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**REPUBLIC OF KENYA
KENYA NATIONAL ASSEMBLY
TENTH PARLIAMENT – THIRD SESSION**

REPORT
OF THE
DEPARTMENTAL COMMITTEE
ON FINANCE, PLANNING & TRADE
ON
SCRUTINY OF 2009/2010 ANNUAL
ESTIMATES FOR THE LINE MINISTRIES



- (i) Ministry Planning, National Development & Vision 2030 – Vote 06
- (ii) Office of the Deputy Prime Minister & Ministry of Finance – Vote 07
- (iii) Ministry of Trade – Vote 16
- (iv) Ministry of Tourism – Vote 46
- (v) Ministry of Industrialization – Vote 60

**Clerk's Chambers
Parliament Buildings
NAIROBI**

July, 2009

1.0 PREFACE

Hon. Speaker Sir,

On behalf of the Departmental Committee No. "F" on Finance, Planning, Trade & Tourism and pursuant to the provisions of Standing Order No. 152 (2), it is my pleasure and duty to present to the House, the Committee's Report on the examination of the 2009/2010 Financial Estimates for the line Ministries: Vote 06, 07, 16, 46 & 60. The 2009/2010 Financial Estimates were laid in the House on 10th June, 2009 and committed to the respective Departmental Committees for examination pursuant to Standing Order No. 152(1).

The Finance, Planning & Trade Committee is one of the Departmental Committees established under Standing Order No. 198 whose functions are:-

- (i) To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and Departments;
- (ii) To study the programme and policy objectives of the Ministries and Departments and the effectiveness for the implementation;
- (iii) To study and review all legislation referred to it;
- (iv) To study, assess and analyse the relative success of the Ministries and Departments as measured by the results obtained as compared with their stated objectives;
- (v) To investigate and inquire into all matters relating to the assigned Ministries and Departments as they may deem necessary and as may be referred to them by the House or a Minister; and
- (vi) To make reports and recommendations to the House as often as possible including recommendations of proposed legislation.

The subjects falling within the purview of the Committee are:-

- ◆ Public Finance, Banking and Insurance;

- ◆ Population and National Development;
- ◆ Trade, Tourism promotion and management;
- ◆ Commerce and Industry.

The Committee's line Ministries are:-

- (i) Office of the Deputy Prime Minister & Ministry Finance
- (ii) Ministry of Planning, National Development & Vision 2030
- (iii) Ministry of Industrialization
- (iv) Ministry of Tourism
- (v) Ministry of Trade

The Committee membership comprise of the following:-

The Hon. Chrysanthus Okemo, MP - **(Chairman)**

The Hon. (Prof.) Philip Kaloki, MP - **(Vice Chairman)**

The Hon. Jakoyo Midiwo, MGH, MP

The Hon. Musikari Kombo, MP

The Hon. Lucas Chepkitony, MP

The Hon. Lenny M. Kivuti, MP

The Hon. Nelson Gaichuhie, MP

The Hon. Ntoitha M'Mithiaru, MP

The Hon. Shakeel Ahmed Shabbir, MP

The Hon. Nkoidila Ole Lankas, MP

The Hon. Sammy Mwaita, MP

2.0 MINISTRY OF PLANNING, NATIONAL DEVELOPMENT & VISION 2030 – VOTE 06

RESOURCE ALLOCATION SUMMARY

Recurrent Expenditure	-	Kshs. 6, 301,035,000/-
Development Expenditure	-	Kshs.14, 361,500,180/-

MANDATE

The Ministry of Planning, National Development and Vision 2030 plays a key and strategic role in the overall structure of government and administration in Kenya. The Ministry's mandate is to facilitate and coordinate the national development planning process and to provide

leadership in national economic policy management. The main functions include the following:-

- ◆ The coordination of government economic policies, including regional and international cooperation policies;
- ◆ The coordination and preparation of the planning components of the Budget;
- ◆ The provision of leadership and coordination in the preparation of the main National Strategic Papers such as Economic Recovery Strategy (ERS), Vision 2030 and Medium Term Plans;
- ◆ The coordination and management of population, economic and national statistical services within the government;
- ◆ The coordination and provision of leadership in the national Monitoring and Evaluation framework;
- ◆ The coordination of Constituencies Development Fund.

2.1 COMMITTEE'S OBSERVATIONS

- (i) There is apparent disconnect between the Ministry of Planning reports on project appraisals, public expenditure, poverty index etc and the budgetary allocation by the Ministry of Finance. The said reports are supposed to inform the Ministry of Finance on the budget.
- (ii) Inadequate budgetary allocation will pose a major challenge to the activities the Ministry is supposed to undertake this financial year especially on the Census project, which is scheduled for 24th and 25th August.
- (iii) The increased number of districts which are currently 254, require additional manpower at the district level in terms of officers and evaluators in order to meet the objectives set up in the vision 2030 Strategic Plan but this was not factored in this financial year's budget.
- (iv) Lack of vehicles to enhance monitoring and evaluation at the district level. New districts have been created without offices, equipment and vehicles hence no effective monitoring. The money requested for the

purchase of vehicles was not granted yet the donors have recalled their vehicles in the field.

- (v) No budgetary allocation for African Peer Review Mechanism (APRM). Kenya has been dependent on donor funding for APRM and the Ministry's budgetary request for Kshs 45m was not granted yet APRM is supposed to play a vital role under Agenda 4.

- (vi) Head 207 (R) - Rural Planning Directorate

The Directorate is charged with promotion of rural development through appropriate policies and projects that enhance capacity for growth. However, the decrease in budgetary allocation is not in line with the devolution process and indicates lack of seriousness in stimulus package. This is also ironical taking into account the formation of the new districts and an update on the status of various Development Plans in line with the newly created districts is of necessity.

- (vii) Head 220 (R)- Macro Economic Planning Directorate

There is apparent duplication of functions and overlaps between the Directorate and the Department of External Trade in the Ministry of Trade which could occasion both double budgetary allocation and membership payment.

- (viii) Head 211 (D) - Vision 2030

Out of the total allocation of Kshs 55m to the Vision 2030 Delivery Commission, Kshs 54m is expected to be funding by UNDP. Operationalization of the Vision 2030 by the Delivery Secretariat is going to be a serious challenge since the Ministry requested for Kshs 750m and only received Kshs 128m hence a major shortfall. The Ministry should not heavily rely on external funding for a Commission that is intended to make the country emerge as a prosperous modern nation.

2.2 COMMITTEE'S RECOMMENDATIONS

(i) Inadequate funding for Census

The Treasury should have given priority to Census project in budgetary allocation since the project has been planned and the dates fixed for August. Therefore, the Treasury should urgently provide additional Kshs 2 billion required to enable the Ministry proceed with the process to its logical conclusion.

(ii) Localizing Millenium Development Goals

The selection of the 26 pilot districts appears skewed and not representative. Given that the MDGs are time-bound, the Ministry should now embark on covering the other districts to ensure that all districts are on board so that there is equitable development in the country.

(iii) Planning Model

The Ministry has been using the district as a Planning Unit which now appears elastic and uncertain given the trend of creating new districts recently. Therefore, the Ministry should now focus on the Constituency as a Planning Unit.

3.0 OFFICE OF THE DEPUTY PRIME MINISTER AND MINISTRY OF FINANCE - VOTE 07

RESOURCE ALLOCATION SUMMARY

Recurrent Expenditure	-	Kshs. 20,104,040,100/-
Development Expenditure	-	Kshs. 22,381,840,940/-

MANDATE

- ◆ The Ministry of Finance coordinates all government financial operations and implements the economic, fiscal and monetary policies in the country. The Ministry is therefore charged with the responsibility of preparing the budget, facilitating disbursements from the Consolidated Fund and monitoring the implementation of the budget in line with government policy.

- ◆ The vote for the Ministry also includes contingency for emergencies such as drought reserve. The Ministry is also holding huge allocations in trust for line ministries awaiting policy formulation. Therefore, the vote is used as a Clearing-House for funds awaiting delineation to various parastatals and government bodies.

3.1 COMMITTEE'S OBSERVATIONS

(i) Pensions

The department is not processing the payment of pensions and other benefits within the stipulated period as required by law. The department should ensure that officers are notified before retiring of the documents required to be submitted in order to expedite the process.

(ii) Economic Stimulus package

The Minister should involve Members of Parliament for their input when formulating the policy guidelines for the disbursement of funds through the line ministries to all the constituencies. Uniform amounts per constituency not justified when CDF allocation criteria could be used to ensure equity.

(iii) Reforms – promotion of investments

The Minister should educate the public by advertising all the abolished trading licenses as part of the reforms being undertaken to create enabling environment for investments and economic development.

(iv) De La Rue Company

The Committee noted with concern that the Government intends to acquire equity in the private Company yet the Company's equipment is not capable of producing new currency generation notes and is still subject of Parliamentary inquiry whose report is yet to be tabled and discussed in Parliament.

(v) Privatization

The Cabinet has approved the Privatization programme but the matter has not been brought before the relevant Departmental Committee on Finance to discuss the privatization programme as required by law. So far, Parliament is totally in the dark save for press reports which appear from time to time.

3.2 COMMITTEE'S RECOMMENDATIONS

Civil Contingency Fund

The Minister should ensure that the funds are used for intended purposes and not mismanaged.

4.0 MINISTRY OF TRADE - VOTE 16

RESOURCE ALLOCATION SUMMARY

Recurrent Expenditure	-	Kshs. 1,590,505,180/-
Development Expenditure	-	Kshs. 688,410,000/-

MANDATE

The Ministry of Trade is responsible for the promotion of trade domestically, regionally and internationally through creation of an enabling business and investment environment. The Trade sector plays a crucial role towards attainment of national development objectives particularly as envisaged in the Vision 2030. In addition, realization of the Millenium Development Goals, one and eight, on eradication of Extreme Poverty and Developing Global Partnership for development through improved market access respectively.

KEY EXPECTED OUTPUTS UNDER PROGRAMME 1 ON TRADE DEVELOPMENT FOR THE 2009/10 MTEF BUDGET:-

- ◆ 16% increase in value of domestic exports.
- ◆ Five bilateral trade agreements negotiated and signed.
- ◆ 3,040 Small and Medium Enterprises trained on business development services.
- ◆ Kshs 50million disbursed to traders through join loans board scheme.
- ◆ 240,000 weights & measures equipment verified
- ◆ 5% increased investment in EPZA.

4.1 COMMITTEE'S OBSERVATIONS

(i) Expected outputs

The Ministry should review its expected output targets under programme 1 on Trade & Development for the 2009/10 MTEF to be more realistic in line with the current budgetary allocation.

(ii) Contractual obligations

The Ministry owes substantial amounts to COMESA, PTA Bank and other organizations in respect of membership and subscription fees. The Treasury should have given such budgetary allocation priority so as to maintain the country's image and integrity.

(iii) Counterpart funding

There should be adequate provision for counterpart funding to enable the Ministry to access European Union grants and any other grants to the government.

4.2 COMMITTEE'S RECOMENDATIONS

Head 745 (D) – Trade Development Services

There is lack of information in the public domain regarding the Joint Loans Board Scheme. Therefore, Ministry should as a matter of policy create awareness on the scheme to open it up for potential traders to benefit and also make the selection process more transparent. The allocation of Kshs 40 million for the scheme is very little to have any impact and the Treasury should have increased the amount as part of the stimulus package.

5.0 MINISTRY OF TOURISM - VOTE 46

RESOURCE ALLOCATION SUMMARY

Recurrent Expenditure	-	Kshs. 1,604,252,100/-
Development Expenditure	-	Kshs. 1,269,000,000/-

MANDATE

The Ministry of Tourism has the mandate to formulate appropriate tourism policies, promotion, marketing, research and ensuring sustainability of the tourism industry. This is a key ministry in the attainment of the Vision 2030 and flagship projects have been identified for this sub-sector.

KEY EXPECTED OUTPUTS UNDER PROGRAMME 6 ON TOURISM DEVELOPMENT AND MARKETING FOR THE 2009/10 MTEF BUDGET:

- ◆ Participation in 16 international tourism exhibitions and shows to market Kenya as a preferred destination.
- ◆ Develop a data base for all tourists' arrivals and facilities.
- ◆ Collect Kshs 938 million as hospitality industry levies.
- ◆ Develop a National Strategy and Action Plan on youth tourism.
- ◆ Construct one beach operators market.
- ◆ Train 750 graduates and hold 1,600 in-service training courses on tourism.
- ◆ Construct a state of the art Cultural Centre at Bomas.
- ◆ Inspect 150 institutions offering training in hospitality and 1,650 Hotels and restaurants.

5.1 COMMITTEE'S OBSERVATIONS

- (i) There is reduction in grants for tourism promotion and marketing which is inconsistent with the Ministry's objective and Vision 2030.
- (ii) There is undisclosed Appropriation In Aid (A.I.A) in the Estimates under KICC, Kenya Utalii Hotel & College which collect A.I.A in the form of rent and fees.
- (iii) Branding Kenya initiative is under Ministry of Information as opposed to being under the Ministry of Tourism to be in tandem with tourism promotion and marketing under the latter.
- (iv) The Ministry has various tourism institutions without clear distinction on their roles and functions hence apparent duplication and overlaps. E.g. Kenya Tourism Development Corporation, Kenya Tourism Board, Domestic Travel Services etc.
- (v) The country is losing a substantial amount of funds on tourism value through paid up tourist packages in the countries of origin. The ministry should therefore come up with a new policy that ensures that there is maximum gain on tourism products consumed by the

tourist locally and the portion retained in the countries of origin is minimized.

5.2 COMMITTEE'S RECOMENDATIONS

- (i) The Ministry is not promoting domestic tourism aggressively. Therefore, there is need for a deliberate move to have a strategy for domestic tourism promotion and development by giving incentives like low rates as there is huge potential. The Ministry can get the volumes from local tourist due to low rates.
- (ii) The Ministry should renovate the restaurant at the top of KICC or partner with the private investors by giving moratorium on rent as incentive since such trendy panoramic restaurants are popular with tourists' worldwide for aerial view of the city.
- (iii) The Ministry should in collaboration with the Kenya Airports Authority expand the departure and arrival facilities at the airport to ease congestion.
- (iv) The Ministry should promote unconventional tourism and other circuits. E.g. the Western circuit which has interesting phenomenon like Bull fighting activity and caves in the Rift Valley.

6.0 MINISTRY OF INDUSTRIALIZATION - VOTE 60

RESOURCE ALLOCATION SUMMARY

Recurrent Expenditure	-	Kshs. 1,099,000,000/-
Development Expenditure	-	Kshs. 1,475,970,000/-

MANDATE

The mandate of the Ministry is to provide a policy framework and enabling environment for industrialization in Kenya by formulating and implementing industrial development policies and strategies.

6.1 COMMITTEE'S OBSERVATIONS

(i) Inadequate budgetary allocation

Out of the proposed budgetary allocation of Kshs 14.6 billion, the Ministry was only allocated Kshs 2.8 billion. Therefore, some of the programmes and activities in the strategic plan will not be realized


- (iv) The Ministry should invest more on agro-machinery since about 80% of the agro-machinery imported could be produced locally.

7.0 CONCLUSION

The Committee observed that there appears to be a disconnect between various government ministries doing related activities. Therefore, Committee recommends that there should be more harmonization and co-ordination between the ministries to avoid overlaps, duplication and omissions.

Mr. Speaker Sir, May I take this opportunity to thank all Members of the Committee for their input and valuable contributions during the deliberations.

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Hon. Chrysanthus Okemo, MP
Chairman

Departmental Committee on Finance, Planning, Trade & Tourism

Date 28/7/2009

MINUTES OF THE FOURTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON WEDNESDAY 8TH JULY, 2009 IN COMMITTEE ROOM NO. 9, MAIN PARLIAMENT BUILDINGS AT 10.00 A.M.

PRESENT:

The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**

The Hon. Nkoidila Ole Lankas, M.P.

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

The Hon. Nelson Gaichuhie, MP

The Hon. Shakeel Shabbir, M.P.

The Hon. Musikari Kombo, M.P.

The Hon. Ntoitha M'mithiaru, MP

The Hon. Lucas Chepkitony, M.P.

The Hon. Sammy Mwaita, M.P.

ABSENT WITH APOLOGY

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**

The Hon. Lenny M. Kivuti, M.P.

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

Florence Atenyo-Abonyo - First Clerk assistant/Committee Secretary

Fredrick Muthengi - Budget Officer

Martin Masinde - Budget Officer

Ann Kariuki - Parliamentary Intern

MIN. NO. 16/2009

BRIEFING ON THE FINANCIAL ESTIMATES BY THE BUDGET OFFICE

The Budget Office briefed the Committee on the following line ministries:-

1. Ministry of planning, National Dev. & Vision 2030 - Vote R06
2. Ministry of Industrialization - Vote R60

ISSUES TO BE CLARIFIED BY THE MINISTRY OF
PLANNING, NATIONAL DEVELOPMENT & VISION 2030

1. Recurrent Expenditure

(i) Head 527 – Headquarters & Administrative Services

There is an increased allocation from Kshs 328.72 m to Kshs 409.79m on account of current grants of Kshs 87m to Kenya Institute of Public Policy Research & Analysis (KIPPRA)

- ◆ Justification for the inclusion because the current grants is new despite the existence of KIPPRA. The Institute is also being allocated funds in other ministries yet it falls solely under the Planning Ministry.

(ii) Head 211 – Vision 2030

The current grants to Vision 2030 Delivery Commission is Kshs 68m and is projected to increase to Kshs 128m and Kshs 400 m for the outer years.

- ◆ Justification for the allocation to double in the first year and tripling in the outer years to the Commission which is just a coordinating unit.

(iii) Head 218 – Poverty Eradication Commission

– Noticeable increase on two sub-items: Hospitality Supplies & Services and Domestic travel.

- ◆ Justification for the sudden increase by over 145% since the institution has been in existence. The relevance of the Commission should be evaluated due to lack of tangible achievements.

(iv) Head 220 - Macro Economic Planning Directorate

Allocation of Kshs 45m for membership payment and an apparent duplication and overlaps of programs by

both the Planning and Trade ministries which could occasion double payment of membership like in the case of ACP/EU.

◆ Clarification on the membership organizations.

(v) 222 – District Development Services

The projection for the outer years from Kshs 281.7 m to Kshs 314.2 m is not realistic with almost every item doubling. It is also not prudent since the current budget has been decentralized to target constituencies as opposed to districts.

◆ Explanation on the formula being applied.

(vi) Head 242 – National Coordinating Agency for Population & Development

◆ Clarification on when the Agency was last audited.

2. Development Expenditure

(i) Head 527 – Headquarters & Administrative Services

Clarification on ordinary revenue from CDF 2.5% perspective. The possibility of factoring in past CDF shortfalls as arrears.

(ii) Head 207 – Rural Planning Directorate

The subheads include the following:-

- (a) Community Development Programme with an allocation of Kshs 320.16m compared to Kshs 518.6m in FY 2008/09.

Clarification on the criterion to be used on Kshs 320.16m and details of the beneficiaries of Kshs 518.6m.

- (b) Special Environmental Management Programme with external funding of Kshs 393.26 as grants to government agencies.

Clarification on the criterion to be used and details of the government agencies.

(c) Community Empowerment & Institutional Support of Kshs 357.85.

Clarification on the following:-

- ◆ Justification for separate Heads (R249 & D207) with similar functions of research & feasibility studies and why not under KIPPRA or the line Ministry of Agriculture for related services.
- ◆ What is expected to be achieved by this project given that the funding on this new Head is financing recurrent type of expenses like research & feasibility studies etc.

(d) South Nyanza project Management with allocation of Kshs 286.83m.

Clarification on the real impact of this project since it is a loan yet it is financing recurrent type of expenditure.

(iii) Head 218 – Poverty Eradication Commission

Capital grants of Kshs 100m to the Commission for advocacy and coordinating national campaigns against poverty.

- ◆ Justification for the allocation given that there are no tangible achievements by the Commission in eradicating poverty.

(iv) Head 249 – Monitoring & Evaluation Directorate

An allocation of Kshs 10m is earmarked for research, feasibility studies, project preparation & design, and project supervision.

- ◆ Justification for the allocation under Development Expenditure since Kshs 74m has also been allocated

for the same in Recurrent Expenditure under Head 249.

(v) Head 614 – Central Kenya Dry Areas Small-holders & Community Service Project

Allocation of Kshs 628.09 for the project with the bulk of the money for construction & civil works and training expenses.

- ◆ Justification for establishing the kind of construction & civil works and their spatial coverage within the targeted areas. The need for integration of the works with other sectors.

(vi) Head 758 – MDGs Implementation Unit

Capital grants of Kshs 100m to the Commission for advocacy and coordinating national campaigns against poverty. Allocation of Kshs 26.9m for current transfers, grants and subsidies. An allocation of Kshs 50m for constructions & civil Works, research and feasibility studies.

- ◆ Details of the institutions being given subsidies and why the current transfers are not under the Recurrent Expenditure. The Constructions & civil works being undertaken and why.

(vii) Head 214 – Kenya Bureau of Statistics

There is decrease in budgetary allocation yet this is a census year.

- ◆ Explanation on the economic rationale.

MIN. NO. 18/2009

ISSUES TO BE CLARIFIED BY THE MINISTRY OF INDUSTRIALIZATION

1. Recurrent Expenditure

(i) Head 227 – Headquarters & Administrative Services

- ◆ Justification for the undisclosed Appropriation In Aid (A.I.A) and for the allocation of Kshs 100m to Anti-Counterfeiting Agency which is not a Department.

(ii) Head 644 – Kenya Industrial Research Development Institute (KIRDI)

The Institute's achievements and justification for its existence and increased allocation to Kshs 290m.

(ii) Head 102 – Numerical Machine Complex

The achievements and justification for the allocation of Kshs 50m.

(ii) Head 788 – Kenya Bureau of Standards

Justification for the constant allocation to Kshs 50m.

2. Development Expenditure

(i) Head 227 – Headquarters & Administrative Services

Clarification on the economic stimulus package for the constituencies.

(ii) Head 792 – Directorate of Industries

Net allocation has increased from Kshs 47428m to Kshs 586.47m.

- ◆ Justification for domestic travel which is recurrent in nature, being under Development Expenditure.

MIN. NO. 19/2009

COMMITTEE'S OBSERVATIONS

1. Ministry of Planning, National Development & Vision 2030

- (i) There is apparent disconnect between the Ministry of Planning reports on project appraisals, public expenditure, poverty index etc and the budgetary allocation by the Ministry of Finance. The said reports are supposed to inform the Ministry of Finance on the budget.

- (ii) The District Steering Groups appears to be very active on the ground compared to the District Development Committees (DDCs) but the legal status is not clear. There is also the relevance of the DDCs vis-avis the Constituencies Development Committees.
- (iii) The Ministry of Planning appears to use the district as a planning unit as opposed to the Ministry of Finance basis of Constituency.
- (iv) Head 207 (R) - Rural Planning Directorate
The Directorate is charged with promotion of rural development through appropriate policies and projects that enhance capacity for growth. However, the decrease in budgetary allocation is not in line with the devolution process and indicates lack of seriousness in stimulus package. This is also ironical taking into account the formation of the new districts and an update on the status of various Development Plans in line with the newly created districts is of necessity.
- (v) Head 218 (R) – Poverty Eradication Commission
The Commission has not made tangible achievements or impact on eradicating poverty and therefore, there is no justification for its continued existence and – budgetary allocation.
- (vi) Head 220 (R)– Macro Economic Planning Directorate
There is apparent duplication of functions and overlaps between the Directorate and the Department of External Trade in the Ministry of Trade which could occasion both double budgetary allocation and membership payment.

(vii) Head 527 (D) – Headquarters & Administrative Services
Whereas an Allocation of Kshs 12.3 billion is earmarked for CDF, Kenya Revenue Authority is projected to collect Kshs 522.3 billion as ordinary revenue and therefore the CDF allocation falls short of the statutory requirement of 2.5% of the ordinary revenue.

(viii) Head 211 (D) – Vision 2030
Out of the total allocation of Kshs 55m to the Vision 2030 Delivery Commission, Kshs 54m is expected to be funding by UNDP. The Ministry should not heavily rely on external funding for a Commission that is intended to make the country emerge as a prosperous modern nation.

2. Ministry of Industrialization

The major challenges facing the Ministry include the following:-

- ◆ Language and insecurity pose barriers to trade
- ◆ Low productivity, Standards and counterfeiting
- ◆ Need to label and secure goods, which has increased the cost of doing business
- ◆ Low innovation and uptake of research findings by the Ministry
- ◆ Inadequate supply of industrial inputs
- ◆ Low funding for Research and Development
- ◆ WTO agreements vis-avis bilateral arrangements
- ◆ Economic Partnership Agreements and ratification Regional Treaties.

MIN. NO. 20/2009

COMMITTEE'S RECOMMENDATIONS

Ministry of Planning, National Development & Vision 2030

(i) Head 218 – Poverty Eradication Commission

The Commission should be abolished and its functions undertaken by the Vision 2030 Delivery Commission.

(ii) Head 220 – Macro Economic Planning Directorate

There is need to build synergy and harmonize the functions of the Directorate and that of the Department of External Trade under the Ministry of Trade to avoid duplication and overlaps of functions.

(iii) Head 211 – Vision 2030

There is need for heavy GOK funding to Vision 2030 Delivery Commission as opposed to external funding for the country to realize Vision 2030.

MIN. NO. 21/2009

PROPOSED MEETINGS

The Committee resolved to invite the following for a meeting at a later to deliberate on their roles, mandate, objectives and achievements.

- (i) Kenya Institute of Public Policy Research & Analysis
- (ii) Poverty Eradication Commission

MIN. NO. 22/2009

ADJOURNMENT

The Vice-Chairman adjourned the meeting at One O'clock until Tuesday 14th July, 2009 at 10.00 a.m.

Signed

(Chairman)

Date 22/7/2009

MINUTES OF THE FIFTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON TUESDAY 14TH JULY, 2009 IN MAIN CONFERENCE ROOM, COUNTY HALL BUILDING AT 10.00 A.M.

PRESENT:

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**
The Hon. Jakoyo Midiwo, MGH, M.P.
The Hon. Nelson Gaichuhie, MP
The Hon. Shakeel Shabbir, M.P.
The Hon. Lucas Chepkitony, M.P.
The Hon. Sammy Mwaita, M.P.

ABSENT WITH APOLOGY

The Hon. Musikari Kombo, M.P.
The Hon. Ntoitha M'mithiaru, MP
The Hon. Lenny M. Kivuti, M.P.
The Hon. Nkoidila Ole Lankas, M.P.

IN ATTENDANCE:

MINISTRY OF INDUSTRIALIZATION

Hon. Ndiritu Muriithi, MP	-	Assistant Minister
Prof. John K. Lonyangapuo	-	Permanent Secretary
Mr. Lewell G. Njehia	-	Chief Industrial Development Officer
Mr. Boniface N. G. Mwaira	-	Chief Finance Officer
Mr. S. K. Karani	-	Budget Supply Officer, Treasury

KENYA NATIONAL ASSEMBLY

Florence Atenyo-Abonyo	-	First Clerk assistant/Committee Secretary
Fredrick Muthengi	-	Budget Officer
Martin Masinde	-	Budget Officer
Ann Kariuki	-	Parliamentary Intern

MIN. NO. 23/2009

DELIBERATION ON THE FINANCIAL ESTIMATES FOR THE MINISTRY OF INDUSTRIALIZATION - VOTE 60

The Committee was informed that:-

- (i) The Ministry had proposed a budgetary allocation of Kshs 14.619 billion to implement various programmes during the FY 2009/2010 but has only been allocated Kshs 2,892,470 billion.
- (ii) The strategic objective of the Ministry is to stimulate industrial technological activities that will enhance product value addition and diversification to ensure product competitiveness and create enabling environment for investment.
- (iii) The key areas to be funded by the allocation include:-
- ◆ Implementation of the National Industrial policies.
 - ◆ Promotion of strong public-private sector partnership.
 - ◆ Promotion, development, growth and graduation of Micro, Small & Medium Enterprises.
 - ◆ Enhance of collaborative research & development and linkage to industrial production.
 - ◆ Facilitation of industrial standards, promotion, innovation and protection of intellectual property rights.
 - ◆ Creation of industrial linkages and collaboration mechanism and attraction of foreign and local industrial investments.
- (iv) The Stimulus funds of Kshs 735 million will be utilized in 210 constituencies for construction and equipping industrial sheds at a cost of Kshs 2.5 million (total Kshs 525 million) and Kshs 1 million (total Kshs 210 million) respectively.

CHALLENGES FACING THE MINISTRY

The Committee was informed that the Ministry is faced with the following challenges:-

- (i) Inadequate budgetary allocation: Out of the proposed budgetary allocation of Kshs 14.6 billion, the Ministry was only allocated Kshs 2.8 billion. Therefore, some of the programmes and activities in the strategic plan will not be realized.
- (ii) Energy. Low energy output with the current supply at 10,000 megawatts compared to South Africa's 40,000. The high cost of energy and poor infrastructure is affecting investment and growth of small industries like Flower firms, which are opting to Sudan due to low cost of doing business.
- (iii) Water supply: Inadequate water supply has been affecting the operations of most of the industries and the current acute shortage has worsened the situation.
- (iv) Human Resources: Due to brain drain, skilled personnel especially in the fields of research, project evaluation and monitoring is wanting in some of the institutions under the Ministry.

COMMITTEE'S OBSERVATIONS

- (i) The country is not moving forward in terms of industrialization and the ministry has not been able to complete much of its laid out plans thus losing focus on the whole aspect of industrialization.

(ii) Head 102 – Numerical Machine Complex

The Complex is dormant and has not achieved its main objective of promoting industrial tooling and machining.

(iii) Head 644 – Kenya Industrial Research and Development Institute (KIRDI)

The Institute has not played its rightful role on promotion of industrial research & development, innovation and technology transfer. It is also not adequately funded.

MIN. NO. 26/2009

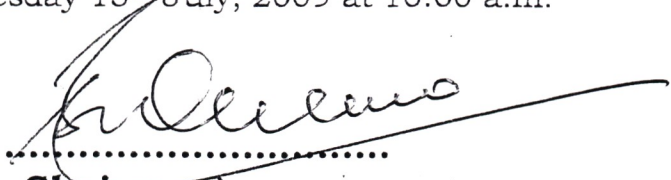
COMMITTEE'S RECOMMENDATIONS

- (i) The Ministry of Finance should make adequate budgetary provision for the Ministry of Industrialization to implement the programmes and activities aimed at stimulating industrial growth and development of small and medium Enterprises which will in turn create employment in a bid to achieve long term goals of vision 2030.
- (ii) There is need to increase power supply and to differentiate power tariffs for industrial use to reduce the cost of production and make the industries competitive in the global market.
- (iii) Kenya Industrial Research Development Institute should be placed under a University for it to flourish since students would utilize the facility for research.
- (iv) The Ministry should invest more on agro-machinery since about 80% of the agro-machinery imported could be produced locally.

ADJOURNMENT

The Chairman adjourned the meeting at One O'clock
until Wednesday 15th July, 2009 at 10.00 a.m.

Signed


Chairman)

Date.....

22/7/2009

MINUTES OF THE SIXTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON WEDNESDAY 15TH JULY, 2009 IN MAIN CONFERENCE ROOM, COUNTY HALL BUILDING AT 10.00 A.M.

PRESENT:

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**
The Hon. Jakoyo Midiwo, MGH, M.P.
The Hon. Musikari Kombo, M.P.
The Hon. Lenny M. Kivuti, M.P.
The Hon. Shakeel Shabbir, M.P.
The Hon. Ntoitha M'mithiaru, MP
The Hon. Lucas Chepkitony, M.P.
The Hon. Sammy Mwaita, M.P.

ABSENT WITH APOLOGY

The Hon. Nkoidila Ole Lankas, M.P.
The Hon. Nelson Gaichuhie, MP

IN ATTENDANCE

KENYA NATIONAL ASSEMBLY

Florence Atenyo-Abonyo -	First Clerk assistant/Committee Secretary
Fredrick Muthengi -	Budget Officer
Martin Masinde -	Budget Officer
Ann Kariuki -	Parliamentary Intern

MIN. NO. 28/2009

BRIEFING ON THE FINANCIAL ESTIMATES BY THE BUDGET OFFICE

The Budget Office briefed the Committee on the following line ministries:-

- (i) Ministry of Trade - Vote R16
- (ii) Ministry of Tourism - Vote R46

MIN. NO. 29/2009

ISSUES TO BE CLARIFIED BY THE MINISTRY OF TRADE

1. **GENERAL (BUDGET Vis-avis OBJECTIVES)**

The Ministry's road map to the achievement of the following key expected outputs under programme 1 on Trade Development for the 2009/10 MTEF Budget:-

- ◆ 16% increase in value of domestic exports.
- ◆ Five bilateral trade agreements negotiated and signed.
- ◆ 3,040 MSMEs trained on business development services.
- ◆ Kshs 50million disbursed to traders through joint loans board scheme.
- ◆ 240,000 weights & measures equipment verified
- ◆ 5% increased investment in EPZA.

2. **RECURRENT EXPENDITURE**

(i) **Head 530 - Headquarters & Administrative Services**

Sudden increase in the allocation for Hospitality Supplies & Services from Kshs 13m to Kshs 93m and other operating expenses from Kshs 7m to Kshs 61 m. Further, no allocation for Unit Coordination Services as opposed to allocation of Kshs 60m in the previous year.

- ◆ Justification for the sudden increase in such expenditures which is contrary to the government policy to cut back on expenses this financial year and the shift to no allocation to the Coordination Unit.

(ii) **Head 539 - Regional Integration**

Increase in allocations for membership fee from Kshs 60m to Kshs 70m.

- ◆ Details of the international organization that the Ministry is paying subscription fee.

(iii) Head 737 – Export Promotion Council

Current grants to government agencies is Kshs 119 m.

- ◆ What are the deliverables or achievements of the Council?

(iv) Head 796 – Export Processing Zone Authority

Constant allocation at Kshs 245m.

- ◆ What are the deliverables or achievements of the Authority?

(v) Head 731 – Provincial Trade Development Offices

Reduced allocation from Kshs 28m to Kshs 16m.

- ◆ What is the relevance of the Office and Ministry's medium and long-term policy in line with the devolution?

(vi) Head 745 – Trade Development Field Services

Increased allocation from Kshs 108m to Kshs 115m.

- ◆ What are the functions under the Head vis-avis those under Head 731 (Provincial Trade Development Offices).

(vii) Head 746 – Kenya Institute of Business Training

Constant allocation for most items.

- ◆ What are the functions and achievements of the Institute?

(viii) Head 750 – Trade Monitoring & Research

Constant allocation despite the importance of research.

- ◆ What are the functions and achievements for the last 4 years?

- (ix) Head 751- External Trade Promotion Services
Increased allocation from Kshs 78m to Kshs 89m
♦ Breakdown of the Trade Offices, functions and achievements.
- (x) Head 752- Foreign Trade Services
♦ Clarification on the projection for the outer years for Lusaka.
- (xi) Head 755- Weight and Measures – Headquarters Administrative Services
Threefold increment from Kshs 3m to Kshs 31m with Hospitality & Service item receiving the bulk of the allocation.
♦ Justification for the increase in the item which is contrary to government policy on cutting down on such recurrent expenditure.

2. **DEVELOPMENT EXPENDITURE**

- (i) Head 530 – Headquarters & Administrative Services
An allocation of Kshs 500m for current grants to government agencies.
Why are the government agencies receiving current grants under Development Expenditure?
- (ii) Head 796 – Export Processing Zone Authority
Most of the companies close up and move out after the expiry of the tax holiday period (10 year).
♦ What is the relevance of the Authority in line with the general government policy direction?
- (iii) Head 744 – Department of Internal Trade
Increased allocation from Kshs 7m to Kshs 126m.

- ◆ What is happening within the Department to necessitate the sudden increase and what are its functions and achievements vis-avis the objectives it was set up?

(iv) Head 745 – Trade Development Services

A new allocation of Kshs 40m for loans to financial institutions.

- ◆ The financial institutions and how they differ from those under Ministry of Finance? Details of the new allocation of Kshs 40m.

3. **DONOR FUNDS**

Post Lome Negotiations – Kshs 113,000,000/=

District Solution Centres - Kshs 52,000,000/=

Fanikisha – Kshs 23,820/=

- ◆ Clarification on EDF revenue, previous allocation, Criteria on allocation and Choice of Districts.
- ◆ Allocation for training of Negotiators and those trained to-date?
- ◆ Role of Parliament/Finance Committee

MIN. NO. 30/2009

ISSUES TO BE CLARIFIED BY THE MINISTRY OF TOURISM

1. **GENERAL (BUDGET *Vis-avis* OBJECTIVES)**

The Ministry's road map to the achievement of the following key expected outputs under programme 6 on Tourism Development and Marketing for the 2009/10 MTEF Budget:

- ◆ Participation in 16 international tourism exhibitions and shows to market Kenya as a preferred destination.

- ◆ Develop a data base for all tourists' arrivals and facilities.
- ◆ Collect Kshs 938 million as hospitality industry levies.
- ◆ Develop a National Strategy and Action Plan on youth tourism.
- ◆ Construct one beach operators market.
- ◆ Train 750 graduates and hold 1,600 in-service training courses on tourism.
- ◆ Construct a state of the art Cultural Centre at Bomas.
- ◆ Inspect 150 institutions offering training in hospitality and 1,650 Hotels and restaurants.

2. **RECURRENT EXPENDITURE**

(i) Head 701 – Kenya International Conference Centre
Increased allocation from Kshs 174m to Kshs 261m.

- ◆ Justification for the increase and specifics on the utilization of the extra amount.
- ◆ Clarification on the legal status of KICC.

(ii) Head 535 – Tourism Services Headquarters

- ◆ Clarification on the functions of the Domestic Tourism Council vis-avis function of Kenya Tourism Board and Kenya Tourist Development Corporation (apparent duplication).

(iii) Head 538 – Licensing and Hotel Classification

- ◆ Justification on major increment under new item on Training and other operational expenses.
- ◆ Explanation for not collecting more than Kshs 9m as A.I.A to sustain itself.

(iv) Head 540 – Tourism Marketing and Promotion

Net allocation remains constant and major reduction in grants to government agencies from Kshs 18.8m to zero allocation.

- ◆ Justification for the reduction which is inconsistent with the Ministry's own objectives. The Ministry cannot achieve the expected outputs in the sub-sector as envisaged in Vision 2030 without proper tourism promotion and marketing.
- ◆ The achievements of Tourism Officers to justify their existence.
- ◆ Explanation on the undisclosed A.I.A by Kenya Utalii College and Hotel.

(v) Head 541 – Domestic Tourism Services

Increased allocation from Kshs 54m to Kshs 71.4m.

- ◆ Explanation on Headquarters expenses under the Head and also under Heads 535 and 538.
- ◆ Achievements of tourism promotion to-date.

3. **DEVELOPMENT EXPENDITURE**

(i) Head 715 – Headquarters and Administrative Services

Increased allocation from Kshs 19m to Kshs 30m with major allocation towards research and feasibility studies.

- ◆ Justification for increase in funding for research?

(ii) Head 535 – Tourism Services Headquarters

Significant increase in allocation from Kshs 25.5m to Kshs 140m with major increment on allocation

for construction of buildings and research which are all GOK funded.

- ◆ Justification for the increase and the projects being funded.

(iii) Head 540 – Tourism Marketing and Promotion

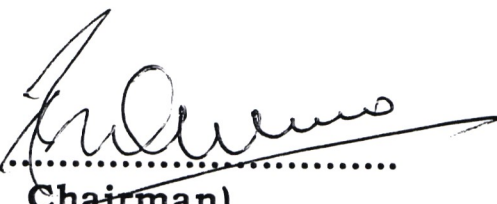
Significant increase in allocation with major increment in grants from Kshs 48 million to Kshs 1.069 billion.

- ◆ Justification for the erratic allocation in grants and then decreasing drastically.
- ◆ The disaggregated/split budget on Kshs 1.069 billion?

MIN. NO. 31/2009

ADJOURNMENT

The Chairman adjourned the meeting at One O'clock until Wednesday 15th July, 2009 at 2.30 p.m.

Signed .....
(Chairman)

Date..... 22/7/2009

MINUTES OF THE SEVENTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON WEDNESDAY 15TH JULY, 2009 IN MAIN CONFERENCE ROOM, COUNTY HALL BUILDING AT 2.30 P.M.

PRESENT:

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**
The Hon. Jakoyo Midiwo, MGH, M.P.
The Hon. Shakeel Shabbir, M.P.
The Hon. Ntoitha M'mithiaru, MP
The Hon. Lucas Chepkitony, M.P.
The Hon. Sammy Mwaita, M.P.

ABSENT WITH APOLOGY

The Hon. Nkoidila Ole Lankas, M.P.
The Hon. Nelson Gaichuhie, MP
The Hon. Musikari Kombo, M.P.
The Hon. Lenny M. Kivuti, M.P.

IN ATTENDANCE

MINISTRY OF TRADE

Hon. Amos Kimunya, EGH, MP - Minister for Trade
Amb. Leonard Ngaithe - Director of Administration
Joyce A. Ogundo - Deputy Director of Trade
H.N. Kimemia - - Ag. Deputy Director -
P.A Matioli - Ag. Principal Kenya Institute of Business Training
E.E Onyenche - Ag. Director, Weight and Measures Department
N.N Njeng'wa - Ag. Managing Director, Kenya Wine Agency Ltd.
Simon Chacha - Secretary, External Trade
Margaret Byama - Chief Financial Officer
S.N Mutela - Finance Officer
G. Kaunda - Principal Economist
Stephen Karani - Budget Supply Officer (Treasury)
Kalera Mbunyine - General Manager, Finance - Export Promotion Council

KENYA NATIONAL ASSEMBLY

Florence Atenyo-Abonyo -	First Clerk assistant/ Committee Secretary
Fredrick Muthengi -	Budget Officer
Martin Masinde -	Budget Officer
Ann Kariuki -	Parliamentary Intern

MIN. NO. 32/2009

**DELIBERATION ON THE FINANCIAL ESTIMATES OF
THE MINISTRY OF TRADE - VOTE R16**

The Minister informed the Committee that:-

- (i) The Export promotion Council is the Country's only vehicle for export promotion yet the Council has not been allocated sufficient funds to undertake its activities. This is a big blow to the country given the dwindling effect of Kenya's export due to the global economic downturn.
- (ii) The total allocation for office rent is not sufficient even to offset the rent arrears and also to cater for the financial year.
- (iii) The Ministry owes COMESA Kshs 164 million and PTA Bank \$2.4 million in respect of subscription fees.
- (iv) The counterpart funding for business development remains a big challenge to the Ministry.
- (v) The current row on Migingo island has affected the volume of trade between Uganda and Kenya in favour of Tanzania.
- (vi) The Institutional and legal framework is being done to transform the Export Processing Zone Authority to special economic zones like those in Korea, Dubai, Hongkong etc.

- (vii) There is need to brand Kenya's products to avoid blending which brings in sub-standard commodities.
- (viii) The Ministry is in the process of initiating Business Solution Centres within each district to educate, advise and assisting traders in their business ventures.
- (ix) Kenya Wine Agency Ltd. solely engages in packaging and distribution of wines and sprits for international export.
- (x) The donor funded programmes include the following:-
- ◆ FANIKISHA – dealing with business promotion for traders especially those new in the market.
 - ◆ Trade Training programme for SMEs exporters – assisting export traders to understand the dynamics of international trade and price volatility of primary products.
 - ◆ Business Solution Centres – equipping traders with the necessary skills to engage in Business ventures

MIN. NO. 33/2009

COMMITTEE'S OBSERVATIONS

(i) Expected outputs

The Ministry should review its expected output targets under programme 1 on Trade & Development for the 2009/10 MTEF to be more realistic in line with the current budgetary allocation.

(iii) Contractual obligations

The Ministry owes substantial amounts to COMESA, PTA Bank and other organizations in

respect of membership and subscription fees. The Treasury should have given priority to contractual obligations in budgetary allocation so as to maintain the country's image and integrity.

(iv) Counterpart funding

There should be adequate provision for counterpart funding to enable the Ministry to access European Union grants.

MIN. NO. 34/2009

COMMITTEE'S RECOMMENDATIONS

Head 745 (D) – Trade Development Services

There is lack of information in the public domain regarding the Joint Loans Board Scheme. Therefore, Ministry should as a matter of policy create awareness on the scheme to open it up for potential traders to benefit and also make the selection process more transparent. The allocation of Kshs 40 million for the scheme is very little and the Treasury should have increased the amount as part of stimulus package.

MIN. NO. 35/2009

ADJOURNMENT

The Chairman adjourned the meeting at Five O'clock until Thursday 16th July, 2009 at 10.00 a.m.

Signed


(Chairman)

Date 22/7/2009

MINUTES OF THE EIGHTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON THURSDAY 16TH JULY, 2009 IN MAIN CONFERENCE ROOM, COUNTY HALL BUILDING AT 10.00 A.M.

PRESENT:

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**
The Hon. Nelson Gaichuhie, MP
The Hon. Musikari Kombo, M.P.
The Hon. Shakeel Shabbir, M.P.
The Hon. Ntoitha M'mithiaru, MP
The Hon. Lucas Chepkitony, M.P.
The Hon. Sammy Mwaita, M.P.

ABSENT WITH APOLOGY

The Hon. Nkoidila Ole Lankas, M.P.
The Hon. Jakoyo Midiwo, MGH, M.P.
The Hon. Lenny M. Kivuti, M.P.

IN ATTENDANCE

MINISTRY OF TOURISM

Hon. Najib Balala, EGH, MP	-	Minister
Eunice K. Muima	-	Ag. Permanent Secretary
Langat Kipkorir	-	Ag Director of Tourism
Wamugunda E.H	-	Chief Economist
N. Kiarie	-	Chief Accountant
Jennifer Opondo	-	Chief Executive Officer, KICC
Kungu. J. Otieno	-	Head of Finance, KICC
Julius Masivo	-	Chief Executive Officer, CTDLT
Hassan M. Kiage	-	Chief Executive Officer, KTDC
Eden Odhiambo	-	Levy Manager, CTDLT
Mariarene Jordan	-	Chief Executive Officer, KTB
Veronica Birgen	-	Head of HR/Administration, KTB
Tom Odongo	-	Head of Finance, KTB
Sammy S. Kibet	-	Ag. Chief Executive Tourism Trust Fund
Lucy Gelange	-	Finance, Tourism Trust Fund
Quresh H. Ahmed	-	General Manager, Bomas of Kenya
David Rono	-	Financial Manager, Bomas of Kenya
Dr. Kenneth Ombongi	-	Principal, Kenya Utalii College
Daniel W. Mwangi	-	Financial Accountant, Kenya Utalii College
Stephen Karani	-	Budget Supplies Officer, Ministry of Finance

KENYA NATIONAL ASSEMBLY

Florence Atenyo-Abonyo - First Clerk assistant/Committee Secretary
Fredrick Muthengi - Budget Officer
Ann Kariuki - Parliamentary Intern

MIN. NO. 36/2009

**DELIBERATION ON THE FINANCIAL ESTIMATES OF
THE MINISTRY OF TOURISM - VOTE R46**

1. The Minister informed the Committee that:-
 - (i) The ministry was allocated Kshs 2,873,252,100 billion and the main increases are in following:- Capital grants to KTDC (Kshs 800m); Capital Grants to Tourism Trust Fund (Kshs 160m); allocation for construction of beach market (Kshs 95m); funds for research and feasibility studies (Kshs 60m); Temporary committees expenses for task forces on sustainable tourism development in Masaai Mara/Amboseli as well as training of classification assessors (Kshs 5m).
 - (ii) 60% of Kenya's tourism is beach destination and this is holding tourism in the country because the beaches and hotels in Mombasa are old and not trendy. No new hotels have been built in the last 10 years and coupled with beach menace, poor infrastructure and political instability, coast is no longer the preferred destination.
 - (iii) The Ministry was not allocated funds for the construction of Kenya Utalii College -Coast Branch which is rather ironical taking into account that coast tourism forms a major component of the tourism experienced in the country. The process of de-linking Kenya Utalii College from the Hotel is underway.

- (iv) The traditional markets have been hit hard by the credit crunch and there is need to diversify to other markets like Russia and Moscow, which also have very high per capita incomes.
- (v) The Ministry is currently holding talks with the World Bank to increase the kitty from Kshs 10m to Kshs100m so that more people will have access to loans to refurbish and rehabilitate their hotels and businesses. The Ministry is undertaking training of assessors who will help in rating of the hotels all over the country.
- (vi) The Ministry is forming partnerships with key players in the industry to promote domestic tourism which contributes to 30% of the gross tourism earnings.
- (vii) The Ministry is entrenching its self in the Western circuit of the country in a bid to promote eco-tourism, which has become a major determining factor in tourism and travel for the environmental and ecological aware tourists. KOGELO is being marketed as a cultural center but not yet funded apart from the infrastructure so far provided by the government.
- (viii) The Ministry has also partnered with the World Tourism Organization and the Korean Government to initiate the Step Fund which will help promote Agro-tourism in the country.
- (ix) Branding is very important in product development and promotion and to also distinguish the various touristic destinations in the country. The Ministry had earmarked this financial year for

implementation and is therefore holding talks with the Ministry of Finance to get sufficient resources to undertake the programme.

(x) The Ministry is collaborating with the Department of Immigration to change the immigration cards with a view to creating database on category of arrivals as tourist, business and official visits.

2. The Committee was further informed that the Ministry is facing the following challenges:-

- ◆ Mismanagement of Kenya Tourism Development Corporation whose Board is currently dissolved. The new Board is to be appointed based on professional qualification in the sector.
- ◆ Bureaucracy on the issuance of visas at the airport which is time consuming and causing congestion at the arrival hall. The mode of payment by US dollars only is also discriminating.
- ◆ Socio-economic problem of hotels closing down low season and declaring employees redundant.
- ◆ The current squabbles in- the coalition government is portraying political instability in the country and the media is also not supportive of the tourism industry in this regard.

MIN. NO. 37/2009

COMMITTEE'S OBSERVATIONS

- (i) There is reduction in grants for tourism promotion and marketing which is inconsistent with the Ministry's objective and Vision 2030.

- (ii) There is undisclosed Appropriation In Aid (A.I.A) in the Estimates under KICC, Kenya Utalii Hotel & College which collect A.I.A in the form of rent and fees.
- (iii) Branding Kenya initiative is under Ministry of Information as opposed to being under the Ministry of Tourism to be in tandem with tourism promotion and marketing under the latter.
- (iv) The Ministry has various tourism institutions without clear distinction on their roles and functions hence apparent duplication and overlaps. E.g. Kenya Tourism Development Corporation, Kenya Tourism Board, Domestic Travel Services etc.
- (v) The country is losing a substantial amount of funds on tourism value through paid up tourist packages in the countries of origin. The ministry should therefore come up with a new policy that ensures that there is maximum gain on tourism products consumed by the tourist locally.
- (vi) The Ministry is not promoting domestic tourism aggressively. Therefore, there is need for a deliberate move to have a strategy for domestic tourism promotion and development by giving incentives like low rates as there is huge potential. The Ministry can get the volumes from local tourist due to low rates.
- (vii) The Ministry should renovate the restaurant at the top of KICC or partner with the private investors by giving moratorium on rent as incentive since such

trendy panoramic restaurants are popular with tourist worldwide for aerial view of the city.

- (viii) The Ministry should in collaboration with the management of Kenya Airports Authority expand the arrival facilities at the airport to ease congestion.

MIN. NO. 38/2009

ADJOURNMENT

The Chairman adjourned the meeting at One O'clock until Friday 17th July, 2009 at 10.00 a.m..

Signed

(Chairman)

Date 22/7/2009

MINUTES OF THE NINTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON FRIDAY 17TH JULY, 2009 IN MAIN CONFERENCE ROOM, COUNTY HALL BUILDING AT 10.00 A.M.

PRESENT:

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**
The Hon. Musikari Kombo, M.P.
The Hon. Ntoitha M'mithiaru, MP
The Hon. Lucas Chepkitony, M.P.
The Hon. Sammy Mwaita, M.P.

ABSENT WITH APOLOGY

The Hon. Nkoidila Ole Lankas, M.P.
The Hon. Jakoyo Midiwo, MGH, M.P.
The Hon. Lenny M. Kivuti, M.P.
The Hon. Nelson Gaichuhie, MP
The Hon. Shakeel Shabbir, M.P.

IN ATTENDANCE

MINISTRY OF PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

The Hon. Wycliffe Oparanya, EGH, MP - Minister
John Francis Olinga Long'ole - Senior Principle Finance Officer/Assistant
Director of Budget
Samson M. Machuka - Director (Monitoring & Evaluation)
Maina Njoroge - Finance and Administration
Dr. Moses M. Ikiara - Executive Director KIPPRA
A.K.M Kilele - Director, Kenya National Bureau of Statistics
Mrs. Agnes Odhiambo - Chief Executive Officer, CDF
Momata Gichana - Chief Finance Officer
Stephen Wanaina - Planning secretary
Sabina Maghanga - Director, Macro Planning Directorate
Joseph Mukui - Director, Rural Planning Directorate
Salesius Njokia Miu - Programme Coordinator CDTF
J.M Nandasaba EBS - Senior Director Administration

- G.M Madu - Head/MDGs Planning Unit
- Leonard Obidha - Secretary Poverty Eradication Commission
- Dr. Boniface O. K'Oyungi - Chief Executive Officer NCAPD
- Benson K. Kimani - Principal Economist, Rural Planning Director
- Micah Origa - Budget Supplies Office, Ministry of Finance
- Katherine Muoki - Deputy Chief Economist, Sectoral Planning Directorate
- Osiri Nyakundi - Senior Economist Rural Planning

KENYA NATIONAL ASSEMBLY

- Florence Atenyo-Abonyo - First Clerk assistant/Committee Secretary
- Martin Masinde - Budget Officer
- Ann Kariuki - Parliamentary Intern

MIN. NO. 39/2009

DELIBERATIONS OF THE FINANCIAL ESTIMATES OF THE MINISTRY OF PLANNING, NATIONAL DEVELOPMENT AND VISION 2030

1. The Minister informed the Committee that the Ministry had requested for Kshs 24 billion and Treasury only provided Kshs 20.6 billion hence a financing gap of Kshs 3.4 billion. Consequently the Ministry is faced with the following challenges:-

- (i) Inadequate budgetary allocation will pose a major challenge to the activities the Ministry is supposed to undertake this financial year especially on the census project, which is scheduled for August.
- (ii) The increased number of districts which are currently 254, require additional manpower at the district level in terms of officers and evaluators in order to meet the objectives set up in the vision 2030 Strategic Plan but this was not factored in this financial year's budget.
- (iii) Lack of vehicles to enhance monitoring and evaluation at the district level. New districts have been created without offices, equipment and vehicles hence no effective monitoring. The money

requested for the purchase of vehicles was not granted yet the donors have recalled their vehicles in the field.

- (iv) Operationalization of the Vision 2030 by the Delivery Secretariat since the Ministry requested for Kshs 750m and only received Kshs 128m hence a major shortfall.
- (v) No budgetary allocation for African Peer Review Mechanism (APRM). Kenya has been dependent on donor funding for APRM and the Ministry's budgetary request for Kshs 45m was not granted yet APRM is supposed to play a vital role under Agenda 4.

2. The Committee was further informed that:-

- ◆ The Ministry has identified 26 pilot districts for the implementation of the Millennium Development Goals (MDGs). The districts are in Central Kenya dry areas and South Nyanza. The donors selected and the criteria was based on poverty indexes, environmental degradation and HIV prevalence.
- ◆ The donors are supporting this initiative which is basically an exercise that is aimed at localizing the MDGs, creating awareness such that people get to understand the whole concept of MDGs and their role in sustaining their welfare.
- ◆ The Ministry is responsible for the achievement of the Vision 2030 Strategic Plan, which is a very important component in the growth and development of the country. Given the financing

gap the Ministry has called upon the external community to fund and sustain the projects for three years then the Government will take over thereafter.

MIN. NO. 40/2009

**KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH
AND ANALYSIS (KIPPRA)**

The Executive Director of KIPPRA informed the committee as follows:

- (i) The Institute was established as a State Corporation in 1997 to conduct research and analysis aimed at providing independent and objective economic policy advice to the Government of Kenya.
- (ii) The objectives of establishing the institute are to: -
 - ◆ Strengthen the Government policy formulation and analysis capabilities for long term sustainable economic growth and improvement in national welfare.
 - ◆ Provide advisory and technical services on public policy issues to the government and other agencies of the government.
 - ◆ Communicate findings and recommendations of the Institute's research programmes to agencies of government concerned with the implementation of public policy.
- (iii) The challenges facing the Institute are:-
 - ◆ Performance contracts introduced in 2005/2006 financial year which are growth oriented, implying that the target to be negotiated for 2009/2010 will be higher. Therefore, adequate resources are required to

enable the Institute achieve its performance contract commitments.

- ◆ Heavy workload and high ad hoc demand for support from the Government.
- ◆ High staff turnover especially at senior levels due to poor remuneration.
- ◆ Weak long-term sustainability due to the escalating high rent prices and other operational costs.

MIN. NO. 41/2009

KENYA NATIONAL BUREAU OF STATISTICS

The Director Informed the committee that:-

- (i) The Census project was initiated in 2006 beginning with cartographic mapping and setting up of District Centres Committees in 158 districts as main hubs.
- (ii) The recruitment process has just been concluded and currently the training of 6,000 supervisors is on-going to be followed by 22,000 supervisors and 115,000 enumerators.
- (iii) The Ministry has initiated a new programme that will ensure the Census results are realized on time with the first draft targeted to be out by end of December.
- (iv) The Bureaus is also adopting a new method to evaluate the inflation rate in Kenya. The new method uses geometric mean as opposed to arithmetic mean, which has spiral effects and tends to raise the inflation rate a notch higher.
- (v) The major challenge is inadequate funding since the Ministry requested for Kshs 1.5 billion for Census and only received Kshs 700 million hence a

shortfall of Kshs 2 billion yet most of the Census activities are time-bound and upfront payment is required for logistics.

MIN. NO. 42/2009

COMMITTEE'S RECOMMENDATIONS

(i) Inadequate funding for Census

The Treasury should have given priority to Census project in budgetary allocation since the project has been planned and the dates fixed for August. Therefore, the Treasury should urgently provide additional funds to enable the Ministry proceed with the process to its logical conclusion.

(ii) Localizing Millenium Development Goals

The selection of the 26 pilot districts appears skewed and not representative. Given that the MDGs are time-bound, the Ministry should now embark on covering the other districts to ensure that all districts are on board so that there is centralized development in the country.

(iii) Planning Model

The Ministry has been using the district as a Planning Unit which now appears elastic and uncertain given the trend of creating new districts recently. Therefore, the Ministry should now focus on the Constituency as a Planning Unit.

MIN NO. 43/2009

ADJOURNMENT

The Chairman adjourned the meeting at One O' Clock until Wednesday 22nd July 2009 at 11.00 a.m.

Signed

(Chairman)

Date 22/7/2009

MINUTES OF THE TENTH SITTING OF THE DEPARTMENTAL COMMITTEE (F) ON FINANCE, PLANNING AND TRADE HELD ON WEDNESDAY 22ND JULY, 2009 IN COMMITTEE ROOM NO. 9, MAIN PARLIAMENT BUILDINGS AT 11.00 A.M.

PRESENT:

The Hon. Chrysanthus Okemo, M.P. - **(Chairman)**
The Hon. (Prof.) Philip Kaloki, M.P. - **(Vice Chairman)**
The Hon. Sammy Mwaita, M.P.
The Hon. Shakeel Shabbir, M.P.
The Hon. Nkoidila Ole Lankas, M.P.

ABSENT WITH APOLOGY

The Hon. Jakoyo Midiwo, MGH, M.P.
The Hon. Musikari Kombo, M.P.
The Hon. Ntoitha M'mithiaru, MP
The Hon. Lucas Chepkitony, M.P.
The Hon. Lenny M. Kivuti, M.P.
The Hon. Nelson Gaichuhie, MP

IN ATTENDANCE

KENYA NATIONAL ASSEMBLY

Florence Atenyo-Abonyo - First Clerk assistant/Committee Secretary
Ann Kariuki - Parliamentary Intern

MIN NO. 44/2009

CONFIRMATION OF THE MINUTES

Minutes of the following previous Sittings of the Committee were confirmed by the Members present and signed by the Chairman.

- (i) The Fourth Sitting held on Wednesday 8th July, 2009 was proposed by Hon. Ahmed Shakeel Shabbir, MP seconded by Hon. Sammy Mwaita, MP.

- (ii) The Fifth Sitting held on Tuesday 14th July, 2009 was proposed by Hon Sammy Mwaita., MP seconded by Hon. Ahmed Shakeel Shabbir, MP.
- (iii) The Sixth Sitting held on Wednesday 15th July, 2009 was proposed by Hon. Ahmed Shakeel Shabbir, MP seconded by Hon. Sammy Mwaita, MP.
- (iv) The Seventh Sitting held on Wednesday 15th July, 2009 was proposed by Hon. Sammy Mwaita, MP seconded by Hon. Ahmed Shakeel Shabbir, MP.
- (v) The Eighth Sitting held on Thursday 16th July, 2009 was proposed by Hon. Ahmed Shakeel Shabbir, MP seconded by Hon. Sammy Mwaita, MP.
- (vi) The Ninth Sitting held on Friday 17th July, 2009 was proposed by Hon. (Prof.) Philip Kaloki, MP seconded by Hon. Sammy Mwaita, MP.

MIN NO. 45/2009

CONSIDERATION OF THE DRAFT REPORT ON THE FINANCIAL ESTIMATES FOR THE LINE MINISTRIES

The Committee considered and adopted the Draft Report on the Financial Estimates for the line ministries with the following amendments:-

(i) General observation

The Committee observed that there appears to be a disconnect between various government ministries doing related activities. Therefore, Committee recommends that there should be more harmonization and co-ordination between the ministries to avoid overlaps, duplication and omissions.

(ii) Ministry of Tourism

The Committee recommended that the Ministry should promote unconventional tourism and other circuits. E.g. the Western circuit which has interesting phenomenon like Bull fighting activity and caves in the Rift Valley.

MIN NO. 46/2009

**CONSIDERATION OF THE PROGRAMMED ACTIVITIES
BY THE LINE MINISTRIES**

The Committee considered the programmed activities by the following line ministries and resolved to participate in the stated conferences and meetings.

1. Ministry of Planning - 2009

(i) IUSSP International Population Conference
27th September – 2nd October
(Marrakech, Morocco).

(ii) ACP Joint Ministerial Trade Committee
October/November (Brussels).

(iii) ACP Council of Ministers
November/December (Brussels).

2. Ministry of Tourism - 2009

August

(i) AIEST Congress 2009 (Management of
Change in Tourism, Finland (23rd –27th).

September

(i) CIBTM, Beijing China (8th –10th).

(ii) American Association of Travel Agents
Las Vegas – USA (13th –15th).

(iii) Japan Association of Travel Agents
Tokyo-Japan (17th – 20th).

- (iv) Conference on Tourism and the Third Sector, Switzerland (18th - 20th).
- (v) Leisure Show, Moscow - Russia (22nd - 24th).

October

- (i) UNWTO 18th Session General Assembly, Astana Kazakhstan -Western Europe (5th - 9th).
- (ii) TTG Incontri, Rome - Italy (16th -18th).
- (iii) China International Travel Mart (16th -19th).

November

- (i) World Tourism Market, London -UK (November).
- (ii) The Eco-tourism & Sustainable Tourism Conference, Portland - USA (2nd - 4th).
- (iii) World Travel Mart (9th - 12th).
- (iv) IGTM (International Market) Malaga - Spain (16th - 19th).

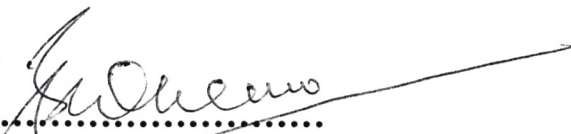
December

- (i) LTE (Luxury Travel Expo) Las Vegas - USA (1st - 3rd).
- (ii) Global Meeting & Incentives Exhibition Barcelona, Spain (1st - 3rd).

MIN NO. 47/2009

ADJOURNMENT

The Chairman adjourned the meeting at One O' Clock to a later date.

Signed 
Chairman)
 Date 28/7/2009