The Committee noted that despite the limited resources available for government to spend, there are some crucial projects that have not been funded which may have adverse impacts to the country if they are not implemented. The Committee proposes these projects to be prioritized if additional funds are available:
- a) The Budget and Appropriation Committee should allocate funding to settle pending bills and limit supplementary changes in the Ministry’s budget which have been perennial in previous years.
 - b) More GOK exchequer resources should be allocated to projects in rural areas. In addition to this, there is need to consider the bilateral/trilateral agreements between the county governments and the Ministry to provide funding for water projects.

Non-Financial Recommendations

43. The Ministry should prioritize in the medium term the completion of ongoing projects that stalled due to lack of sufficient budgetary allocation before starting new projects.

4.2 Ministry of Environment and Forestry

Observations

44. The Ministry’s total allocation for FY 2021/2022 is **Kshs. 14.7 billion** comprising of **Kshs. 10.5 billion** for recurrent expenditure and **Kshs. 4.2 billion** for development expenditure. This allocation is only **41 percent** of the total resource requirement amounting to **Kshs. 35.6 billion**. The Ministry’s recurrent expenditure is funded by GOK exchequer of **Kshs. 9.2 billion** and AIA of **Kshs. 1.3 billion**. The Ministry’s development expenditure is funded by GOK exchequer of **Kshs. 2.2 billion**, grants of **Kshs.1.4 billion** and loans of **Kshs. 656 million**.
45. The Ministry has a total pending bill of **Kshs. 4.7 billion** comprising of **Kshs. 4 billion** for recurrent expenditure by the Kenya Forest Service (KFS) due to unpaid tax arrears generated from the sale of mature trees, **Kshs. 627 million** in respect to court judgements issued against the Ministry, **Kshs. 57.5 million** for the development expenditure of Kenya Forest Research

Institute (KEFRI) and **Kshs. 36.8 million** for the recurrent expenditures in the Headquarters. For the KFS pending bill, the Ministry should negotiate with Kenya Revenue Authority (KRA) on how this lost revenue can be written off. On the pending bills for court judgment, the National Treasury should provide funding to offset it so that the Ministry is not found to be in contempt of court.

46. The National Environmental Management Authority (NEMA) has very serious challenges of resources. The removal of Environmental Impact Assessments (EIA) fees which used to be the main source of funds for NEMA has made it unable to effectively undertake its functions, since it is now largely dependent on GOK exchequer funding. Before the Treasury scrapped the EIA levies, contractors used to pay for environmental audits between **Kshs. 10,000** and **Kshs. 40 million** depending on the risk levels of their projects. NEMA had projected that it would be currently collecting **Kshs. 1.4 billion** from these levies. The matter is expected to be discussed at Cabinet and the Committee proposes that this should be fast-tracked.
47. The rising water levels in the inland lakes (Naivasha, Nakuru, Baringo, Bogoria, Victoria and Turkana) has displaced human, wildlife and has also affected the ecosystem resulting in human conflict, pollution, and the degradation of the environment. This situation has affected the livelihood of the communities and the ecosystem around the lakes. The Ministry has requested for an allocation of **Kshs. 300 million** to address the environmental challenges emanating from this phenomenal. No funding had been provided in the budget to address this unprecedented emerging issue. The Committee proposes this as a priority area that needs to be considered for funding.
48. The Kenya Meteorological Department plays a critical role of dissemination of early warnings, advisories and alerts for severe weather and extreme climate events. The reports by the department are used in multiple sectors including the aviation, maritime, agriculture, food security, water resources, energy, disaster management and health. Despite their important role, the department continues to face budgetary challenges. This has impacted on the procurement of more advanced and modern weather equipment for accurate weather forecast as well as the devolution of their functions by setting up county weather stations. For the department to be adequately funded, there is need for the relevant stakeholders to fast track the Kenya Meteorological Bill which will transform the Kenya Meteorological Department into a fully-fledged semi-autonomous government agency (SAGA) with authority to collect its own revenues.
49. The government has an ambitious target to achieve **10 percent** forest cover by 2022, however, the current progress is very slow and the target is unlikely to be achieved. As of December 2020, the country's forest cover was projected to be at **7.4 percent**. Despite adequate policy having been put in place, the program faces huge budgetary and human resource challenges. The Ministry will require additional **Kshs. 1.5 billion** to fund uptake of

seeds, seedling production, planting and maintenance. It will also require funds for recruitment of forest rangers to improve security in the forests since the KFS has a small and aging workforce following the freeze in recruitment. It is necessary to increase the ratio of forest ranger from 1: 1000 Ha to 1:400 Ha as per the international best standards.

50. Most the forest roads are in very bad state making forests inaccessible thereby increasing insecurity and the risk of illegal logging. However, unlike the roads in the National Parks and Game Reserves, maintenance of forest roads are not funded from the Roads Maintenance Levy Fund (RMLF). In some regions of the country, forest roads are critical link roads between villages. There is need for the Kenya Roads Board Act, 1999 to be amended to include KFS to be designated as one of the roads agencies so that the Kenya Roads Board (KRB) can provide it with funds to maintain such roads.

Recommendations

Financial Recommendations

51. The Committee agreed to **approve without amendments** the FY 2021/2022 budgets for the Ministry of Environment and Forestry as presented in the proposed budget estimates.
52. The Committee noted that despite the limited resources available for government to spend, there are some crucial projects that have not been funded which may have adverse impacts to the country if they are not implemented. The Committee proposes these projects to be prioritized if additional funds are available:
 - a) The Budget and Appropriations Committee should consider providing **Kshs. 627 million** in respect to court judgements issued against the Ministry so that the Principal Secretary is not found to be in contempt of court.
 - b) The Budget and Appropriations Committee should consider providing **Kshs. 300 million** to address the environmental challenges emanating from the rising water levels in the inland lakes (Naivasha, Nakuru, Baringo, Bogoria, Victoria and Turkana) which has displaced human, wildlife and affected the ecosystem resulting in human conflict, pollution, and the degradation of the environment.
 - c) The government should, in the medium term consider recruiting more forest rangers in order to increase the ratio of forest ranger from 1: 1000 Ha to 1:400 Ha as per the international best standards.

Non-Financial Recommendations

53. For the KFS pending bill of **Kshs. 4 billion** due to unpaid tax arrears generated from the sale of mature trees, the Ministry should negotiate with Kenya Revenue Authority (KRA) on how this can be written off.

54. For the Kenya Meteorological Department (KMD) to be adequately funded, there is need for the Ministry to fast track the Kenya Meteorological Bill which will transform the Kenya Meteorological Department into a fully-fledged semi-autonomous government agency (SAGA) with authority to collect its own revenues.
55. There is need for Parliament in the medium term, to amend Kenya Roads Board Act, 1999 so as to designate KFS as one of the roads agencies that the Kenya Roads Board (KRB) can provide it funds to maintain roads within the forests.

State Department for Wildlife

Observations

56. The State Department's total allocation for FY 2021/2022 is **Kshs. 9.6 billion** comprising of **Kshs. 9 billion** for recurrent expenditure and **Kshs. 633 million** for development expenditure. This allocation is only 41 percent of the total resource requirement amounting to **Kshs. 23.5 billion**. The Ministry's recurrent expenditure is funded by GOK exchequer of **Kshs. 4.4 billion** and AIA of **Kshs. 4.6 billion**. The Ministry's development expenditure is funded by GOK exchequer of **Kshs. 554 million** and grants of **Kshs. 79 million**.
57. Due to the Covid-19 Pandemic, the government offered an economic stimulus package to support wildlife conservancies in FY 2020/2021 by providing salaries for 3,500 conservancy rangers spread across 169 conservancies which amounted to **Kshs. 1 billion**. However, this funding has not been provided for in the FY 2021/2022 budget despite the pandemic still ravaging havoc on the sub-sector. The Committee proposes that this funding should be considered as an urgent request.
58. The Kenya Wildlife Service (KWS) has pending bills amounting to **Kshs. 2.6 billion** for approved Human Wildlife Conflicts (HWC) compensations and associated legal fees due to delayed compensation as of 31st March 2021. The number of HWC cases are on the increase daily, hence the pending bills are likely to increase exponentially. Therefore, as much as provision of funding to offset these pending bills in the budget is a welcome move, a long lasting solution that can provide an insurance scheme to address these cases, which will be more effective. In the FY 2021/2022 budget, **Kshs. 604 million** has been allocated to cater for the HWC compensations but this is not adequate. The Ministry will require an additional **Kshs. 2 billion** to clear all the pending cases and associated legal fees. Apart from enhancing the funds to cater these pending bills, the government should also consider providing funding for a HWC insurance scheme.
59. HWC is a major challenge facing the sector and is proving to be very costly. An easier solution to manage the HWC cases will be to implement mitigation projects that will target to reduce contact between humans and the wild animals; these measures include provision of water for wildlife in protected areas so as to reduce their movement into farms and human

settlements. This can be done through desilting of existing surface dams, establishment of new water pans, rehabilitation of existing boreholes, filling of boreholes with solar panels, and procurement of water bowsers. The Ministry required **Kshs. 200 million** in FY 2021/2022 to undertake these mitigation projects but no funding was provided for it. The Committee proposes that this funding should be considered.

Recommendations

Financial Recommendations

60. The Committee agreed to **approve without amendments** the FY 2021/2022 budgets for the State Department for Wildlife as presented in the budget estimates.
61. The Committee noted that despite the limited resources available for government to spend, there are some crucial projects that have not been funded which may have adverse impacts to the country if they are not implemented. The Committee proposes these projects to be prioritized if additional funds are available:
 - a) The Budget and Appropriations Committee should consider providing **Kshs. 1 billion** to the State Department for Wildlife to pay for salaries of 3,500 conservancy rangers spread across 169 constituencies. The government offered to pay the salaries of these rangers through the Covid-19 economic stimulus package in FY 2020/2021. Since the pandemic is still persistent, the support should be extended for another one year.
 - b) The Budget and Appropriations Committee should consider providing **Kshs. 2 billion** for the Kenya Wildlife Service (KWS) to offset the pending bills for the approved Human Wildlife Conflicts (HWC) compensations and associated legal fees.

Ministry of Petroleum and Mining

Observations

62. The Mining Department's total allocation for FY 2021/2022 is **Kshs. 882.4 million** comprising of **Kshs. 629 million** for recurrent expenditure and **Kshs. 253.4 million** for the development expenditure. This allocation is only **45 percent** of the total resource requirement amounting to **Kshs. 2 billion**. The Ministry's recurrent expenditure is funded by GOK exchequer of **Kshs. 529 million** and AIA of **Kshs. 100 million** while the development expenditure is fully funded by GOK exchequer.
63. The Department remains grossly underfunded over the years despite its generation of approximately **Kshs. 1.5 billion** in revenue annually to the exchequer. The Department has the potential to collect even more revenue which is currently being lost due the lack of an operational National Mining Corporation (NMC) and inadequate registration and licensing of mining and quarrying activities. If the Department is provided the budgetary shortfall of **Kshs. 1 billion** as seed money, the sector will be able to double its annual revenue contribution and be fully self-reliant on its own AIA in the medium-term.

64. The Mining sector is grossly underfunded and this hampers it from achieving its full potential. The department has the potential to collect huge amount of revenue if well-resourced which help fund itself and give extra revenue to the government. For examples, if the Mineral Certification Laboratory is well funded, it will solve the issue of minerals being taken out the country for testing purposes, hence help the to avoid losing money.

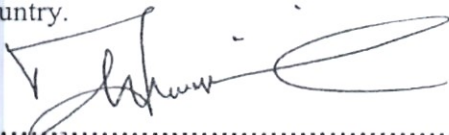
Recommendations

Financial Recommendations

65. The Committee agreed to **approve without amendments** the FY 2021/2022 budgets for the Ministry of Petroleum and Mining (Mining Department) as presented in the budget estimates.
66. The Committee noted that despite the limited resources available for government to spend, there are some crucial projects that have not been funded which may have adverse impacts to the country if they are not implemented. The Committee proposes these projects to be prioritized if additional funds are available:
- a) The Budget and Appropriations Committee should consider providing **Kshs. 1 billion** to the Ministry of Petroleum and Mining to operationalize the National Mining Corporation (NMC) and ensure proper registration and licensing of mining and quarrying activities. If provided for this funding, the Ministry will increase its current government revenue contribution from **Kshs. 1.5 billion** to more than **Kshs. 3 billion** and make it self-reliant on its own internally generated revenue in the medium-term.


Non-Financial Recommendations

67. Noting that the State department for Mining original budget is seriously underfunded, The Budget and Appropriation Committee should consider reinstating all budgetary allocations for Mining projects and programs in the subsequent budgets commensurate to the potential of the sector, so as to support geological exploration in the country, establish geological and mineral data for the local resources, and support the non-industrial and artisanal mining in the country.



SIGNED..... DATE *Monday 31st MAY 2021*
HON. KAREKE MBIUKI, CBS, MP
(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES)

17

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ANNEXTURES

- Annex 1. Proposed Amendments to Ministry of Water, Sanitation and Irrigation
- Annex 2. PBO brief on the proposed 2021/22 Budget Estimates
- Annex 3. MDA's submissions
- Annex 4. Minutes of the Committee sittings
- Annex 5. Adoption List

Addendum to the Report by the Committee on Environment and Natural Resources

1. The National Treasury presented to the National Assembly proposed amendments to the FY 2021/22 budget estimates on 31st May, 2021. For the MDAs under the Environment and Natural Resources Committee, the proposed amendments affect all the votes. The recurrent expenditure has minor increments in all votes totalling to **Kshs. 8.1 million** which related to the reversal of the policy to centralize ICT related expenditure under the State Department of ICT. On the other hand, the development expenditure has major reductions for the Ministry of Water, Sanitation and Irrigation and the State Department for Wildlife which in total amounts to **Kshs. 2.2 billion**.
2. The Ministry of Water, Sanitation and Irrigation has a reduction of **Kshs. 800 million**. This is on account of reductions in donor funding for the Kenya Towns Water and Sanitation program. However, the National Treasury has not provided information on the specific projects that will be affected. Based on the presentation by the Ministry to the Committee, this program is at the tail end of its implementation and most projects are at very advanced stages of completion. The Committee proposes that this funding be reinstated so as to ensure no pending bills are accrued.
3. The State Department for Wildlife has a reduction of **Kshs. 1.4 billion** under the 'Wildlife Conservation and Management' Programme. This is on account of a reduction in AiA collection by the Kenya Wildlife Service (KWS) as a results of the Covid-19 pandemic. The reduction of the budget for the State Department means critical wildlife protection operations and salaries of KWS rangers will be affected. The Committee seeks the indulgence of the Budget and Appropriations Committee to consider providing additional exchequer support to cover the shortfalls from low collection of AIA.
4. Lastly, the Committee noted that the proposed amount to be reduced is much higher than the budget provisions in the printed estimates which is **Kshs. 632.8 million**. It is likely that the National Treasury erroneously placed the reduction under development expenditure since the local AiA collected by the KWS is in recurrent expenditure.

SIGNED.....

HON. KAREKE MBIUKI, CBS, MP

(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND
NATURAL RESOURCES)

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Annex 1: Proposed Amendments to Ministry of Water, Sanitation and Irrigation

Programme	Project	Proposed Estimates 2021/2022			Amendments Increase/ Reduction (GoK)
		Net Expenditure	Donor	GoK	
Water Resources Management	1109101702 Kenya Water Security and Climate Resilience (KWSCRIP)	2,420,000,000	2,120,000,000	300,000,000	(40,000,000)
	1109102600 Upper Natural Resource Management Project	900,000,000	750,000,000	150,000,000	(50,000,000)
	1109109000 Chemususu Dam Water Supply Project	500,000,000	-	500,000,000	(150,000,000)
Water and Sewerage Infrastructure Development	1109103400 Kisumu Water Supply-LVWATSAN	780,000,000	600,000,000	180,000,000	(40,000,000)
	1109107800 Kenya Town Sustainable Water Supply and Sanitation Prog-RV	3,665,000,000	3,515,000,000	150,000,000	(50,000,000)
	1109112300 Ending Drought Emergencies Support to Drought Risk Management	520,000,000	450,000,000	70,000,000	(40,000,000)
	1109112700 Water & Sanitation Development Project(WSDP)	6,630,000,000	6,500,000,000	130,000,000	(40,000,000)
	1109107100 Nairobi Metro Area Bulk Water Sources-Ruiru 2 Dam	100,000,000	-	100,000,000	(50,000,000)
	1109113300 Nairobi City Regeneration Programme- ESP	450,000,000	-	450,000,000	(210,000,000)
Water Storage and Flood Control	1109115500 Water for Schools	300,000,000	-	300,000,000	(30,000,000)
Irrigation and Land Reclamation	1109118500 Community Based Irrigation Projects-ESP	832,000,000	-	832,000,000	(120,000,000)
Water Harvesting and Storage for Irrigation	1109119800 House hold Water Harvesting Project	1,520,000,000	-	1,520,000,000	(100,000,000)
	1109120500 Rehabilitation of Strategic Water Facilities - NIA	-	-	-	920,000,000

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – FIFTH SESSION

DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING

**REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES
FOR THE FY 2021/2022 FOR THE FOLLOWING VOTES:**

1. State Department for Infrastructure
2. State Department for Transport
3. State Department for Shipping and Maritime
4. State Department for Housing and Urban Development
5. State Department for Public Works

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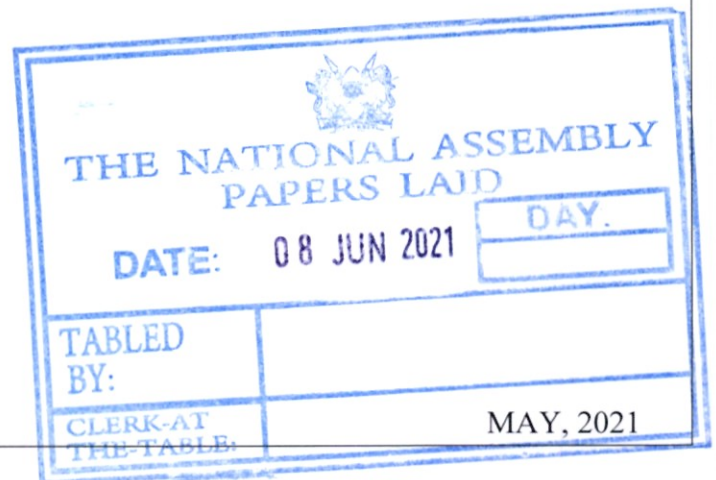


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PART I

1.0 PREFACE

1.1 Introduction

1. This is a report on the consideration of the Budget Estimates for the Financial Year 2021/2022 by the Departmental Committee on Transport, Public Works and Housing, for submission before the Budget and Appropriations Committee. The report is as a result of deliberations between the Committee and various State Departments under its purview.
2. The report contains the discussions, observations and recommendations of the Committee as regards to the proposed 2021/2022 Budget Estimates for all the votes as well as programmes earmarked for implementation for the next financial year and over the medium term.
3. The report intends to convince the Budget and Appropriations Committee to consider its observations and recommendations and make part of its final consolidated report to be tabled in the House.

1.2 Mandate of the Committee

4. The Second Schedule of the National Assembly Standing Orders assigns the Departmental Committee on Transport, Public Works and Housing the mandate to oversee all matters pertaining transport, roads, public works, construction and maintenance of roads, rails and buildings, air, seaports and housing. In executing its mandate, the Committee oversees the following government State Departments and their respective SAGAs:
 - i. The State Department for Infrastructure
 - ii. The State Department for Transport
 - iii. The State Department for Shipping and Maritime
 - iv. The State Department for Housing, Urban Development
 - v. The State Department for Public Works
5. It is from this perspective that the Committee is mandated to scrutinize the Budget Estimates for the FY 2021/2022 for the Votes under the Ministry of Transport, Infrastructure, Housing, Urban Development & Public Works, as well as all the SAGAs under the Ministry. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

1.3 Committee Membership

6. The Committee Membership includes the following:

Chairperson

Hon. David Pkosing, CBS, M.P.
Member for Pokot South Constituency

Jubilee Party

Vice-Chairperson

Hon. Gathoni Wamuchomba, M.P.
Member for Kiambu County

Jubilee Party

Members

Hon. Dominic Kipkoech Koskei, M.P.
Member for Soitik Constituency
Jubilee Party

Hon. David Njuguna Kiaraho M.P.
Member for Ol Kalou Constituency
Jubilee Party

Hon. Peris Tobiko, CBS, M.P.
Member for Kajiado East Constituency
Jubilee Party

Hon. Johnson Many Naicca M.P.
Member for Mumias West Constituency
Orange Democratic Movement Party

Hon. Kulow Maalim Hassan, M.P.
Member for Banisa Constituency
Economic Freedom Party (EFP)

Hon. Omar Mwinyi Shimbwa M.P.
Member for Changamwe Constituency
Orange Democratic Movement Party

Hon. Abdul Rahim Dawood, M.P.
Member for North Imenti Constituency
Jubilee Party

Hon. Tom Mboya Odege M.P.
Member for Nyatike Constituency
Orange Democratic Movement Party

Hon. Samuel Arama, M.P.
Member for Nakuru Town West
Jubilee Party

Hon. Ahmed Abdisalan Ibrahim M.P.
Member for Wajir North Constituency
Orange Democratic Movement Party

Hon. Shadrack John Mose M.P.
Member for Kitutu Masaba Constituency
Jubilee Party

Hon. Gideon Mutemi Mulyungi M.P.
Member for Mwingi Central Constituency
Wiper Democratic Party

Hon. Ali Wario Guyo M.P.
Member for Garsen Constituency
Jubilee Party

Hon. George Aladwa Omwere M.P.
Member for Makadara Constituency
Orange Democratic Movement Party

Hon. Janet Wanyama Nangabo M.P.
Member for Trans- Nzoia Constituency
Jubilee Party

Hon. Mercy Wanjiku Gakuya M.P.
Member for Kasarani Constituency
Jubilee Party

Hon. Ahmed Bashane Gaal M.P.
Member for Tarbaj Constituency
Peoples Democratic Party

1.4 Committee Secretariat

7. The Committee is serviced by the following team:

Ms. Chelagat Tungo Aaron
First Clerk Assistant
Head of Secretariat

Mr. Ahmed Salim Abdalla
Second Clerk Assistant

Mr. Brian Ng’etich
Audio Officer

Mr. Ronald Walala
Legal Counsel I

Mr. Yeziel Jilo
Serjeant at Arms

Mr. Abdinasir Moge Yusuf
Fiscal Analyst

Ms. Winnie Kulei
Research Officer III


1.5 Overview on the examination of the Budget Estimates for FY 2021/2022

8. The Budget Estimates for the FY 2021/2022 was tabled in the National Assembly on Thursday, 29th April 2021 pursuant to Article 221 of the Constitution and section 37 of the Public Finance Management Act, 2012 as well as Standing Order 235 of the National Assembly. It was thereafter referred to the various Departmental Committees for consideration and subsequently make recommendations to the Budget and Appropriations Committee.
9. On Monday, 17th May, 2021 the Committee was briefed by the Parliamentary Budget Office (PBO). This was aimed at informing Members of the Committee on the proposed budgetary provisions for various programmes and activities to be executed by various spending agencies within the purview of the Committee. Thereafter the Committee held Six (6) meetings to deliberate on the Budget Estimates with all Departments and Agencies under the Ministry of Transport, Infrastructure Housing, and Urban Development & Public Works.
10. After engaging the MDAs and carefully scrutinizing the budget estimates for the financial year 2021/2022, the Committee made a number of policy and financial recommendations for consideration by the Budget and Appropriations Committee and by the House.
11. The Committee is grateful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its Sittings. Equally, the Committee extends its gratitude to all members of the Committee, members of the Secretariat, and all the Departments led by their Cabinet Secretary and their respective Principal Secretaries.
12. On behalf of the Committee, it is therefore my pleasant duty and privilege, to present this report on the scrutiny of the 2021/2022 Budget Estimates to the Budget and Appropriations Committee pursuant to the Public Finance Management Act, 2012 and Standing Orders of the National Assembly.



HON. DAVID PKOSING, CBS, M.P
CHAIRPERSON,

DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 JUN 2021	
TABLED BY:	DAY:
CLERK-AT THE-TABLE:	

PART II

2.0 BROAD OVERVIEW OF THE BUDGET ESTIMATES FOR FY 2021/2022

13. The overall expenditure for the FY 2021/2022 is estimated at Kshs. **3,656.89** billion out of which Kshs. 1,895.14 billion is allocated to the Executive arm of the National Government, Kshs. 46.61 billion to Parliament, Kshs. 17.92 billion to Judiciary and Kshs. 1,327.22 billion to the Consolidated Fund Services. Transfers to Counties Equitable Share are estimated at Kshs. 370.00 billion. The allocation to the National Government (all the three arms) and Counties as percentage of the total proposed budget remained as was the case with BPS 2021. However, the share of the Consolidated Fund Services (CFS) has increased from 36% in the BPS 2021 to 37% of the overall proposed spending in the 2021/2022 estimates.
14. According to the National Treasury, the big four has been allocated Kshs. 135.30 billion under all clusters, both for drivers and enablers. The allocations are as follows;
- a. Universal Health Care Kshs. 47.74 billion
 - b. ManufacturingKshs. 18.46 billion
 - c. Food security Kshs. 54.21 billion
 - d. Affordable HousingKshs. 14.85 billion
15. With regards to the spending agencies under the purview of the committee, the proposed budgetary allocations are discussed under each State Department as follows:
- i. State Department for Infrastructure**
16. The State Department for Infrastructure has been allocated Kshs. 192.54 billion of which Kshs. 57.17 billion is towards recurrent expenditure and Kshs. 135.37 billion is for development expenditure. The allocations are slightly above the approved BPS ceiling by Kshs. 564 million (0.3%).
17. It is noted that Kshs. 54.07 billion (94.5%) of the recurrent budget is a current transfer to Kenya Roads Board for maintenance of national roads through the various road agencies and KWS. **This transfer excludes the County Share of the fuel levy following the policy shift in the 2021 Budget Policy Statement (BPS).**
18. Regarding development expenditure, The State Department for Infrastructure has a gross development allocation of Kshs. 135.37 billion which accounts to 21% of the National Government's development budget for the financial year 2021-2022. It is to be noted that the development budget for the State Department for Infrastructure excludes the component of the fuel levy that is captured under recurrent expenditure amounting to Kshs. 54.07 billion for FY 2021/2022. This amount is managed by the Kenya Roads Board that transfers them to the road agencies using the legislated formulae for maintenance of roads across the country.
19. In addition to the huge project list in the budget books, there are **off the balance sheet** of the State Department implemented through the PPP model. Notable projects in this category include the **Nairobi Express Way** and **the Annuity Projects**.

ii. State Department for Transport

20. The State Department of Transport has a gross allocation of **Kshs. 10.77 billion** in the proposed estimates for 2021/22. The proposed allocation comprises of **Kshs.9.42 billion** for recurrent and **Kshs.1.34 billion** for development expenditure. The proposed allocation is a drastic reduction from the **Kshs. 82.95 billion** that was allocated in the revised estimates for 2020/21 on account of transfer of rail transport programme as well as some major activities of the Marine Transport Programme to the National Treasury
21. The recurrent expenditure has an allocation of Kshs. 9.43 billion of which Kshs. 8.11 billion is an AIA collection by KCAA and Kshs. 503 million is collected by Kenya Ferry Services. In addition to its AIA collection, Kenya Ferry Services gets additional Kshs. 287 million from the exchequer.
22. Regarding the development expenditure, The State Department for Transport has been allocated Kshs. 1.34 billion for Development which is a deviation from the approved BPS ceiling of Kshs. 171 billion, by Kshs. 360 million (-21%). The development budget is mainly towards rehabilitation of existing Airstrips and Airports, maintenance of ferries and jetties, insurances of ferries as well as Horn of Africa Gateway Development Project.

iii. State Department for Shipping and Maritime

23. The State Department for Shipping and Maritime has a proposed gross allocation of Kshs.2.78 billion comprising of Kshs.2.03 billion for recurrent and Kshs. 750 million for development expenditure. The proposed gross allocation is Kshs. 200 million less the approved ceiling in the BPS. The shortfall is entirely on recurrent expenditure.
24. The State Department has a proposed recurrent budget of Kshs. 2.036 billion of which Kshs. 1.483 billion is an AiA collection by the Kenya Maritime Authority (KMA), Kshs, 260 million goes to Bandari College as current transfer, of which Kshs. 40 million is an AIA and Kshs. 144 million for Headquarters Administrative Services.
25. The Development expenditure has an allocation of Kshs. 750 million. Its share among the following three projects:
 - a. 1093100300 Multinational Lake Victoria Maritime Communication& Transport Project - --**Kshs. 330 million** of which **Kshs. 110 million** is a loan and remaining Kshs. **220 million** is a local AIA
 - b. 1093100400 Construction of KMA Headquarters -----**Kshs. 330 million** sourced from local AIA
 - c. 1093101200 Modern Shipyard in Kisumu -----**Kshs. 90 million**. It's a new project financed by the exchequer.

iv. State Department for Housing and Urban Development

26. The State Department for Housing and Urban Development has a proposed gross allocation of Kshs. 12.26 billion of which Kshs. 1.23 billion is for recurrent and Kshs. 11.03 billion is

towards development expenditure. The State Department got its recurrent budget as was approved in the BPS ceiling, but got Kshs. 922 million (-7.7%) less the approved ceiling for development budget.

27. The State Department has been allocated **Kshs. 1.23 billion** for recurrent expenditures of which **Kshs. 840 million** is towards compensation to employees while **Kshs. 312 million** is for use of goods and services. In addition, **Kshs. 80 million** is a current transfer to the Nairobi Metropolitan Area Transport Authority (NAMATA) which has doubled from the Kshs. 40 million transferred to the agency.
28. The State Department for Housing and Urban development is expected to deliver of 500,000 housing units by 2022 under the Affordable Housing Programme theme in the Big Four Agenda. In the proposed estimates for FY 2021/2022, the programme is allocated **Kshs. 1.70 billion** in the State Department for Housing and Urban Development to deliver **3,336 units** by the end 2021/2022 financial year. In addition, there is a provision of **Kshs. 13.15 billion** under various State Departments as the enablers. In terms of implementation status, it is observed that only **1,370 units** (Park Road Project) have been achieved under this programme since its inception. The programme is way behind achieving its targets within the set timelines.

v. State Department for Public Works

29. The State Department for Public Works has been allocated Kshs. 4.24 billion; comprising of Kshs. 3.11 billion for recurrent expenditure and Kshs. 1.13 billion for development expenditure. The allocations are exactly as was approved in the BPS ceilings. Of the recurrent budget, Kshs. 2.03 billion is a current transfer to the National Construction Authority (NCA) including Kshs. 798 million expected collection as an AIA by the agency.
30. The State Department has an allocation of Kshs. 1.13 billion for development expenditure towards the following major projects:
 - Construction of County Headquarters.....Kshs. 341 million
 - Centre for Construction Industry Development.....Kshs. 268 million
 - Supervision of big 4 projectsKshs. 150 million
 - Construction of Foot Bridges.....Kshs. 111 million
31. The State Department has 44 stalled projects of which 27 are ESP District headquarters. Cumulatively, the estimated cost of the projects is Kshs. 14.89 billion with an actual expenditure of Kshs. 10.12 billion. It is observed that most of these projects are domiciled in different ministries and agencies. No funding is provided towards any of these projects.

Rail, Marine and Road Safety Programmes

32. The budgetary allocations to rail transport programme as well as some activities of marine transport are captured under the National Treasury while that of the road safety Programme is captured under State Department for Interior.

33. **Rail Transport Programme:** The programme has been allocated **Kshs. 32.49 billion** for development expenditure. The proposed budgetary allocation is less the approved BPS ceiling by **Kshs. 305 million** (-1%). The following projects are financed through these allocations:

- Development of Nairobi to Naivasha Standard Gauge railway.....Kshs. 27.16 billion
- 1071109602 Naivasha Special Economic Zone (textile park).....Kshs. 236 million
- 1071109604 Railway Metro line - Embakasi Station – Ruai..... Kshs. 450 million
- 1071109605 Railway Metro Line Athi River Station – EA Portland...Kshs. 400 million
- 1071109606 Railway Metro Line Athi River Station-NSSF Mavoko...Kshs. 450 million
- Rehabilitation of The Nairobi - Nanyuki MGR Branch line.....Kshs. 1.10 billion
- Rehabilitation of Nakuru-Kisumu MGR.....Kshs. 700 million
- Construction of NVS ICD-Long. Railway Link & Rehab. of Long.-MLB Line...KSh. 2.00 billion

34. **Marine Transport Programme:** The programme has been allocated **Kshs.20.21 billion** for development expenditure. The proposed allocation is less the approved BPS by **Kshs. 4.06 billion** translating to (-17%). The budgetary provisions are shared among the following projects;

- 1071109701 LAPSSET Project-----Kshs. 4.46 billion
- 1071109801 Mombasa Port Development project-----Kshs.7.50 billion
- 1071109601 Dongo-Kundu Special Economic Zone-----Kshs. 8.25 billion

35. **Road safety Programme (NTSA):** The allocations to this agency are captured under the State Department for Interior. The agency has an allocation of Kshs. 1,020 million for development expenditure and Kshs. 2,254 million for recurrent expenditure of which Kshs. 2.00 billion is an AIA collection. The allocations to the Development Expenditure are shared between the following three projects.

- 1021106700 Safe Roads/Usalama Barabarani Programme (NTSA)...Kshs. 261 million
- 1021107400 Horn of Africa Gateway Development Project.....Kshs. 659 million
- 1021106200 Smart Driving license - Road Safety.....Kshs. 100 million

3.0 SUBMISSIONS BY MINISTRIES, DEPARTMENTS AND AGENCIES

36. The Cabinet Secretary in charge of the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works appeared before the Committee on Monday, 17th May 2021 to give a general overview of the Budget estimates for the FY 2021/2022. The Cabinet Secretary addressed the following concerns from the members:
- i. **Pending bills:** The Cabinet Secretary said that there will be a discussion on the Issue of roads bond between the National Treasury, the Committee and the Ministry as probable solution to the huge pending bills
 - ii. **Annuity programme:** The Cabinet Secretary admitted that programme is very expensive and that going forward the programme will only be applied on the existing lots of projects and emphasized on the need of a round table on the same.
 - iii. **Critical hotspot roads:** The Cabinet Secretary committed to address the Issue of Bamba – Gurar road and a hotspot in Wajir North Constituency that claimed many lives, in the financial year 2021/22 budgets.
37. After his overall ministerial budgetary and policy position he allowed the various State Departments to make their submissions in detail. In this regard, the various State Departments made presentations through their respective Principal Secretaries. The following is a summary of the submissions made by the various State Departments:
- a) State Department for Infrastructure**
38. The Principal Secretary in charge of the State Department of Infrastructure made his presentation to the Committee on Wednesday 19th May 2021 through his representative, the Secretary for Infrastructure. He submitted that the gross proposed Budget Estimates for FY 2021/2022 for the State Department as proposed by the National Treasury is **Kshs.193 billion** of which Kshs.57,169 million is for recurrent while Kshs. 135,370 million is for development expenditure.
39. The PS submitted that, out of the recurrent provision of **Kshs.57.17 billion, Kshs.54.10** is for the Road Maintenance Levy Fund. When compared with the Approved Budget of 2020/2021 under the 1st Supplementary Budget, the RMLF (Fuel Levy) has been reduced by approximately **Kshs.10 billion**. The decrease under the Road Maintenance Levy Fund is mainly attributed to removal of Fuel Allocations for Counties of approximately **Kshs.9.7 billion** from the State Department of Infrastructure Budget 2021/2022. Consequently, the Fuel Levy funds will not be transferred to the Counties by Kenya Roads Board.
40. With regards to the development budget, the PS informed the Committee that Kshs. 57,400 million is financed through Net GoK provisions, Kshs. 15,042 million from the RMLF and Kshs. 62,928 million is from development partners.
41. The State Department submitted that it has **two new projects to be implemented in the FY 2021/22**, namely, Horn of Africa Gateway Development Project and the Intelligent Transport Systems (ITS) & BRT project. The Financing Agreements for the Horn of Africa Gateway

Development Project and the ITS project were signed with the World Bank and the Korean Government respectively by the National Treasury and the two projects were therefore approved in consequence for implementation. The justification for the Horn of Africa project is mainly to open up the Northern Region of Kenya to greater commerce and improve security while the justification for the ITS project is to improve urban mobility.

42. The State Department is an enabler of the Big Four Agenda under the Access to Universal Health, Manufacturing, Affordable housing and Food security pillar. The State Department has allocated **Kshs.1.7 billion** to projects directly linked to Big Four Agenda.
43. The State Department's pending bills as at 30th April, 2021 was **Kshs.99 billion**, out of which Kshs.31 billion relates to land acquisition and relocation of services. The main reason for the pending bills is budget inadequacy. Further the PS informed the Committee that the State Department of Infrastructure will have a net GOK budget shortfall of Kshs.217 billion in the next Financial Year, 2021/2022. The under provision for the net GOK will result into delayed execution of contracts especially the Low Volume Seal Roads, work stoppages, pending bills and more expensive projects than originally designed.

Committee Concerns

44. The Committee was concerned with the distribution of major roads across the country and asked the agencies (KeNHA, KURA, KERRA) to provide the first ten projects with the highest allocation with a view to have a feeling of how the resources were distributed. The committee observed, at least from the sample projects, that they were fairly distributed.
45. On the Nairobi Expressway, the Committee raised its dissatisfaction with how the project has disrupted the traffic flow. The Kenya National Highways Authority (KeNHA) assured the Committee that the inconvenience to motorists is short lived, and that in the meantime, they are addressing how the traffic can be best managed.
46. The Committee also observed that the annuity programme is still ongoing despite the earlier recommendations by the Committee to the Ministry and the National Treasury to look for better model of financing road projects, since the programme proved to be very expensive based on the only one project that was implemented through this programme.
47. The Committee raised concerns regarding lack of budgetary provisions for critical roads like Masara – Muhuru Bay and Bamba – Gurar roads in financial year 2021/22 budget estimates.
48. The committee was also concerned with the persistent under funding of the Kenya, Urban Roads Authority (KURA) affecting delivery of its mandate regarding construction of urban roads

b. State Department for Transport

49. The State Department made its submission to the Committee on 18th May, 2021. The PS informed the Committee that the total allocation for the State Department for the FY 2021/2022 is Kshs. 10,774 million, of which Kshs. 9,428 million is recurrent whereas Kshs. 1,346 million is for development.

50. The proposed total gross budget allocations for recurrent is Kshs. 9,428 million. This includes recurrent expenditure transfers to Kenya Civil Aviation Authority of Kshs. 8,114 million fully financed through local AIA; and Kshs. 790 million for Kenya Ferry Services Limited, out of which kshs 503 is financed through Local AIA and Kshs. 287.0 million financed by exchequer.
51. The proposed total allocation for development budget is Kshs. 1,346 million, which is proposed to finance Air Transport (Airstrips), Road Safety (Horn of Africa Gateway Development Project), General Administration (Refurbishment of Transcom House & Monitoring and Evaluation of Projects) and Marine Transport (Mtongwe Ferry Channel, Acquisition of Two Ferries & Maintenance of Ferries & Jetties).
52. The State Department has one new project, namely **Angama airstrip** in Maasai Mara for support of tourism sector's western circuit at an estimated cost of **Kshs. 4,300**. Kshs. 60 million was committed in 2020/2021 FY to commence the project by KAA through internally generated funds. In addition, **Kshs. 200 million** has been proposed in the Financial Year 2021/2022.
53. The State Department submitted the following areas with serious financing gaps:
- i. **Emergency Works for Ground and Slope Stabilization at Moi International Airport Mombasa:** Kenya Airports Authority has requested for Kshs. 1,267 million to undertake slope stabilization at the edge of the runway. The geology of the area where the Dongo Kundu Bypass Road and the SGR traverse comprises sandy soils on shale material. This makes the grounds susceptible to development of sink holes, ground slippage and collapse of vertical cuts which have been observed around the airport and along the bypass road.
 - ii. **Rehabilitation of Kisumu International Airport ahead of the 9thAfricities Summit 2022 – Kshs. 1,100 million:** The government will host 9thAfricitiesSummit in the year 2022 in Kisumu City. To facilitate, KAA had earmarked rehabilitation of the old apron, taxiway and other facilities in Kisumu airport for the preparation of the summit. This was estimated to cost Kshs. 1,100 million.
 - iii. **Modernization of Jomo Kenyatta International Airport Terminal 1B, 1C and 1D - Kshs. 964 million:** Arising from the significant decline in traffic volumes attributable to the COVID-19 pandemic, Kenya Airports Authority's cash flows and financing capacity have been adversely affected. The Authority requires financial support for remodeling of JKIA's T1B, 1C and 1D at an estimated cost of **Kshs. 964 million**. This is critical for safety and security of the airport and compliance with International Civil Aviation Authority (ICAO). A Presidential Directive was issued to modernize the terminal within the next one year vide a letter Ref. No. OP/CAB/ 26/1/3A dated 17th November 2020. In the medium-term, KAA will require Kshs. 30-40 billion to increase the passenger capacity by 5 million passengers per year. Among other requirements, this is necessary to replace the capacity which is considered temporary and ageing (Terminal buildings T1E and T2), whose useful life is coming to an end within five (5) years. Actual amount will be determined once the ongoing World Bank-funded study on Development of Aviation

Policy and Review of Proposed Medium Term Investment Requirements for JKIA is completed.

- iv. **Malindi International Airport: Kshs. 2,950million:** KAA is implementing expansion of Malindi International Airport in phases. The total cost for the project is Kshs.8.169 billion (Kshs.4.896 for land acquisition and relocation of PAPs and Kshs.3.273 for construction works). In FY2021/2022, the resource requirements were Kshs. 3,000million. However, the proposed budget is Kshs. 50million leaving a financing gap of Kshs. 2,950. KAA has been advised to review options of expanding the runway in view of the high cost of acquiring the identified land which is fully developed.
- v. **Transport Data Centre - Kshs. 26.5 million:** The project was funded by World Bank and Government of Kenya. The project stalled upon expiry of the World Bank credit in September 2015. The centre was constructed to enable timely transport data collection and processing to support efficient management of the transport system. The completion status is at 95%, while Kshs. 15 million has been reallocated to facilitate completion and handover of the project by 30th June 2021.

Committee Concerns

54. The Committee was concerned with policy bias in the application of airstrips in the country. A case in point is the fact that Bomet Airstrip was abandoned due to land compensation whereas a new project is introduced in to the 2021/2022 financial year with a component of land compensation. This project, Angama Airstrip, was privately owned which the government is taking over in Masai Mara.

c. State Department for Shipping and Maritime

55. The State Department through its PS submitted that the State Department has three SAGAs. These are:
 - Kenya Maritime Authority (KMA): The mandate and principal objects of KMA are to regulate, co-ordinate and oversee maritime affairs within Kenya's coastal and inland waters.
 - Kenya National Shipping Line (KNSL): It was established in 1988, under Cap 486 in our Companies Act, to enable the country plan a role in International Maritime Trade.
 - Bandari Maritime Academy (BMA): It is mandated to develop academic and vocational skills, and provide the maritime labour needed for sustainable growth of the Blue Economy as well as exploit of jobs for Kenyan youth.
56. The Principal Secretary further informed the Committee that the State Department has a gross allocation of Kshs. 2,786 million comprising of Kshs. 2,036 million for recurrent and Kshs. 750 million for development.
57. The PS submitted that Kshs. 1.48 billion of the recurrent is a transfer to KMA whereas the development is mainly towards the two projects of construction of KMA headquarters and Multi-National Lake Victoria.

58. It was further submitted that, the completion date for the KMA Headquarters Project was 28th April 2021, but due to Covid-19 pandemic, the project could not be completed and the date of completion is to be extended to late June or early July 2021. Consequently, the Authority anticipates a carry-over of the project costs into the 2021/2022 financial year which will be treated as first charge in the approved annual budget.
59. Government interest cargoes are estimated at not less than 60,000 Teus (twenty-foot containers) annually with a potential freight value of Kshs. 11 billion that is currently paid to foreign shipping lines. There is also potential to save the country huge amounts in demurrage by shipping with KNSL as the carrier of choice and as a result of improved port efficiency.
60. The PS informed the Committee that by strengthening the operational partnership with MSC, KNSL has negotiated 2000 seafaring jobs. These are quality jobs which, based on prevailing international salary scales in the sector, will yield over 19 billion in foreign remittances.
61. According to the PS, Bandari Maritime Academy holds a unique position as the only institution mandated to offer maritime competency training and certification in Kenya. The Academy is expected to equip Kenyan youth seeking opportunities within the entire range of the blue economy with the requisite skills. The competency training and the certification only available at BMA is what the youth require to access jobs in the international market. The Academy therefore requires having adequate and sustainable financial capacity and resources in the short and long term to ensure continuous accreditation by the IMO which is undertaken every five years. Under the STCW convention BMA must be equipped to offer forty-five courses against the current capability of only six. A wider array of courses at BMA will expand the job market and employability.

Committee Concerns

62. The Committee raised concerns with the slow pace of construction of the Kenya Maritime Headquarters (KMA). The State Department assured the Committee that the Kshs. 330 million will be enough to complete the project.

d. State Department for Housing and Urban Development

63. The Principal Secretary informed the Committee that according to a report by NCA, 186,000 houses were constructed since August 2017 with an investment of Kshs. 2.12 trillion by end of March 2021. The PS informed the Committee that he had problems on how to account for world bank-funded projects in the Counties, eg. Kisumu Urban programme and Kenya Urban Programme.
64. The State Department submitted that the proposed gross budget estimates for the financial year 2021/22, 2022/23 and 2023/24 is Kshs. 13.187 Billion, 17.504 Billion and 22.684 Billion respectively. For financial year 2021/22 the recurrent budget is Kshs. 1.233B and development budget is Kshs. 11.957 Billion respectively.

65. The PS informed the Committee that, the Department has only one new project for the FY2021/2022, i.e Construction of Nakuru Multipurpose Market with a budget of Kshs. 150M in the FY2021/22 and Kshs. 200M & 300M in the financial year FY2022/23 & FY23/24 respectively.
66. It was also submitted that the department has a total of 33 stalled projects with an outstanding project cost of Kshs. 2,948.91billion. The projects stagnated at different levels of completion due to varied reasons. ESP markets, which form the largest number of projects, stalled due to lack of funds. The projects have not been allocated resources in the proposed budget due to low budgetary allocations hence the Department was not able to deliver their mandate optimally.
67. In addition, the State Department submitted that it currently has outstanding pending bills amounting to **Kshs.1,595.60 billion**. This includes pending bills and certificates for FY 2020/21.
68. The PS further submitted that the State Department of Housing and Urban Development is one of the Drivers of the Big Four with Implementation of Affordable Housing being a priority. In this regard, they request that we get more funding and commitment in order for them to achieve this key role of the government. The Department has had a number of other challenges including;
- Little/lack of priority being given by County Governments in supporting affordable housing agenda.
 - Budget Cuts - This has affected the timely delivery of projects hence it takes very long to complete.
 - Delays in Exchequer-This has caused an increase in the number of unpaid contractors hence creating a lot of pending bills and certificates.
69. The Department submitted it was facing serious financing gap in the following, arranged in the order of priority;
- i. Social Housing - **Kshs. 3 billion**
 - ii. Affordable Housing - **Kshs. 5 billion**
 - iii. Police Housing - **Kshs. 550 million**
 - iv. Kazi Mtaani - **Kshs. 4.5 billion**
 - v. Nairobi Metropolitan Area Transport Authority (NAMATA) - **Kshs. 1.76 billion**
70. The Committee was concerned with the inadequate financing of the affordable and social housing, as well as the police housing projects that were stalling in the constituencies.
- e. State Department for Public Works**
71. The State Department submitted that it has a gross allocation of Kshs. 4.24 billion, of which Kshs. 3.11 billion is for recurrent expenditure and Kshs. 1.13 billion is for development. The State Department lamented that the recurrent expenditure is only enough to finance non-

discretionary expenditures such as salaries, rent, utilities and gratuities. There is no provision of other operations and maintenance.

72. The State Departments sought the indulgence of the Committee in its quest to lobby for resources in the following priority areas;

- i. Other recurrent expenditures (O&M)Kshs. 190 million
- ii. Stalled projects Kshs. 4.40 billion
- iii. Pending Bills Kshs. 458 million

73. The State Department further submitted that it supervises other projects for various Ministries, Departments and Agencies. Therefore, the budget for monitoring and evaluation of such projects needs to be domiciled in public works for efficient and effective supervision as well as capacity building.

Committee Concerns

74. The Committee observed with concern, the slow pace of the construction of County Headquarters. This was after the Department informed the Committee that only Tharaka Nithi County has so far provided 27% of its counterpart obligations of 30%. The other 4 Counties of Isiolo, Tana-River, Nyandarua and Lamu have not contributed resources towards construction of their County Headquarters three years after the start of projects.

75. The Committee observed with concern the underfunding of the pedestrian access sub-programme that is key in connecting communities to social amenities like schools, hospitals and Markets among others.

PART III

4.0 COMMITTEE OBSERVATIONS

76. After intensive consideration of the Budget Estimates for the Financial Year 2021/2022, the Committee made its observations as captured under the following State Departments:

a) State Department for Infrastructure

- i. The Committee observed that, as at April 2021, the State Department for Infrastructure has accumulated pending bills amounting to Kshs. 99 billion of which Kshs 31 billion is for land compensation. Further, the State Department has net GoK provision shortfall of Kshs. 217 billion.
- ii. The Committee observed that the State Department for Infrastructure engages the Private sector through annuity programme and other Public Private Partnership (PPP) arrangements. However, based on the only one project that was completed through this programme, the Committee felt that the programme is a relatively very expensive model of financing road projects in the country.
- iii. The observed that there is serious underfunding of the Kenya, Urban Roads Authority (KURA) affecting delivery of its mandate regarding construction of urban roads across the Country.

b) State Department for Transport

- i. The Committee observed that some airstrips that were earmarked for construction and rehabilitation were abandoned in the pretext that the respective County Government did not provide land while on the other hand a new project in the name of Angama Airstrip with a component of land purchase from a private owner is introduced into the 2021/2022 financial year.

c) State Department for Housing and Urban Development

- i. The Committee observed with concern the lack of/or inadequate budgetary provisions for critical projects under the affordable and social housing programmes as well as the police housing projects that are stalling in the Constituencies.

d) State Department for Public Works

- i. The Committee observed that the pedestrian access sub-programme that is key in connecting communities to social amenities like schools, hospitals and Markets among others is seriously underfunded in the proposed estimates for financial year 2021/22

5.0 COMMITTEE RECOMMENDATIONS

77. After carefully scrutinizing the budget estimates for the financial year 2021/22, the Committee recommends the approval of the budget estimates as proposed for the votes below;

- i. **State Department for Infrastructure**Kshs. 192,540,606,354
- ii. **State Department for Transport**.....Kshs. 10,774,300,000
- iii. **State Department for Shipping and Maritime**Kshs. 2,786,200,000
- iv. **State Department for Housing and Urban Development**... Kshs. 12,267,600,000
- v. **State Department for Public Works**Kshs. 4,238,800,000
- vi. **Rail Transport Programme (TNT)**.....Kshs. 32,494,000,000
- vii. **Marine Transport Programme (TNT)**.....Kshs. 20,214,000,000
- viii. **Road Safety Programme (NTSA)**Kshs. 3,275,265,215

5.1 Policy Recommendations

78. After carefully scrutinizing the budget estimates for the financial year 2021/2022, the Committee makes the following policy recommendations;

a) State Department for Infrastructure

- i. That, within the first quarter of 2021/2022 financial year, the National Treasury floats the roads bond with a view to addressing the challenge of pending bills reported by the State Department.
- ii. That, within six months of adoption of this report, the National Treasury and the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works fast-tracks remodeling of the annuity programme since the programme proved to be a very expensive model of financing road projects.
- iii. That from the Financial year 2021/22 and going forward, the National Treasury enhances budgetary allocations to the Kenya Urban Roads Authority

b) State Department for Transport

- i. That, upon adoption of this report, the State Department for Transport through the Kenya Airports Authority halts all new projects and directs the earmarked resources for the new projects to completion of the ongoing construction and rehabilitation of airstrips across the country.

5.2 Financial Recommendations

79. Lastly, the Committee makes the following financial recommendations:

a) State Department for Housing and Urban Development

That the National Treasury provides resources for the following projects/programmes;

- i. Social Housing - **Kshs. 3 Billion**
- ii. Affordable Housing - **Kshs. 5 Billion**
- iii. Police Housing - **Kshs. 550 Million**
- iv. Kazi Mtaani- **Kshs. 4.5 Billion**

- v. Nairobi Metropolitan Area Transport Authority (NAMATA) - **Kshs. 1.76 billion**

b) State Department for Public Works

- i. **That** the National Treasury increases the allocation to the pedestrian access sub-programme **by Kshs. 200 million** in financial year 2021/22

5.3 Summary of Observations and Recommendations

S/No.	Observation	Policy Recommendations	Financial Recommendations
1.	The Committee observed that, as at April 2021, the State Department for Infrastructure has accumulated pending bills amounting to Kshs. 99 billion of which Kshs 31 billion is for land compensation. Further, the State Department has net GoK provision shortfall of Kshs. 217 billion.	That, within the first quarter of 2021/2022 financial year, the National Treasury floats the roads bond with a view to addressing the challenge of pending bills reported by the State Department.	-
2.	The Committee observed that the State Department for Infrastructure engages the Private sector through annuity programme and other Public Private Partnership (PPP) arrangements. However, based on the only one project that was completed through this programme, the committee was of the view that the programme is relatively a very expensive model of financing road projects in the Country.	That, within six months of adoption of this report, the National Treasury and the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works fast-tracks remodeling of the annuity programme since the programme proved to be a very expensive model of financing road projects.	
3	The observed that there is serious underfunding of the Kenya, Urban Roads Authority (KURA) hindering delivery of its mandate regarding construction of urban roads across the Country.	That from the Financial year 2021/22 and going forward, the National Treasury enhances budgetary allocations to the Kenya Urban Roads Authority	
4.	The Committee observed that some airstrips that earmarked for construction and rehabilitation there is policy bias in the construction and	That, upon adoption of this report, State Department for Transport through the Kenya Airports	