



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

NATIONAL GOVERNMENT

ANNUAL BUDGET IMPLEMENTATION
REVIEW REPORT

FY 2013/14



August, 2014



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FOREWORD

I am pleased to present the annual Budget Implementation Review Report (BIRR) for the Financial Year (FY) 2013/14. This report has been prepared pursuant to Article 228(6) of the Constitution of Kenya, 2010 requiring the Controller of Budget to submit to Parliament a report on the implementation of the budgets of the national and county governments every four months.

This annual Budget Implementation Review Report presents the aggregate performance of budget implementation by Ministries, Departments and Agencies (MDAs) of the national government for the twelve months period ended June 30th 2014. It is therefore the first annual report since implementation of the devolved system of governance in Kenya.

The theme of the National Government Budget for FY 2013/14 was “**Transformation for Shared Prosperity**”. Government expenditure was aimed at enabling and securing a sustained high and inclusive economic growth and development. This outcome shaped budget programmes and projects, and formed the basis for our review of budget implementation by MDAs.

This report is largely based on analysis of expenditure returns by MDAs and is corroborated with expenditure data generated from the Integrated Financial Management Information System (IFMIS). It is also informed by continuous monitoring of exchequer issues and reviews.

During the period under review, the National Government experienced transitory challenges in implementing the devolved system of governance that saw 44 ministries collapsed into 18 ministries. These Ministries and other Government Departments and Agencies were regrouped into ten sectors.

Public participation and budget monitoring remains a crucial principle in the budget execution process. Therefore, this report is intended to create awareness in budget implementation among legislators, policy makers, the public, and other stakeholders. It also invites them to interrogate use of public resources in line with underlying policy guidelines and priorities by the government. I urge all readers of this report to take keen interest in monitoring implementation of the budget and in scrutinizing the Government’s delivery on promises. This will provide the necessary impetus for optimal utilization of public resources for the benefit of all Kenyans.



Mrs. Agnes Odhiambo
Controller of Budget

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EXECUTIVE SUMMARY

This is the annual Budget Implementation Review Report for FY 2013/14. The report discusses the macroeconomic environment in which the budget was executed. It presents revenue and expenditure performance and identifies the key challenges encountered by the spending entities during budget execution. It also analyses the fiscal performance on budget implementation by sector and MDA based on the economic classification.

This report departs from the previous budget implementation review reports by combining the recurrent and development analysis under each sector. It also does not offer comparison with the previous year's performance on exchequer and expenditure issues. This departure addresses the challenge of mapping the previous 44 ministries to the current 18 ministries and sector re-grouping.

In the fourth quarter of the FY 2013/14, the National Treasury adopted a revised budget of Kshs.1.6 trillion. This budget comprised of Kshs.1.1 trillion allocation to MDAs, Kshs.265.4 billion to the Consolidated Fund Services and Kshs.210 billion for the County Governments. Projected revenue for the same period was Kshs.1.3 trillion. The deficit of Kshs.300 billion was to be financed through borrowing, grants and Appropriations-In-Aid (A-I-A).

The Budget Policy Statement (BPS) 2013 projected the economy to grow at 5.8 per cent in 2013. Inflation was targeted to remain between 5 to 7 per cent while maintaining a fairly stable exchange rate. According to the Kenya National Bureau of Statistics (KNBS) report the economy grew by 4.7 per cent in 2013 compared to 4.6 per cent in 2012. In the first quarter of 2014, the economy grew by 4.1 per cent, declining from the 5.2 per cent growth recorded in first quarter of 2013. The performance of the economy was slowed down by erratic weather pattern which depressed agricultural output and insecurity concerns coupled with negative travel advisories by some key tourist source countries which affected the earnings from tourism.

In the same period, the annual average rate of inflation rate was 7.03 per cent and fluctuated between a low of 6.02 per cent in July 2013 to a high of 8.29 per cent in September 2013. The Kenya shilling remained relatively stable against major world currencies during the FY 2013/14. The dollar exchanged at a high of Kshs.87.71 in April 2014 and a low of Kshs.85.31 in October 2013. The exchange rate of the local currency to the Sterling Pound oscillated between Kshs.131.86 in July 2013 and Kshs.148.15 in June 2014.

In the FY 2013/14, exchequer revenue raised by the Government through the National Treasury was Kshs.1.28 trillion surpassing the revised revenue target of Kshs.1.26 trillion. This was improved performance compared to that of FY 2012/13 where Kshs.1.14 trillion was raised against a target of Kshs.1.20 trillion. The Tax Income, and Borrowing & Repayment revenue categories contributed Kshs.895.44 billion and Kshs.302.01 billion respectively. Grants from International Organization/AMISON contributed Kshs.4.69 billion.

The revised net estimates during the FY 2013/14 were Kshs.1.45 trillion comprising of Kshs.983.8 billion for recurrent expenditure and Kshs.275.1 billion for development expenditure while Kshs.193.4 billion was to be issued to County Governments.

Actual exchequer issues for the period were Kshs.1.28 trillion representing 88 per cent of the total revised net estimates. This was an increase from the Kshs.1.14 trillion issued in FY 2012/13. The exchequer issues for recurrent activities were Kshs.862.4 billion, Kshs.223.7 billion for development activities while County Governments received Kshs.193.4 billion. The exchequer issues for recurrent include Kshs.258.7 billion for the CFS. Total exchequer issues to MDAs amounted to Kshs.827.4 billion translating to 92.5 per cent of revised net estimates. This amount consisted of Kshs.603.7 billion for recurrent activities and Kshs.223.7 billion for development activities.

The Education, and the Governance, Justice, Law and Order (GJLO) sectors were issued with Kshs.245.4 billion and Kshs.120.3 billion for recurrent activities respectively translating to 99.3 per cent of the revised recurrent net estimates for each sector while the Health sector was issued with Kshs.15.8 billion translating to 79.8 per cent of the revised recurrent net estimates for the sector. The General Economic and Commercial Affairs (GECA) sector was issued with Kshs.4.5 billion for development representing the highest proportion of exchequer issues to development revised net estimates at 99.0 per cent while the Education sector was issued with Kshs.6.6 billion representing the lowest proportion of the exchequer issues to development revised net estimates at 41 per cent.

The total expenditure by the MDAs in FY 2013/14 was Kshs.1.139 trillion comprising Kshs.587.1 billion spent on recurrent activities, Kshs.241.1 billion on development activities and Kshs.310.8 billion on Consolidated Fund Services. The overall absorption rate by the MDAs for both recurrent and development funds was **81.3 per cent**. The recurrent expenditure recorded an absorption rate of **96 per cent** while development expenditure registered an absorption rate of **52.0 per cent**. The National Security Sector recorded the highest absorption rate of 100 per cent having spent Kshs.95.8 billion while the Energy Infrastructure and Information Communication and Technology (EI&ICT) sector recorded the lowest absorption rate at 41.3 per cent.

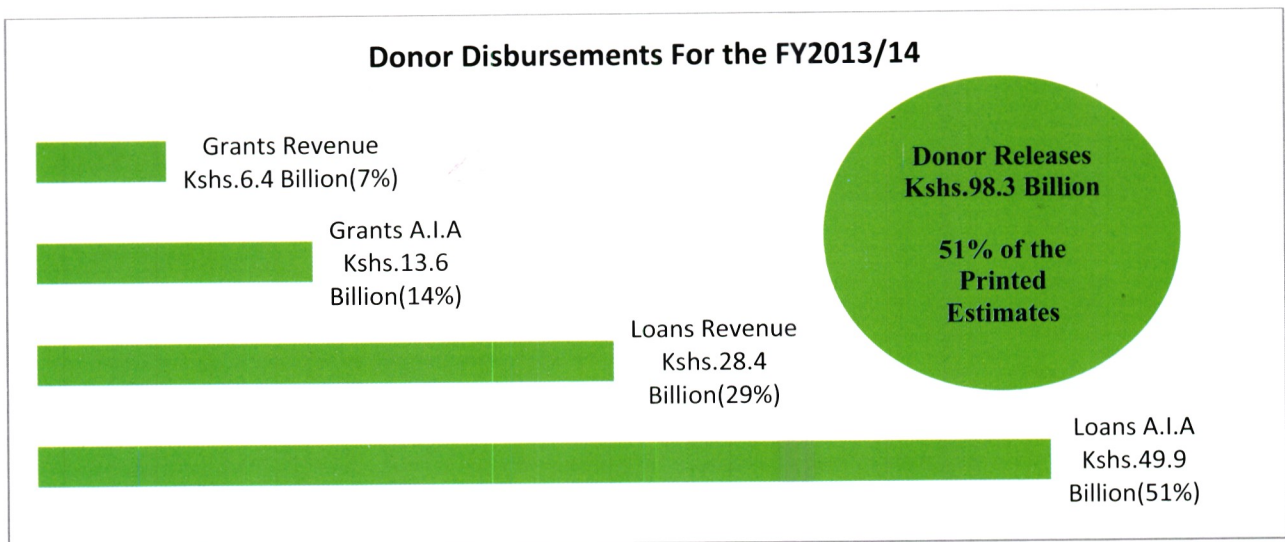
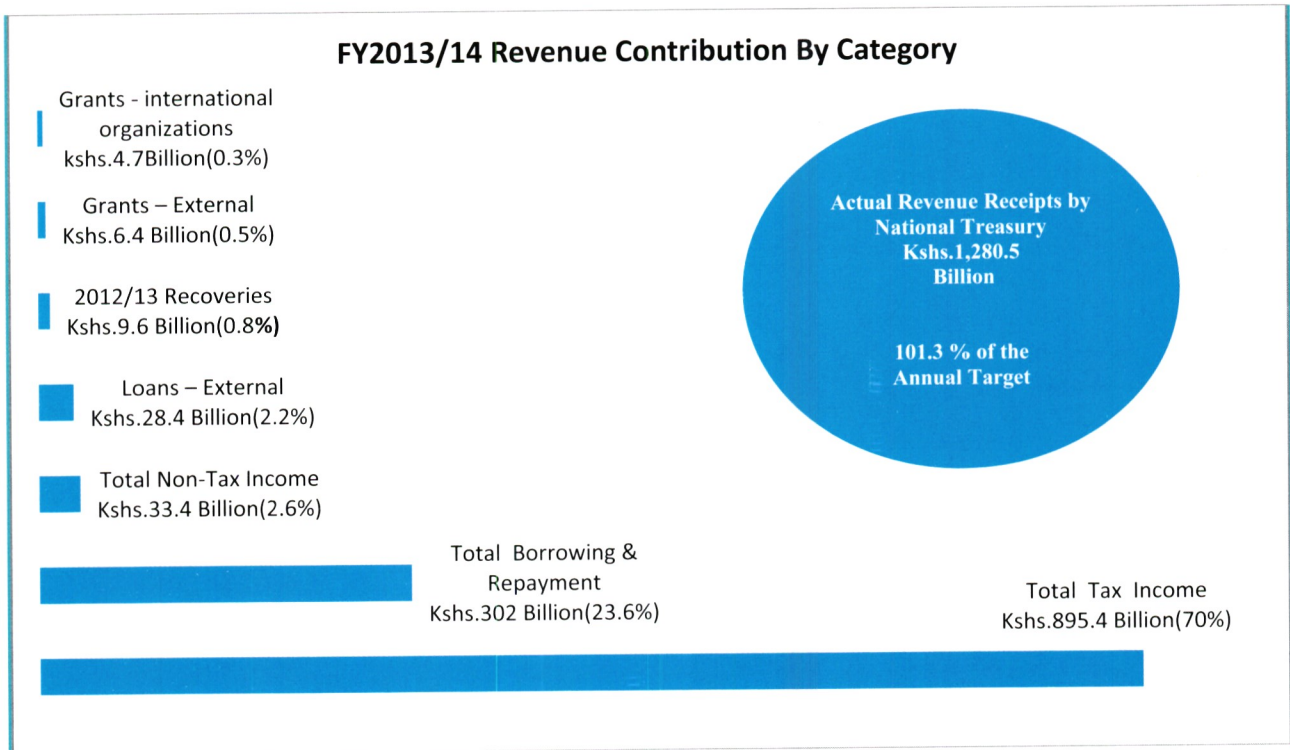
During the FY 2013/14, budget implementation was faced with a number of challenges. These included; the delay in submission of financial returns by MDAs to COB, failure to fully implement IFMIS by some spending entities, low absorption of development funds, and the revision of the budget estimates towards the end of the financial year. It was also noted that the CFS expenditure exceeded the budget allocation, a matter that had been raised in previous reports. The OCOB recommends adoption of IFMIS by all MDAs, and the timely submission of financial returns to enhance budget monitoring and reporting. Where necessary, budget revisions should be approved in good time to allow for effective implementation of the budget. The MDAs should also prioritise implementation of development activities. Finally, there is urgent need for the National Treasury to prepare regular reconciliation statements between the CFS accounts, exchequer releases by OCOB, and the CBK payments in order to avoid unexplained differences.

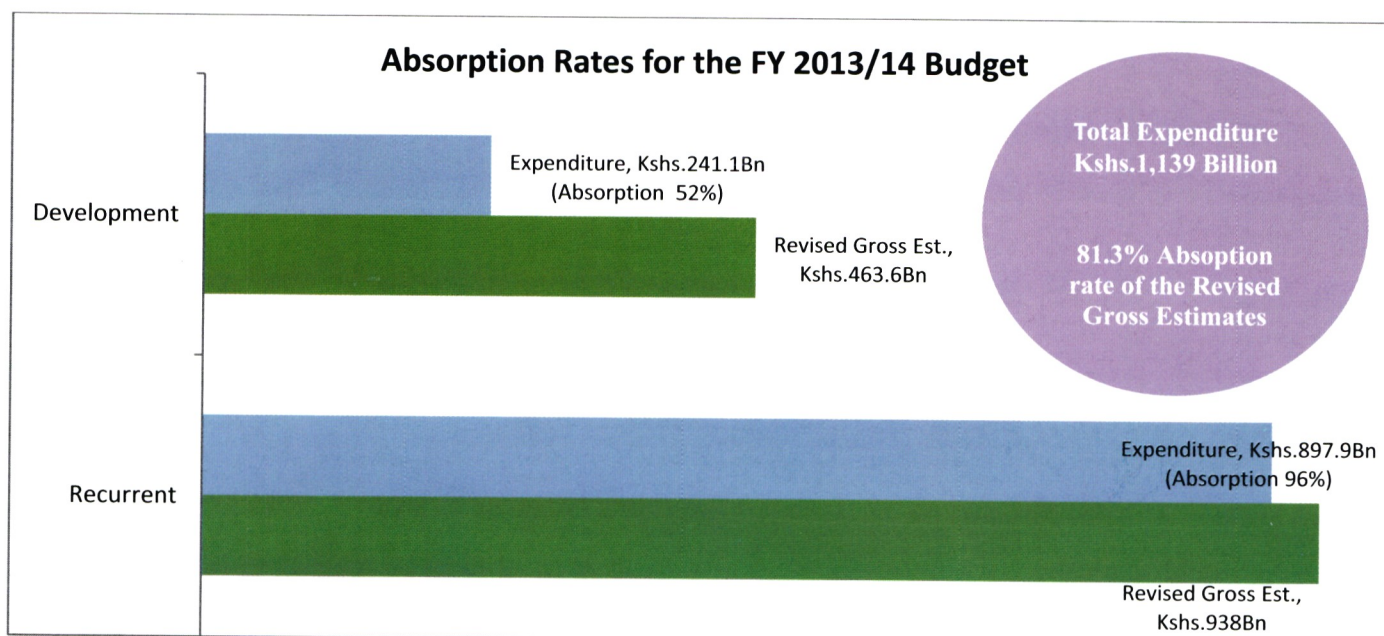
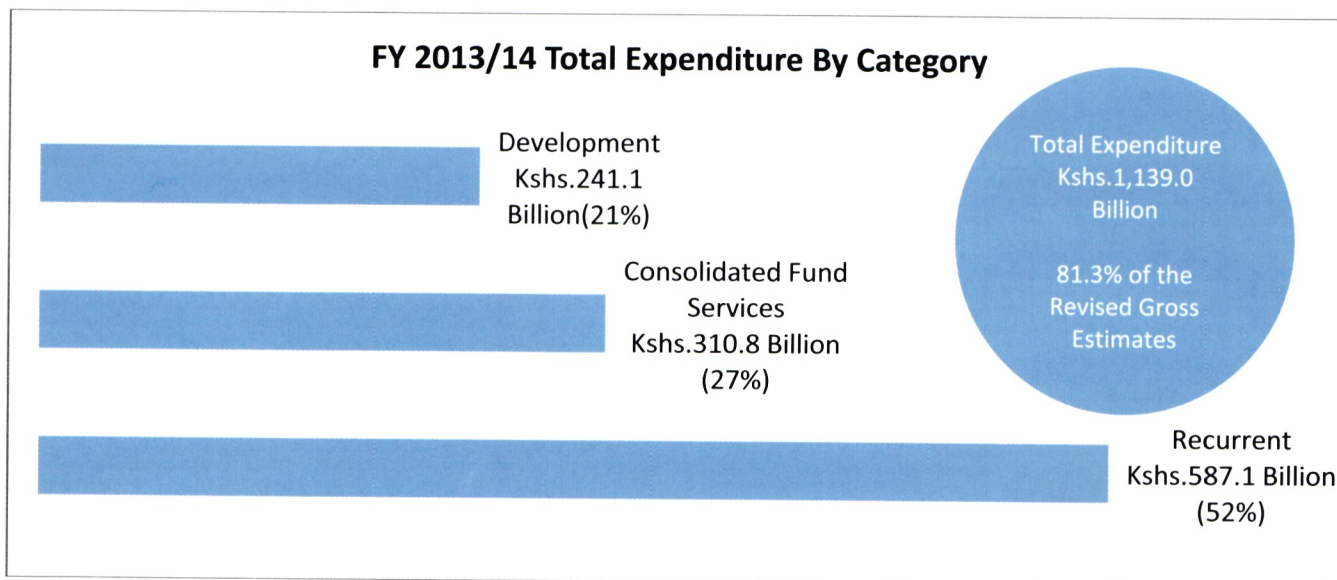
ACRONYMS

AG	Attorney General
A-I-A	Appropriations in Aid
AIDs	Acquired Immune Deficiency Syndrome
AMISOM	Africa Union Mission in Somali
AR & UD	Agricultural Rural and Urban Development
Bn	Billion
BIRR	Budget Implementation Review Report
BPS	Budget Policy Statement
CAJ	Commission on Administrative Justice
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
CIC	Commission for Implementation of the Constitution
COB	Controller of Budget
COFOG	Classification of Government Functions
DPP	Directorate of Public Prosecutions
EACC	Ethics and Anti-Corruption Commission
EI & ICT	Energy Infrastructure and Information Communication Technology
FY	Financial Year
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GJLOS	Governance, Justice, Law and Order Sector
HIV	Human Immunodeficiency Virus
IEBC	Independent Electoral and Boundaries Commission
IFMIS	Integrated Financial Management System
IPOA	Independent Police Oversight Authority
JSC	Judicial Service Commission
KAPAP	Kenya Agricultural Productivity and Agribusiness Project
KBC	Kenya Broadcasting Corporation
KCDP	Kenya Coastal Development Plan
KEMRI	Kenya Medical Research Institute
KEMSA	Kenya Medical Supplies Agency

KNBS	Kenya National Bureau of Statistics
KNCHR	Kenya National Commission for Human Rights
KNH	Kenyatta National Hospital
KPA	Kenya Ports Authority
KRA	Kenya Revenue Authority
Kshs.	Kenya Shillings
MDA(s)	Ministries Departments and Agencies
MOEST	Ministry of Education Science and Technology
MTP	Medium Term Plan
MW	Mega Watts
NACC	National Aids Control Council
NGEC	National Gender and Equality Commission
NPSC	National Police Service Commission
NHIF	National Hospital Insurance Fund
NIS	National Intelligence Service
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
PAIR	Public Administration and International Relations
PFM Act	Public Finance Management Act
PPP	Public Private Partnerships
RPP	Registrar of Political Parties
SAGAs	Semi-Autonomous Government Agencies
TARDA	TanaAthi River Development Authority
TSC	Teachers Service Commission
US	United States
WPA	Witness Protection Agency

KEY HIGHLIGHTS





PUBLIC DEBT PAYMENTS /SERVICING



Domestic: Redemption Kshs.67.1 Billion
 Interests Kshs.119.2 Billion

Foreign: Principal Kshs.78.8 Billion
 Interests Kshs.14.7 Billion

1 INTRODUCTION

This annual budget implementation review report covers the period July, 2013 to June, 2014. It aggregates budget implementation activities for the four quarters in FY 2013/14.

The budget for FY 2013/14 was premised on a forecasted acceleration in growth of the world economy. At the beginning of the financial year, economic activity had picked up in emerging markets and developing economies with favourable payoffs expected locally. The Budget implementation process was however threatened by the rising imports amid stagnating exports as well as declining agricultural and manufacturing productivity. Inadequate and weak infrastructure especially in transport and logistics have also remained a bottleneck for sound fiscal performance.

The budget for FY 2013/14 aimed at making savings through reduced allocations to non-core expenditure while at the same time reducing the number of ministries from 44 to 18 in line with the Constitution. Some non-core recurrent expenditure allocations targeted for cost-saving included; communication, supplies & services; travel; hospitality; purchase of motor vehicles and furniture among others. On development, allocations for contracted technical services, refurbishment of buildings and pre-feasibility studies were targeted for savings in order to create more resources for priority development projects. Generally the priorities for FY 2013/14 are based on the revised Medium Term Plan (MTP) I.

This report presents aggregate budget performance by the National Government Ministries, Departments and Agencies. The MDAs are grouped into ten sectors which have been organised in line with the Classification of Functions of Government (COFOG). While the FY 2013/14 budget was prepared in a programme based approach, this report presents budget performance by economic classification in line with MDAs expenditure returns. This report departs from the previous budget implementation review reports by combining the recurrent and development analysis under each sector. It also does not offer comparison with the previous year's performance on exchequer and expenditure issues. This departure addresses the challenge of mapping the previous 44 ministries to the current 18 ministries and sector re-grouping

The report presents information on budget estimates, exchequer releases and actual expenditure by the respective MDAs for the FY 2013/14. It analyses and classifies expenditure into; compensation to employees, Operations & Maintenance (O&M) and development expenditure. The report also assesses adherence to fiscal responsibility principles. In the medium term, the Public Finance Management (PFM) Act, 2012 requires government entities to allocate a minimum of 30 per cent of their budgets for development expenditure.

Chapter two of the report discusses the Macroeconomic environment in which the budget was implemented. It puts into context the fiscal activities of the year by discussing the Gross Domestic Product (GDP), inflation rate, and exchange rate. The performance of these macroeconomic indicators greatly influences revenue performance and foreign exchange transactions both of which are integral components in the budget execution.

Chapter three of the report presents revenue and expenditure performance by the various sectors. Revenue performance is analyzed from two different perspectives; exchequer receipts by the National Treasury

and revenue collection by the Kenya Revenue Authority (KRA). The analysis also derives ratios of actual expenditure to gross estimates (absorption rate), and exchequer releases to revised net estimates. The ratios are compared between the different subsectors in each sector. Management of the Consolidated Fund Services (CFS) is reviewed to determine how much was availed and spent on non-discretionary priorities

In the previous report for the nine months period to March 2014, the Office of the Controller of Budget(OCOB) identified non-disclosure of Appropriations-in-Aid (A-I-A), delay in reimbursement of salaries paid on behalf of Counties by the National Government to respective MDAs, and non-compliance by some MDAs to use IFMIS as impediments to smooth budget implementation. Other challenges included; the delay in submission of expenditure reports by MDAs, and low absorption of development funds. Chapter four therefore, focuses on the challenges that prohibited seamless budget implementation and makes recommendations to address the identified challenges. It is expected that MDAs will implement the recommendations contained in this report.

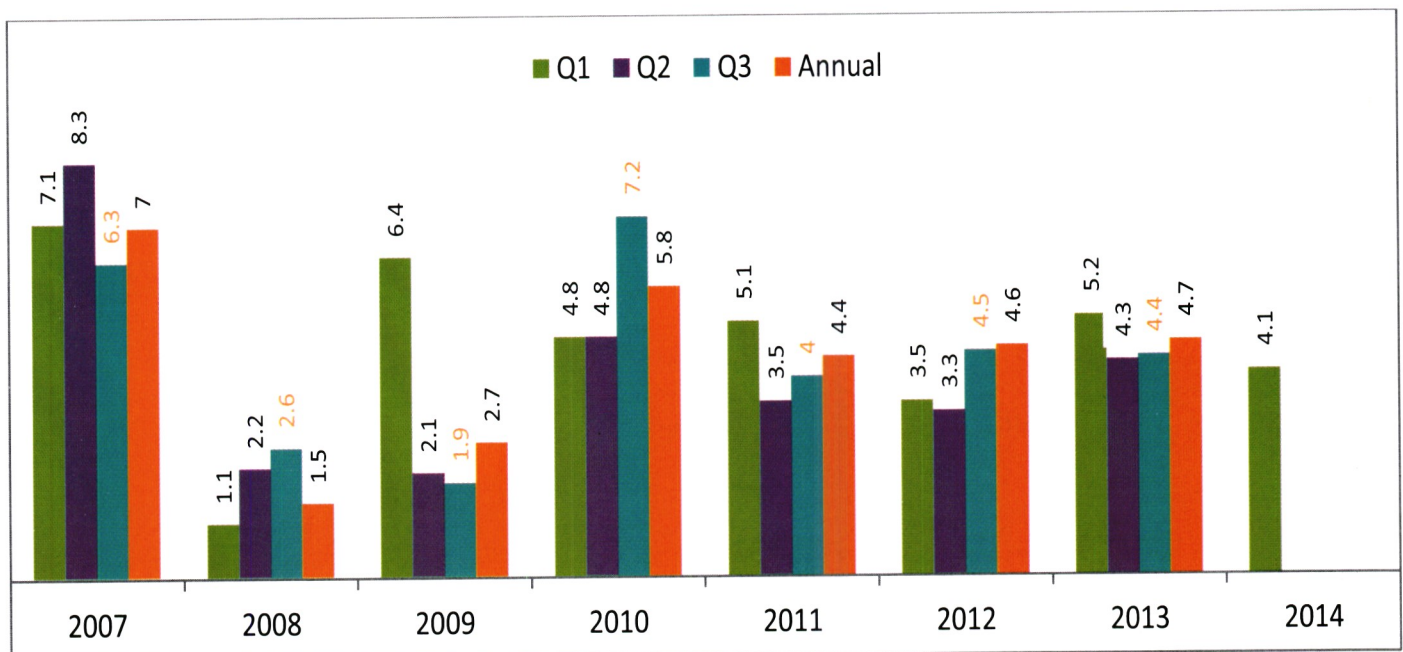
2 MACROECONOMIC HIGHLIGHTS

The 2014 Budget Policy Statement (BPS) projects that the Kenyan economy will grow by 5.8 per cent during 2014 up from 4.7 per cent in 2013. This projection is based on the assumption that the country will experience normal weather pattern and that the government will continue to implement robust economic policies, structural reforms and sound economic policies.

2.1 Economic Growth

According to the Kenya National Bureau of Statistics (KNBS), 2014 first quarter report, the country's GDP grew by 4.1 per cent in the first quarter of 2014, a decline from the 5.2 per cent growth realised in the same period in 2013. The growth of the economy during the first quarter of 2014 can be attributed to expansion in activities of transport and communication, manufacturing, wholesale and retail trade, mining and quarrying, and electricity industries. Performance of the economy was slowed down by agriculture sector due to erratic weather patterns that resulted in depressed agricultural output. There was also a deceleration in the growth of the hotel industry which was largely due to insecurity concerns and adverse travel advisories by some key tourist source countries. Low absorption of development funds by MDAs and counties also affected economic performance in the first quarter of the year. Figure 2.1 illustrates quarterly and annual growth rates from 2007 to 2014.

Figure 2.1: GDP Growth Rates for the period 2009-2014



Source: KNBS 2014

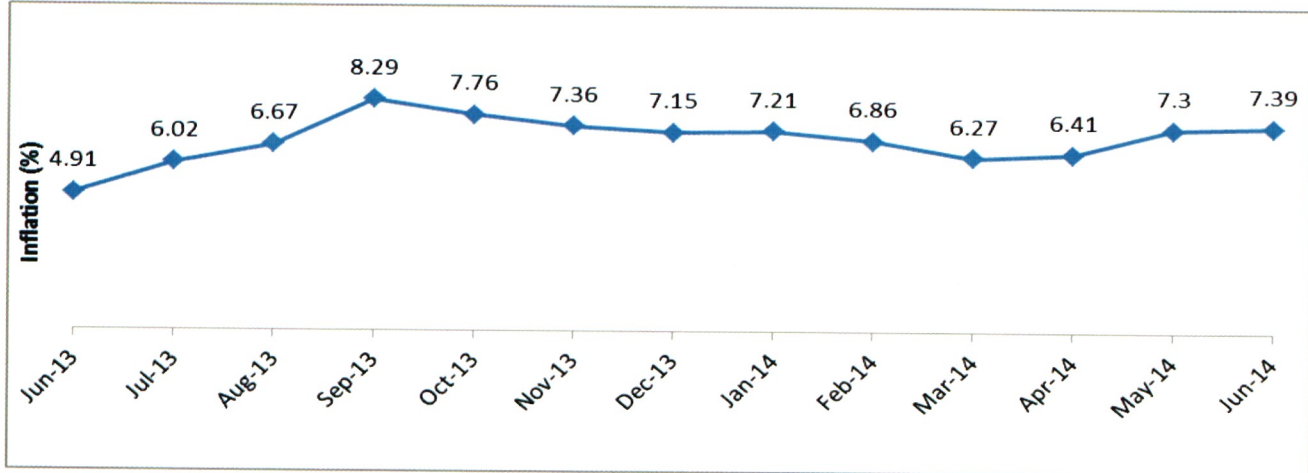
The country's economy is likely to be adversely affected by increased inflation, volatile local currency, and decreased export earnings in 2014 especially from tourism and the increasing insecurity. There is therefore a need for the government to come up with measures to ensure that the targeted level of economic growth is achieved.

2.2 Inflation

The overall rate of inflation has been on an increasing trend from March 2014 to June 2014 as shown in figure 2.2. The average rate of inflation for the period April to June 2014 was 7.03 per cent, an increase from 4.37 per cent inflation rate experienced during the same period of 2013.

In June 2014, KNBS attributed the rise in inflation to the increase in prices of kerosene, charcoal, electricity, public transport and rent. This was partly mitigated by a decrease in the prices of several food commodities.

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

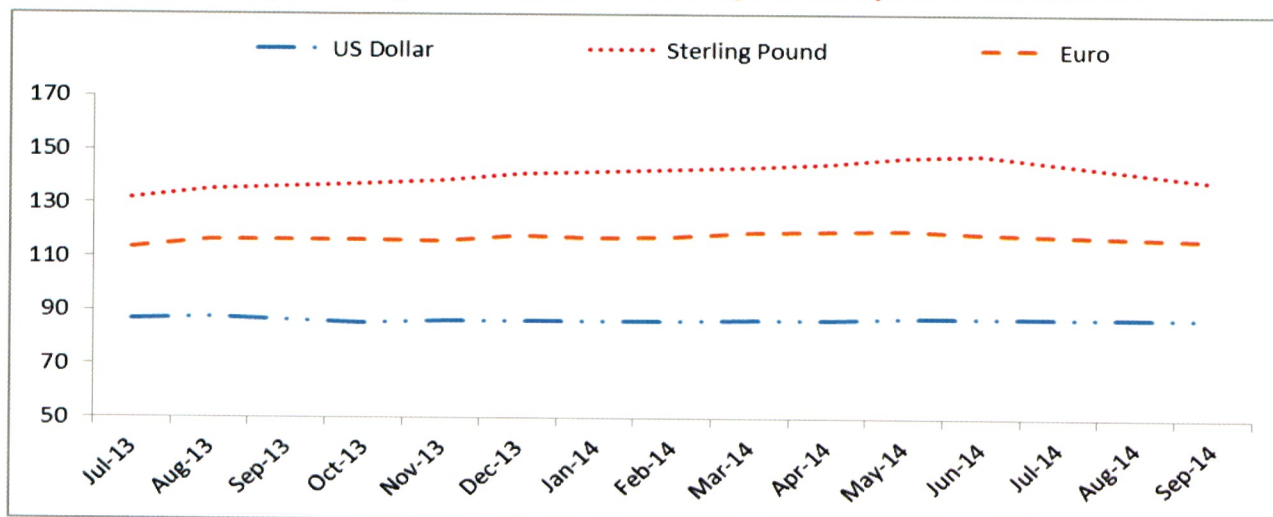


Source: KNBS, 2014

2.3 Exchange Rate

The Kenyan shilling was relatively stable against major world currencies in the first nine months of FY 2013/14. The local currency however depreciated slightly against major world currencies during the fourth quarter as shown in figure 2.3.

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



Source: CBK, 2014

The US dollar weakened during the second quarter of the financial year but strengthened during the fourth quarter ending June 2014. In October 2013, the dollar was at its lowest value exchanging for Kshs.85.31 but peaked in June 2014 at Kshs.87.61. Both the sterling pound and the Euro depreciated to their extremes in the first quarter but appreciated against the shilling in the fourth quarter. The sterling pound exchanged at a low of Kshs.135.39 in August 2013 and a high of Kshs.148.15 in June 2014. Similarly, the Euro depreciated to Kshs.113.6 in July 2013 and appreciated to Kshs.120.09 in May 2014.

The depreciation of the Kenya shilling in the fourth quarter is against the expected appreciation arising from the proceeds of the Euro bond, which were disbursed by June 2014. The declining export earnings from tourism could have attributed to the weakened shilling against the major world currencies. Payment of dividends to foreign shareholders could also have worsened the shilling value in May and June 2014.

3 FINANCIAL ANALYSIS OF FY 2013/14 BUDGET IMPLEMENTATION

3.1 Analysis of Revenue Estimates

During the FY 2013/14 the National Treasury projected to raise Kshs.1.27 trillion which was revised to Kshs.1.26 trillion in the fourth quarter. This target was to be complimented by the revised A-I-A receipts of Kshs.193.9 billion to fully fund the FY 2013/14 revised budget of Kshs.1.6 trillion.

3.1.1 Revenue Receipts by National Treasury

Over the period under review, total revenue raised comprising of ordinary revenue; borrowing and grants amounted to Kshs.1.28 trillion representing a performance of 101 per cent of the revised target of Kshs.1.26 trillion. This performance was Kshs.17 billion above target mainly due to the surpassed target on borrowing and repayments which had a performance of 128 per cent. In FY 2012/13, Kshs.1.14 trillion was raised against an annual target of Kshs.1.2 trillion which translated to a performance of 95.3 per cent. Revenue therefore grew by 11.9 per cent in FY 2013/14 compared to the previous financial year.

The two main sources of exchequer revenue were Tax Income and Borrowing which contributed Kshs.1.2 trillion, translating to 93.6 per cent of the total revenue collected. Grants from International organizations contributed the least amount at Kshs.4.7 billion representing 0.4 per cent of the total revenue.

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

Receipts by Category	Gross Estimates FY 2013/14	Actual Receipts 30/6/2014	Performance Against Target (%)	Contribution by Category (%)	Actual Receipts FY 2012/13	% Growth over FY 2012/13
Opening Balance 2012/2013		0.50				
Total Tax Income	920.98	895.44	97.2	70.0%	738.21	21.3%
Total Non-Tax Income	38.87	33.40	85.9	2.6%	39.26	-14.9%
Total Borrowing & Repayment	236.18	302.01	127.9	23.6%	331.83	-9.0%
Loans – External	46.04	28.43	61.8	2.2%	23.57	20.6%
Grants – External	10.88	6.43	59.1	0.5%	5.19	23.9%
Grants from AMISOM/International Organizations	10.31	4.69	45.5	0.4%	5.83	-19.6%
2012/2013 Recoveries	0	9.56		0.7%	0	0!
TOTAL	1,263.50	1,280.50	101.3	100.0%	1143.89	11.9%

Source: National Treasury 2013/2014

3.1.2 Revenue Collection by Kenya Revenue Authority (KRA)

In the twelve months period ending June 2014, KRA collected a total of Kshs.963.8 billion against a target of Kshs.963.7 billion. This performance was slightly above 100 percent of the target. The total revenue grew by Kshs.163.3 billion or 20.4 per cent compared to Kshs.800.5 billion collected in FY 2012/13. This was a significant growth compared to 13.2 per cent and 11.4 per cent growth rates recorded in the same period in FY 2012/13 and FY 2011/12.

The total revenue collected in FY 2013/14 comprised of Kshs.899.3 billion in exchequer revenue and Kshs.64.4 billion as Agency revenue.

Exchequer revenue collections for FY 2013/14 show that domestic taxes contributed the highest revenue at Kshs.626.3 billion or 69.6 per cent of the collections. The customs services raised Kshs.269.9 billion while the road transport category generated Kshs.2.9 billion, which was 30 per cent and 0.3 per cent respectively of the total revenue. Revenue collections by KRA are illustrated in Table 3.2.

Table 3.2: Exchequer Revenue Performance for July 2013 to June 2014 (Kshs. Millions)

Revenue Category	Actual 2013/14	Target	Variance	Performance Rate (%)	Actual 2012/13	Growth Rate Over 2012/13 (%)
Customs Services	269,968	266,389	3,580	101.3	220,307	+22.5%
Domestic Taxes	626,335	631,163	(4,828)	99.2	536,820	+16.7%
Road Transport	2,959	3,598	(639)	82.2	2,384	+24.1%
Total	899,262	901,149	(1,888)	99.8	759,511	+18.4%

Source: KRA July 2014 Revenue Report

In FY 2013/14, KRA identified under-performance of the economy as a challenge towards meeting the set revenue target. The slow economic growth and reduced import values undermined revenue performance hence necessitating revision of revenue target from Kshs.973.5 billion to Kshs.963.8 billion in the fourth quarter of the financial year.

3.2 Exchequer Releases to MDAs and County Governments

Budgeted exchequer issues for the FY 2013/14 were Kshs.1.35 trillion consisting of Kshs.884.8 billion for recurrent, Kshs.275.1 billion for development, and Kshs.193.4 billion for the County Governments. The Kshs.884.8 billion for recurrent activities included Kshs.265.4 billion for Consolidated Fund Services (CFS).

By the end of the twelve months' period to June 2014, a total of Kshs.1.28 trillion had been issued representing 95 per cent of the total revised net estimates. This is an increase of Kshs.134.7 billion from the Kshs.1.14 trillion issued in FY 2012/13. Analysis of the exchequer issues shows that Kshs.862.4 billion was issued for recurrent activities representing 97 per cent of the revised net recurrent estimates. Exchequer issues for development activities were Kshs.223.7 billion while Kshs.193.4 billion was issued to County Governments representing 81 per cent and 100 per cent of the respective revised net estimates.

During the period July 2013 to June 2014, aggregate exchequer issues amounted to Kshs.1.28 trillion, an improvement of 12.2 per cent from the Kshs.1.14 trillion issued in the FY 2012/13. This was a performance of 95 per cent compared to 90 per cent of the revised net estimates issued in the previous financial year. Further analysis shows that the performance of recurrent exchequer issues was 88 per cent of revised net estimate in FY 2013/14 which was a decline from 96 per cent issued in the previous financial year. Similarly, the performance of development exchequer issues was 81 per cent and a slight decline from 82 per cent achieved in FY 2012/13.

In FY 2013/14, County Governments received 100 per cent of the budgeted exchequer issues. This performance was similar to the previous financial year where 100 per cent of budgeted exchequer issues were released to County Governments. Table 3.3 shows total exchequer releases by sector for FY 2012/13 and FY 2013/14.

Table 3.3: Total Exchequer Issues, July 2013 to June 2014 (Kshs. Billions)

Name of the Sector	FY 2013/2014				FY 2012/2013			
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	% of Exch. To rev. Net Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	% of Exch. To Rev Net. Est.
Agriculture, Rural & Urban Development	65.7	59.3	49.4	83.3	43.3	40.2	34.0	84.6
Education	290.6	263.2	252.0	95.7	260.9	229.9	216.0	94.0
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	244.2	100.9	79.5	78.8	262.9	102.5	81.8	79.8
The Environmental Protection, Water and Natural Resources	53.9	31.1	29.8	95.7	68.0	42.0	36.6	87.7
General Economic & Commercial Affairs (GECA)	12.8	12.1	11.8	97.4	19.2	16.7	15.6	93.4
The Governance, Justice, Law and Order (GJLOS)	131.9	130.6	128.5	98.3	159.8	157.9	152.4	96.5

Name of the Sector	FY 2013/2014				FY 2012/2013			
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	% of Exch. To rev. Net Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	% of Exch. To Rev Net. Est.
The Health	41.7	34.3	29.7	86.7	92.0	73.7	67.0	90.9
The Public Administration and International Relations	180.9	149.4	139.6	93.5	117.8	103.5	100.6	97.2
The Social Protection, Culture and Recreation	20.7	19.8	17.2	86.9	38.3	35.4	31.1	87.9
National Security	93.8	93.8	89.9	95.8	91.3	91.3	86.8	95.1
Sub-Total MDAs	1,136.2	894.6	827.4	92.5	1,153.6	893.1	821.8	92.0
Sub-Total Consolidated Fund Services	265.4	265.4	258.8	71.0	364.3	364.4	313.3	86.0
County Governments	210.0	193.4	193.4	100	-	9.8	9.8	100
Grand Total	1,611.60	1,353.40	1,279.6	94.5	1,517.9	1,267.3	1,144.9	90.3

Source: Office of the Controller of Budget

3.2.1 Sectoral Recurrent Exchequer Issues

During the FY 2013/14, the National Treasury revised recurrent estimates from Kshs.937.7 billion to Kshs.983.8 billion. The revised estimates included Kshs.265.4 billion for CFS and Kshs.619.4 billion for the ten sectors. During the same period, Kshs.862.4 billion was issued as recurrent exchequer representing 95 per cent of the revised net recurrent estimates. The recurrent exchequer issues comprised of Kshs.258.8 billion for CFS and Kshs.603.7 billion for the ten sectors. This represents a performance of 71 per cent and 97 per cent of the revised net estimates respectively.

Among the sectors, the Education, and Governance, Justice, Law and Order (GJLOS) sectors received the highest share of exchequer issues to revised net estimates at Kshs.245.4 billion and Kshs.120.3 billion respectively. This translates to 99.3 per cent of their revised net estimates for both sectors. The Ministry of Health received the least exchequer issues relative to revised net estimates at 79.8 per cent, a decline from the 97.1 per cent issued in the FY 2013/14.

Recurrent exchequer issues for FY 2013/14 to the ten sectors are illustrated in table 3.4.

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

Name of the Sector	FY 2013/14				FY 2012/13			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	17.9	16.8	16.3	97.1	19.0	18.8	18.5	98
Education	267.1	247.2	245.4	99.3	236.4	216.9	204.8	94.4
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	27.5	6.8	6.4	94.3	62.2	12.1	11.5	94.7
The Environmental Protection, Water and Natural Resources	14.1	9.2	8.9	97.4	17.7	12.5	11.9	95.4
General Economic, Commercial and Labour Affairs (GECLA)	8.0	7.5	7.3	96.4	9.3	8.7	8.5	97.4
The Governance, Justice, Law and Order (GJLOS)	121.6	121.1	120.3	99.3	147.3	146.4	141.7	96.8
The Health	23.7	19.8	15.8	79.8	60.0	56.1	55.5	99.0
The Public Administration and International Relations	86.8	85.4	82.0	96.0	53.4	52.1	50.7	97.1
The Social Protection, Culture and Recreation	11.9	11.8	11.3	95.7	19.9	19.7	19.6	99.3
National Security	93.8	93.8	89.9	95.8	91.3	91.3	86.8	94.9
Total	672.6	619.4	603.7	97.4	716.5	634.7	609.4	96

Source: Office of the Controller of Budget

3.2.2 Sectoral Development Exchequer Issues

During the FY 2013/14, the revised gross development estimates for the ten sectors was Kshs.463.6 billion comprising of Kshs.275.1 billion as revised net estimates while Kshs.188.5 billion was to be funded through A-I-A sources. During the reporting period, Kshs.223.7 billion was issued representing 81.3 per cent of the revised net estimates. This was a slight decrease from the 82.2 per cent achieved in FY 2012/13.

Analysis of exchequer releases to the sectors reveals that the General Economic and Commercial Affairs (GECA) Sector received the highest proportion of exchequer releases to revised net estimates at 99 per cent. This performance was an improvement from 88.8 per cent achieved in the previous financial year. The Education sector received the lowest exchequer release relative to revised net estimates at 41 per cent, a significant decline from 85 per cent recorded in the FY 2012/13.

Table 3.5 shows development exchequer issues to sectors in the period under review.

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

Name of the Sector	FY 2013/14				FY 2012/13			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	47.8	42.4	33.0	77.8	24.3	21.4	15.5	72.6
Education	23.4	16.0	6.6	41.0	24.5	13.0	11.2	85.9
The Energy, Infrastructure and Information Communications Technology (EI & ICT)	216.6	94.1	73.1	77.7	200.7	90.4	70.3	77.8
The Environmental Protection, Water and Natural Resources	39.8	22.0	20.9	94.9	50.3	29.5	24.7	83.8
General Economic and Commercial Affairs (GECA)	4.8	4.6	4.5	99.0	9.9	8.0	7.1	88.8
The Governance, Justice, Law and Order (GJLOS)	10.2	9.5	8.1	85.7	12.5	11.5	10.7	93.2
The Health	18.0	14.4	13.9	96.1	32.0	17.6	11.5	65.1
The Public Administration and International Relations	94.1	64.0	57.7	90.1	64.4	51.4	49.9	97.1
The Social Protection, Culture and Recreation	8.8	8.1	6.0	74.0	18.5	15.7	11.5	73.3
Total	463.6		223.7		437.1		212.4	

Source: Office of Controller of Budget

3.3 Donor Releases

The National Treasury targeted to receive Kshs.240.65 billion from external resources including Loans and Grants in FY 2013/14. This target was subsequently revised to Kshs.193.94 billion in the fourth quarter of the financial year. The actual disbursement of donor funds for development projects was Kshs.98.35 billion representing 51 per cent of the revised estimates. This performance was an increase from the 48 per cent disbursed in the previous financial year. However, in absolute terms the Kshs.98.35 billion disbursed was less than Kshs.102 billion disbursed in the FY 2012/13.

Analysis of disbursement of funds shows that Grants revenue performed well (67 per cent) followed by Loans A.I.A (55 per cent), Loans Revenue (51 per cent), and Grants A.I.A (35 per cent) of the revised estimates. In absolute terms, disbursements from Loans A.I.A amounted to Kshs.49.9 billion (52 per cent of the total disbursements) while disbursements from Grants revenue amounted to Kshs.6.4 billion (6 per cent of the total disbursements). Table 3.6 illustrates disbursements from the four different categories.

Table 3.6: Summary of Grants and Loans Disbursement for FY 2013/14 (Kshs. Billion)

Funding Type	Gross Estimates FY 2013/2014	Revised Estimates FY 2013/14	Cumulative Disbursement as at June 2014		FY 2012/13	
			Disbursements	% Disbursed against Revised Estimates	Disbursements	% Disbursed against Printed Estimates
Loans Revenue	46.04	55.37	28.43	51.34%	23.2	54.06%
Grants Revenue	10.88	9.54	6.43	67.40%	4.4	31.54%
Loans A.I.A	134.72	90.44	49.86	55.13%	59.6	53.55%
Grants A.I.A	49.01	38.59	13.63	35.33%	14.8	35.78%
Totals	240.65	193.94	98.35	50.70%	102.0	48.66%

Source: National Treasury 2014.

3.4 Consolidated Fund Services

In the FY 2013/14, the CFS had an initial allocation of Kshs.380.3 billion for public debt repayment; pensions and gratuities; salaries and allowances to Constitutional office holders; and subscription to international organizations. These estimates were revised to Kshs.265.4 billion in the fourth quarter of the year.

A location to public debt was Kshs. 232.3 billion or 87.5 per cent of the revised allocation to the CFS while international organizations were allocated Kshs.0.5 million. By the end of FY 2013/14, cumulative exchequer releases to CFS was Kshs.260 billion representing 98 per cent of the CFS revised annual allocation. A total of Kshs.227.6 billion was issued for public debt repayment, Kshs.3.5 billion for salaries and allowances for constitutional office holders, and Kshs.27.7 billion for Pensions and Gratuities payments. The actual expenditure on CFS was Kshs.310.8 billion, exceeding exchequer issues by Kshs.52.0 billion, translating to an absorption rate of 117 per cent. This included the repayment of the syndicated loan which was paid from a special account. There is urgent need to reconcile the actual expenditure and exchequer issues.

Table 3.7 presents a summary of the CFS transaction for the period under review

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

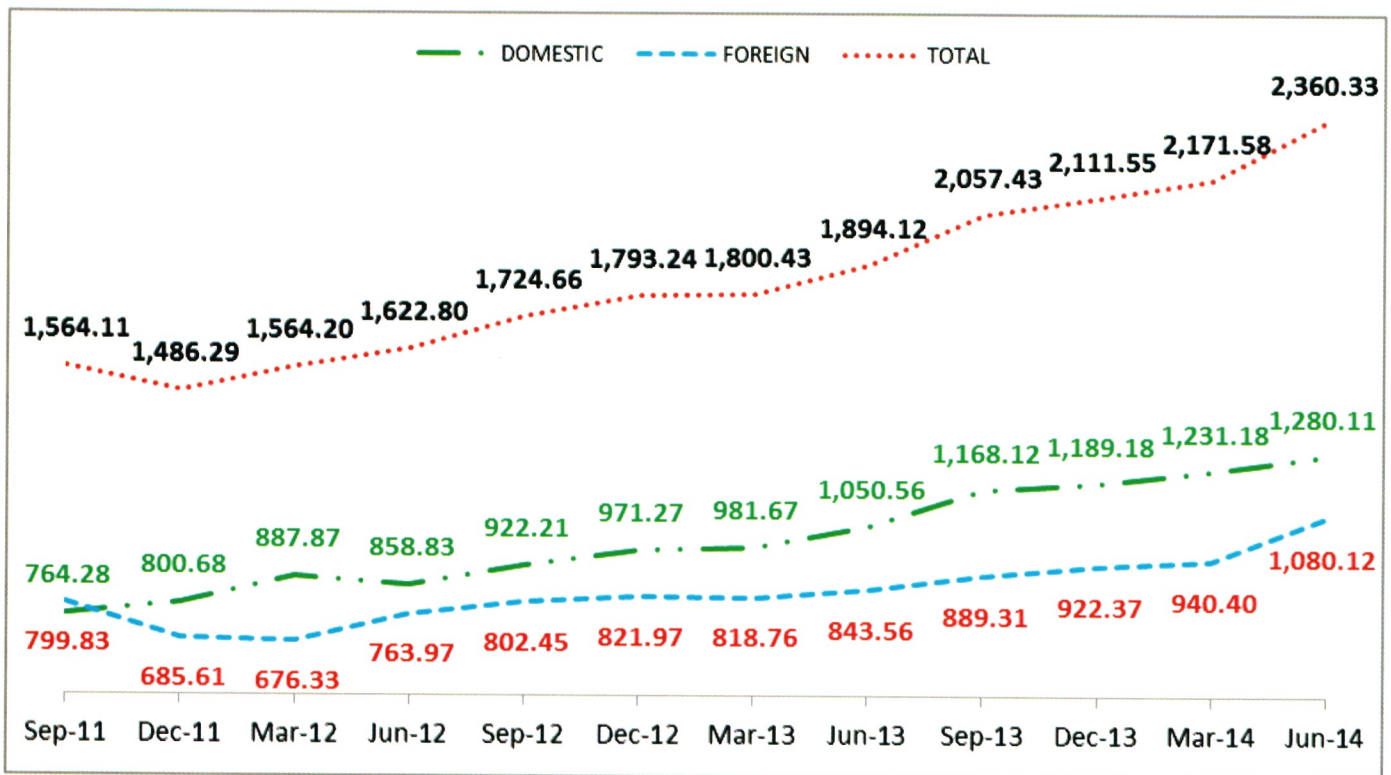
CFS	Gross Estimates	Net Estimates	Exchequer Issues	Actual Expend.	Exchequer Issues as % Net Est.	Expenditure as a % of Gross Estimates	
						2013/2014	2012/2013
Public Debt	232,265	232,265	226,417	278,765	98%	120%	87.6
Pensions and Gratuities	28,146	28,146	27,710	27,710	98%	98%	88.3
Salaries and Allowances	3,716	3,716	3,500	2,444	94%	66%	65.7
International Organisations	0.5	0.5	0	0			-
Miscellaneous Services	128	128	0	0			-
Guaranteed Loans	1,176	1,176	1,165	927	99%	79%	132.2
Total	265,432	265,432	258,792	310,751	98%	117%	85.4

Source: National Treasury

3.4.1 Public Debt

The stock of public debt increased from Kshs.1.89 trillion in June 2013 to Kshs.2.4 trillion in June 2014, which is 56 per cent of GDP. This represents 27 per cent growth in debt stock from the previous financial year. The increase is due to continued borrowing by Government to finance the budget. The public debt comprises of Kshs.1.28 trillion domestic debt and Kshs.1.08 trillion foreign debt.

During the FY 2013/14, exchequer issues amounting to Kshs.227.6 billion were released to service public debt. However, a total of Kshs.279.7 billion was spent on servicing debt obligations, which was Ksh.52.1 billion in excess of the cumulative exchequer releases for the period. This difference is attributed to the repayment of the syndicated loan. There is therefore urgent need for reconciliation of the actual expenditure and the exchequer issues.

Figure 3.1: Public Debt Stock (Sept 2011 to June 2014) Kshs. Billions

Source: National Treasury, Public Debt Management Office

3.4.1.1 Domestic Debt

By the end of FY 2012/13, total value of domestic debt stood at Kshs.1.05 trillion and grew by 23.8 per cent to Kshs.1.28 trillion by June 2014. During the period under review, a total of Kshs.186.2 billion was paid for domestic debt comprising of Kshs.119.2 billion for interest and Kshs.67.1 billion for loan redemptions. However, actual exchequer issues for the same period amounted to Kshs.185.3 billion for both loan redemptions and interest. The actual domestic debt repayment was Kshs.186.2 billion, in excess of exchequer issues by Kshs.1.1 billion. This observation was also made in previous reports hence the **need to reconcile actual expenditure to exchequer issues.**

3.4.1.2 Foreign Debt

By the end of FY 2012/13, public and publicly guaranteed external debt amounted to Kshs.843.6 billion and grew by 30.4 per cent to Kshs.1.1 trillion by June 2014. This was attributed to Government borrowing to finance development activities.

The total exchequer releases for the period under review was Kshs.42.3 billion comprising of Kshs.29.1 billion for principal and Kshs.13.2 billion for interest repayments. However, the actual cumulative repayments was Kshs.93.5 billion consisting of Kshs.78.8 billion as principal and Kshs.14.7 billion as interest. The difference of Kshs.51.2 billion is attributed to the repayment of the syndicated loan..

3.4.2 Pensions and Gratuities

This category had been allocated Kshs.38.2 billion which was revised to Kshs.28.1 billion in the fourth quarter of FY 2013/14. The revised allocation represented 8 per cent of the total CFS allocation.

In the period under review, Kshs.27.7 billion was issued towards payment of Pension and Gratuities. This represented 98 per cent of the revised estimates and was an improvement from the 53.2 per cent issued in the previous financial year.

The total expenditure under this category amounted to Kshs.27.7 billion which represented an absorption rate of 98 per cent compared to an absorption rate of 65.7 per cent achieved in the previous financial year.

3.4.3 Guaranteed Loans to State Parastatals

3.4.3 Guaranteed Loans to State Parastatals

A total of Kshs.1.2 billion was allocated to service government-guaranteed loans in FY 2013/14. The loans under this category consisted of loans guaranteed to:

- a) Nairobi City Council for Umoja II Housing Project,
- b) Tana and Athi River Development Authority (TARDA), and
- c) Kenya Broadcasting Corporation (KBC).

Exchequer releases as at June, 2014 stood at Kshs.1.2 billion representing 99 per cent of the annual revised net estimates. Actual cumulative payment for the three loans in the period under review amounted to Kshs.927 million.

3.5 Overall Budget Performance

Total exchequer issues to MDAs, CFS and the County Governments from the Consolidated Fund amounted to Kshs.1.28 trillion or 95 per cent of the revised net estimates for FY 2013/14. This was 12.3 per cent increase in exchequer issues compared to Kshs.1.14 trillion issued the previous financial year.

Actual expenditure was Kshs.1.3 trillion representing an absorption rate of 81 per cent of the revised budget. This was an improvement from 74.3 per cent recorded in the previous financial year. Analysis of expenditure shows that recurrent expenditure recorded an absorption rate of 96 per cent while development expenditure attained an absorption rate of 52 per cent. This was a significant improvement compared to 86 per cent and 44.4 per cent absorption rate achieved in FY 2012/13 respectively. Table 3.8 shows how the Government executed its revised FY2013/14 budget.

Table 3.8: Overall Budget Performance (Kshs. Billions)

FY 2013/14							FY 2012/13		
Class	Revised Gross Estimates	Revised Net Estimates	Exchequer Issues	Exp.	% of Exchequer to Revised net estimates	Absorption Rate	Gross Estimate	Exp.	Absorption
Recurrent	938.0	884.8	862.5	897.9	96%	96%	1,080.9	932.3	86%
Development	463.6	275.1	223.7	241.1	81%	52%	437.1	193.6	44.4
County Governments	210.0	193.4	193.4	165.0*	100%		9.8	9.8**	100.0
Total	1,611.7	1,353.4	1,279.6	1,304.0	95%	81%	1,527.8	1,135.7	74.3

Source: National Treasury and MDAs

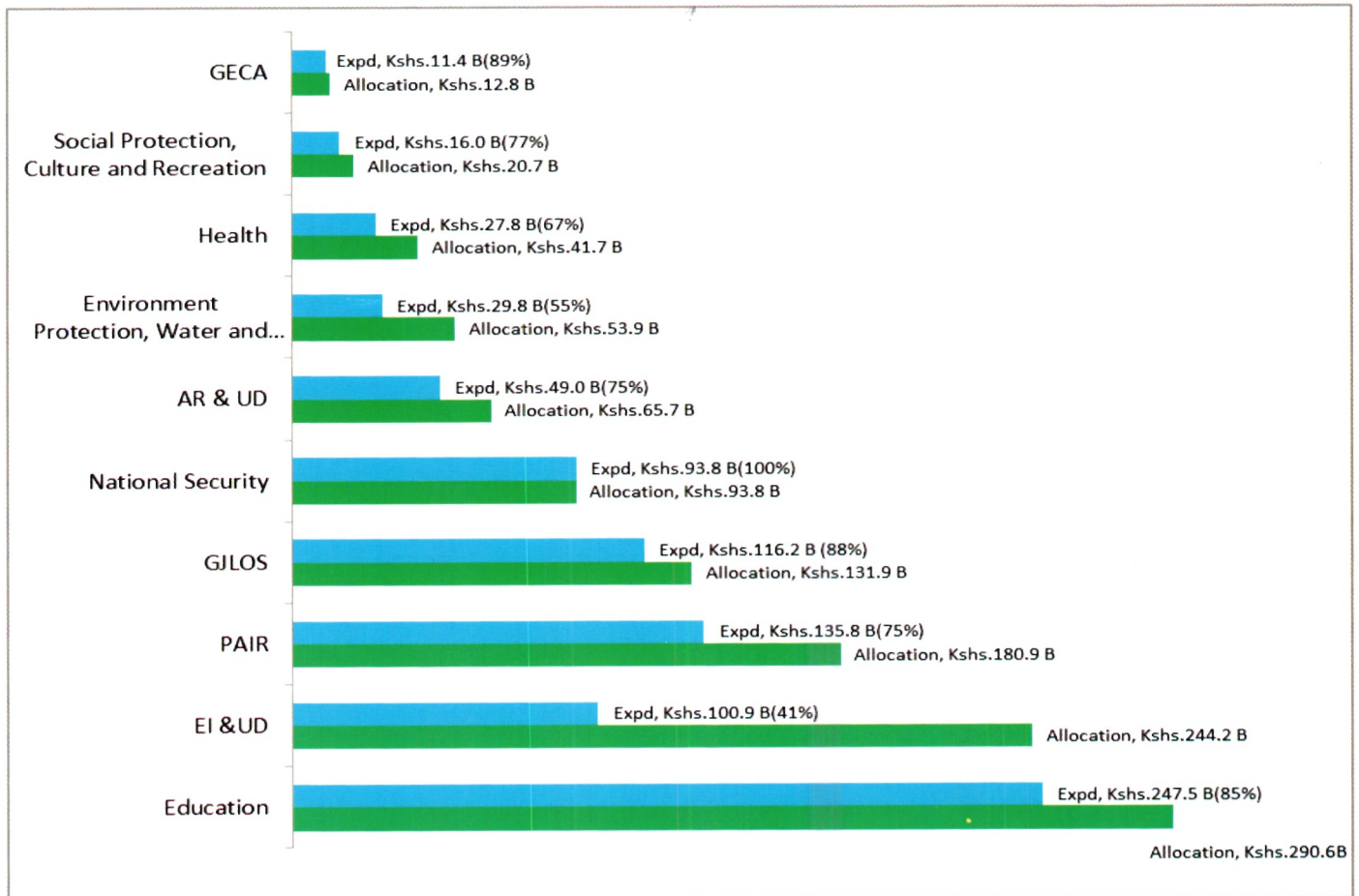
* Provisional expenditure for the County Governments

** County Expenditure does not include expenses financed by revenue from local source

Figure 3.2: Composition of Expenditure

Source: National Treasury and MDAs

Figure 3.3 illustrates absorption of funds across the ten sectors in FY 2013/14. The percentage absorption is calculated using the sectors' annual expenditure against the revised gross estimates for the year. The total revised allocation for the ten sectors was Kshs.1,136.2 billion against a total expenditure of Kshs.828.3 billion representing an absorption rate of 73 per cent. A total of Kshs.307.9 billion was not spent by the various sectors in the period under review. This under-expenditure comprises of Kshs.222.5 billion (72 per cent) for development activities and Kshs.85.5 billion (28 per cent) was for recurrent expenditure.

Figure 3.3: Comparison of Sector Budget Allocations and Expenditure for FY 2013/14

Source: National Treasury and MDAs

3.6 MDAs Recurrent Expenditure Analysis

The total recurrent expenditure by all the MDAs in the FY 2013/14 was Kshs.587.1 billion representing an absorption rate of 87 per cent of the revised recurrent budget. This absorption rate was slight increase from the 86 per cent attained in the FY 2012/13. However, in absolute terms, total recurrent expenditure for MDAs decreased by Kshs.33.9 billion from the Kshs. 621.1 billion spent in the previous year. Table 3.9 analyses the recurrent expenditure, personnel emoluments and other operational expenses.

Table 3.9: Breakdown of Recurrent Expenditure (Kshs. Million) **

MIDAs	Personnel Emoluments	Domestic Travel	Foreign Travel	Hospitality, Conferences and Catering Costs	Training	Purchase of Motor Vehicles	Printing and Advertising	Rentals and Rates - Non Residential	Maintenance Expenses- Motor Vehicles	Maintenance Expenses- Other Assets	Current Transfers	Scholarships and Other Educational Benefits	Others	Total Recurrent Expenditure.
The Presidency	1,044.5	371.4	187.9	670.3	28.3	838.2	22.6	111.8	163.7	25.7	279.0	124.9	1,199.5	5,067.8
Ministry of Interior and Coordination of National Government	62,266.6	884.5	63.7	174.8	147.8	238.4	34.5	636.3	692.0	212.4	393.3	-	22,918.6	88,663.0
Ministry of Devolution and Planning	7,151.9	163.7	75.9	205.5	342.7	34.8	90.9	327.0	78.0	304.1	3,062.2	26.8	4,128.1	15,991.6
Ministry of Foreign Affairs	4,704.2	99.5	1,790.4	200.2	20.6	-	35.5	1,854.6	54.5	68.8	22.0	342.0	20.1	9,212.4
Ministry of Education Sci. and Technology	3,348.3	88.9	37.1	64.9	107.7	-	16.8	186.1	36.8	32.9	47,227.8	1,198.5	26,563.1	78,908.8
The National Treasury	1,900.2	45.9	64.4	184.1	337.9	0.6	7.5	28.2	26.6	46.0	15,293.8	-	3,235.9	21,171.2
Ministry of Health	442.2	48.5	8.7	17.3	67.0	9.0	21.7	3.4	13.9	84.0	13,837.7	-	2,057.7	16,611.0
Ministry of Transport and Infrastructure	1,346.2	30.4	20.1	16.8	37.3	-	8.8	9.1	21.7	104.6	-	2.3	9,516.9	11,114.3
Ministry of Environment Water and Natural Resources	2,011.3	35.5	49.5	79.4	40.5	11.9	9.8	150.2	22.1	20.3	5,710.6	-	451.9	8,593.1
Ministry of Lands Housing and Urban Development	2,595.3	58.9	17.6	29.6	47.8	9.9	19.1	141.7	24.6	35.0	54.8	-	1,016.6	4,051.0
Ministry of Information & Communication and Technology	542.6	19.8	17.0	32.2	35.6	17.9	13.1	89.6	12.8	40.1	1,049.5	-	267.6	2,137.8
Ministry of Sports Culture and Arts	299.3	46.0	288.2	808.1	14.3	-	30.9	40.6	7.4	6.4	1,482.4	-	241.3	3,265.1
Ministry of Labour Social Security and Services	1,567.4	61.8	24.0	44.7	44.7	12.9	35.5	154.0	17.9	12.8	1,143.9	-	4,473.1	7,592.7
Ministry of Energy and Petroleum	238.3	10.0	13.5	8.7	25.6	-	2.5	9.1	8.9	7.0	1,409.3	-	14.9	1,747.7
Ministry of Agriculture Livestock and Fisheries	1,474.4	88.1	60.2	25.0	75.1	-	28.7	51.9	53.0	19.9	4,391.4	5.0	4,057.3	10,330.1
Ministry of Industrialisation and Enterprise Development	719.8	30.2	23.9	14.6	34.5	-	12.5	137.0	7.1	12.5	1,405.6	-	102.7	2,500.4
Ministry of East African Affairs Commerce and Tourism	616.1	70.1	222.2	170.3	32.3	-	90.1	219.9	25.1	11.2	1,297.8	-	1,768.1	4,523.3
Ministry of Mining	246.6	17.9	11.1	25.4	5.7	-	8.6	-	13.6	3.6	-	-	150.6	483.1
Office of the Attorney General and Department of Justice	850.9	36.1	59.5	41.6	32.0	-	10.6	78.5	7.9	4.3	1,193.8	-	131.1	2,446.3
The Judiciary	6,287.7	377.0	40.5	92.3	44.9	292.2	74.0	159.2	99.7	43.3	297.7	-	2,812.6	10,621.2
Ethics & Anti-Corruption Commission	-	-	-	-	-	-	-	-	-	-	-	-	1,146.6	1,146.6

MDAs	Personnel Emoluments	Domestic Travel	Foreign Travel	Hospitality, Conferences and Catering Costs	Training	Purchase of Motor Vehicles	Printing and Advertising	Rentals and Rates - Non Residential	Maintenance Expenses- Motor Vehicles	Maintenance Expenses- Other Assets	Current Transfers	Scholarships and Other Educational Benefits	Others	Total Recurrent Expenditure.
Directorate of Public Prosecution	527.1	56.6	17.1	57.2	30.2	44.8	38.7	37.8	7.2	2.5	-	-	92.7	912.1
Commission for Implementation of the Constitution	161.0	20.1	6.7	33.3	4.6	-	38.3	42.3	12.3	5.1	-	-	94.1	417.9
Registrar of Political Parties	51.5	7.3	4.3	1.6	3.5	-	2.9	11.3	0.8	0.5	205.2	-	20.3	309.2
Witness Protection Agency	75.5	1.7	3.4	4.8	3.4	-	1.2	9.5	2.1	0.5	-	-	96.5	198.5
Kenya National Human Rights & Equality Commission	172.4	5.7	1.1	2.2	5.2	-	5.2	-	2.5	0.6	-	-	68.2	263.2
National Lands Commission	180.4	9.9	13.4	15.3	10.8	90.0	27.9	17.0	6.0	0.7	-	-	153.8	525.1
Independent Electoral and Boundaries Commission	1,878.9	152.8	75.6	59.8	157.7	-	133.3	330.8	38.1	13.4	-	-	1,103.1	3,943.4
Parliamentary Service Commission	9,210.0	2,405.2	632.4	641.9	83.9	81.9	90.5	436.4	42.2	71.4	5,010.0	-	1,791.4	20,497.1
Judicial Service Commission	-	14.1	20.1	96.7	68.9	-	8.7	8.2	0.0	0.2	-	-	15.5	232.3
The Commission on Revenue Allocation	127.2	21.7	-	6.8	7.3	-	14.0	31.4	3.8	1.4	-	-	65.4	278.9
Public Service Commission	417.2	26.1	4.0	32.1	48.2	-	42.6	10.6	1.9	6.8	-	-	75.3	664.7
Salaries & Remuneration Commission	116.4	4.0	9.2	61.1	3.3	-	15.2	18.3	1.7	1.6	-	-	188.8	419.5
Teachers Service Commission	153,851.7	-	-	-	-	-	-	-	-	-	-	-	926.4	154,778.1
National Police Service Commission	101.7	8.4	2.0	15.5	2.4	15.4	12.1	59.8	4.7	1.2	-	-	97.6	320.9
Auditor General	1,336.1	94.6	6.9	1.9	35.3	56.0	5.1	109.9	16.0	12.7	-	-	684.9	2,359.3
Controller of Budget	159.8	15.1	2.2	10.0	9.2	-	22.5	1.4	1.2	2.2	-	-	83.2	306.7
The Commission on Administrative Justice	136.2	6.0	8.0	3.8	3.5	-	12.6	33.2	4.3	0.8	-	-	75.9	284.2
National Gender & Equality Commission	100.1	7.0	6.3	3.2	4.9	-	3.0	32.4	2.2	0.5	-	-	74.5	234.0
Independent Police Oversight Authority	113.9	2.6	0.1	2.4	0.6	-	5.2	15.2	0.3	0.1	-	-	80.2	220.6
TOTAL	268,370.7	5,443.0	3,888.2	3,955.5	2,005	1,753.9	1,052.6	5,593.9	1,534.7	1,217.1	104,767.8	1,699.5	92,062.2	493,344.0
Percentages	54.4%	1.1%	0.8%	0.8%	0.4%	0.4%	0.2%	1.1%	0.3%	0.2%	21.2%	0.3%	18.7%	100%

Source: MDAs June 2014

** Analysis does not include the National Security Sector (Ministry of Defence and NIS) which spent Kshs.93.8 billion in the FY 2013/14.

Analysis of recurrent expenditure by MDAs shows that Kshs.268.37billion was spent on personnel emoluments accounting for **54.4 per cent** of the recurrent expenditure and **29 per cent** of the total budget. Other notable expenses include domestic travel, and, rent and rates with each accounting for one (1) per cent of the total recurrent expenditure.

Comparison of expenditure by the MDAs indicates that the Teachers Service Commission (TSC) had the highest expenditure on personnel emoluments at Kshs.153.9 billion which was mainly for teachers' salaries. The Registrar of Political Parties had the lowest expenditure on personnel emoluments at Kshs.51.5 million. The Ministry of Foreign Affairs had the highest expenditure on foreign travel at Kshs.1.8billionmainly due to its core mandate of promoting foreign relations, with the Independent Police Oversight Authority (IPOA) recording the lowest expenditure on foreign travel at Kshs.0.13million. The Parliamentary Service Commission had the highest expenditure in domestic travel at Kshs.2.41 billion. This expenditure is attributed to the Members of Parliaments' mileage reimbursements. The Witness Protection Agency recorded the lowest expenditure of Kshs.1.65 million under the domestic travel.

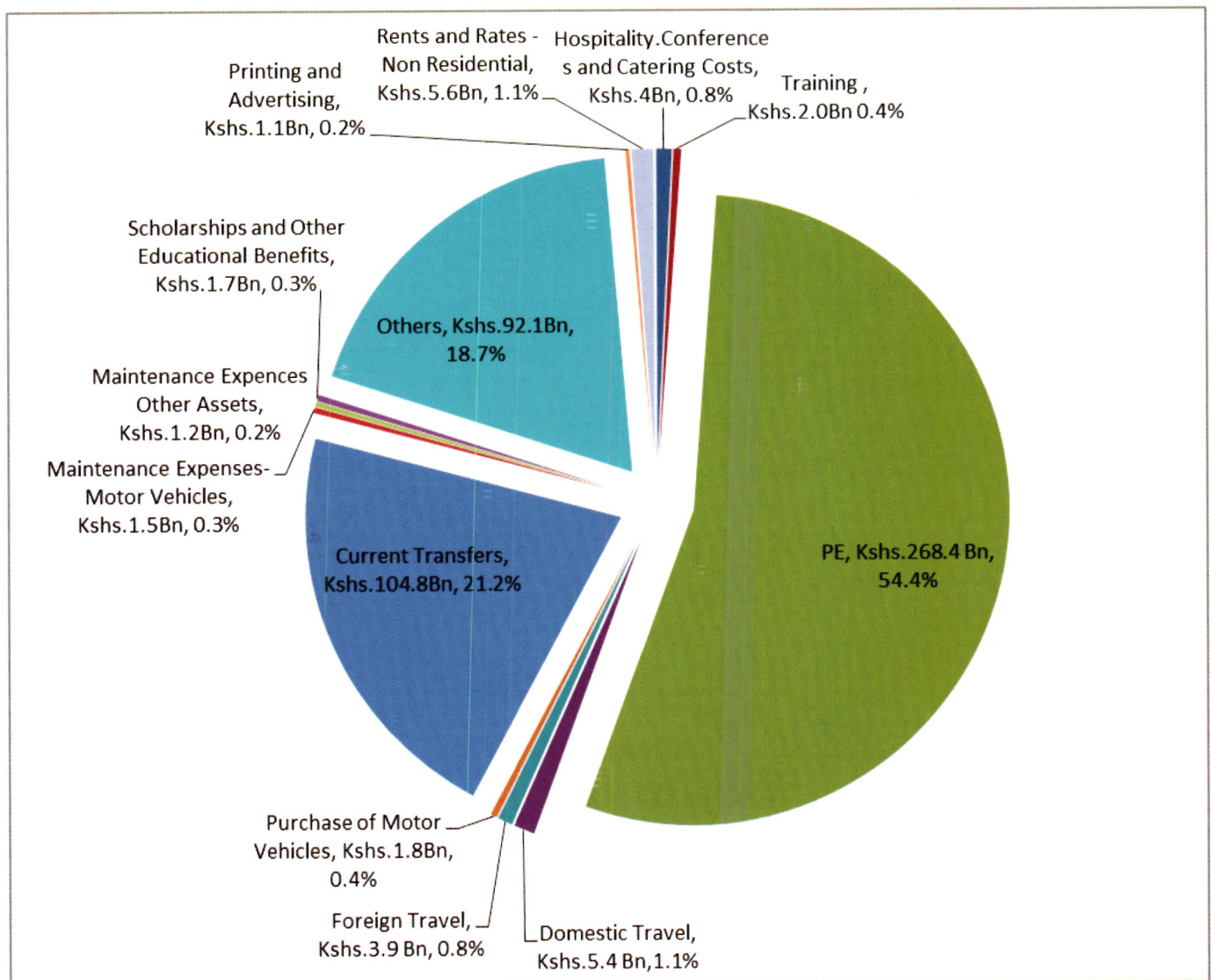
The Ministry of Sports, Culture and Arts reported the highest expenditure on hospitality services at Kshs.808 million while the Registrar of Political parties reported the lowest expenditure at Kshs.1.58 million. The Ministry of Devolution and Planning had the highest expenditure on training at Kshs.342.7 million, which is partly attributed to the national capacity building framework which provides support to the devolved governments. Total purchase of motor vehicle expenditure was Kshs.1.8 billion and accounted for 0.4 per cent of the total recurrent expenditure. Analysis of the expenditure on purchase of motor vehicles shows that the Presidency spent the highest amount of Kshs.838.15 million while the National Treasury spent the least at Kshs.0.64 million. The Independent Electoral and Boundaries Commission(IEBC) had the highest expenditure on printing and advertising at Kshs.133.3 million while the Witness Protection Agency spent the least under this category at Kshs.1.2 million. The high expenditure by IEBC is attributed to the frequent voter education undertaken in the period under review, advertisement in the print and electronic media as well as printing of voter registers.

Cumulatively, the MDAs spent Kshs.5.6 billion in FY 2013/14 on rentals and rates representing 1.1per cent of the total recurrent expenditure. Under this category, the Ministry of Foreign Affairs recorded the highest expenditure at Kshs.1.9 billion while the Office of the Controller of Budget incurred the least expenditure of Kshs.1.4 million.

The Ministry of Interior and Coordination of National Government whose role is to ensure that Kenya is safe had the highest expenditure on maintenance of motor vehicles at Kshs.692 million while the IPOA had the least at Kshs.0.3 million.

The total MDAs recurrent expenditure includes Kshs.1.2 billion which was spent on maintenance of other assets, accounting for 0.2per cent. The Ministry of Devolution and Planning incurred the highest expenditure under this category at Kshs.304.4 million while IPOA incurred the least at Kshs.0.12 million.

Figure 3.4 shows the composition of recurrent expenditure for the MDAs for the period under review.

Figure 3.4: MDAs Recurrent Expenditure Analysis

Source: MDAs June 2014

3.7 MDAs Development Expenditure Analysis

During the period under review, a total of Kshs.446.2 billion was allocated to development activities, which was later revised to Kshs.463.6 billion in the fourth quarter of the year. The revised allocation included Kshs.188.5 billion to be financed through A-I-A.

The total development expenditure for FY 2013/14 amounted to Kshs.241.1 billion or an absorption rate of 52 per cent. The highest development expenditure category was on transfers to Government entities of Kshs.130.3 billion accounting for 54 per cent of the total MDAs development spending, followed by expenditure on refurbishment of buildings, infrastructure work and civil works of Kshs.48.7 billion or 20 per cent. The least two categories were, maintenance of motor vehicles and other assets at Kshs.63 million and Kshs1.6 billion respectively, accounting for 0.03 per cent and 0.7 per cent of the total MDAs' development expenditure.

Most MDAs incurred expenditure on contracted technical and professional services which totalled to Kshs.4.7 billion or 1.9 per cent of the total development expenditure. The Ministry of Health spent the highest amount under this category at Kshs.1.65 billion while the Ministry of Foreign Affairs spent the least at Kshs.4.2 million. The Ministry of Transport and Infrastructure which relies heavily on SAGAs to deliver on its mandate spent Kshs.67 billion in capital transfers to other Government entities which was 51 per cent of the total capital transfers by MDAs. The Ministry of Land, Housing and Urban Development transferred the least amount of Kshs.20.9 million .

Construction and/or purchase of non-residential buildings including offices, schools and hospitals accounted for Kshs.14.6 billion or 6.1 per cent of the total development expenditure while construction and/or purchase of residential buildings including hostels was Kshs.3.2 billion accounting for 1.3 per cent of the total development expenditure. The Ministry of Education, Science and Technology (MOEST) whose role includes development of educational infrastructure had the highest expenditure for both non-residential and residential buildings at Kshs.9.3 billion and Kshs.2 billion respectively. Conversely, the Ministry of Labour, Social Security and Services had the least expenditure at Kshs.5.8 million for non-residential buildings while the Ministry of Agriculture, Livestock and Fisheries spent the least on residential buildings at Kshs.7 million .

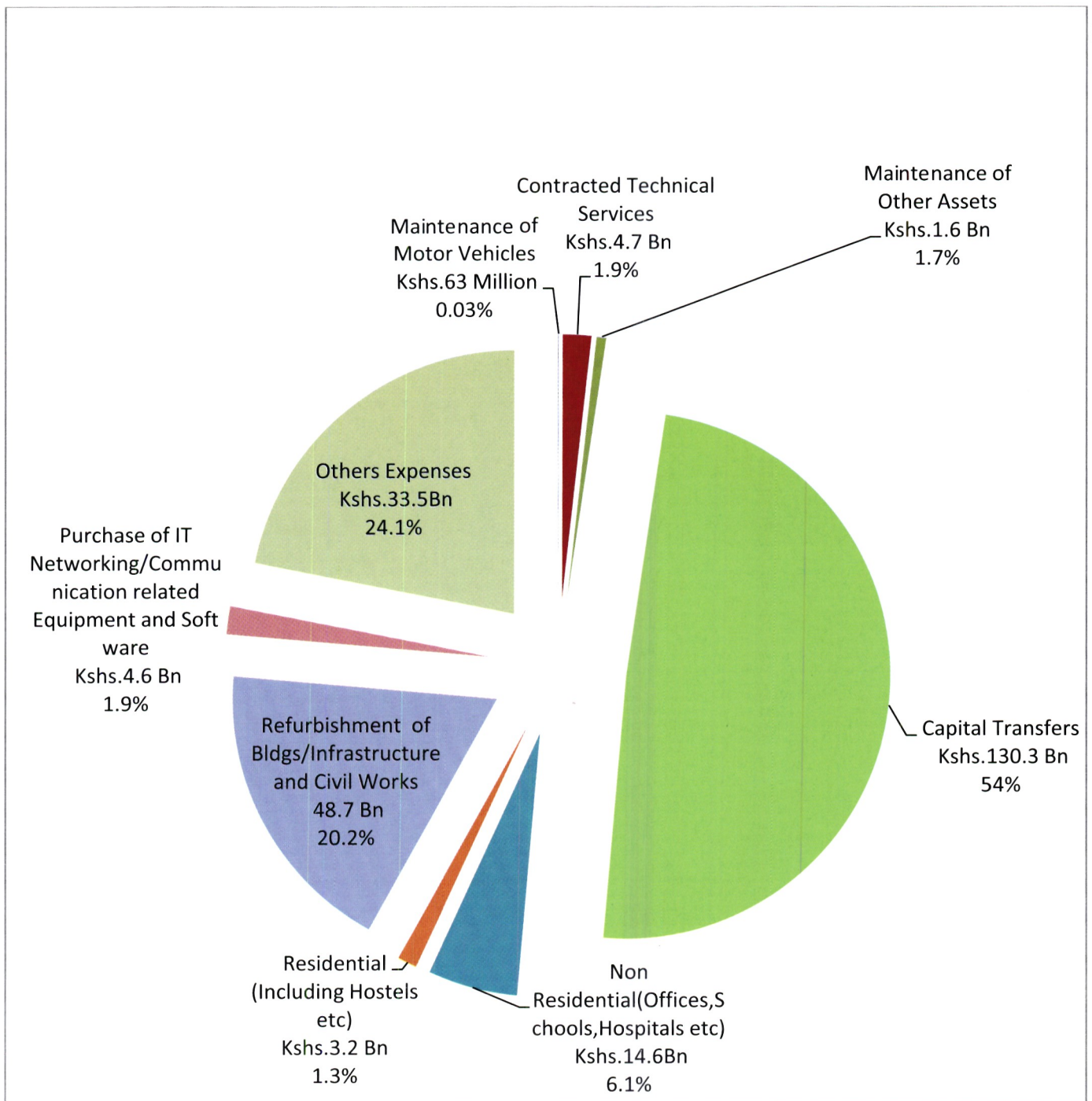
The Ministry of Education, Science and Technology incurred the highest expenditure on the purchase of IT networking and communication related equipment and software at Kshs.1.1 billion while the Ministry of Agriculture, Livestock and Fisheries had the least expenditure at Kshs.0.6 million. Table 3.10 and figure 3.5 illustrate MDAs development expenditure by category.

Table 3.10: Development Expenditure Analysis (Kshs Millions)

	Contracted Technical and Professional Services	Maintenance of Motor Vehicles	Maintenance of Other Assets	Capital Transfers	Non Residential (Offices, Schools, Hospitals etc.)	Residential (Including Hostels etc.)	Refurbishment of Bldgs./ Infrastructure and Civil Works	Purchase of IT Networking/ Communication related Equipment and Soft-ware	Others Expenses	(A-I-A)	Total Expenditure
The Presidency	181.8	-	8.0	415.0	248.0	248.0	616.2	0.4		(195.4)	1,521.8
Ministry of Interior and Coordination of National Government	67.9	5.4	56.2	52.0	345.0	521.8	619.1	902.4	1,963.7		4,533.4
Ministry of Devolution and Planning	71.9	3.7	5.9	8,179.7	404.6	274.0	2,009.1	26.4	32,402.8		43,378.2
Ministry of Foreign Affairs	4.2	-	-	-	-	-	88.1	28.0	0.0		120.3
Ministry of Education, Science and Technology	128.9	-	76.7	799.8	9,262.1	2,048.6	534.7	1,080.5		(137.6)	13,793.7
The National Treasury	1,099.4	0.3	1.1	2,603.7	487.0	-	16.5	662.6	7,198.9		12,069.5
Ministry of Health	1,648.7	14.1	59.7	6,010.4	434.4	10.0	-	11.0	3,036.2		11,224.6
Ministry of Transport and Infrastructure	-	-	1,125.8	67,026.2	18.6	-	12,160.6	36.6		(20,691.2)	59,676.5
Ministry of Environment, Water and Natural Resources	426.9	28.5	75.7	2,491.7	304.6	27.0	19,860.1	459.0		(3,525.1)	20,148.3
Ministry of Land, Housing and Urban Development	445.3	1.1	103.5	20.9	2,758.7	-	5,699.7	8.7	908.6		9,946.6
Ministry of Information, Communication and Technology	54.6	1.2	-	858.5	81.4	-	187.7	782.1	2,571.0		4,536.6
Ministry of Sports, Culture and Arts	-	-	-	204.7	43.7	8.1	531.9	-	61.8		850.3
Ministry of Labour Social Security and Services	12.7	0.8	0.6	4,160.1	5.8	-	19.0	3.6	60.7		4,263.2
Ministry of Energy and Petroleum	221.9	-	-	19,142.9	-	-	-	14.2	2,340.2		21,719.2
Ministry of Agriculture, Livestock and Fisheries	277.5	6.0	0.2	17,631.7	170.3	7.0	1,506.4	0.6	4,541.2		24,140.8
Ministry of Industrialisation and Enterprise	13.0	2.0	0.4	338.2	7.4	-	2,093.2	6.8	607.0		3,067.9

	Contracted Technical and Professional Services	Maintenance of Motor Vehicles	Maintenance of Other Assets	Capital Transfers	Non Residential (Offices, Schools, Hospitals etc.)	Residential (Including Hostels etc.)	Refurbishment of Bldgs./ Infrastructure and Civil Works	Purchase of IT Networking/ Communication related Equipment and Soft ware	Others Expenses	(A-I-A)	Total Expenditure
Ministry of East African Affairs, Commerce and Tourism	-	-	-	-	-	-	152.1	1.7	1,135.1		1,288.9
Ministry of Mining	-	-	-	-	52.8	-	19.3	25.8	513.4		611.2
Office of the Attorney General and Department of Justice	-	-	-	66.9	-	-	58.8	15.3	181.1		322.1
The Judiciary	-	-	-	302.7	-	18.4	788.5	475.8		(173.5)	1,411.8
Directorate of Public Prosecutions	-	-	-	-	-	-	8.5	2.6	-		11.1
Independent Electoral and Boundaries Commission	-	-	-	-	-	-	19.5	36.6	6.2		62.3
Parliamentary Service Commission	-	-	-	-	-	-	1,544.2	20.0	143.9		1,708.0
Public Service Commission	-	-	61.3	-	-	-	144.8	-			206.1
Auditor General	-	-	-	-	-	-	-	-	525.0		525.0
Total	4,654.6	63.0	1,575.0	130,305.1	14,624.3	3,162.9	48,678.0	4,600.6	58,196.8	(24,722.8)	241,137.3
Percent of the Total	1.9%	0.03%	0.7%	54.0%	6.1%	1.3%	20.2%	1.9%	24.1%	-10.3%	100.0%

Source: MDAs and National Treasury

Figure 3.5: Composition of Development Expenditure

Source: MDAs and National Treasury

3.8 Recurrent and Development Expenditure Analysis by Sector

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

The Sector comprises of the following three sub-sectors: (i) Agriculture, Livestock and Fisheries; (ii) Land, Housing and Urban Development, and (iii) the National Land Commission. This sector significantly contributes to the country's economic growth through provision of raw material for agribased industries, agricultural exports as well as availing adequate food for consumption. The goal of the sector is to attain food security, sustainable land management, affordable housing and urban infrastructure development.

The revised budgetary allocation for the sector in the FY 2013/14 was Kshs.65.7 billion representing 4 per cent of total budget. This allocation consisted of Kshs.17.9 billion for recurrent activities and Kshs.47.8 billion for development activities. The Agriculture, Livestock and Fisheries sub-sector received the highest allocation for both recurrent and development activities at Kshs.12.7 billion and Kshs.32.6 billion respectively. The Land, Housing and Urban Development sub-sector was allocated Kshs.4.7 billion and Kshs.15.2 billion for recurrent and development activities respectively. The National Land Commission received the lowest allocation at Kshs.0.6 billion which was for recurrent activities only.

Table 3.11: Analysis of Expenditure and Net Exchequer Issues for AR & UD Sector (Kshs. Billions)

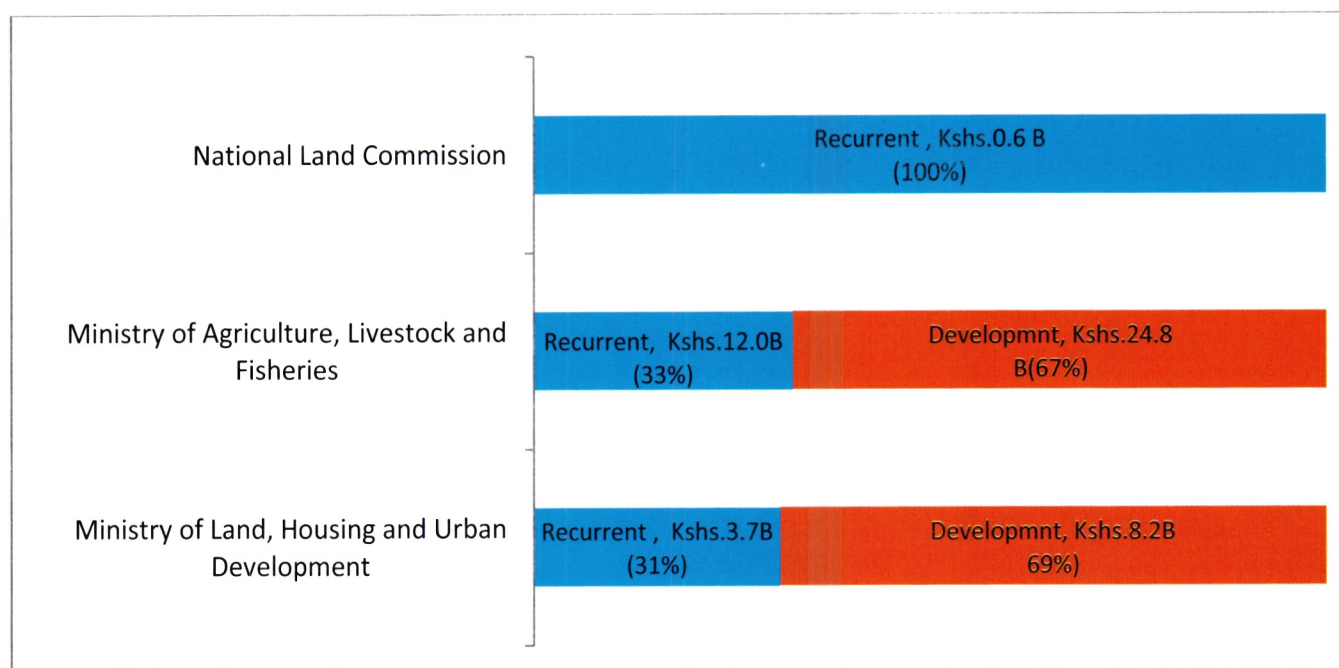
FY 2013/14-Recurrent							FY 2013/14-Development					
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Ministry of Land, Housing and Urban Development	4.7	4.1	3.7	4.1	90.2	87.0	15.2	13.8	8.2	9.9	59.8	65.6
Ministry of Agriculture, Livestock and Fisheries	12.7	12.1	12.0	10.3	99.3	81.4	32.6	28.7	24.8	24.1	86.5	74.0
National Land Commission	0.6	0.6	0.6	0.5	99.9	86.6						
Total	17.9	16.8	16.3	14.9	97.1	83.1	47.8	42.4	33.0	34.1	77.8	71.3
Total for the Sector-FY 2013/14							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Recurrent							17.9	16.8	16.3	14.9	97.1	83.1
Development							47.8	42.4	33.0	34.1	77.8	71.3
Total							65.7	59.2	49.3	49.0	77.8	75.0

Source: MDAs and National Treasury

The exchequer issues to the sector in the FY 2013/14 amounted to Kshs.49.3 billion representing 77.8 per cent of the revised net estimates. The sector was issued with Kshs.16.3 billion for recurrent expenditure and Kshs.33.0 billion for development expenditure. Exchequer issues to the Agriculture, Livestock and Fisheries sub-sector were Kshs.12.0 billion for recurrent expenditure and Kshs.24.8 billion for development expenditure representing the highest proportions to revised net estimates at 99.3 per cent and 86.5 per

cent respectively. The lowest proportion of exchequer issues to revised net estimates were issued to the Land, Housing and Urban Development sub-sector at Kshs.3.7 billion for recurrent and Kshs.8.2 billion for development expenditure representing 90.2 per cent and 59.8 per cent of the revised net estimates respectively. Exchequer issues to the sub sectors are illustrated in figure 3.6

Figure 3.6: AR & UD Sector Exchequer Issues



Source: National Treasury

In the FY 2013/14, the sector spent a total of Kshs.49.0 billion representing an absorption rate of **75.0 per cent**. A total of Kshs.14.9 billion was spent on recurrent activities and Kshs.34.1 billion on development activities representing absorption of **83.1 per cent** and **71.3 per cent** respectively. The Land, Housing and Urban Development sub-sector spent Kshs.4.1 billion on recurrent activities while the Agriculture, Livestock and Fisheries sub-sector spent Kshs.24.1 billion on development representing the highest absorption rate of recurrent and development funds at 87.0 per cent and 74.0 per cent respectively.

During the period under review, the Ministry of Agriculture, Livestock and Fisheries implemented the country-wide Kenya Agriculture Production and Agribusiness Project (KAPAP) at Kshs.2.7 billion, and the Kenya Coastal Development Project (KCDP) at Kshs.467 million. The KCDP project was implemented in Lamu, Mombasa, Kilifi and Kwale Counties. The Ministry of Land, Housing and Urban development implemented the Kitui PTTC Phase 2 development project located in Kitui and the Mathare Nyayo Hospital in Nairobi at a cost of Kshs.680 million and Kshs.368.2 million respectively.

The Ministry of Agriculture, Livestock and Fisheries faced a number of challenges in the implementation of development projects such as erratic flow of funds from the National Treasury and lengthy procurement procedures. In order to mitigate against these challenges, the National Treasury should ensure regular flow of funds to MDAs for implementation of the budgeted projects while the MDAs should ensure timely and appropriate procurement planning.

3.8.2 Education Sector

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

In the FY 2013/14, this sector was allocated Kshs.290.5 billion or 18 per cent of the total revised budget allocations. This allocation consisted of Kshs.267.1 billion for recurrent and Kshs.23.4 billion for development activities. The entire allocation of Kshs.166.5 billion to TSC was for recurrent expenditure while the Education, Science and Technology sub-sector was allocated Kshs.100.6 billion for recurrent and Kshs.23.4 billion for development activities.

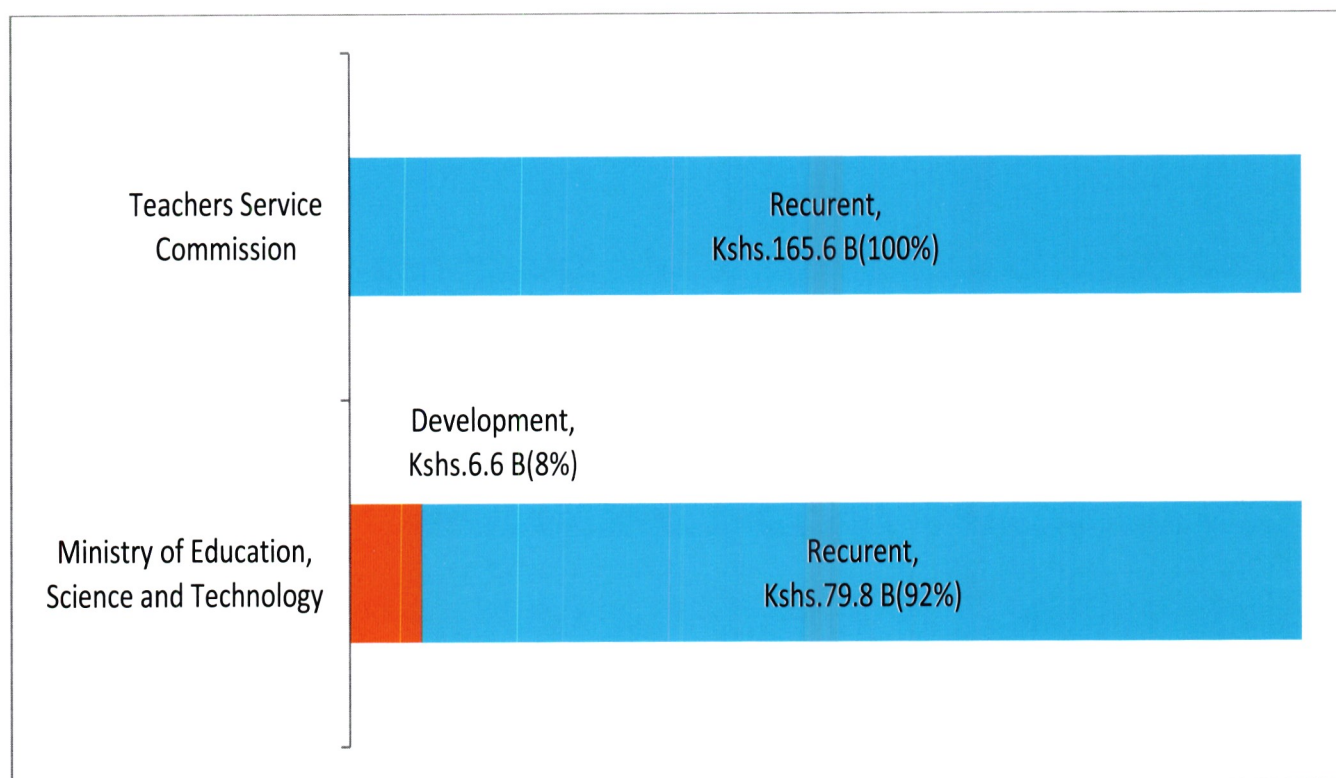
Table 3.12: Analysis of Expenditure and Net Exchequer Issues for Education Sector(Kshs. Billions)

FY 2013/14-Recurrent							FY 2013/14-Development					
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Ministry of Education, Science and Technology	100.6	80.8	79.8	78.9	98.8	78.4	23.4	16.0	6.6	13.8	41.0	58.9
Teachers Service Commission	166.5	166.4	165.6	154.8	99.5	92.9	-	-	-	-	-	-
Total	267.1	247.2	245.4	233.7	99.3	87.5	23.4	16.0	6.6	13.8	41.0	58.9
Total for the Sector-FY 2013/14							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.
Recurrent							267.1	247.2	245.4	233.7	99.3	87.5
Development							23.4	16.0	6.6	13.8	41.0	58.9
Total							290.5	263.2	252.0	247.5	95.7	85.2

Source: MDAs and National Treasury

Exchequer issues to the sector in the FY 2013/14 amounted to Kshs.252.0 billion representing 95.7 per cent of the revised net estimates and consisted of Kshs.245.4 billion for recurrent expenditure and Kshs.6.6 billion for development activities. The recurrent exchequer issues to TSC sub-sector were Kshs.165.6 billion representing 99.5 per cent of the revised net estimates while those for the Education, Science and Technology sub-sector were Kshs.79.8 billion or 98.9 per cent of the revised net estimates. Development exchequer issues to the Ministry of Education, Science and Technology were Kshs.6.6 billion representing 41 per cent of the revised net estimates. Figure 3.7 presents exchequer issues to the sub-sectors.

Figure 3.7: Education Sector Exchequer Issues



Source: National Treasury

In the FY 2013/14, the sector spent a total of Kshs.247.5 billion representing an absorption rate of 85.2 per cent of the gross estimates. A total of Kshs.233.7 billion was spent on recurrent activities and Kshs.13.8 billion on development activities representing absorption of 87.5 per cent and 58.9 per cent respectively.

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

This sector consists of the; Energy and Petroleum; Transport and Infrastructure; and Information and Communications Technology sub-sectors. The goal for the sector is to be a world-class provider of cost-effective public utility infrastructure facilities and services in the areas of energy, transport and ICT that meet international standards to make Kenya a globally competitive and prosperous country.

The EI & ICT sector was allocated Kshs.244.1 billion representing 15.2 per cent of the total revised budget in the period under review. This allocation consisted of Kshs.27.5 billion for recurrent and Kshs.216.6 billion for development expenditure. The Ministry of Transport and Infrastructure received Kshs.23.0 billion for recurrent expenditure and Kshs.120.7 billion for development activities. The Ministry of Energy and Petroleum received Kshs.2.4 billion for recurrent and Kshs.87.5 billion for development expenditure while Ministry of Information, Communication and Infrastructure received Kshs.2.2 billion for recurrent and Kshs.8.4 billion for development expenditure. Table 3.13 presents an analysis of expenditure and exchequer issues for the sector in the period under review.

Table 3.13: Analysis of Expenditure and Exchequer Issues for EI & ICT Sector(Kshs. Billions)

FY 2013/14-Recurrent							FY 2013/14-Development					
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Ministry of Transport and Infrastructure	23.0	2.5	2.1	11.1	84.8	48.3	120.7	63.2	45.7	59.7	72.4	49.5
Ministry of Information, Communication and Technology	2.2	2.2	2.2	2.1	100.0	98.9	8.4	4.5	4.5	4.5	99.3	53.8
Ministry of Energy and Petroleum	2.4	2.1	2.1	1.7	99.9	74.2	87.5	26.4	22.9	21.7	86.6	24.8
Total	27.5	6.8	6.4	15.0	94.3	54.5	216.6	94.1	73.1	85.9	77.7	39.7
Total for the Sector-FY 2013/14							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Recurrent							27.5	6.8	6.4	15.0	94.3	54.5
Development							216.6	94.1	73.1	85.9	77.7	39.7
Total							244.1	100.9	79.5	100.9	78.8	41.3

Source: MDAs and National Treasury

The total exchequer issues to the sector were Kshs.79.5 billion representing 78.8 per cent of the revised net estimates. The recurrent exchequer issues to the sector were Kshs.6.4 billion or 94.3 per cent of the recurrent revised net estimates while the development exchequer issues were Kshs.73.1 billion representing 77.7 per cent of the development revised net estimates. Out of the total recurrent exchequer issues for the Ministry of Information, Communication and Technology, Kshs.2.2 billion was for recurrent expenditure while Kshs.4.5 billion was for development activities, translating to 100 per cent and 99.3 per cent of the revised net estimates respectively. The Ministry of Transport and Infrastructure received Kshs.2.1 billion

for recurrent and Kshs.45.7 billion for development representing 84.8 per cent and 72.4 per cent of the Ministry's revised net estimates respectively.

The total expenditure for the sector was Kshs.100.9 billion representing an absorption rate of 41.3 per cent. A total of Kshs.15.0 billion (54.5 per cent of the gross estimates) was spent on recurrent activities while Kshs.85.9 billion (39.7 per cent of the gross estimates) was spent on development activities. Out of the total recurrent expenditure for the sector, the Ministry of Information, Communication and Technology spent Kshs.2.1 billion attaining the highest absorption rate at 98.9 per cent while the Ministry of Transport and Infrastructure spent Kshs.11.1 billion recording the lowest absorption rate at 48.3 per cent. The Ministry of Transport and Infrastructure recorded the highest development expenditure at Kshs.59.7 billion, an absorption rate of 49.5 per cent while the Ministry of Energy and Petroleum spent Kshs.21.7 billion, an absorption rate of 24.8 per cent.

Some of the major development projects implemented under the Ministry of Energy and Petroleum included the 280 MW Olkaria I & II projects in Naivasha at a cost of Kshs.7.7 billion and the drilling of 80 geothermal wells at Olkaria at a cost of Kshs.11.7 billion. One of the major projects undertaken by the Ministry of Transport included the second container terminal at the Kenya Ports Authority (KPA), Mombasa at Kshs.14.4 billion.

The Ministry of Energy faced several challenges in the implementation of development projects such as inadequate local capacity to undertake construction works. This is mainly because the number of local contractors with technical competence and financial capacity to undertake major projects is limited. In addition, energy development projects have high risk of failure and require heavy capital investment making them less attractive to most private investors at exploratory and resources assessment stages. To address this challenge, Public Private Partnerships (PPP) in the energy sector should be promoted to attract private sector investment.

3.8.4 Environmental Protection, Water and Natural Resource Sector

This sector consists of two sub-sectors namely: Environment, Water and Natural Resources; and Mining. The sector endeavours to provide decent, secure and habitable environment as well as access to portable water. It also promotes mineral exploration and mining management, development of mineral development policies, conducting inventory and mapping of mineral resources.

In the FY 2013/14, the sector was allocated Kshs.53.9 billion representing 3.4 per cent of the total revised budget to cater for its recurrent and development activities. A total of Kshs.14.1 billion was allocated for recurrent activities while Kshs.39.8 billion was for development activities. These allocations translate to 26.2 per cent and 73.8 per cent of total allocations for recurrent and development activities respectively. The Ministry of Environment, Water, and Natural Resources was allocated Kshs.52.7 billion representing 97.4 per cent of the gross estimates for the sector while the Ministry of Mining was allocated Kshs.1.4 billion or 2.6 per cent of the total gross estimates for the sector.

The Ministry of Environment, Water, and Natural Resources received the highest recurrent and development allocations at Kshs.13.4 billion and Kshs.39.1 billion respectively. On the other hand, the Ministry of Mining had the lowest recurrent and development allocations at Kshs.0.7 billion and Kshs.0.7 billion respectively.

Table 3.14: Analysis of the Environmental Protection, Water and Natural Resources Sector (Kshs. Billions)

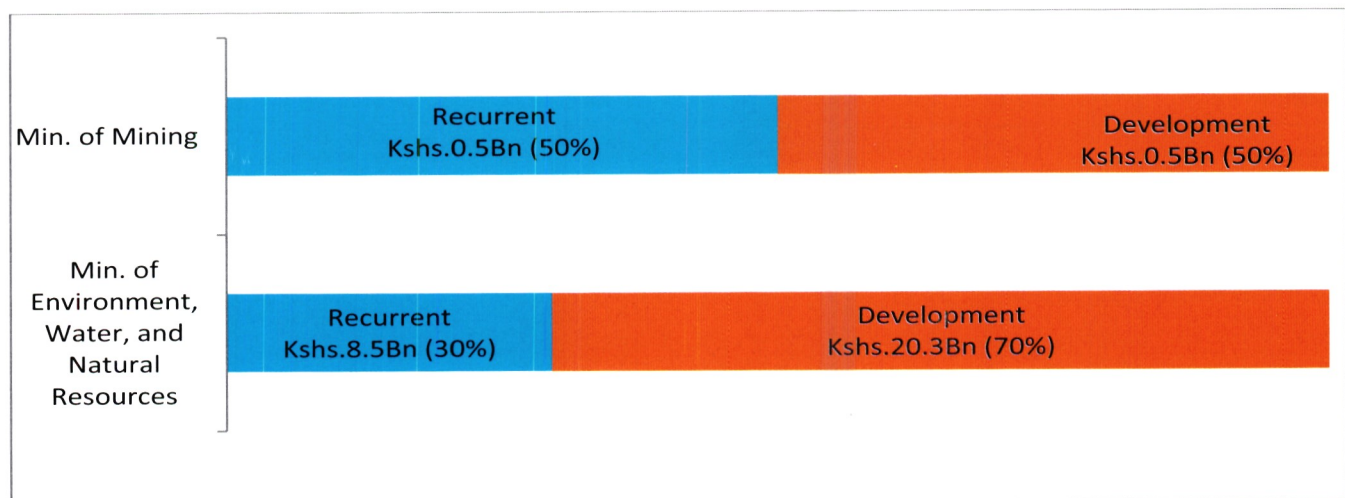
FY 2013/14-Recurrent							FY 2013/14-Development					
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Min. of Environment, Water, and Natural Resources	13.4	8.5	8.5	8.5	100.0	64.2	39.1	21.3	20.3	20.1	95.3	51.4
Min. of Mining	0.7	0.7	0.5	0.48	71.4	68.6	0.7	0.7	0.5	0.6	71.4	85.7
Total	14.1	9.2	8.9	9.08	97.8	64.2	39.8	22	20.8	20.8	94.5	52.2
Total for the Sector-FY 2013/14							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.
Recurrent							14.1	9.2	8.9	9.1	97.8	64.2
Development							39.8	22	20.8	20.8	94.5	52.0
Total							53.9	31.2	29.8	29.9	95.5	55.3

Source: The National Treasury and MDAs

Exchequer issues to the sector amounted to Kshs.29.8 billion which represents 95.5 per cent of the revised net estimates. The recurrent exchequer issues to the sector were Kshs.8.9 billion representing 97.8 per cent of the net recurrent estimates while the development exchequer issues were Kshs.20.8 billion or 95.0 per cent of the net development estimates. Out of the recurrent exchequer issues, the Ministry of Environment, Water, and Natural Resources received the highest proportion of exchequer issues at Kshs.8.5 billion representing 100 per cent of the revised net estimates while the Ministry of Mining received the lowest proportion at Kshs.0.5 billion representing 71.4 per cent of the revised net estimates.

The total expenditure for the sector was Kshs.29.9 billion translating to an absorption rate of 55.3 per cent. The sector spent a total of Kshs.9.1 billion on recurrent activities which represents an absorption rate of 64.2 per cent of the revised recurrent budget. A total of Kshs.20.8 billion was spent on development activities translating to an absorption rate of 52.2 per cent of the revised development budget. The Mining sub-sector had the highest absorption rate of the revised recurrent budget at 68.6 per cent while the Environment, Water, and Natural Resources subsector recorded an absorption rate of 64.2 per cent of the revised recurrent budget. Similarly, the Mining sub-sector recorded the highest absorption rate of the development budget at 85.7 per cent compared to 51.4 per cent achieved by the Environment, Water, and Natural Resources sub-sector.

Figure 3.8: Exchequer Issues for Environmental Protection, Water and Natural Resources Sector (Kshs. Billions)



Source: National Treasury

3.8.5 General Economic and Commercial Affairs (GECA) Sector

The sector comprises of two Sub-Sectors namely; East African Affairs, Commerce and Tourism; and Industrialization and Enterprise Development. The sector aims at promoting regional integration and cooperation; growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development.

The budgetary allocation to the sector in the FY 2013/14 was Kshs.12.8 billion representing 0.8 per cent of the revised budget. This allocation consisted of Kshs.8.0 billion (62.5 per cent) for recurrent expenditure and Kshs.4.8 billion (37.5 per cent) for development expenditure. The East African Affairs, Commerce and Tourism sub-sector was allocated the highest amount of Kshs.4.8 billion for recurrent expenditure while Industrialization and Enterprise Development sub-sector was allocated the highest amount of Kshs.3.4 billion for development expenditure.

Table 3.15: Analysis of Recurrent Expenditure and Net Exchequer Issues for GECA (Kshs. Billions)

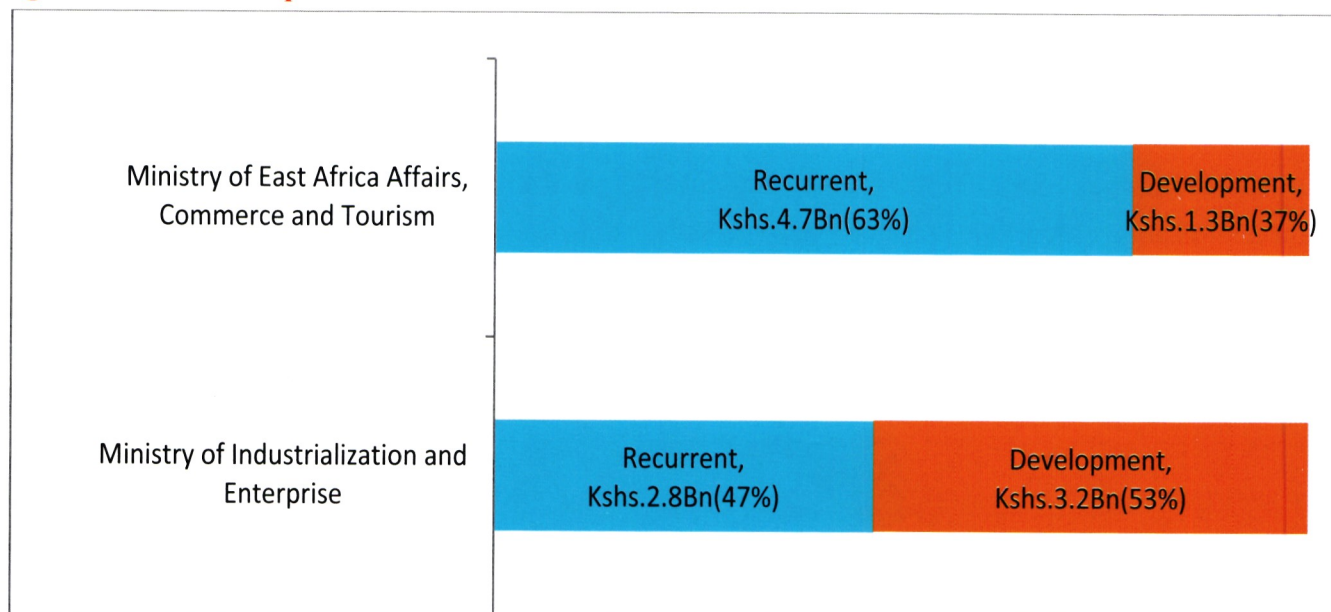
Name of the Sub Sector	FY 2013/14-Recurrent						FY 2013/14-Development					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Industrialisation and Enterprise	3.2	2.8	2.8	2.5	98.5	90.6	3.4	3.2	3.2	3.1	99.2	90.4
Ministry of East African Affairs, Commerce and Tourism	4.8	4.7	4.5	4.5	95.2	87.3	1.4	1.3	1.3	1.3	98.6	89.5
Total	8.0	7.5	7.3	7.0	96.4	88.4	4.8	4.6	4.5	4.4	99.0	90.1

Total for the Sector-FY 2013/14	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Recurrent	8.0	7.5	7.3	7.0	96.4	88.4
Development	4.8	4.6	4.5	4.4	99.0	90.1
Total	12.8	12.1	11.8	11.4	97.5	88.7

Source: MDAs and National Treasury

The exchequer issues to the sector were Kshs.11.8 billion or 97.5 per cent of the revised net estimates consisting of Kshs.7.3 billion or 96.4 per cent of recurrent revised net estimates and Kshs.4.5 billion or 99 per cent of development revised net estimates. The Industrialization and Enterprise Development sub-sector received 98.5 per cent of exchequer issues to revised net estimates or Kshs.2.8 billion for recurrent expenditure compared to Kshs.4.5 billion (95.2 per cent of revised net estimates) issued to the East African Affairs, Commerce and Tourism sub-sector. The exchequer issues for development expenditure to Industrialization and Enterprise Development sub-sector were Kshs.3.2 billion or 99.2 per cent of revised net estimates compared to Kshs.1.3 billion or 98.6 per cent issued to the East African Affairs, Commerce and Tourism sub-sector

Figure 3.9: Exchequer Releases for GECA



Source: National Treasury

The expenditure for the sector in the FY 2013/14 was Kshs.11.4 billion representing an absorption rate of 88.7 per cent. A total of Kshs.7.0 billion was spent on recurrent activities representing an absorption rate of 88.4 per cent while Kshs.4.4 billion was spent on development activities representing an absorption rate of 90.1 per cent. The Industrialization and Enterprise Development sub-sector spent Kshs.2.5 billion or an absorption rate of 90.6 per cent for recurrent activities while East African Affairs, Commerce and Tourism

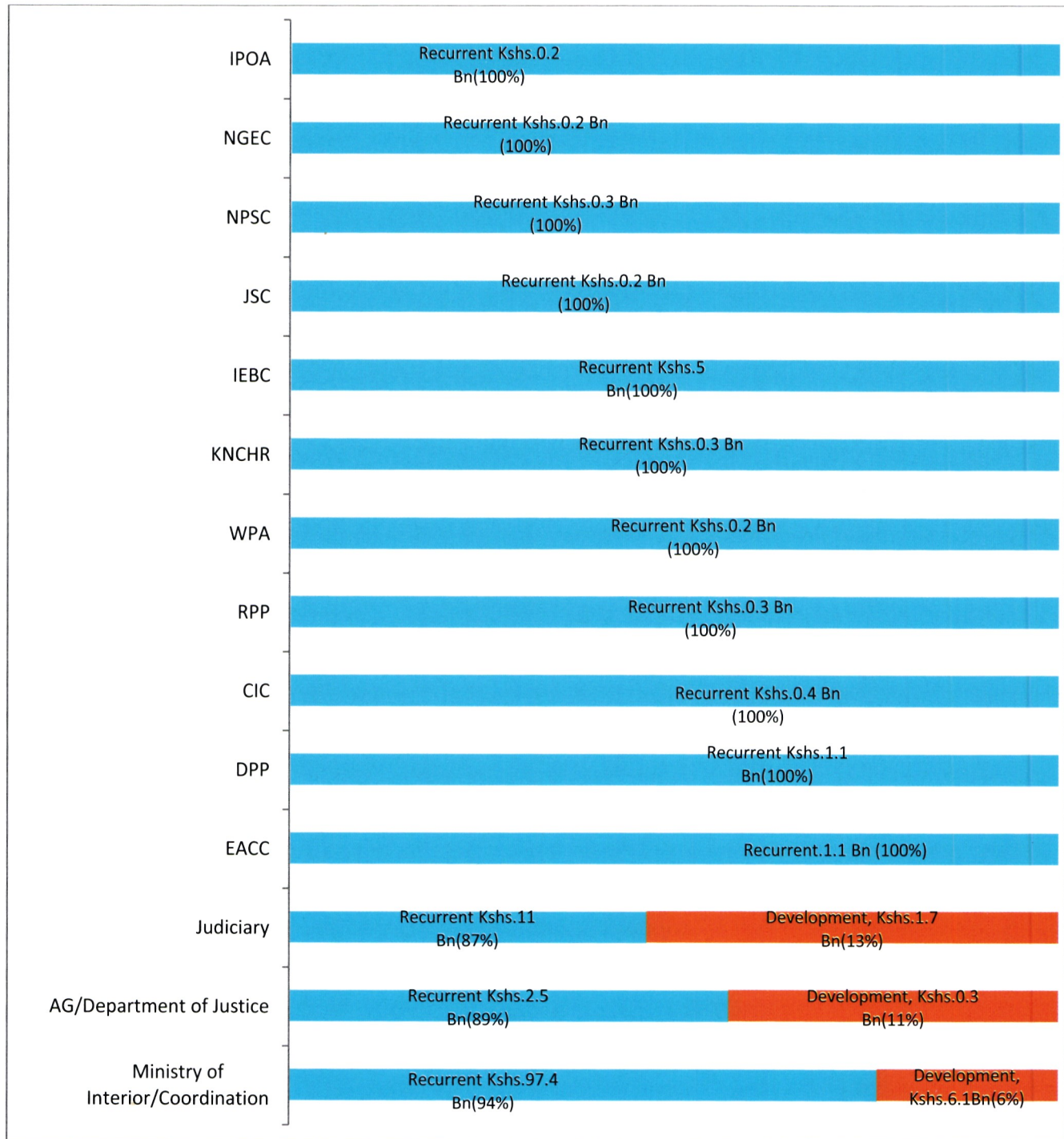
sub-sector spent Kshs.4.5 billion or an absorption rate of 87.3 per cent. On development activities, the Industrialization and Enterprise Development sub-sector spent Kshs.3.1 billion, representing an absorption rate of 90.4 per cent while the East African Affairs, Commerce and Tourism sub-sector spent Kshs.1.3 billion, representing an absorption rate of 89.5 per cent.

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

The sector is made up of 14 sub-sectors: Ministry of Interior and Coordination of National Government, Office of the Attorney General and Department of Justice, Directorate of Public Prosecution(DPP), the Judiciary, Judicial Service Commission (JSC), Ethics and Anti-Corruption Commission (EACC), Kenya National Commission for Human Rights(KNCHR), Registrar of Political Parties (RPP), Witness Protection Agency(WPA), National Police Service Commission(NPSC), Independent Electoral and Boundaries Commission (IEBC), National Gender and Equality Commission (NGEC), Commission for Implementation of the Constitution (CIC) and Independent Police Oversight Authority(IPOA). The sector aims at creating conducive environment that fosters socio-political and economic development of the country and prevention of corruption and economic crimes. The sector also aims at facilitating implementation of the Constitution and improving access to judicial and legal services for all Kenyans. The sector further enhances the national security and social economic development by maintaining an all-inclusive population database, proper migration management and timely registration and issuance of secure identification.

During the FY 2013/14, the sector was allocated Kshs.131.9 billion translating to 8.2 per cent of the total revised budget for its recurrent and development activities. The sector allocated Kshs.121.6 billion for recurrent activities and Kshs.10.2 billion for development activities. This allocations translate to 91.4 per cent and 8.6 per cent of the total allocations for recurrent and development activities respectively. The Ministry of Interior and Coordination of National Government had the highest allocation at Kshs.104.3 billion representing 78.4 per cent of the gross estimates for the sector whereas the Witness Protection Authority sub-sector had the lowest allocation at Kshs.0.2 billion representing 0.2 per cent of the total gross estimates for the sector.

Exchequer issues to the sector amounted to Kshs.128.5 billion which represents 98.3 per cent of the revised net estimates. The recurrent exchequer issues to the sector were Kshs.120.3 billion representing 97.3 per cent of the net recurrent estimates while the development exchequer issues were Kshs.8.1 billion representing 85.7 per cent of the net development estimates. Both the Ministry of Interior and Coordination and Kenya National Commission of Human Rights sub-sectors received 100 per cent of their recurrent exchequer issues respectively while the Judicial Service Commission received Kshs.0.2 billion which was the lowest proportion of exchequer issues to revised net estimates at 54.2 per cent. The Ministry of Interior and Coordination received Kshs.6.1 billion which was the highest development exchequer issues at 95.7 per cent of its revised net estimates

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

Source: National Treasury

The total expenditure for the period under review was Kshs.116.2 billion representing an absorption rate of 88.1 per cent. The sector spent a total of Kshs.109.9 billion on recurrent activities which translates to an absorption rate of 90.4 per cent of the recurrent budget. Similarly, Kshs.6.3 billion was spent on development activities translating to an absorption rate of 61.5 per cent of the development budget. The NGEC sub-sector had the highest absorption rate of the recurrent budget at 100 per cent while the JSC sub-sector had the lowest absorption rate at 53.3 per cent.

Table 3.16: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOs (Kshs. Billions)

FY 2013/14-Recurrent							FY 2013/14-Development					
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Ministry of Interior and Coordination of National Government	97.8	97.4	97.4	88.7	100.0	90.7	6.5	6.3	6.1	4.5	95.7	69.7
Office of the Attorney General and Department of Justice	2.7	2.6	2.5	2.4	95.5	90.2	0.7	0.4	0.3	0.3	90.5	44.9
The Judiciary	11.2	11.2	11.0	10.6	98.0	94.7	2.9	2.7	1.7	1.4	62.5	48.5
Ethics and Anti-Corruption Commission	1.2	1.2	1.1	1.1	91.6	92.1	-	-	-	-	-	-
Directorate of Public Prosecutions	1.2	1.2	1.1	0.91	91.4	75.1	0.1	0.1	0.05	0.01	52.9	12.8
Commission for the Implementation of the Constitution	0.4	0.4	0.4	0.4	99.8	98.9	-	-	-	-	-	-
Registrar of Political Parties	0.3	0.3	0.3	0.31	98.5	95.2	-	-	-	-	-	-
Witness Protection Authority	0.2	0.2	0.20	0.20	97.6	97.9	-	-	-	-	-	-
Kenya National Commission of Human Rights	0.3	0.3	0.3	0.4	100.0	87.4	-	-	-	-	-	-
Independent Electoral and Boundaries Commission	5.0	5.0	5.0	3.9	99.9	79.4	-	-	-	-	-	-
Judicial Service Commission	0.4	0.4	0.2	0.2	54.2	53.3	-	-	-	-	-	-
National Police Service Commission	0.3	0.3	0.3	0.3	96.7	96.4	-	-	-	-	-	-
National Gender and Equality Commission	0.2	0.2	0.2	0.2	95.7	100.0	-	-	-	-	-	-
Independent Police Oversight Authority	0.3	0.3	0.2	0.2	88.7	78.9	-	-	-	-	-	-
Total	121.6	121.1	120.3	109.9	97.3	90.4	10.2	9.5	8.1	6.3	85.7	61.5
Total for the Sector-FY2013/2014							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.
Recurrent							121.6	121.1	120.3	109.9	97.3	90.4
Development							10.2	9.5	8.1	6.3	85.7	61.5
Total							131.9	130.6	128.5	116.2	98.3	88.1

Source: MDAs and National Treasury

3.8.7 The Health Sector

The sector consists of the Ministry of Health. The ministry is complimented in discharging its function by eight Semi-Autonomous Government Agencies (SAGAs) namely, Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital, Kenya Medical Research Institute (KEMRI), Kenya Medical Supplies Agency (KEMSA), Kenya Medical Training College (KMTTC), National Health Insurance Fund (NHIF), National AIDS Control Council (NACC) and HIV & AIDS Equity Tribunal. The SAGAs are specialized in health service delivery; medical research and training; procurement and distribution of drugs; and financing through health insurance. The sector's mandate is to promote and participate in the provision of integrated and high quality curative, preventive and rehabilitative services that are equitable, responsive, accessible and accountable to Kenyans.

The budgetary allocation to the sector during the FY 2013/14 was Kshs.41.7 billion or 2.6 per cent of the total revised budget. The sector was allocated Kshs.23.7 billion representing 56.8 per cent of the total allocation for recurrent activities and Kshs.18.0 billion representing 43.2 per cent for development activities. The two tier health service delivery system introduced under the new Constitutional dispensation has substantively devolved health care delivery to the county governments and restructured health financing thereby reducing budgetary allocations to the national level Health Sector. In FY 2012/13 the Sector was allocated Kshs.73.7 billion which has been reduced to the current Kshs.41.7 billion allocated in FY 2013/14.

The exchequer issues to the sector in the FY 2013/14 amounted to Kshs.29.7 billion representing 86.8 per cent of the net revised estimates. The recurrent exchequer issues to the sector was Kshs.15.8 billion representing 79.8 per cent of net revised recurrent estimates while the development exchequer issues was Kshs.13.9 billion representing 96.1 per cent of revised development net estimates.

Actual expenditure in the FY 2013/14 amounted to Kshs.27.8 billion representing an absorption rate of 66.7 per cent. The recurrent expenditure for the sector was Kshs.16.6 billion representing absorption rate of 70.1 per cent of revised gross recurrent estimates while the development expenditure was Kshs.11.2 billion representing an absorption rate of 62.2 per cent of gross development estimates.

Some of the development projects undertaken by the Ministry of Health include Kenya Medical Supplies Agency capitalisation project on distribution of medical and pharmaceutical supplies to all counties at Kshs.783.2 million, the Kenya Health Sector Support Project with an expenditure of Kshs.2.2 billion, as well as the ongoing Health System Management in all counties whose expenditure for the period under review was Kshs.1.8 billion.

The sub-sector faced limitations on spending attributed to delayed acquisition of legal and statutory licenses coupled with budget constraints which reduced counterpart funding. This was compounded by the delay in reimbursement of salaries paid to staff performing devolved functions by the Counties. It is recommended that government allocation should include sufficient counterpart funding, and legal and statutory charges for donor funded programmes.

Table 3.17: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health Sector (Kshs. Billions)

FY 2013/14-Recurrent							FY 2013/14-Development						
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.	
Ministry of Health	23.7	19.8	15.8	16.6	79.8	70.1	18.0	14.4	13.9	11.2	96.1	62.2	
Total	23.7	19.8	15.8	16.6	79.8	70.1	18.0	14.4	13.9	11.2	96.1	62.2	
Total for the Sector-FY2013/2014							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	
Recurrent							23.7	19.8	15.8	16.6	79.8	70.1	
Development							18.0	14.4	13.9	11.2	96.1	62.2	
Total							41.7	34.2	29.7	27.8	86.8	66.7	

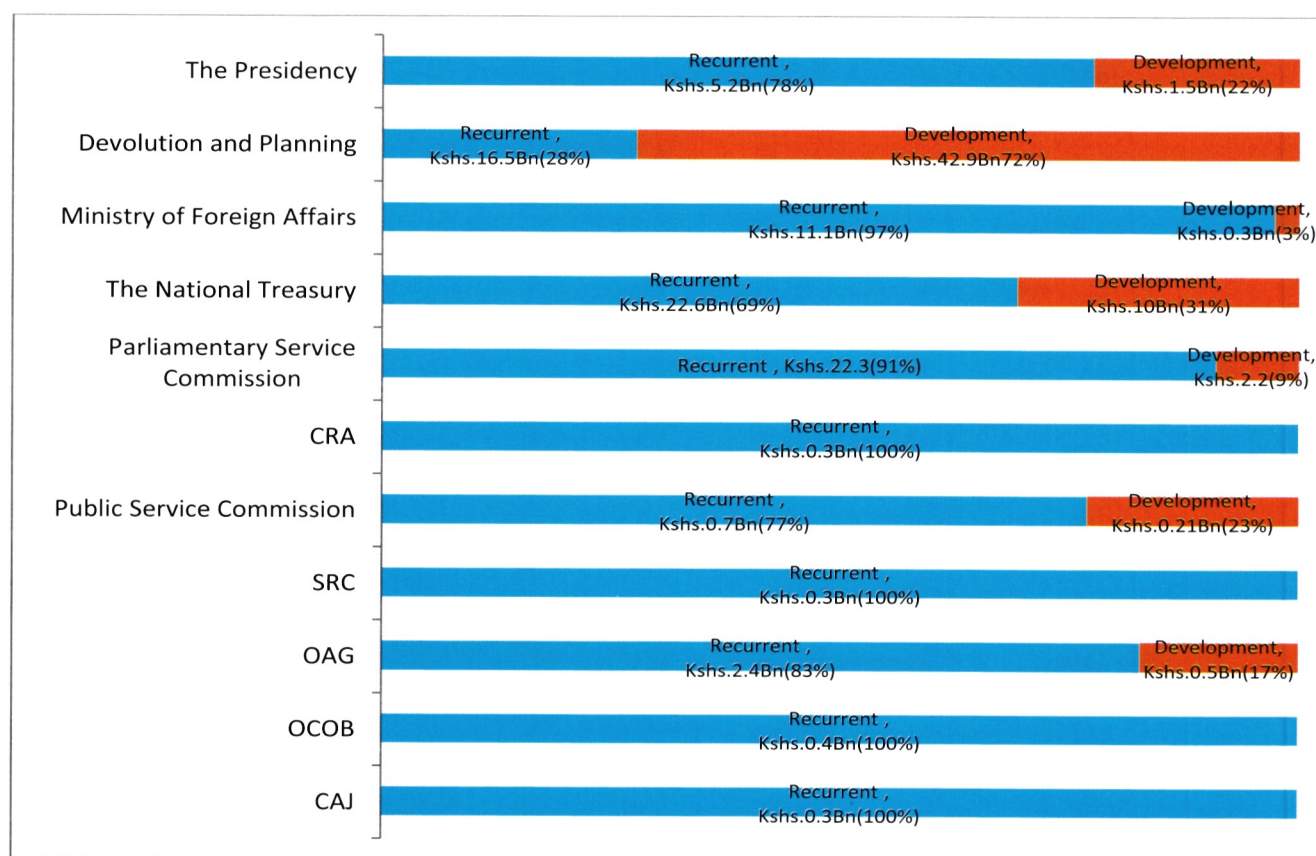
Source: MDAs and National Treasury

3.8.8 The Public Administration and International Relations (PAIR) Sector

The sector plays a significant role in national policy formulation and implementation, monitoring, and evaluation of government projects. In the FY 2013/14, the sector was allocated Kshs.180.9 billion (11 per cent of the total budget) for recurrent and development activities.

The sector allocated Kshs.86 billion (48 per cent of the sector's budget) to recurrent activities and Kshs.94.1 billion (52 per cent of the sector's budget) for development activities. The Ministry of Devolution and Planning had the highest allocation at Kshs.78.5 billion representing 43.4 per cent of the gross estimates for the sector whereas the Commission on Administrative Justice sub-sector had the lowest allocation at Kshs.0.3 billion representing 0.2 per cent of the total gross estimates for the sector.

Exchequer issues to the sector were Kshs.139.6 billion which represents 93.4 per cent of the revised net estimates. The recurrent exchequer issues were Kshs.82 billion or 96 per cent of the net recurrent estimates while the development exchequer issues were Kshs.57.7 billion or 90.2 per cent of the net development estimates. Public Service Commission received, Parliamentary Service Commission, Commission on Revenue Allocation, and Commission on Administrative Justice received 100 per cent of their recurrent exchequer issues during the period under review. The Salaries and Remuneration Commission was the lowest recipient of recurrent exchequer issues to revised net estimates at 58.2 per cent. Public Service Commission and the Office of the Auditor General received 100 per cent of development exchequer issues while the national Treasury received the least at 70.9 per cent.

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

Source: National Treasury

The total expenditure for the period July 2013 to June 2014 was Kshs.135.8 billion, representing an absorption rate of 75.1 per cent. The total recurrent expenditure for the period was Kshs.75.8 billion or 87.3 per cent of the recurrent budget estimates while the total development expenditure was Kshs.59.6 billion or 63.3 per cent of the development budget estimates.

Table 3.18: Analysis of Recurrent Expenditure and Net Exchequer Issues for PAIR (Kshs. Billions)

Name of the Sub Sector	FY 2013/14-Recurrent						FY 2013/14-Development					
	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
The Presidency	5.4	5.4	5.2	5.1	96.5	94.3	1.6	1.5	1.5	1.5	96.8	98.1
Ministry of Devolution and Planning	18.6	18.4	16.5	16.0	90.0	86.2	59.9	44.5	42.9	43.4	96.4	72.5
Ministry of Foreign Affairs	12.2	11.2	11.1	9.2	98.5	75.4	0.3	0.3	0.3	0.1	86.1	41.3
The National Treasury	23.4	23.3	22.6	21.2	96.8	90.4	28.5	14.2	10.0	12.1	70.9	42.3
Parliamentary Service Commission	22.3	22.3	22.3	20.5	100.0	91.7	2.7	2.7	2.2	1.7	80.8	63.1

Commission on Revenue Allocation	0.3	0.3	0.3	0.3	100.0	104.2						
Public Service Commission	0.7	0.7	0.7	0.66	100.0	98.8	0.2	0.2	0.21	0.21	100.0	99.6
Salaries and Remuneration Commission	0.5	0.5	0.3	0.4	58.2	82.8						
Auditor General	2.8	2.7	2.4	2.4	90.9	85.5	0.5	0.5	0.5	0.5	100.0	100.0
Controller of Budget	0.4	0.4	0.4	0.31	99.6	82.6						
Commission on Administrative Justice	0.3	0.3	0.3	0.3	100.0	95.6						
Total	86.8	85.4	82.0	76.3	96.0	87.8	94.1	64.0	57.7	59.6	90.1	63.3
Total for the Sector-FY 2013/14							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.
Recurrent							86.8	85.4	82.0	76.3	96.0	87.8
Development							94.1	64	57.7	59.6	90.2	63.3
Total							180.9	149.4	139.6	135.8	93.4	75.1

Source: MDAs and National Treasury

During the period under review the Ministry of Devolution and Planning implemented several projects including: Human SafetyNet Programme Phase 2 which had a budgetary allocation of Kshs.6.5 billion and was 40 per cent complete as at June 2014, Community Empowerment and Institutional Support Project with a budgetary allocation of Kshs.1.8 billion which had a completion rate of 60 per cent by the end of the reporting period. Another project implemented by the Ministry was the Programme for Agriculture and Livelihoods in Western Communities which had a budgetary allocation of Kshs.1.3 billion and a completion rate of 47 per cent as at the end of the reporting period. Equally, the Office of the Auditor General (OAG) purchased land for the construction of OAG building with an expenditure of Kshs.525 million.

Implementation of donor funded projects was hampered by inadequate knowledge of donor requirements especially for the African Development Bank-funded Community Empowerment and Institutional Support Project. The Hunger Safety Net Programme Phase 2 was slowed down by registration of beneficiaries due to lack of identification documents to open bank accounts in readiness for recipient disbursements.

3.8.9 Social Protection, Culture and Recreation Sector

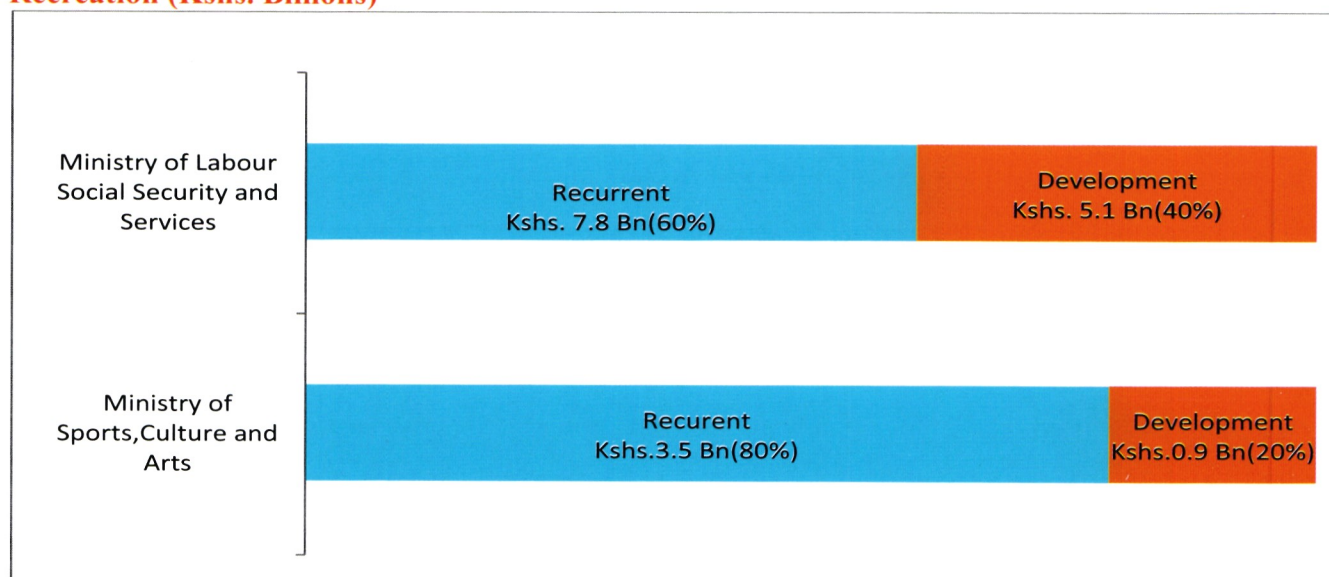
This sector comprises of two sub-sectors which are; the Labour Social Security and Services, and the Sports, Culture and the Arts. The sector contributes to Kenya's development through promotion of harmonious industrial relations, safety and health at workplaces, employment promotion, industrial training,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

Table 3.19: Analysis of Exchequer Issues and Expenditure for Social Protection, Culture and Recreation Sector (Kshs. Billions)

FY 2013/14-Recurrent							FY 2013/14-Development					
Name of the Sub Sector	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.	Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to Rev. G. Est.
Ministry of Sports, Culture and Arts	3.5	3.5	3.5	3.3	98.6	92.7	0.9	0.9	0.9	0.9	95.5	92.3
Ministry of Labour Social Security and Services	8.4	8.2	7.8	7.6	94.5	90.8	7.9	7.2	5.1	4.3	71.3	54.3
Total	11.9	11.8	11.3	10.9	95.7	91.4	8.8	8.1	6.0	5.1	74.0	58.3
Total for the Sector-FY 2013/14							Rev. Gross Est.	Rev. Net Est.	Exch. Issues	Exp.	% of Exch. to Rev. Net Est.	% of Exp. to G. Est.
Recurrent							11.9	11.8	11.3	10.9	95.7	91.4
Development							8.8	8.1	6.0	5.1	74.0	58.3
Total							20.7	19.9	17.3	16.0	74.1	77.3

Source: MDAs and National Treasury

The budgetary allocation to the sector was Kshs.20.7 billion or 1.3 per cent of the total budget and consisted of Kshs.11.9 billion for recurrent and Kshs.8.8 billion for development expenditure. The Labour Social Security and Services sub-sector was allocated the highest amount for both recurrent and development expenditure at Kshs.8.4 billion and Kshs.7.9 billion respectively. The Sports, Culture and Arts sub-sector was allocated Kshs.3.5 billion for recurrent and Kshs.900 million for development expenditure.

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

Source: National Treasury

In the FY 2013/14, the total exchequer issues to the sector were Kshs.17.3 billion consisting of Kshs.11.3 billion for recurrent and Kshs.6.0 billion for development expenditure translating to 95.7 per cent and 74.0 per cent of their respective revised net estimates. The exchequer issues to the Labour, Social Security and Services sub-sector were Kshs.7.8 billion for recurrent expenditure and Kshs.5.1 billion for development expenditure while Sports, Culture and Arts sub-sector was issued with Kshs.3.5 billion for recurrent expenditure and Kshs.0.9 billion for development expenditure.

The Sports, Culture and Arts sub-sector received the highest proportion of exchequer issues to revised net estimates at 98.6 per cent for recurrent and 95.5 per cent for development expenditure while the Labour, Social Security and Services sub-sector received the lowest proportion at 94.5 per cent for recurrent and 71.3 per cent for development.

During the FY 2013/14, the sector spent a total of Kshs.16 billion which was an absorption rate of 77.3 per cent. The sector spent Kshs.10.9 billion on recurrent activities and Kshs.5.1 billion on development activities translating to absorption rates of 91.4 per cent and 58.3 per cent respectively. The Sports, Culture and Arts sub-sector recorded the highest absorption rates of 92.7 per cent on recurrent activities and 92.3 per cent on development activities having spent Kshs.3.3 billion and Kshs.0.9 billion respectively. The Labour, Social Security and Services sub-sector spent Kshs.7.6 billion for recurrent and Kshs.4.3 billion for development activities which translated to absorption rates of 90.8 per cent and 54.3 per cent respectively.

Some of the development projects undertaken in the Ministry of Labour, Social Services included; construction of residential and non-residential buildings in Athi River at a cost of Kshs.66.1 million against a budget of Kshs.348.5 million, as well as support to child welfare with an expenditure of Kshs.300million.

3.8.10 National Security Sector

This sector consists of the Defence and National Intelligence Services (NIS) sub-sectors. Its mandate is to safeguard the country from internal and external security threats.

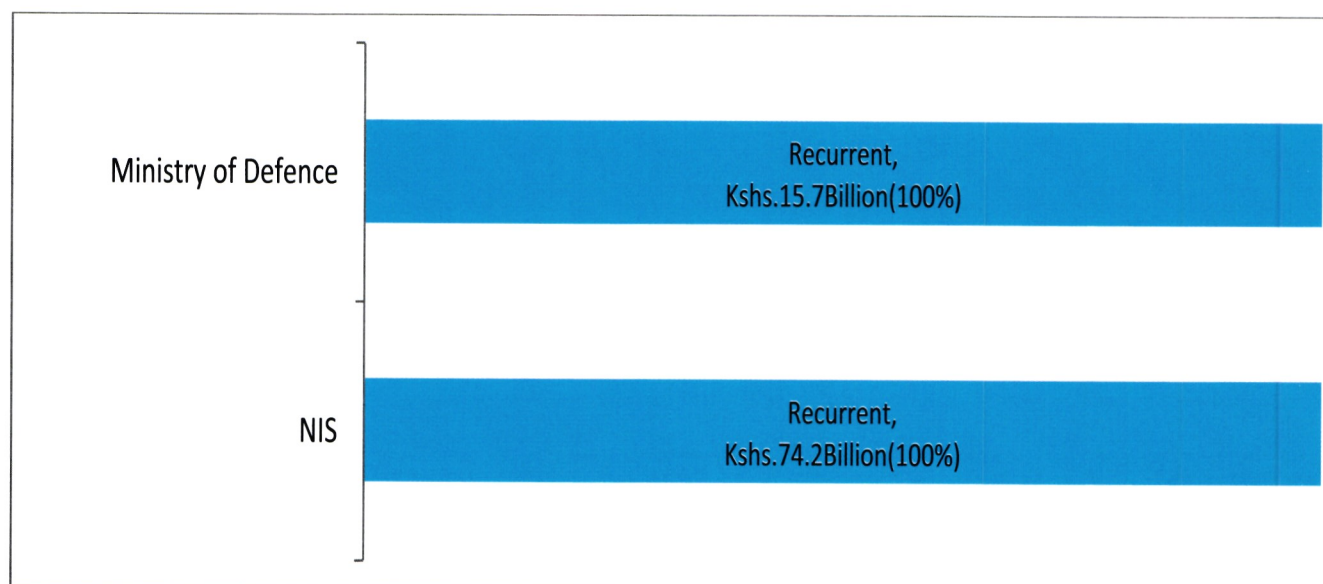
The National Security Sector was allocated Kshs.93.8 billion for recurrent expenditure, which was 5.8 per cent of the total budget. The Defence sub-sector was allocated Kshs.78.1 billion while allocation to the National Intelligence Service sub-sector was Kshs.15.7 billion translating to 83.3 per cent and 16.7 per cent of the total allocation respectively.

Table 3.20: Analysis of Expenditure and Net Exchequer Issues for the Security Sector (Kshs. Billions)

FY 2013/14-Recurrent						
Name of the Sub Sector	Revised Gross Estimates	Revised net estimates	Exchequer Issues	Expenditure	% of Exchequer to Revised net estimates	% of Expenditure to Gross Estimates
Ministry of Defence	78.1	78.1	74.2	78.1	95.0	100.0
National Intelligence Service	15.7	15.7	15.7	15.7	100.0	100.0
Total	93.8	93.8	89.9	93.8	95.8	100.0

Source: MDAs June 2014

The exchequer issues to the sector amounted to Kshs.89.9 billion representing 95.8 per cent of the revised net estimates for FY 2013/14. The Defence sub-sector received exchequer amounting to Kshs.74.2 billion while the National Intelligence Service sub-sector received Kshs.15.7 billion.

Figure 3.13: Exchequer Issues for National Security Sector (Kshs. Billions)

Source: National Treasury

Overall, the National Intelligence Service sub-sector received 100 per cent of the exchequer to revised net estimates while the Defence sub-sector received 95 per cent of the exchequer to revised net estimates.

A total of Kshs.93.8 billion was spent by the sector recording an absorption rate of 100 per cent. The National Intelligence Services sub-sector spent Kshs.15.7 billion representing 100 per cent absorption while the Defence sub-sector spent Kshs.78.1 billion translating to an absorption rate of 100 per cent.

4 KEY CHALLENGES AND RECOMMENDATIONS

Budget implementation in 2013/14 witnessed mixed results compared to the previous financial year. The total expenditure by all MDAs in the national budget was Kshs.1.139 billion, recording an absorption rate of **83.4 per cent**. This is a significant improvement from 74.2 per cent recorded in FY 2012/13 and an expenditure of Kshs.1,125.9 billion by all MDAs. The recurrent expenditure accounted for Kshs.897.9 billion, an absorption rate of 96 per cent while development expenditure accounted for Kshs.241.1 billion representing an absorption rate of 52 per cent. Despite the increased level of spending, a number of factors impacted negatively on the budget execution. These factors included:-

4.1 Delay in Submission of Expenditure Reports by MDAs

Article 228 (6) of the Constitution requires the OCOB to report on budget implementation every four months. Timely preparation of quarterly budget implementation reports is dependent upon the availability of expenditure reports from spending units. The OCOB requires that expenditure returns be submitted by 10th of the month following end of each quarter.

During the FY 2013/14, OCOB faced the challenge of delayed submission of expenditure reports, resulting to late publication of the Budget Implementation Review Reports for review by Parliament and other stakeholders. Delays in submission of expenditure returns adversely affect timely preparation of Budget Implementation Review Report in line with the Constitution. We recommend that all MDAs should submit their financial returns by 10th day of the subsequent month to the end of each quarter. This will ensure timely preparation of the BIRR.

4.2 Timing of Supplementary Budgets

The Public Financial Management framework permits budget revision(s) within the implementation period. During the twelve months under review, two supplementary budgets were approved by the National Assembly in the fourth quarter of the year. The second supplementary budget was assented to on 26th June, 2014. While budget revision is necessary, it is advisable that timing of budget revisions should be aligned to procurement planning and budget implementation during the financial year. The approval of the second budget revision on June 26, 2014 left only two working days in the financial year for planning and implementation of budgeted activities. This led to confusion among the affected MDAs and negatively impacted on year-end financial procedures. We advise that supplementary budgets should be passed in good time during the financial year to allow appropriate planning and budget implementation.

4.3 Low Levels of Development Expenditure

Fiscal responsibility principles require that over the medium term a minimum of 30 per cent of the Government's budget should be allocated to development expenditure. In FY 2013/14, Kshs.446.2 billion or 29 per cent was initially allocated to development projects and programmes. This amount was revised upwards to Kshs.463.6 billion. However, this only translated to 27 per cent of the total budget estimates.

During the period under review, development expenditure amounted to Kshs.223.7 billion representing an absorption rate of 52 per cent. In FY 2012/13 the absorption rate was 44.4 per cent of the Kshs.437.1 billion while in FY 2011/12 it was 55.1 per cent of the budget allocation of Kshs.382.6 billion. While the 52 per cent absorption is an improvement from the previous year's performance, there is need for enhanced efforts to achieve a higher absorption rate of development expenditure allocation. The development expenditure absorption rate of 52 per cent is significantly low compared to the absorption rate for recurrent expenditure which stands at 96 per cent in FY 2013/14.

4.4 Adoption of IFMIS by National Government Entities

Section 12 (é) of the PFM Act, 2012 requires the National Treasury to design and prescribe an efficient financial management system for both the National and County Governments to ensure transparent financial management. IFMIS is the prescribed government financial management system by the National Treasury and has been in use since 1998. The system has since undergone re-engineering and all MDAs are required to adopt it in order to enhance proper budgeting and expenditure management of public resources.

Despite this clear PFM requirement, a number of MDAs are yet to adopt the IFMIS in their financial operations. These agencies include: National Police Service, Independent Police Oversight Authority, Commission for the Implementation of the Constitution, National Gender & Equality Commission, Commission on Revenue Allocation, Witness Protection Agency, Ethics and Anti-Corruption Commission, National Intelligence Services, Teachers Service Commission, Ministry of Defence and Kenya National Human Rights Commission. Failure to adopt IFMIS by all MDAs has resulted to reporting challenges and may negatively affect the accurate preparation of government financial statements. To enhance accurate and timely reporting, all MDAs are advised to adopt IFMIS

4.5 Reconciliation of CFS

Article 206 (4) of the Constitution requires that no money shall be withdrawn from the consolidated fund without the approval of the Controller of Budget. During FY 2013/14, a total of Kshs.265.5 billion was allocated for CFS to defray public debt repayment, Pensions and Gratuities, salaries and allowances to Constitutional office holders and subscription to International Organizations. However, there are discrepancies between the exchequer issues released towards payment of CFS and the actual payments. The Office has continuously pointed out the need to reconcile these accounts to ensure transparency in the utilization of public funds.

Analysis of actual expenditure for FY 2013/14 revealed that actual expenditure for both domestic and foreign debt exceed the exchequer issues approved by the Controller of budget as presented in Section 3.4 of this report. This observation has been made in previous reports. Further, the Office observed that the syndicated loan was paid from the proceeds of the EURO Bond from a special account. It is therefore recommended that the National Treasury should urgently reconcile the special account and the exchequer account.

5 CONCLUSION

The Budget Implementation Review Report is prepared pursuant to Article 228 of the Constitution of Kenya, 2010 that require the Controller of Budget to submit to Parliament a report on the implementation of the budgets of both national and county governments every four months. There was an improvement of the budget implementation performance by the MDAs with recurrent expenditure recording an absorption rate of 96 per cent while the development expenditure registered an absorption rate of 52 per cent.

The reports therefore continues to highlight the issues affecting budget implementation in spite having been identified in previous budget implementation review reports but are yet to be addressed. These issues include failure by some MDAs to use the IFMIS system, low absorption of development funds by MDAs compounded by slow procurement processes; delay in submission of expenditure returns; and the reconciliation of exchequer issues and actual expenditures under the CFS.

Although there was a marked improvement in the overall performance in budget implementation, the absorption rates for development expenditures still remains low. The 52 per cent absorption rate recorded in FY 2013/14 is an improvement from the 44.4 per cent recorded in the previous year. However, there is need to enhance the absorption rate of development funds. As pointed in our earlier reports, MDAs need to ensure that they establish effective monitoring and evaluation units. Project preparation and design should be completed before commencement of the implementation while ensuring harmonization of the procurement procedures and other government procedures to speed up the procurement process.

The Office has faced tremendous challenges in compiling the annual report occasioned by the delay in submission of expenditure returns by MDAs. The preparation of the budget implementation review reports depends on the availability of expenditure reports from the spending units. MDAs should therefore endeavour to submit their expenditure returns by 10th day of the subsequent month to the end of each quarter.

It was observed that a number of MDAs are yet to adopt IFMIS despite the provisions of the PFM Act, 2012. The law stipulates that all public spending units shall implement a financial system as prescribed by the National Treasury. This is aimed at enhancing the financial reporting and accurate preparation of government financial statements.

While the Office has continuously pointed out the need to reconcile payments under the Consolidated Fund Services, there still exist discrepancies between the exchequer issues and the actual payments. The National Treasury should move with speed to reconcile the actual expenditure to the exchequer issues to ensure transparency in the utilization of public funds.

Lastly, the Office observed that the proceeds from the just concluded EURO Bond were partly used to pay the syndicated loan from a special account at Central Bank of Kenya. There is therefore need to reconcile the special account and the exchequer account.

ANNEX I: MDAs Recurrent Expenditure (Kshs.)

Vote Title	Vote	Gross Estimates FY 2013/14	Revised Gross Estimates FY 2013/14	Revised net estimates FY 2013/14	Exchequer Issues	Expenditure	% Exch. Issues to Net Est.	% Exp to G. Est.
101	The Presidency	3,131,640,671	5,375,959,961	5,368,959,961	5,180,000,000	5,067,826,714	96.5	94.3
102	Ministry of Interior and Coordination of National Government	89,551,142,659	97,793,513,512	97,429,513,512	97,426,115,540	88,662,966,214	100.0	90.7
103	Ministry of Devolution and Planning	16,319,349,903	18,560,267,252	18,354,667,252	16,515,641,840	15,991,634,951	90.0	86.2
104	Ministry of Defence	70,743,170,921	78,118,447,503	78,118,447,503	74,195,000,000	78,087,841,035	95.0	100.0
105	Ministry of Foreign Affairs	9,641,331,694	12,225,731,598	11,223,340,891	11,060,000,000	9,212,386,186	98.5	75.4
106	Ministry of Education, Science and Technology	97,214,862,593	100,608,478,444	80,793,278,444	79,815,000,000	78,908,769,004	98.8	78.4
107	The National Treasury	23,977,412,933	23,421,685,873	23,328,685,873	22,590,000,000	21,171,241,680	96.8	90.4
108	Ministry of Health	20,324,743,113	23,706,391,450	19,844,514,973	15,834,237,523	16,611,039,644	79.8	70.1
109	Ministry of Transport and Infrastructure	22,777,574,566	23,018,174,566	2,522,716,954	2,140,317,948	11,114,298,383	84.8	48.3
110	Ministry of Environment, Water and Natural Resources	12,631,278,995	13,433,561,952	8,487,403,713	8,484,713,502	8,593,139,490	100.0	64.0
111	Ministry of Land, Housing and Urban Development	4,131,349,644	4,656,072,817	4,118,408,067	3,710,306,258	4,051,011,767	90.1	87.0
112	Ministry of Information, Communication and Technology	2,355,646,803	2,160,862,218	2,156,862,218	2,156,862,218	2,137,782,020	100.0	98.9
113	Ministry of Sports, Culture and Arts	2,445,664,191	3,520,454,496	3,510,054,496	3,462,000,000	3,265,054,086	98.6	92.7
114	Ministry of Labour Social Security and Services	8,447,515,597	8,360,478,572	8,246,539,092	7,793,447,207	7,592,746,294	94.5	90.8
115	Ministry of Energy and Petroleum	2,400,353,594	2,354,798,236	2,098,798,236	2,096,000,000	1,747,654,853	99.9	74.2
116	Ministry of Agriculture, Livestock and Fisheries	10,890,891,117	12,684,907,724	12,113,407,724	12,033,750,869	10,330,059,340	99.3	81.4
117	Ministry of Industrialisation and Enterprise	2,759,649,528	3,235,251,317	2,804,154,229	2,762,050,414	2,500,423,612	98.5	77.3
118	Ministry of East African Affairs, Commerce and Tourism	5,181,792,595	4,772,163,245	4,717,063,245	4,489,753,062	4,531,303,761	95.2	95.0
119	Ministry of Mining	568,906,061	702,072,034	688,572,034	452,000,000	483,069,845	65.6	68.8
120	Office of the Attorney General and Department of Justice	2,139,804,299	2,712,804,299	2,592,204,299	2,475,000,000	2,446,259,086	95.5	90.2

Vote Title	Vote	Gross Estimates FY 2013/14	Revised Gross Estimates FY 2013/14	Revised net estimates FY 2013/14	Exchequer Issues	Expenditure	% Exch. Issues to Net Est.	% Exp to G. Est.
121	The Judiciary	11,877,299,342	11,215,299,342	11,215,299,342	10,995,000,000	10,621,213,543	98.0	94.7
122	Ethics and Anti-Corruption Commission	1,045,066,500	1,245,066,500	1,234,066,500	1,130,000,000	1,146,553,776	91.6	92.1
123	National Intelligence Service	13,980,000,000	15,686,800,000	15,686,800,000	15,686,800,000	15,686,800,000	100.0	100.0
124	Directorate of Public Prosecutions	1,388,402,397	1,214,222,397	1,214,222,397	1,110,000,000	912,069,411	91.4	75.1
125	Commission for the Implementation of the Constitution	322,531,650	422,531,650	422,531,650	421,758,080	417,908,850	99.8	98.9
126	Registrar of Political Parties	329,726,897	324,726,897	324,726,897	320,000,000	309,176,820	98.5	95.2
127	Witness Protection Authority	193,808,999	202,808,999	202,808,999	198,000,000	198,530,531	97.6	97.9
201	Kenya National Commission of Human Rights	238,527,589	263,624,006	263,624,006	263,624,006	263,180,549	100.0	99.8
202	National Land Commission	-	606,087,857	606,087,857	605,745,800	525,093,104	99.9	86.6
203	Independent Electoral and Boundaries Commission	3,132,606,759	4,964,872,916	4,954,872,916	4,950,000,000	3,943,406,759	99.9	79.4
204	Parliamentary Service Commission	16,569,000,000	22,349,000,000	22,345,000,000	22,345,000,000	20,497,141,346	100.0	91.7
205	Judicial Service Commission	473,804,034	435,804,034	435,804,034	236,000,000	232,343,629	54.2	53.3
206	Commission on Revenue Allocation	294,637,054	267,637,054	266,437,054	266,437,054	278,941,000	100.0	104.2
207	Public Service Commission	717,750,033	672,744,115	664,744,115	664,744,115	664,655,575	100.0	98.8
208	Salaries and Remuneration Commission	346,861,703	506,674,066	506,574,066	295,000,000	419,485,205	58.2	82.8
209	Teachers Service Commission	148,612,870,015	166,539,036,232	166,419,036,232	165,619,000,000	154,778,098,039	99.5	92.9
210	National Police Service Commission	222,997,214	332,924,654	332,924,654	322,000,000	320,857,931	96.7	96.4
211	Auditor General	2,180,505,700	2,760,842,279	2,650,842,279	2,410,000,000	2,359,258,938	90.9	85.5
212	Controller of Budget	402,552,069	371,477,789	371,477,789	370,000,000	306,748,296	99.6	82.6
213	Commission on Administrative Justice	274,340,827	297,340,827	297,340,827	297,300,000	284,167,414	100.0	95.6
214	National Gender and Equality Commission	194,025,586	234,025,586	234,025,586	224,000,000	233,955,990	95.7	100.0
215	Independent Police Oversight Authority	153,871,168	279,687,996	279,687,996	247,980,000	220,599,048	88.7	78.9
	Total	610,585,267,013	672,615,312,265	619,446,527,912	603,650,585,437	587,126,693,719	97.4	87.3

ANNEX II: MDAs Development Expenditure (Kshs.)

Vote	Gross Estimates FY 2013/14	Revised Gross Estimates FY 2013/14	Net Estimates FY 2013/14	Exchequer Issues FY 2013/14	Expenditure FY 2013/14	% of Exch. Issues to Net Est	% Exp to Rev.G Est
The Presidency	1,165,520,000	1,551,520,000	1,529,520,000	1,480,000,000	1,521,768,073	96.8	98.1
Ministry of Interior and Coordination of National Government	7,661,245,473	6,500,426,570	6,349,426,570	6,077,718,540	4,533,427,443	95.7	69.7
Ministry of Devolution and Planning	61,508,967,720	59,852,265,772	44,512,327,303	42,893,437,790	43,378,180,916	96.4	72.5
Ministry of Foreign Affairs	268,513,852	291,513,852	291,513,852	251,010,000	120,333,222	86.1	41.3
Ministry of Education, Science and Technology	30,414,718,477	23,425,998,960	16,024,960,483	6,571,399,275	13,793,666,165	41.0	58.9
The National Treasury	33,433,153,282	28,526,129,329	14,175,645,013	10,045,120,105	12,069,453,299	70.9	42.3
Ministry of Health	15,893,355,964	18,038,125,228	14,430,468,458	13,871,441,931	11,224,566,686	96.1	62.2
Ministry of Transport and Infrastructure	102,428,482,590	120,670,307,590	63,153,111,186	45,711,186,315	59,676,534,060	72.4	49.5
Ministry of Environment, Water and Natural Resources	43,356,454,896	39,062,613,237	21,254,891,354	20,314,861,449	20,148,316,378	95.6	51.6
Ministry of Land, Housing and Urban Development	11,823,137,537	15,163,947,861	13,768,721,761	8,227,728,295	9,946,602,842	59.8	65.6
Ministry of Information, Communication and Technology	9,133,725,058	8,438,083,636	4,505,371,354	4,474,799,453	4,536,592,257	99.3	53.8
Ministry of Sports, Culture and Arts	876,672,280	921,434,280	905,441,610	865,000,000	850,264,167	95.5	92.3

Vote	Gross Estimates FY 2013/14	Revised Gross Estimates FY 2013/14	Net Estimates FY 2013/14	Exchequer Issues FY 2013/14	Expenditure FY 2013/14	% of Exch. Issues to Net Est	% Exp to Rev.G Est
Ministry of Labour Social Security and Services	8,772,983,451	7,853,598,863	7,171,748,863	5,114,201,090	4,263,219,741	71.3	54.3
Ministry of Energy and Petroleum	77,436,165,122	87,512,488,936	26,439,020,314	22,900,986,031	21,719,226,355	86.6	24.8
Ministry of Agriculture, Livestock and Fisheries	26,498,010,603	32,628,442,347	28,672,035,899	24,790,256,865	24,140,797,266	86.5	74.0
Ministry of Industrialisation and Enterprise	3,709,784,403	3,395,558,403	3,245,969,403	3,218,742,000	3,067,889,208	99.2	90.4
Ministry of East African Affairs, Commerce and Tourism	1,278,953,370	1,440,252,966	1,335,152,966	1,317,000,000	1,288,897,626	98.6	89.5
Ministry of Mining	576,911,000	712,911,000	712,911,000	543,150,000	611,211,809	76.2	85.7
Office of the Attorney General and Department of Justice	608,256,430	716,668,730	358,308,300	324,412,300	322,059,033	90.5	44.9
The Judiciary	5,950,000,000	2,911,297,500	2,696,297,500	1,686,156,260	1,411,823,342	62.5	48.5
Directorate of Public Prosecutions	137,000,000	87,000,000	87,000,000	46,000,000	11,096,618	52.9	12.8
Independent Electoral and Boundaries Commission	477,690,120	477,690,120	63,200,000	63,000,000	62,300,432	99.7	13.0
Parliamentary Service Commission	2,435,000,000	2,705,000,000	2,705,000,000	2,186,000,000	1,708,041,571	80.8	63.1
Public Service Commission	290,000,000	207,000,000	207,000,000	207,000,000	206,074,573	100.0	99.6
Auditor General	500,000,000	525,000,000	525,000,000	525,000,000	525,000,000	100.0	100.0
Total	446,688,701,628	463,615,275,180	275,120,043,189	223,705,607,699	241,137,343,082	81.3	52.0

ANNEX III: Sectoral Expenditure-Recurrent (Kshs.)

Name of the Sector	Gross Estimates FY 2013/14	Revised Gross Estimates FY 2013/14	Revised net estimates FY 2013/14	Exchequer Issues	Expenditure	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	15,022,240,761	17,947,068,398	16,837,903,648	16,349,802,927	14,906,164,211	97.1	83.1
Energy, Infrastructure and ICT	27,533,574,963	27,533,835,020	6,778,377,408	6,393,180,166	14,999,735,257	94.3	54.5
General Economics and Commercial Affairs (GECLA)	7,941,442,123	8,007,414,562	7,521,217,474	7,251,803,477	7,031,727,373	96.4	87.8
Health	20,324,743,113	23,706,391,450	19,844,514,973	15,834,237,523	16,611,039,644	79.8	70.1
Education	245,827,732,608	267,147,514,676	247,212,314,676	245,434,000,000	233,686,867,043	99.3	87.5
Governance, Justice, Law and Order (GJLOS)	111,263,615,093	121,641,912,788	121,136,312,788	120,319,477,626	109,929,022,137	99.3	90.4
Public Administration and International Relations	73,855,382,587	86,809,360,814	85,378,070,107	81,994,123,009	76,253,487,305	96.0	87.8
National Security	84,723,170,921	93,805,247,503	93,805,247,503	89,881,800,000	93,774,641,035	95.8	100.0
Social Protection, Culture and Recreation	10,893,179,788	11,880,933,068	11,756,593,588	11,255,447,207	10,857,800,380	95.7	91.4
Environment Protection, Water and Natural Resources	13,200,185,056	14,135,633,986	9,175,975,747	8,936,713,502	9,076,209,335	97.4	64.2
Total	610,585,267,013	672,615,312,265	619,446,527,912	603,650,585,437	587,126,693,719	97.4	83.1

ANNEX IV: Sectoral Expenditure-Development (Kshs.)

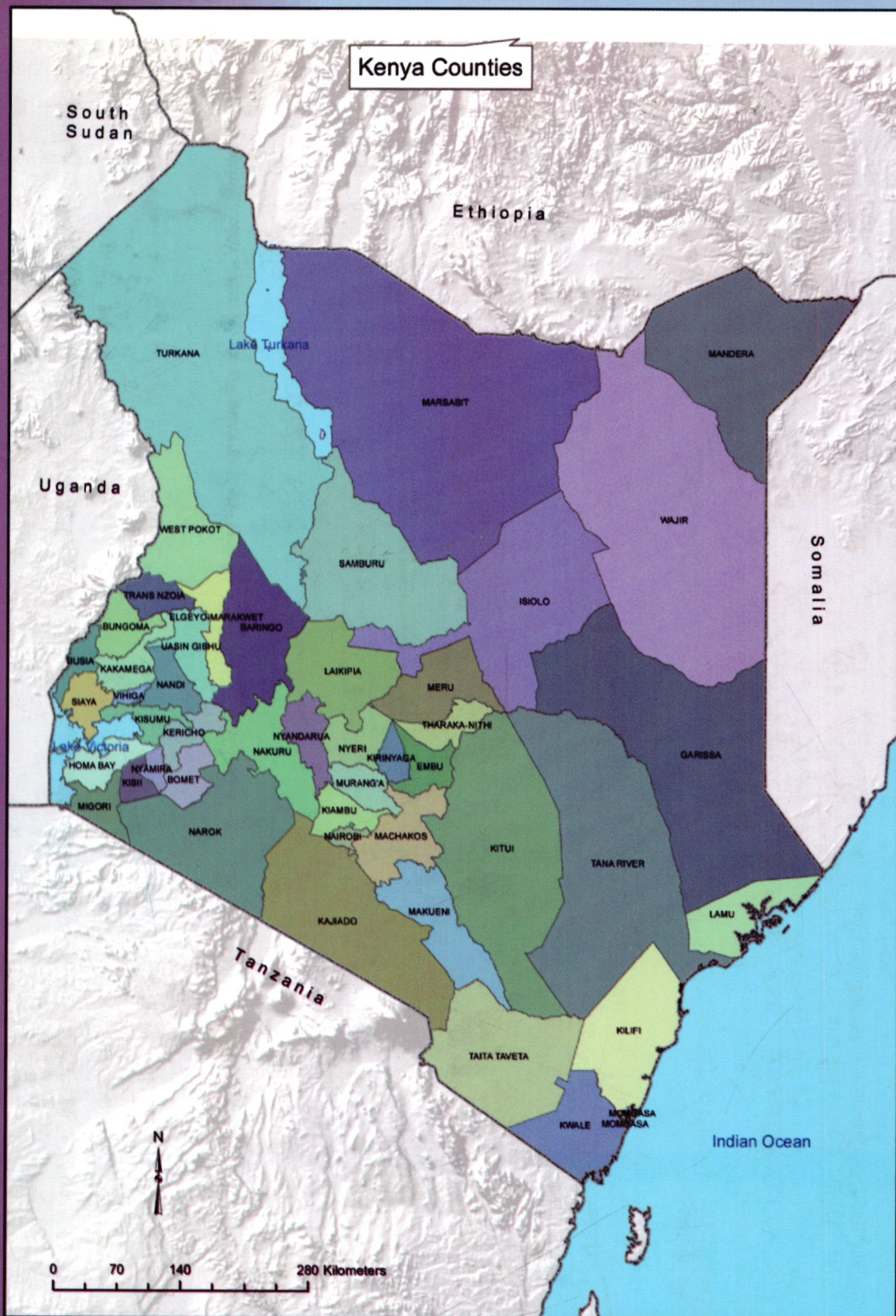
Name of the Sector	Gross Estimates FY 2013/14	Revised Estimates FY 2013/14	Gross	Revised net estimates FY 2013/14	Exchequer Issues	Expenditure	% Exch. Issues to Net Est.	% Exp to G. Est.
Agriculture, Rural and Urban Development	38,321,148,140	47,792,390,208		42,440,757,660	33,017,985,160	34,087,400,108	77.8	71.3
Energy, Infrastructure and ICT	188,998,372,770	216,620,880,162		94,097,502,854	73,086,971,799	85,932,352,672	77.7	39.7
General Economics and Commercial Affairs (GECLA)	4,988,737,773	4,835,811,369		4,581,122,369	4,535,742,000	4,356,786,834	99.0	90.1
Health	15,893,355,964	18,038,125,228		14,430,468,458	13,871,441,931	11,224,566,686	96.1	62.2
Education	30,414,718,477	23,425,998,960		16,024,960,483	6,571,399,275	13,793,666,165	41.0	58.9
Governance, Justice, Law and Order (GJLOS)	14,410,501,903	10,215,392,800		9,491,032,370	8,134,287,100	6,278,406,436	85.7	61.5
Public Administration and International Relations	100,078,844,974	94,136,119,073		64,009,206,168	57,650,567,895	59,591,152,086	90.1	63.3
Social Protection, Culture and Recreation	9,649,655,731	8,775,033,143		8,077,190,473	5,979,201,090	5,113,483,908	74.0	58.3
Environment Protection, Water and Natural Resources	43,933,365,896	39,775,524,237		21,967,802,354	20,858,011,449	20,759,528,187	94.9	52.2
Total	446,688,701,628	463,615,275,180		275,120,043,189	223,705,607,699	241,137,343,082	81.3	52.0

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