

Paper Laid by the
Hon. Mutava Mwangi, CBS, MP
Chairperson, Budget &
Appropriations Committee
on Thursday, 23/3/17



REPUBLIC OF KENYA

ELEVENTH PARLIAMENT - FIFTH SESSION

NATIONAL ASSEMBLY

COMPENDIUM OF DEPARTMENTAL COMMITTEES REPORTS ON

THE 2017/18 BUDGET ESTIMATES

Clerk of the National Assembly

Parliament Buildings

NAIROBI

March, 2017

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT - FIFTH SESSION, 2017

**THE DEPARTMENTAL COMMITTEE ON ENERGY,
COMMUNICATION AND INFORMATION**

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

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

MARCH, 2017

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ABBREVIATIONS

BPS	- Budget Policy Statement
ERC	- Energy Regulatory Commission
GDC	- Geothermal Development Company
ICT	- Information and Communication Technology
ICTA	- Information and Communication Technology Authority
KETRACO	- Kenya Electricity Transmission Company
Kengen	- Kenya Electricity Generating Company
KIMC	- Kenya Institute of Mass Communication
KNA	- Kenya News Agency
KWh	- Kilowatt – hour
MTEF	- Medium Term Expenditure Framework
MTP	- Medium Term Plan
MW	- Mega Watts
NOCK	- National Oil Corporation of Kenya
NOFBI	- National Optic Fibre Backbone Infrastructure
PFM	-Public Finance Management Act, 2012
REA	- Rural Electrification Authority
SO	- Standing Orders
V-2030	- Vision 2030 (Kenya)
\$	- US dollars

FORWARD BY THE CHAIRMAN

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

The Budget Estimates for the F/Y 2017/18 were tabled in the House on Wednesday, 15th February, 2017 and subsequently referred to the relevant Departmental Committees for consideration, the Departmental Committee on Energy, Communication and Information being one of them.

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

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

Following the referral of the Estimates to the Departmental Committees, the Departmental Committee on Energy, Communication and Information was briefed by the Parliamentary Budget Office on the contents of the Estimates with regard to the Energy and ICT sub-sectors. Thereafter, the Committee met with both the Ministry of Energy and Petroleum and the Ministry of Information, Communication and Technology and the various State Government Agencies (SAGAs) falling under the two Ministries to deliberate and interrogate the proposed Budget Estimates for the FY 2017/18 allocated to them.

Thereafter, the Committee engaged the relevant stakeholders and met with the Cabinet Secretary for Energy and Petroleum accompanied by the Permanent Secretaries in that Ministry, the Permanent Secretaries in the Ministry of Information, Communication and Technology and the various State Government Agencies (SAGAs) falling under the two Ministries and reviewed the proposed Budget Estimates for the FY 2017/18 allocated to them together.

Emanating from those discussions and reviews, the Committee made several observations as contained under section 3 of this Report. Subsequently, the Committee made several recommendations as contained under section 4 of this Report.

The Committee wishes to record its appreciation to the Offices of the Speaker and Clerk for the services rendered in facilitating the Committee to execute this exercise in the limited time allocated to it.

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

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

ESTABLISHMENT OF THE COMMITTEE

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

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

MANDATE OF THE COMMITTEE

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

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

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

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

MEMBER OF THE COMMITTEE

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

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

COMMITTEE SECRETARIAT

Principal Clerk Assistant II	Mr. John N. Mutega
Clerk Assistant	Mr. Jimale Mohammed
Clerk Assistant	Ms. Laureen Wesonga
Legal Counsel	Ms. Lynette Otieno
Fiscal Analyst	Mr. Abdirahman Gorod

1. Introduction

This report presents an analysis of the proposed estimates of expenditure and revenues for FY 2017/18 for the energy and ICT subsectors for the FY 2017/18. The forward budgets including the Programme based Budget for the two subsectors is part of the National Government forward budget submitted to the National Assembly on **17th February, 2017** pursuant to Article 221 of the Constitution as well as Section 37 of the Public Financial Management, 2012. The reason for the early submission of the estimates is based on the revised budget calendar taking into account the general elections expected in August this year.

Upon being laid before the House, the Estimates were committed to the respective Departmental Committees in accordance with the provisions of the National Assembly Standing Order 235(3). As expected under Standing Order 235(4), the Committee did consider, discussed, and reviewed the Estimates according to the mandate and made recommendations to the Budget and Appropriations Committee (BAC).

The Report of the Committee to BAC covers the budget proposals for the two ministries and of the state agencies under their purview. The Ministry of Energy and Petroleum has two State Departments, namely, the State Department of Energy and the State Department of Petroleum. Similarly, the Ministry of ICT has two state departments namely- the State Department of ICT & Innovation and the State Department of Broadcasting and Telecommunication.

Section 39(3) of the PFM Act empowers the National Assembly to alter the proposed budget estimates provided that an increase in expenditure is balanced by a reduction elsewhere or a proposed reduction in expenditure is used to reduce the obtaining deficit.

The 2017/18 forward budgets of the State departments, and that of the medium term are premised on the 2017 Budget Policy Statement (BPS) that was approved by Parliament in accordance with Section 25 of PFM Act, 2012, where the proposed intervention in various programmes, and thus informing the five pillar thematic economic transformative strategies spelt out in the 2017 BPS.

2. Submissions on the Budget Estimates

2.1. Brief by the Parliamentary Budget Office

The Parliamentary Budget Office briefed the Committee on the proposed total resources allocated to various programmes and review of the planned outputs and key performance indicators. The brief was a guide to the Committee in its oversight mandate as per the Standing Orders and supporting legislation.

In view of the proposed Estimates for the FY 2017/18, the proposed overall allocations to the sub sector of energy and Petroleum stands at **Kshs 82.599 billion**, of which the share for the sub-sector to overall national government ministerial expenditure (all government ministries)

represent **5 percent**, reflecting a decline of one (1) percentage point since the share of allocation for the F/Y 2015/2016 and F/Y 2016/2017 was approximately at 6 percent.

For the State Department of Energy, the 2017/18 proposed budget is Kshs 77,219,204,310. The proposed current expenditure is Kshs 2,052,500,000 whereas the capital expenditure is Kshs 75,166,704,310 as indicated in Table 5 by economic classification. Total proposed expenditure is kshs 5,380,510,000 of which 242,010,000 is for recurrent and kshs 5,138,500,000 is for development for the case of the State Department of Petroleum.

In the recurrent budget, a breakdown by economic classification indicate that 74 percent is towards transfer to SAGAS and agencies under the State Department (KETRACO, GDC ,REA and KNEB) while 15% is towards compensation to employees at the Headquarter and energy centers across the country. Use of goods and services in the current budget is to mainly support operational activities which accounts for 9 percent.

The proposed total share of allocation to the ICT, Broadcasting and Telecommunication sub sector against total national government ministerial expenditure for the FY 2017/18 is **Kshs 23.22 billion**, approximately 2 percent. Though a marginal reduction , is same as to the current allocation in the same respect, indicating sustained support towards key flagship programmes such as the ICT Infrastructure Development (Digital Literacy –laptops and fibre-optic cabling and phase involving expansions of the fibre connectivity) and Information and Communication Services (Government advertising services and digital roll-out).

With regards to the State Department of ICT & Innovation, the 2017/18 proposed budget is **Kshs 20.52 billion**. The proposed current expenditure is **Kshs 1.276 billion** whereas the capital expenditure is **Kshs 19.24 Billion** distributed across the three programmes under the State Department.

The total proposed amount for the State Department of Broadcasting and Telecommunication amounts to **kshs 2.85 billion**, of which the recurrent is **kshs 2.09 billion** and **kshs 764.00 million** for Development outlays. Comparatively, the proposed allocation reflects marginal increase as shown in table 12 by way of economic classification

2.1.1. Linking Budget of Energy and Petroleum Sub-sector to the National Development Goals

The energy and petroleum sub sector key priorities includes implementation of 5000 Megawatts (MW) Plan under which the installed capacity is expected to be over 5000MW by end of 2017. At the time of launching the Plan in 2013 the installed capacity was estimated to be at 1,664MW. In addition to the generation plan, other sector priorities included enhanced grid extension network and upgrade, rural electrification and enhanced connectivity, petroleum exploration and monetization while improving the regulatory regime of the sub sector.

In a bid to scale up connectivity and support the roll out of the digital literacy programme for purposes of improving learning outcomes, a total of 22,245 primary schools were connected to electric power for learning purposes up from 14,950 in the previous contract year.

However, while modest progress has been registered in terms of power generation and transmission, there is notable under performance in terms of achieving the target of generating extra 5000MW as the additional capacity so far amounts to 615MW or 13 percent by June 2016, indicating no change or addition to the reported levels in the 2016 BPS (which is also the same level by 2017 BPS). This may urgently require the Ministry of Energy and Petroleum to review its generation forecast position and give a more realistic framework of power generation and demand, which partly is a critical guide in resource allocation. In addition, there may be need for policy shift towards demand creation especially by enhancing the manufacturing base and further scale up on going street and rural electrification projects.

Moreover, considering cumulative capacity to be achieved by now should be at least 4,167 MW with corresponding power tariffs rate (US4cts/kWh) of 7.3, 9.03 and 11.14 for generation, industrial/commercial and domestic, respectively – a target in its 2013 plan (See annex III), the current tariff structure is above the target given in the plan. This may call for a review to determine if there is actual pass through effect of benefits of the additional power especially in view of the additional geothermal capacity even if it is less than the envisaged levels.

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

2.1.2. Linking Budget of ICT Sub-sector to the National Development Goals

On the ICT sub sector key priorities according to the MTP II include integration of ICT into teaching and learning through the digital literacy programme, establishment of Konza Technology City, reducing costs of access to ICTs to spur entrepreneurship, innovation and employment creation through legal and policy reforms; improve e-government with the aim to improve service delivery by bringing services closer to the people, putting in place cyber-security infrastructure to detect potential threats and investigate and resolve cyber-crime and related activities; increase efficiency, quality, affordability and access in broadcasting services and online media. The key notable projects meant to actualize these priorities include the development of Konza city, implementation of the digital literacy programme, phase-two rollout of the fibre optic back-borne infrastructure, the completion of the 450 bed capacity five storey building at Kenya School of Mass communication among other projects.

An assessment of the sectors priorities contained in the Second MTP, sector report 2016 and the BPS 2017 indicates that the priorities are consistent and linked with the priorities as highlighted in the sector report and second MTP as well as the Estimates. However, there is need to ensure

consistency in target achievements and reported outputs so as to gauge programme performance and inform subsequent allocations.

Under ICT & Innovation and Broadcasting and Telecommunication sub sectors, priority is to ensure further implementation of the of the digital literacy programme, fast tracking of the county connectivity and National Optic Fiber Back-borne Infrastructure (NOFBI) and phase II which involves expansion, establishment of innovation hubs (290), fast tracking the development of Konza Metropolis city which is behind schedule and completion of the 450 bed capacity 5 storey building at the KIMC as well as implementation of advertisement needs in a cost effective and central manner, among others.

2.1.3. Economic Classification of Proposed Expenditure

2.1.3.1. Ministry of Energy and Petroleum

(a) State Department of Energy

With regard to the development sub vote, 65 percent of the budget is towards capital outlays in the form of acquiring non-financial assets and 33.3 percent is towards capital transfers to SAGAs under the State Department (*See table 1 below*)-

Economic Classification	Baseline Estimates 2016/2017	Estimates 2017/2018	% of sub total allocation 2017/18	Projected Estimates	
				2018/2019	2019/2020
Recurrent Expenditure					
Compensation to Employees	343,886,740	313,500,000	15%	323,500,000	335,500,000
Use of Goods and Services	187,795,320	189,680,020	9%	200,156,073	216,022,738
Social Benefits	4,200,000	5,200,000	0%	5,200,000	5,200,000
Non Financial Assets	15,119,986	16,119,980	1%	16,643,927	16,777,262
Current Transfers to Govt. Agencies	1,527,550,000	1,528,000,000	74%	1,564,000,000	1,580,000,000
<i>Of which</i>					
<i>GDC</i>	666,730,000	666,730,000	32%	676,730,000	676,730,000
<i>REA</i>	478,720,000	470,000,000	23%	478,770,000	494,770,000
<i>KNEB</i>	81,000,000	91,270,000	4%	91,500,000	91,500,000
<i>KETRACO</i>	301,100,000	300,000,000	15%	317,000,000	317,000,000
Current Expenditure	2,078,552,046	2,052,500,000	100%	2,109,500,000	2,153,500,000
Capital Expenditure					
Compensation to Employees	2,000,000	2,000,000	0.0027%	2,000,000	2,000,000
Use of Goods and Services	511,436,968	804,000,000	1.1%	1,085,000,000	885,000,000
Capital Transfers to Govt. Agencies	25,367,615,000	25,039,615,000	33.3%	25,397,615,000	25,960,615,000
Non Financial Assets	89,302,279,747	49,321,089,310	65.6%	88,977,135,000	88,374,035,000
Sub total Capital Expenditure	115,183,331,715	75,166,704,310	100.0%	115,461,750,000	115,221,650,000
Total Expenditure	117,261,883,761	77,219,204,310		117,571,250,000	117,375,150,000

(b) State Department of Petroleum

Total proposed expenditure for this sub-vote is kshs 5,380,510,000 of which 242,010,000 is for recurrent and kshs 5,138,500,000 is for development. With regards to the recurrent sub vote , analysis of classification of functions indicates that 41.3 percent and 53 percent is proposed towards compensation to employees and use of goods and services, respectively. In the development sub vote, 15.8 percent is earmarked as capital transfer to SAGAs (ERC and NOCK) and 72.6 percent is for acquisition of non financial assets. *(See Table 2 below)*

Table 2 : Economic Classification					
Economic Classification	Baseline Estimates	Estimates	% of sub total total allocation 2017/18	Projected Estimates	
		2017/2018		2018/2019	2019/2020
Current Expenditure					
Compensation to Employees	3,146,904	100,000,000	41.3%	100,000,000	100,000,000
Use of Goods and Services	85,266,294	128,169,985	53.0%	132,755,900	133,635,900
Social Benefits	-	5,000,000	2.1%	5,000,000	5,000,000
Non Financial Assets	2,738,400	8,840,015	3.7%	6,094,100	7,094,100
Sub total Current Expenditure	91,151,598	242,010,000	100.0%	243,850,000	245,730,000
Capital Expenditure					
2200000 Use of Goods and Services	490,400,000	596,670,000	11.6%	596,670,000	597,000,000
Capital Transfers to Govt. Agencies	320,500,000	813,500,000	15.8%	813,500,000	813,500,000
Non Financial Assets	3,397,500,000	3,728,330,000	72.6%	3,728,330,000	3,728,000,000
Sub total Development Expenditure	4,208,400,000	5,138,500,000	100.0%	5,138,500,000	5,138,500,000
Total Expenditure	4,299,551,598	5,380,510,000		5,382,350,000	5,384,230,000

(c) Programme Analysis

The overall proposed levels are lower than the current approved allocation of the FY 2016/2017 on account of substantial reduction under the programmes of Power Transmission & Distribution, and Power Generation. However, it was not clear the potential risks stemming out from this reduced allocation especially with respect to ongoing programme and projects works.

Despite the marginal reduction, this percentage range reflects sustained support towards key flagship programmes, namely, Power Generation (of electric power) and Power Transmission and Distribution (involving construction of power lines) as well as Exploration and Distribution of Oil and Gas in the medium term. However, while the allocation is 93 percent of the 2017 BPS levels, a further comparison with the resource needs for the period under consideration reflects a substantial resource gap of close to 70 percent.

The table below (**Table 3**) gives a breakdown of resource allocation for each State Department and by programme *vis a vis* resource requirements for the sub sectors as well as in the medium term.

Table 3: Energy and Petroleum Sub Sectors, figures in kshs millions							
State Department for Energy							
State Department and programmes	FY 2016/17	FY 2017/18			Medium term Projections		
	Approved Estimates (Base year)	2017 BPS levels	Proposed Estimate s	Proposed Allocation as % of the BPS level	Resource Needs 2018/19	2018/19 Estimates	2019/20 Estimates
Administration Planning and Support Services	453.7	575.0	681.9	119%	700.0	490.1	520.1
Power Generation	22,288.1	31,126.0	17,519.5	56%	46,781.0	29,246.8	36,667.1
Power Transmission and Distribution	93,459.8	50,358.7	57,682.5	115%	71,756.0	86,080.4	78,632.2
Alternative Energy Technologies	1,060.3	1,085.0	1,335.3	123%	1,352.0	1,753.9	1,555.7
State Department for Energy	117,261.9	83,144.7	77,219.2	93%	120,589.0	117,571.2	117,375.1
State Department of Petroleum							
Petroleum Exploration and Distribution	4,299.6	4,575.9	5,380.5	118%	5,084.0	5,382.4	5,384.2
State Department for Petroleum	4,299.6	4,575.9	5,380.5	118%	5,084.0	5,382.4	5,384.2
TOTAL sub – Sector	121,561.5	87,720.6	82,599.7	94%	125,673.0	122,953.5	122,759.4

Source: 2017/18 draft proposal, 2016 and 2017 BPS Reports and various Sector Reports.

On account of the reduced allocation to the key programme of Power Generation, and Transmission and Distribution under the State Department of Energy, there is need for greater prioritization by the ministry. The reduction is mainly under external resources since the GoK resources are at the same levels

However, this may also have been informed by the lower than expected absorption levels observed over the years and further collaborated by recent rationalization policy implemented during the revision of the current fiscal year 2016/17 Estimates where the overall reduction (Even after committee considerations) was approximately 21 percent of the current Approved Levels.

With regards to the petroleum sub sector, the resource allocation is quite in line with request levels for the FY 2017/18 (89.7 %), meaning that the State Department is expected to undertake all programmed activities that are critical to the exploration and distribution of oil and gas activities for the period under consideration. Indeed the resource allocation trajectory under this programme has been on an upward trend from the fiscal year 2015/16 where the approved allocation during 2016 BPS and 2017 BPS was at kshs 1.068 billion and kshs 4.57 billion, respectively. Further the approved levels for the FY 2016/17 stood at kshs 4.29 billion. However, on account of the State Department submission on the current allocation during the

revision period suggests that they are likely to spend three quarter of the approved allocation (or 70 percent)

Annex I provides the expected targets under each of the programmes under each of the state programme

(d) Itemized Head allocation for State Department of Energy

Some of the key allocations under the State Department of Energy are as shown in table 4 below:

Table 4: Heads/Project allocation under the Development Vote			
Head/Projects	Description	APPROVED ESTIMATES 2016/2017	ESTIMATE S 2017/2018
Loiyangalani - Suswa transmission line.	Capital Grants to Government Agencies and other Levels of Government	3,288,000,000	2,880,000,000
	Construction and Civil Works	8,125,200,000	633,000,000
Transmission line Mombasa-Nairobi.	Capital Grants to Government Agencies and other Levels of Government	301,000,000	301,000,000
	Construction and Civil Works	698,000,000	-
Nairobi 220KV Ring.	Capital Grants to Government Agencies and other Levels of Government	143,000,000	143,000,000
	Construction and Civil Works	1,827,000,000	1,921,504,658
The Scaling - Up Access To Energy Project.	Construction and Civil Works	792,000,000	1,287,000,000
Olkaria Lessos Kisumu Power Lines Construction Project.	Capital Grants to Semi-Autonomous Government Agencies	400,000,000	400,000,000
	Construction and Civil Works	4,750,000,000	1,824,000,000
Nairobi 132kv And 66kv Network Upgrade And Reinforcement.	Construction and Civil Works	3,621,000,000	1,000,000,000
Kenya Electricity Expansion Project.			
Kenya Power and Lighting Company	Other Infrastructure and Civil Works	1,820,000,000	2,027,000,000
Rural Electrification Authority	Construction and Civil Works	150,000,000	-
	Training Expenses	-	114,000,000
	Research, Feasibility Studies, Project Preparation and Design, Project S	-	132,000,000
Eastern Electricity Highway Project (Ethiopia- Kenya Interconnector).	Capital Grants to Government Agencies and other Levels of Government	457,000,000	457,000,000
	Construction and Civil Works	13,761,500,000	5,485,200,000
Last Mile Electricity Connectivity.	Capital Grants to Semi-Autonomous Government Agencies	5,700,000,000	5,700,000,000
	Construction and Civil Works	3,190,000,000	3,968,000,000
Multi-National Kenya-TZ Power Interconnection Project.	Construction and Civil Works	2,819,000,000	850,000,000
Street-lighting.	Capital Grants to Government Agencies and other Levels of Government	3,100,000,000	3,100,000,000
Connectivity Subsidy	Capital Grants to Government Agencies and other Levels of Government	1,829,000,000	1,329,000,000
Electrification of Public Facilities.	Capital Grants to Government Agencies and other Levels of Government	5,560,615,000	5,560,615,000
	Construction and Civil Works	2,010,000,000	1,770,000,000
Turkwel - Lokichar	Construction and Civil Works	1,100,000,000	300,000,000

66KV Line.			
Off-grid Diesel Power Stations.	Capital Grants to Government Agencies and other Levels of Government	832,000,000	350,000,000
Olkaria V (Geothermal).	Construction and Civil Works	8,800,000,000	4,100,000,000
460MW Menengai Project.	Construction and Civil Works	3,000,000,000	3,000,000,000
Grid Evaluation and Analysis.	Capital Grants to Government Agencies and other Levels of Government	203,000,000	-
Nuclear Power Plant Siting.	Capital Grants to Government Agencies and other Levels of Government	30,000,000	130,000,000
Strategic Environmental Assessment.	Capital Grants to Government Agencies and other Levels of Government	20,000,000	179,999,700
Lake Turkana Wind power Project.	Other Operating Expenses	300,000,000	500,000,000
Hydro dams Water catchment re-afforestation.	Purchase of Certified Seeds, Breeding Stock and Live Animals	80,000,000	80,000,000
Solar PV installation on Institutions and or community boreholes	Construction and Civil Works	110,000,000	220,000,000
Installation of Transformers in Constituencies	Construction and Civil Works	3,000,000,000	3,000,000,000
Installation of Solar Lanterns	Construction and Civil Works	-	1,530,000,000
Nairobi City Centre E.H.V & 66KV Network Upgrade & Reinforcement.	Construction and Civil Works	-	2,530,000,000
Retrofitting of Mini Grids.	Construction and Civil Works	-	600,000,000
Expansion of Energy centers.	Maintenance of Buildings and Stations - Non-Residential	75,000,000	75,000,000
	Rehabilitation of Civil Works	145,000,000	140,000,000

Source: Itemized Submissions, National Treasury FEB 2017

(e) Itemized Head allocation for State Department of Petroleum

Some of the key allocations under the State Department of Energy are as follows in table 5 below:

Heads/Projects	Approved Estimates 2016/2017	Supplementary Estimates 2016/17	Proposed Estimates 2017/2018
Kenya Petroleum Technical Assistance Project (KEPTAP).			
<i>Other Operating Expenses</i>	250,400,000	180,500,000	356,670,000
<i>Research, Feasibility Studies, Project Preparation and Design, Project Supervision</i>	200,000,000	142,000,000	150,000,000
Petroleum Exploration in Block 14T	280,000,000	280,000,000	780,000,000
Fuel Marking. 2630200 Capital Grants to Government Agencies and other Levels of Government	40,500,000	50,250,000	33,500,000
Preparatory activities for the Lokichar - Lamu Crude Oil	150,000,000	75,000,000	215,330,000

Pipeline			
Early Monetization of First Oil Project	150,000,000	75,000,000	170,000,000
LPG Distribution and Infrastructure			
Purchase of Specialised Plant	2,000,000,000	1,100,000,000	2,000,000,000
Other Infrastructure and Civil Works	362,500,000	362,500,000	738,000,000
Monitoring			
<i>Training Expenses</i>	155,000,000	155,000,000	155,000,000
<i>Boards, Committees, Conferences and Seminars</i>	85,000,000	85,000,000	85,000,000
<i>Non-Residential Buildings (offices, schools, hospitals, etc.)</i>	80,000,000	40,000,000	-
<i>Purchase of Instrumentation and Calibration Equipment</i>	100,000,000	100,000,000	100,000,000
<i>Pre-feasibility, Feasibility and Appraisal Studies</i>	355,000,000	355,000,000	355,000,000

Source: Itemized Submissions National Treasury FEB 2017

2.1.3.2. Ministry of information Communication and Technology

The proposed total share of the Ministry allocation against total national government ministerial expenditure for the FY 2017/18 is approximately 2 percent, though a marginal reduction, is same as to the current allocation in the same respect, indicating sustained support towards key flagship programmes such as the ICT Infrastructure Development (Digital Literacy –laptops and fibre-optic cabling and phase involving expansions of the fibre connectivity) and Information and Communication Services (Government advertising services and digital roll-out).

(a) State Department of ICT & Innovation

With regards to the State Department of ICT & Innovation, the 2017/18 proposed budget is **Kshs 23.22 billion**. The proposed current expenditure is **Kshs 1.276 billion** whereas the capital expenditure is **Kshs 19.24 Billion** distributed across the three programmes under the State Department.

(b) State Department of Broadcasting and Telecommunication

The total proposed amount for the State Department of Broadcasting and Telecommunication amounts to **Kshs 2.85Billion**, of which the recurrent is **Kshs 2.09Billion** and **Kshs 764million** for Development outlays. Comparatively, the proposed allocation reflects marginal increase as shown in table 6 by way of economic classification.

Economic Classification	Baseline Estimates	Estimates 2017/2018	% of sub total total allocation 2017/18	Projected Estimates	
				2018/2019	2019/2020
Current Expenditure					
Compensation to Employees	136,713,513	134,310,000	10.52%	138,540,000	142,900,000
Use of Goods and Services	315,508,044	398,121,350	31.19%	406,973,291	414,628,419
Social Benefits	-	7,000,000	0.55%	7,000,000	7,000,000
Non Financial Assets	24,678,650	101,678,650	7.97%	99,766,709	99,181,581
Current Transfers to Govt. Agencies	432,525,000	635,180,000	49.77%	644,000,000	653,000,000
<i>Of which:</i>					
<i>Information Communication</i>	203,000,000	341,060,000	26.72%	345,439,250	347,342,427

<i>Technology Authority - ICTA</i>					
<i>Konza Technopolis Development Authority (KOTDA)</i>	95,000,000	156,915,000	12.29%	160,000,000	165,000,000
<i>Presidential Digital Talent Programme</i>	134,000,000	136,680,000	10.71%	138,020,000	140,100,600
<i>Eastern and Southern African Trade</i>	525,000	525,000	0.04%	540,750	556,973
Sub-total Current Expenditure	909,425,207	1,276,290,000	100.00%	1,296,280,000	1,316,710,000
Capital Expenditure					
Use of Goods and Services	650,000,000	200,000,000	1.04%	200,000,000	200,000,000
Non Financial Assets	330,000,000	255,000,000	1.32%	255,000,000	255,000,000
Financial Assets	2,802,000,000	3,046,000,000	15.83%	4,500,000,000	2,500,000,000
Capital Transfers to Govt. Agencies	18,531,000,000	15,746,000,000	81.81%	15,446,000,000	15,446,000,000
East African Trade and Transport Facilitation Project - Headquarters	3,250,000,000	800,000,000			
Kenya Transparency & Communication Infrastructure Project (TCIP).	875,000,000.00	15,000,000			
NOFBI II - Headquarters	50,000,000.00	25,000,000			
Government Shared Services - Headquarters	-	550,000,000			
Konza Complex , access road,MDP II	948,000,000.00	948,000,000			
Digital literacy programme - Capital Grants to Government Agencies and other Levels of Government	13,408,000,000	13,408,000,000	70%		
Sub total Capital Expenditure	22,313,000,000	19,247,000,000	100.00%	20,401,000,000	18,401,000,000
Total Expenditure	23,222,425,207	20,523,290,000		21,697,280,000	19,717,710,000

From the economic classification point of view for the State Department of ICT and Innovation (see table 6 above), a substantial amount of the resources proposed for allocation under the State Department are in form of transfers to government agencies and Boards where the recurrent transfer accounts for 50 percent of recurrent budget while the capital transfers in the development vote account for approximately 81 percent.

For the State Department of Broadcasting and Telecommunication, it is notable that 90 percent of capital budget is the allocation is through government agencies under the purview of the ministry (Table 7). Of particular concern is transfer pattern that uses the current baseline as a basis for allocation unlike a situation where the allocation could be based on the extent of work to be done and pending to be completed.

This may indicate lack of clear costing framework in place and reflects lack of financial planning for key projects under implementation. The same is also observed in the recurrent budget and this may be a basis for auditing the ministry's budget for efficiency and conformity to prudent budgeting.

Table 7 indicates the economic classification for the State Department of Broadcasting and Telecommunication and by sub vote for the period under consideration and the medium term

Table 7: Economic Classification, State Department of Broadcasting and Telecommunication					
Economic Classification	Baseline Estimates	Estimates 2017/2018	% of sub total allocation 2017/18	Projected Estimates	
				2018/2019	2019/2020
Current Expenditure					
Compensation to Employees	337,785,410	354,700,000	16.93%	365,700,000	375,700,000
Use of Goods and Services	916,058,872	909,040,440	43.38%	942,616,094	962,053,859
Social Benefits	-	13,500,000	0.64%	-	-
Non Financial Assets	21,457,548	25,459,560	1.21%	24,383,906	24,946,141
Current Transfers to Govt. Agencies; of Which	774,825,000	793,000,000	37.84%	783,000,000	783,000,000
<i>National Communications Secretariat</i>	80,000,000	80,000,000	3.82%	80,000,000	80,000,000
<i>Kenya Institute of Mass Communication.</i>	207,450,000	207,450,000	9.90%	207,450,000	207,450,000
<i>Kenya Year Book Board</i>	49,150,000	59,325,000	2.83%	49,325,000	49,325,000
<i>Media Council of Kenya</i>	62,000,000	61,000,000	2.91%	61,000,000	61,000,000
<i>Kenya Broadcasting Corporation (KBC).</i>	375,000,000	374,000,000	17.85%	374,000,000	374,000,000
<i>Media Complaints Commission</i>	-	10,000,000	0.48%	10,000,000	10,000,000
<i>International Centre for Cinema and Television</i>	700,000	700,000	0.03%	700,000	700,000
<i>Eastern and Southern African Trade</i>	525,000	525,000	0.03%	525,000	525,000
Sub total Current Expenditure	2,050,126,830	2,095,700,000	100.00%	2,115,700,000	2,145,700,000
Capital expenditure					
Use of Goods and Services	74,000,000	74,000,000	9.7%	20,000,000	-
Non Financial Assets	-	-		80,000,000	296,000,000
Capital Transfers to Govt. Agencies ; of which	584,000,000	690,000,000	90.3%	558,000,000	362,000,000
<i>450 bed capacity five storey building - KIMC</i>	100,000,000	105,000,000	13.7%		
<i>Modernization of KIMC Media Training Facilities - Headquarters</i>	130,000,000	116,000,000	15.2%		
<i>KBC Analogue to Digital TV Migration</i>	300,000,000	300,000,000	39.3%		
<i>KBC Rollout of Studio Mashinani</i>	54,000,000	54,000,000	7.1%		
<i>Installation of Digital Printing Press</i>	-	115,000,000	15.1%		
sub total Capital Expenditure	658,000,000	764,000,000	100.0%	658,000,000	658,000,000
Total Expenditure	2,708,126,830	2,859,700,000		2,773,700,000	2,803,700,000

(c) Programme Analysis

In view of the proposed allocation, ICT Infrastructure Development programme under the State Department of ICT & Innovation is proposed to be allocated the largest share, accounting for **92 percent** of the total sub sector budget. Under this programme, the digital literacy project is allocated **Kshs 13.408 billion** and Konza development is proposed to be allocated **kshs 948 million** as well as kshs 100 million towards establishment of Constituency Innovation Hub (290 centres) with aim to provide free access to wifi services.

Table 8 gives a breakdown of resource allocation for each State Department and by programme vis a vis resource requirements for the sub sectors as well as in the medium term.

Table 8: ICT Sub Sectors

ICT SUB SECTORS (figures in kshs millions)							
State Department of ICT & Innovation							
Programmes	FY 2016/17	FY 2017/18			2018/19 - 2019/20 Medium Term Projections		
	Approved Estimates (Base)	2017 BPS levels	Proposed Estimates	Proposed Allocation as % of the BPS level	Resource Needs 2018/19	2018/19 Estimates	2019/20 Estimates
General Administration ,planning and support Services	287.9	350.7	287.4	82%	850.0	293.4	300.1
ICT Infrastructure Development	22,441.2	19,197.5	19,067.1	99%	42,264.0	20,225.2	18,231.2
e government	493.4	698.2	1,168.8	167%	1,445.0	1,178.7	1,186.4
Sub total	23,222.5	20,246.4	20,523.3	101%	44,559.0	21,697.3	19,717.7
State Department of Broadcasting and Telecommunication							
General Administration ,planning and support Services	287.9	309.0	311.5	101%	338.0	312.8	326.73
Information and Communication Services	1,982.8	2,116.0	2,119.7	100%	4,572.0	2,083.5	2269.51
Mass Media Skills Development	437.4	428.0	428.5	100%	442.0	377.5	207.45
Sub total	2,708.1	2,853.0	2,859.7	100%	5,352.0	2,773.7	2,803.7
TOTAL ICT SECTOR	25,931	23,099	23,383	101%	49,911	24,471	22,521

Source: 2017/18 draft proposal, 2016 and 2017 BPS Reports and various Sector Reports.

The Ministry intends to utilize the allocation under digital literacy project to install and distribute **520,000 devices** to primary schools across the country, over and above the current target of distributing 1.2 million devices. If approved, this brings the total allocation to **kshs 30.7 billion**, of which **Kshs 17.308 billion** is for the current fiscal year.

With regards to the development of Konza Technopolis, the State Department of ICT and Innovation expects to undertake construction of 30 percent of the Konza complex, 10 km construction of access roads within the site and delivery of Master Plan II (40%). However, there is need to ascertain the current status given a similar allocation has been provided in the current period (2016/17) for each of the above expenditure items.

In addition, and given the trend in the past budget revisions, the allocation under Konza is invariably subject to rationalization at the supplementary stages of budget revision during the fiscal year. This situation may prompt investigation by the Committee to ascertain whether the

ministry and the Authority are in a position to roll out the necessary horizontal infrastructure and the causes for such delays and thus the obtaining opportunity costs.

For State Department of Broadcasting and Telecommunication, the highest allocation is under the programme of information and Communication services where the Departments seeks to undertake advertising services for national government Ministries, Department and Agencies with a view to reduce advertising costs, enhance digital TV broadcasting and coverage and establishment of Studio mashinani (10) by KBC as well as undertake media regulatory services involving: the training of journalist (700); 100 percent of complaints resolved; and, undertaking capacity building activities for the secretariat to the council.

However, a further look into the proposed allocation under the Government Advertising Agency which is **kshs 446.066 million** reflects substantial reduction as compared to both the approved level of **Kshs 530.485 million** and as subsequently revised upwards to a level of **kshs 918.56 million**. This point to a level of inconsistencies that negates the principle of using costed estimates to guide allocations, and reflects high level of discretion in so far as the pattern of allocation under this agency is concerned. In addition, the Agency was further approved to have an additional **Kshs 500 million** at the supplementary level towards establishing a government owned circulation paper (My.Gov) to mainly disseminate information on government opportunities and services across the country.

Under Mass Media Development Skills programme, the State Department intends to complete (by 100 percent) the construction of the 450 bed capacity five storey building at the Kenya Institute of Mass Communication as well as graduating 440 practitioners. However, with respect to the construction of the building, a similar undertaking of completion the project (100 percent) was submitted during the current fiscal year and therefore this particular target appears to be a moving target (*see also annex on audit queries*)

Annex II provides the expected targets and key performance for each of the programmes under the two State Departments.

(d) Itemized Head allocation for State Department of ICT & Innovation

Some of the key allocations under this State Department as per Table 9 include:

No.	Heads/ Projects	Approved Estimates 2016/2017	Supplementary Level 2016/17	Estimates 2017/2018
1.	1122100100 Supply and Installation of an Internet Based 4000 Network.	205,000,000	102,500,000	155,000,000
2.	1122100200 Kenya Transparency & Communication Infrastructure Project (TCIP).	875,000,000	4,027,316,269	15,000,000
3.	1122100300 East African Trade and Transport Facilitation Project.	3,275,000,000	212,500,000	800,000,000
4.	1122100400 NOFBI II.	1,552,000,000	1,075,000,000	1,125,000,000
5.	1122100500 NOFBI Phase II Expansion.	1,500,000,000	1,950,000,000	2,146,000,000
6.	1122100600 Government Shared Services. (Moved from Headquarter allocation to Capital Grants to Government Agencies and other Levels of Government)	550,000,000.00	550,000,000.00	550,000,000.00
7.	1122100700 Konza :			
8.	<i>Konza Complex - Headquarters</i>	500,000,000	450,000,000	500,000,000
9.	<i>Access Roads - KONZA</i>	148,000,000	124,000,000	148,000,000
10.	<i>Consultancies (MDP2).</i>	300,000,000	200,000,000	300,000,000
11	1122101000 Digital Literacy Programme- Laptop.	13,408,000,000	17,308,000,000	13,408,000,000
12	1122101200 Constituency Innovation Hub.	-	-	100,000,000

Source: Itemized Submissions National Treasury FEB 2017

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(e) Itemized Head allocation for State Department of Broadcasting and Telecommunication

Some of the key allocations under this State Department are as indicated in table 10.

No	Heads	Approved Estimates 2016/2017	Supplementary Level 2016/17	Proposed Estimates 2017/2018
1.	450 bed capacity five storey building - KIMC.	100,000,000	50,000,000	105,000,000
2.	Modernization of KIMC Film.	130,000,000	65,000,000	116,000,000
3.	KBC Analogue to Digital TV Migration.	300,000,000	150,000,000	300,000,000
4.	KBC Rollout of Studio Mashinani.	54,000,000	54,000,000	54,000,000
5.	1123100500 Modernization of KNA National Desk and Press Centre.	74,000,000	10,000,000	74,000,000
6.	Installation of Digital Printing Press.	-	-	115,000,000
Heads/Project allocation under the Recurrent Vote				
7.	Government Advertising Agency	530,485,000	1,418,567,355	536,561,203
8.	Photography and Kenya News Agency.	18,017,597	16,807,539	18,148,653
9.	Regional Publications.	12,774,714	11,589,706	12,935,478
10.	Kenya Institute of Mass Communication	207,450,000	207,450,000	207,450,000
11.	Public Communications Office	36,945,203	37,108,912	38,686,040
12.	Kenya Year Book Board	49,150,000	49,150,000	59,325,000
13.	Media Council of Kenya	62,000,000	62,000,000	61,000,000
14.	Kenya Broadcasting Corporation (KBC)	375,000,000	375,000,000	374,000,000
15.	Media Complaints Commission	-	-	10,000,000

Source: Itemized Submissions National Treasury FEB 2017

2.1.4. The Hard Budget Constraints and Policy Options for Consideration

(a) Energy Subsector

Budget Performance: The State Department of Energy total development budget for the FY 2017/18 amounts to kshs 75.166 billion. The average three year (2013/14, 14/15 and 15/16) absorption capacity is at approximately 71 percent¹. Although the proposed allocation level still reflects a lower level of allocation when compared to current levels of 2016/17, there is greater need to ensure that the ministry improves the utilization of approved allocations especially of external funds already mobilized and committed with a view to minimize the associated opportunity costs (delayed benefits to Kenyans, fiscal risks and contingent liabilities). The ministry should also enhance efficiency in utilization and further minimize in-year substantial revisions (supplementary budgeting) from approved allocations.

New Projects for the period under consideration: The State Department for Energy is budgeting for new projects such as Nairobi City Centre E.H.V & 66KV Network Upgrade & Reinforcement (**Kshs 2.5 Billion**), Retrofitting of Mini Grids (600 million) and distribution of solar lanterns (**kshs 1.530 billion**) as well as further expansion of energy centres (**Kshs 215 million**). The State Department should explain the rationale for establishing new projects in view of the numerous on-going projects and the obtaining delays in some critical infrastructure works that are behind schedule.

Performance of +5000 MW Plan: In view of the performance of the +5000MW Plan, there is notable under performance in terms of achieving the set target of generating the additional Mega Watts of power. The additional so far reflected is a total of 615 MW or 13 percent by June 2016, indicating no change or addition to the reported levels since 2016 (which is also the same level by February 2017²).

This means that it is practically not feasible to attain the 5000 MW mark as indicated which may urgently require the ministry to review its generation forecast position and the policy assumption underpinning the Plan with a view to give a more realistic framework of power generation and demand creation, which partly is critical guide in resource allocation. In addition, there may be need for policy shift towards industrial based demand creation especially by enhancing the incentives towards the manufacturing base and further scale up on going street and rural electrification projects.

Guard against the practice of substantial provisioning at the Supplementary Stage of Budgeting: The ministry and National Treasury to ensure that all the priority areas have been provided for and considered at the finalization of the estimates stage with a view to guard against substantial provisioning for projects and activities at the supplementary level especially with regards to exchequer and local AiA funding. This often seems to negate key aspects of prudent budgeting and planning. Some of the provisions at the supplementary stages, for instance the allocation in the current year (2016/17) towards Government Advertising Agency (advertisement

¹ 2017/18 Programme Based Budget

² National Treasury, Budget Summary for the Fiscal Year 2017/18 the Supporting Information, February 2017

expenses and establishment of circulation paper), ICTA, Digital literacy programme- laptops, Connectivity Subsidy, monitoring of flagship projects , do not merit to be defined what ordinary would constitute as unforeseen and urgent outlays.

This by extension has the import of side stepping key constitutional public finance principles like public participation and accountability as well as transparency during this stages of in - year budget revisions. This further stifles the policy imperatives of resource sharing and allocation towards priority areas at the time of estimates finalization since approved allocations change during in-year revisions.

Strengthening the Programme Based Budget framework: There is need for the ministries to further strengthen the link between the Programme Based Budget framework and Itemized Budget. Though much progress is evident in the Programme Based Budget Framework, It is notable that the targets and the key indicators of the sub sectors are not comprehensive, inadequate and often not linking with all the proposed allocation. **For instance, under the State Department of Petroleum, the specific expected targets under the PBB framework with respect to the allocation (kshs 2.738 billion) towards LPG distribution and Infrastructure is not clear and inadequately provided.** More so under the item of Rehabilitation of civil works the targets to be achieved is not clear with the key performance indicators not provided. The PBB framework compliments and validates the costing of programmes and projects and thus justifies resource allocation and further enhances oversight and result based monitoring and thus need to link it in a more responsive manner to the itemized budget.

Prioritization and fast tracking of Delayed Projects: In view of the huge resource requirement vis-a-vis the proposed allocation thereby occasioning a huge shortfall, the ministry may need to prioritize allocations among the various programmes and also scale down on non-priority areas. In addition, the sub sectors have a number of delayed projects such as the construction of various transmission lines, expansion of energy centers, projects around rural connectivity, among others due to issues around cumbersome compensation and wayleave determination and award, lack of clear project timelines and slow implementation pace. There may be need to map out all delayed projects before further resources are approved for allocation to mainly direct scarce exchequer funding to critical areas.

The Ministry to clarify the energy centers across the country that have been earmarked for the allocation towards expansion as well as the expected output considering that a similar allocation has been provided in the current fiscal year. Further, the risk highlighted by the auditor general of some centers lacking title deeds may compromise the investments (allocation) towards affected centers (see annex IV on audit issues)

(b) ICT Subsector

Absorption Capacity: To improve budget performance and efficiency, the sub sectors needs to further improve the absorption capacity of approved allocations, and minimize the huge in year budget revisions against approved levels to a level justifiable only to the extent such expenditure are unforeseen or are due to inadequate provisions.

Need to address accumulation of pending bills: According to the 2016 Sector Report pending bills in the ICT & Innovation and Broadcasting and Telecommunication subsector were listed as Kshs 1.2 billion under KBC , Kshs 435 million under the Government Advertising Agency and Kshs 32.4 million under the Kenya year Book (See also audit issues on this Head) and thus likely to compromise budget implementation. The ministry should demonstrate actual steps towards clearing the pending bills in the current finalization of the estimates and ensure there is policy intent by way of proving performance indicators and targets to clear overdue bills in the medium term including having appropriate measures to determining the veracity of such bills.

Prioritization and fast tracking of Delayed Projects: In view of the huge resource requirement vis a vis the proposed allocation thereby occasioning a huge shortfall, the ministry should prioritize allocations among the various programmes and also scale down on non priority areas. In addition, the sub sector has a number of delayed projects, such the County connectivity and the fibre optic backborne infrastructure, development of konza technopolis (horizontal infrastructure of access roads, complex and master plans), construction of five storey buiding at the Kenya Institute of Mass Communication, among others. Similarly, there may be need to map out all delayed projects across the sub sector before further resources are approved for allocation.

Guard against the practice of substantial provisioning at the Supplementary Stage of Budgeting: The ministry and National Treasury to ensure that all the priority areas have been provided for and considered at the finalization of the estimates stage with a view to guard against substantial provisioning for projects and activities at the supplementary level especially with regards to exchequer and local AiA funding.

This often seems to negate key aspects of prudent budgeting and planning. Some of the provisions at the supplementary stages , for instance the allocation in the current year (2016/17) towards Government Advertising Agency (advertisement expenses and establishment of circulation paper), ICTA, Digital literacy programme- laptops, do not merit to be defined what ordinary would constitute as unforeseen and urgent outlays.

This by extension has the import of side stepping key constitutional public finance principles like public participation and accountability as well as transparency during this stages of in - year budget revisions. This further stifles the policy imperatives of resource sharing and allocation towards priority areas at the time of estimates finalization since approved allocations change during in-year revisions.

Development of Konza Technopolis: given the trend in the past budget revisions, the allocation under Konza is invariably subject to rationalization at the supplementary stages of budget revision during the fiscal year. This situation may prompt investigation by the Committee to ascertain whether the ministry and the Authority are in apposition to roll out the necessary horizontal infrastructure and the causes for such delays and thus mitigate the associated opportunity costs of delay and shifting earmarked resources to other outlays.

Strengthening the Programme Based Budget framework: There is need for the ministry to further strengthen the link between the Programme Based Budget framework and Itemized Budget.

Though much progress is evident in the Programme Based Budget Framework, It is notable that the targets and the key indicators of the sub sectors are not comprehensive, inadequate and often linked with all the proposed allocation.

2.2. Submissions from the Ministry of Energy and Petroleum

2.2.1. State Department of Energy

The total Gross Vote is **Kshs. 77,219,204,310** comprised of **Kshs. 2,052,500,000** under the Recurrent Vote and **Kshs. 75,166,704,310** in development as detailed in **Table 11**.

Table 11:

VOTE 1152: STATE DEPARTMENT FOR ENERGY					
TOTAL NET REQUESTED FROM EXCHEQUER					
	Estimates 2017/18			Projected Estimates	
	Gross Expenditure	A-I-A	Net Expenditure	Estimates 2018/19	Estimates 2019/20
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
TOTAL FOR VOTE 1152	77,219,204,310	44,072,799,652	33,146,404,658	117,571,250,000	117,375,150,000

When comparing the 2016/17 Financial Year allocations with the 2017/18 allocations, it is important to note that the Development Vote has decreased from **Kshs. 115 billion** down to **Kshs. 75 billion** respectively, reflecting a 34% drop (See **Table 12**).

Table 12:

VOTE 1152: STATE DEPARTMENT FOR ENERGY				
COMPARISON OF 2016/17 Vs. 2017/18 ALLOCATIONS				
	2016/17	2017/18	Decrease	Decrease
	Kshs.	Kshs.	Kshs.	%
RECURRENT	2,078,552,046	2,052,500,000	26,052,046	0.12
DEVELOPMENT	115,183,331,715	75,166,704,310	40,016,627,405	34.7
TOTAL FOR VOTE 1152	117,261,883,761	77,219,204,310	40,042,679,451	34.1

Table 13 shows the budget trend for the State Department of Energy over the last five years. It is clear that there has not been any significant growth in resource allocation to the department. From the above analysis, it is clear that on average, the State Department's resource allocations

over the last five years is about **Kshs. 90 billion** per year despite the ever-increasing resource requirements which can be averaged at **Kshs. 130 billion**.

Table 13: 5 YRS Budget Trend

	2013/14	2014/15	2015/16	2016/17	2017/18
	Kshs. (Millions)	Kshs. (Millions)	Kshs. (Millions)	Kshs. (Millions)	Kshs. (Millions)
Recurrent	2,336	1,998	2,070	2,079	2,053
Development	70,309	87,075	93,136	115,183	75,167
Total Budget	72,644	89,073	95,204	117,262*	77,219
Recurrent as a % of Total Budget	3	2	2	2	3
Development as a % of Total Budget	97	98	98	98	97
Salaries	230	291	344	384	314
Salaries as % of Recurrent Budget	10	15	16	18	15

In order to address these funding gaps, the Ministry has continued to put in place various interventions which include involvement of development partners, Public Private Partnership initiatives, rationalization of its programmes and projects as well as frequent appeals to the Treasury for additional funding.

From the above table, the Recurrent Vote is 3% of the total Vote, while Development represents 97%. Personal Emoluments share approximately 15% of the Recurrent Vote leaving only 85% for operating activities and transfers to SAGAS. This demonstrates a very thin allocation.

The State Department's recurrent and development votes are mapped into four programmes for implementation during the 2017/18 Financial Year as illustrated in table 14.

Table 14

VOTE 1152: STATE DEPARTMENT FOR ENERGY				
ALLOCATION TO PROGRAMMES AND SUB-PROGRAMMES				
		Estimates	Projected Estimates	
PROGRAMME		2017/18	2018/19	2019/20
Programme Code		Kshs.	Kshs.	Kshs.
0211000	General Administration Planning and Support Services	681,889,337	1,038,220,769	1,036,489,095
0212000	Power Generation	17,519,486,926	26,674,555,839	26,630,064,687
0213000	Power Transmission and Distribution	57,682,507,954	87,825,361,889	87,678,875,792
0214000	Alternative Energy Technologies	1,335,320,093	2,033,111,502	2,029,720,425
Total Programmes Expenditure for Vote 1152		77,219,204,310	117,571,250,000	117,375,150,000

Table 15 illustrates the resource allocations done under the Development Vote to new projects that the State Department of Energy intends to implement during the 2017/18 Financial Year.

Table 15: List of New Projects funded in 2011/18FY

	New projects	Allocation (Kshs Millions)
1.	1152107000 Installation of Solar Lanterns	1,530
2.	1152107100 Nairobi City Centre E.H.V & 66KV Network Upgrade & Reinforcement	2,530
3.	1152107200 Retrofitting of Mini Grids	600
4.	1152107300 Sustainable Energy for All	25
TOTAL		4,685

An analysis on the trend of performance with regard to the approved estimates versus actual expenditures over the last three years is in table 6.

Table 16: Analysis of Performance Trend

	Revised Estimates (Million)			Actual Expenditure (Million)			Absorption (%)		
	2014/15	2015/16	2016/17	2014/15	2015/16	2016 /17	2014/15	2015/16	2016 /17
Recurrent	1,998	2,070	2,079	1,962	2,002	1,288	98	97	62
Development	87,075	93,136	89,706	52,323	71,804	75,908	60	77	84
Total Exp.	89,073	95,206	91,784	54,285	73,806	77,196	61	78	84

The absorption capacity for the department has improved from 61% in FY 2014/15 to 84% in FY 2016/17. The Ministry hopes that at the close of the current financial year they shall post good results as long as;

- There will be an accelerated implementation of development activities which will result into a quicker intake of development funds
- Issues of underfunding over the successive financial years are addressed.

STATUS OF THE + 5000 MW PLAN

In 2013, the Government a 40-month target to expand the power generation capacity by 5,000+MW in order to;

- avail adequate capacity to match expected growth in demand
- achieve competitive electricity tariffs through addition of least cost generation projects
- diversify the generation mix in order to avoid over-reliance on hydropower

To date, a total **657.5 MW** of new generation capacity has been commissioned since **March 2013**. As at now, the installed generation capacity stands at **2,327MW** against a total effective capacity of **2,254MW**.

The effective interconnected capacity is **2,236MW** whereas the peak demand is **1,640 MW** as per the 19th January, 2017 recordings.

Table A shows the installed and effective electricity capacity of the year 2013 and 2017.

Installed Capacity by Type

S/NO	Source of Energy	March, 2013		February, 2017		%(Effective)
		INSTALLED MW	EFFECTIVE MW	INSTALLED MW	EFFECTIVE MW	
1.	Hydro	816.2	766.9	818.73	797.52	35.4%
2.	Geothermal	251.4	244.9	652.00	644.00	28.6%
3.	Thermal	466	447.5	716.32	690.12	30.6%
4.	Temporary Thermal-grid	120.0 ¹	120.0	0.00	0.00	0.0%
5.	Thermal (GT)	60.0	27.0	60.00	55.00	2.4%
6.	Wind	5.1	5.1	25.50	25.50	1.1%
7.	Biomass	26	22	28.00	23.50	1.0%
8.	Interconnected system	1,745	1,633	2,301	2,236	99.2%
9.	Off grid thermal	22.1	18.7	25.53	18.00	0.8%
10.	Off grid wind	0.55	0.20	0.55	0.02	0.0%
11.	Off grid solar	0.22	0.50	0.64	0.51	0.0%
12.	Imports	0.00	0.00	0.00	0	0.0%
13.	Total Capacity	1,768¹	1,652	2,327	2,254	100.0%

- Please note than under Hydro, 90MW includes the emergency capacity decommissioned in August, 2013.
- Under Geothermal, it excludes the 30MW Aggreko Muhoroni decommissioned in July, 2016 and 2MW of the retired Ndula Hydropower capacity. However, it includes the 3.43MW of new capacity from off-grid stations commissioned since March, 2013 and off-grid capacities decommissioned following grid extension to Mpeketoni, Lamu, Garissa and Hola.

Generation Mix

The Monthly generation by source data is summarized in table B.

In January 2017, hydropower reduced by 5.8% following a revised dispatch schedule due to the failure of the short rains. Geothermal increased from 43.75% to 44.31% while thermal generation increased from 18.58% to 22.97% of the Total units purchased.

Generation Contribution by Technology

S/NO	SOURCE	JULY 2016	AUG 2016	SEP 2016	OCT 2016	NOV 2016	DEC 2016	JAN 2017
1.	Geothermal	46.3%	40.24%	40.32%	41.88%	43.02%	43.75%	44.31%
2.	Hydro	39.69%	42.41%	41.91%	41.07%	36.71%	35.24	29.43%
3.	Fossil Fuel	13.01%	16.06%	16.42%	15.55%	18.4%	18.58%	22.97%

Areas/Projects left-out of the 2017/18 Estimates

The 2017/18 annual estimates were based on the hard ceilings provided by Treasury. The State Department therefore experienced a huge shortfall of **Kshs. 40 billion** and as a result the following critical areas/projects have either been left out completely or ended up being underfunded as shown in table below;

Areas/Projects left-out of the 2017/18 Estimates

SAGA	Amount	Remarks
KETRACO		<u>Wayleave compensation (Pending Bills)</u> <ul style="list-style-type: none"> • Turkwel –Ortum-Kitale Kshs. 235.6m • Isiolo-Meru Kshs. 530.2m • Ethiopia- Kenya Kshs. 1,200m • Olkaria-Lessos-Ksm. Kshs. 538m • Loiyagalani Suswa Kshs. 108.4 • Sondu-Homabay Kshs. 636.5m • Nanyuki-Isiolo Kshs. 430.2m
Sub-Total	3,678.9m	Other Areas left out in 2017/18; <ul style="list-style-type: none"> • Kenya – Tanzania 400kv Kshs. 434m for payment of wayleave • Ethiopia – Kenya Kshs. 302m additional funding for wayleave payment • Power Transmission system improvement project Kshs. 2,590m additional funding • Olkaria – Lessos – Kisumu Kshs. 761m facilitate evacuation of power from existing and new olkaria power plants • Nanyuki – Isiolo – Meru132kv Kshs. 903m • KEEP (Kisii – Awendo) Kshs. 639m wayleave payment • INDIAN Lock Projects Kshs. 253 additional funding. For Machakos – Konza – Kajiado – Namanga and Turkwel – Ortum – Kitale. • Sondu - Homa Bay – Ndhiwa Kshs. 431m alternative evacuation of power from sondu power plant • Lesos – Tororo 132 kv Kshs. 603 m for wayleave payment. • Lamu – Kitui – Nairobi East Kshs. 909m
Sub-Total	7,825m	
Total	11,503.9m	
REA		<ul style="list-style-type: none"> • Kshs. 1,100m payable to various contactors • Kshs. 427m payable to KPLC for grid materials borrowed.
Sub-Total	1,527m	
GDC		<ul style="list-style-type: none"> • Kshs. 896m payable to contractors in Menegai geothermal field
Sub-Total	896m	
Kenya Power		<ul style="list-style-type: none"> • Kshs.2,000m for GPOBA • Kshs.1,300m for equalization of off-grid • Counterpart funding for last mile connectivity under the ADB Project Kshs. 2,510m.
Sub-Total	5,810m	
KNEB		<ul style="list-style-type: none"> • Kshs. 592 million to cater for Detailed Site/Study Analysis for Nuclear Power Plant
Sub-Total	592m	

Proposed allocation vis-a-vis Achievements

The following are the planned achievements that will emanate from the budget allocations FY 2017/18

Table 18: Allocation 2017/18 vs. planned achievements

Programme/sub programme	Allocation	Planned Outputs
Programme 1: General Administration Planning and Support Services		
Outcome: Efficient service delivery		
	681,889,337	Develop Energy Bill and Energy Policy
		Develop Nuclear Bill and Policy
		Conduct 15 Public awareness on Nuclear development in 15 Counties
		Train 175 officers on Nuclear related courses
		Develop Power System Plan
Programme 2: Power Generation		
Outcome: Adequate Power		
	17,519,486,926	Boost Power generation from the current 2341MW to over 6700MW through the 5000+MW programme, especially by geothermal Development.
		Increase electricity generation from geothermal sources by 105MW
		Increase MW of steam equivalent by 90MWe
		Drill eighteen (18) geothermal wells
		Complete 50% of construction works on Africa Geothermal Centre of Excellence
		Drill twenty (20) coal exploration wells
		Complete one (ESIA) and two (2) RAP on coal development and complete the Coal Master Plan
		Carry out forty-three (43) Public Awareness forums on nuclear development in Kenya
		Conduct training on nuclear development to 175 officers
Programme 3: Power Transmission and Distribution		
Outcome: Increased access to electricity		
	57,682,507,954	Construct 1,265Km electricity transmission lines
		Increase the number of transmission substations by twelve (12)
		Increase the length of distribution lines by 3,200Km

		Increase the number of Distribution Substations by 35
		Increase the number of new customers connected with power by 1,200,000
		Increase the number of Public Facilities (trading centres, secondary schools, health centres, and administrative offices) connected with Power by 10,595
		Increase the number of Transformers Installed by 1,450
		Increase number of street lighting points by 20,000 which are geared towards making Kenya a 24-hour Economy.
	1,335,320,093	Increase the number of new energy centres established by one (1)
		Expand three (3) number of existing energy centres
		Increase the number of Institutions connected with solar energy by fifty (50)
		Install five (5) Wind, Solar or Wind/Solar hybrid water pumping systems in ASAL areas
		Re-afforest 1,000 hectares of water catchment areas
		Install two (2) Solar refrigeration systems in livestock centres in ASAL areas
		Install two (2) water desalination systems in public boreholes in the ASAL areas
		Install ten (10) and maintain sixty (60) wind masts and data loggers
		Construct 2,250 domestic household biogas digesters
		Construct two (2) Institutional biogas plants
		Carry out seventeen (17) energy investment Grade Audits and General Audits.
TOTAL	77,219,204,310	

2.2.2. State Department of Petroleum

The total Gross Vote is **Kshs. 5,380,510,000** comprised of **Kshs. 242,010,000** in recurrent and **Kshs. 5,138,500,000** in development, thus;

VOTE 1153: STATE DEPARTMENT FOR PETROLEUM					
TOTAL NET REQUESTED FROM EXCHEQUER					
	Estimates 2017/18			Projected Estimates	
	Gross Expenditure	A-I-A	Net Expenditure	Estimates 2018/19	Estimates 2019/20
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
TOTAL FOR VOTE 1152	5,380,510,000	2,260,364,694	3,120,145,306	5,380,235,000	5,384,230,000

Comparison of FY2016/2017 with FY 2017/18: The development budget had an increase of **Kshs. 47, 510,975** reflecting a 1.22% growth compared to FY2016/17, while the recurrent budget had 165% increase compared to the figure for the year 2016/2017. Thus moving upward with a figure of **Kshs. 150, 858,402**. This huge percentage increase in recurrent is due to the fact that the State Department never had funding for salaries and other operation cost in the budget for 2016/17. See table below.

VOTE 1153: STATE DEPARTMENT FOR PETROLEUM				
COMPARISON OF 2016/17 Vs. 2017/18 ALLOCATIONS				
	2016/17	2017/18	Decrease/Increase	Decrease/Increase
	Kshs.	Kshs.	Kshs.	%
RECURRENT	91,151,598	242,010,000	150,858,402	165
DEVELOPMENT	3,874,025,000	5,138,500,000	47,510,975	1.22
TOTAL FOR VOTE 1153	3,965,176,598	5,380,510,000	198,369,377	166.22

Allocation to Sub-Programmes

The State Department's recurrent and development vote is mapped under one programme and divided into Three Sub- Programmes to be implemented in the coming FY 2017/18

VOTE 1153: STATE DEPARTMENT FOR PETROLEUM				
ALLOCATION TO PROGRAMMES AND SUB-PROGRAMMES				
PROGRAMME	Exploration and Distribution of Oil and Gas	Estimates	Projected Estimates	
Sub-Programmes		2017/18	2018/19	2019/20
Sub-Programme Code		Kshs.	Kshs.	Kshs.
0215030	General Administration Planning and Support Services	90,187,485	89,410,001	89,339,596
0215010	Oil and Gas Exploration	2,303,492,515	2,306,109,999	2,338,390,404
0215020	Distribution of Petroleum and Gas	2,986,830,000	2,986,830,000	2,956,500,000
Total Programmes Expenditure for Vote 1153		5,380,510,000	5,382,350,000	5,384,230,000

Summary of programme outputs and performance indicators for 2017/2018 – 2019/2020

Sub Programme: 0215010 SP1 Oil and gas exploration

Projects	Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2017/2018	Targets 2018/2019	Targets 2019/2020
Monitoring of Exploratory & Appraisal Drilling, South Lokichar Field Development Studies, Research & Feasibility Studies in unlicensed Petroleum Blocks and Regional Promotion of Exploration Potential	S.D.P	Exploration services Petroleum Blocks created and gazetted.	Number of Reports Number of Petroleum Blocks created and gazetted.	-	5	5
		Exploration blocks licenced to IOCs.	No. of Production Sharing Contract (PSC) signed.	7	7	7
		Appraisal & Exploration wells drilled	Number of appraisal and exploration wells drilled	9	12	20
		Petroleum blocks reviewed	Number of blocks Reviewed for creation and gazettelement of new blocks.	63	63	68
			Revised block map.	1	1	1
		Petroleum Exploration Blocks marketed Nationally and Internationally.	No. of petroleum Exploration Blocks marketed.	19	24	29
		Geological & Geophysical Data acquired	Number of Geological & Geophysical Reports	2	2	2
Kenya Petroleum Technical Assistance Project (KEPTAP)	S.D.P/ KEPTAT Unit	Capacity Building	Number of officers trained.	200	200	200
Petroleum Exploration in Block 14T	NOCK	Exploration services	Number of blocks explored	1	1	1
Early Oil Pilot Scheme Project.	S.D.P	Exploration and Distribution services	Barrels of Oil and Gas produced & delivered under Early Oil Monetization.	480,000	960,000	960,000

SDP Means State Department of Petroleum

Sub Programme: 0215020 SP 2 Distribution of Petroleum and Gas

Projects	Delivery Unit	Key Output (KO)	Key Performance Indicators (KPIs)	Targets 2017/2018	Targets 2018/2019	Targets 2019/2020
Fuel Marking	ERC	Fuel Marking	Number of samples tested at various point of sale	6,000	6,000	6,000
Management & Enhancement of security of supply (Distribution of Oil and Gas)	S.D.P	Security of supply of oil & gas	Metric tons of oil & gas distributed	5,140	5,551	6,106
LPG Distribution and Infrastructure	S.D.P/ NOCK	LPG Distribution services	Number of LPG cylinder (full kit) purchased, tagged &	1.2 million	1.2 million	1.2 million

			distributed to targeted low income group.			
LPG Distribution and Infrastructure	S.D.P/NOCK	LPG skids purchased & installed	No. of LPG skids	10	10	10
		Real time monitoring devices	No. of installed real time monitoring devices	10	10	10

Programmes/projects allocation

Vote: 1153

Programme :Exploration and Distribution of Oil and Gas

Project Code & Title	2016/ 2017 Allocation.		Expenditure as at 28 th February 2017.	2016/17 absorption rate.	Proposed 2017/18 Allocation (GoK& Finance)	Proposed 2017/18 Allocation (GoK& Finance)	Remarks
	GoK (including PDL)	Foreign					
Sub- Programme I.							
0215010 SP1 Oil and gas exploration							
1153100100 Kenya Petroleum Technical Assistance Project (KEPTAP).	-	273	157.978	57.65%	674	1,016	
1153100200 Petroleum Exploration in Block 14T.	210	-	210	100%	780	920	This is a transfer to NOCK.
1153100400 Exploration and Distribution of Oil and Gas.							
1153100404 Early Oil Pilot Scheme Project	75	-	2.7	1.4%	170	170	The Draft Early Oil Pilot Project Agreement that sets out the terms and conditions for the project is currently with Office of the Attorney General, Department of Justice & The National Treasury for clearance.
1153100407 Monitoring of Exploratory & Appraisal Drilling, South Lokichar Field Development Studies,	561	-	258.3	46%	695	695	A technical team is currently undertaking Geological and Geophysical (G&G) data acquisition in

Research & Feasibility Studies in unlicensed Petroleum Blocks and Regional Promotion of Exploration Potential							the unlicensed (open) Block L19A within the Lamu Basin with an objective of acquiring primary data to ascertain the petroleum potential of the block. This is with a view of promoting it for licensing to potential investors i.e. International Oil Companies.
Sub- Programme II.							
0215020 SP 2 Distribution of petroleum and gas.							
1153100300 Fuel Marking.	20.2	-	20.2	100%	33.5	33.5	This is a transfer to ERC and activity is progressing well.
1153100405 LPG Distribution and Infrastructure	1,271.87	-	32.86	2.5%	2,738	3.3	The tender for the supply of 1.2 cylinder full kit is in the final stage of award.
1153100401 Preparatory activities for the Lokichar - Lamu Crude Oil Pipeline	75	-	27	36%	215.33	215.33	A Joint Technical Committee of the Government and the Kenya Joint Venture (KJV) Partners with support of Simmons & Simmons (consultants) prepared the draft Joint Development Agreement (JDA) which is currently awaiting clearance.

Areas/projects left-out in the proposed 2017/2018 Estimates.

No projects were left out during the budget period, however the allocation for 1.2million LPG Cylinder with kits need increase to possibly Kshs. 3.5Billion arising from current evaluation process.

2.3. Submissions from the Ministry of Information, Communication and Technology

The Ministry of Information, Communication and Technology made the following submission-

Mandate and Functions of the Ministry

The mandate of the Ministry is derived from the Executive Order No. 2/2013 of May 2013 which stipulates the following functions that cuts across its departments and agencies;

- (a) Management of Information, Communications and Technology (ICT) in Government
- (b) Development and implementation of ICT related policies, regulations, standards and guidelines
- (c) Management of public information and communication
- (d) Promotion of e-government services
- (e) ICT Training and skills development
- (f) Development of National Communications Capacity and ICT Infrastructure
- (g) Telecommunication services

The Ministry executes its mandate through:

- (a) Two State Departments of ICT & Innovations and Broadcasting & Telecommunications
- (b) Nine (9) parastatals:
 - (i) Communications Authority of Kenya (CA),
 - (ii) Information, Communication & Technology Authority (ICTA),
 - (iii) Postal Corporation of Kenya (PCK),
 - (iv) Kenya Broadcasting Corporation(KBC),
 - (v) Media Council of Kenya (MCK),
 - (vi) Konza Technopolis Development Authority (KoTDA),
 - (vii) Kenya Institute of Mass Communication (KIMC) and
 - (viii) The Kenya Yearbook Editorial Board (KYEB)
 - (ix) National Communication Secretariat (NCS)

2.3.1. State Department of ICT and Innovation

Recurrent and Development

Item	Approved Estimates 2016/17	Requirement 2017/18	Allocation 2017/18	Remarks
Recurrent	1,150	1,688	1,276	Deficit accounted by O&M and grants shortfalls
Development	25,799	43,115	19,247	
Total	26,949	44,803	20,523	

2.3.1.1 Budget Estimates 2017/18

Vote 1122	2016/17 Printed Estimates	Approved Estimates	Allocation	Variance	Remarks
Programme		2016/17	2017/28	2017/18	
General Administration, Planning and Support Services	287.8	246.7	287.3	40.6	<ul style="list-style-type: none"> Funds used for development and review of policies Caters for PE, Operations and Maintenance
E-Government Services	493	585	1,168.8	583.8	<ul style="list-style-type: none"> Funds used in the implementation of government shared services which supports IFMIS, GHRIS, IPPD. The KShs.550m for Shared Services shifted from Infrastructure Programme.
ICT Infrastructure Development	22,441	26,118.6	18,697	(7,421.6)	<ul style="list-style-type: none"> Caters for infrastructure projects funded by China, World Bank and GOK KTCIP ended on 31/12/2016 accounting for Kshs. 4b in the variance DLP KShs.4b in the Supplementary not in 2017/18 ceilings
TOTAL		26,950.3	20,153.1	(6,797.2)	

Funded Programmes and projects

Programme 3: ICT Infrastructure Development				
Sub-Programme : ICT Infrastructure Connectivity				
Objective: Reduce digital divide between rural and Urban				
S/No.	Project Name	Approved 2016/17	Allocation 2017/18	Remarks
1.	County Connectivity Project	102.5	155	Counterpart funds and awaiting fulfillment of Donor conditions precedent to effectiveness
2.	NoFBI Phase II	1,075	1,125	Target to complete 2,100 Km of Fiber Cable Network
3.	NOFBI Expansion	1,950	2,046	Preliminary activities in process
4.	Constituency Innovation Hub	-	100	Target roll out 290 CIH in all constituencies
5.	East Africa Trade and Transport Facilitation Project (EATTFP)	212.5	800	Construction of 650KM of Fiber Cable Network between Eldoret and Nakodok
6.	Kenya Transparency and Communication Infrastructure Project(TCIP)	4,027	15	Ksh.15m for closure activities
Sub-Programme 2: ICT and BPO Development				
Objective: To increase talent pool in ICT industry				
7.	Konza Technocity Complex	250	500	Targets to complete 4 floors
8.	Konza Access Roads	74	148	For development of 10km of gravel

				road
9.	Konza Consultancies	150	300	Two years to contract completion and has funding challenges
10.	Ajira Kenya Initiative	204.6	213	Train and connect over 500,000 youths on online jobs.
Sub-Programming 3: Digital Learning				
11.	Digital Literacy Programme	17,408	13,408	<ul style="list-style-type: none"> Project to provide 600,000 learning devices Completion of phase I planned for 31/3/2017 but has a shortfall of Kshs. 6b
Programme 2: E-Government Services				
12.	Government Shared Services	550	550	
13.	Presidential Digital talent Programme	141.9	147.8	Train 400 graduates on device ICT skills Spectrum

Areas/projects not funded

Project	Requirement 2017/18 Kshs. Million	Remarks
Enterprise Kenya -	1,100	Funds required to finance entrepreneurship/innovations in ICT
Konza Access Paved Roads (12.2 Km) Phase 1a Streetscape	6,419	Following up EPCF alternative funding
Phase 1a Waste Water Reclamation Facility	2,100	The project is critical in treatment of waste water for re-use
IBM Research Lab	189	Non availability of funds has breached the signed contract which is in its 5 th year. Ministry re-negotiating to recast the contract
Digitization of Government Records	1,200	The project aims at integrating all government registries for efficient and effective service delivery.

Project achievements

Capital Projects under programmes	Project Status
County Connectivity Project(CIH)	Proof of concept setup in Limuru Completed
Konza Techno City Phase I Establishment	Construction Of 12. 1 Kilometers Of Access Roads Completed Foundation Laying For Konza Complex Ongoing Draft Konza land deposition policy and bill in place Negotiations for the Signing of Investment Agreements with 5 Investors for the following projects on going <ul style="list-style-type: none"> National Data Centre Engineer, Procure, Construct and Finance (EPCF) of Key Phase Infrastructure Projects Korean Advanced Institute of Science and Technology (KAIST) National Construction Authority 2 Local Universities

2.3.2. State Department of Communication and Broadcasting

The State Department of Broadcasting and Telecommunications was created in 2016 through Executive Order No. 1/2016 of May 2016 to develop the communications industry in the country

as projected in Kenya Vision 2030. It is composed of three market segments that include telecommunications, mass communications and postal services.

The mandate of the State Department is as follows:-

- (a) Telecommunications policy
- (b) Broadcasting policy
- (c) Language policy management
- (d) Public communications
- (e) Coordination of Government advertising services
- (f) Postal and courier services
- (g) Government telecommunications services

The State Department has two Main Departments and 7No. SAGAs, two (2) advisory councils, one (1) Tribunal and a Secretariat as detailed below. with the following mandates

	Department/SAGA	Mandate
1	Department of Information	<ul style="list-style-type: none"> • Formulation, interpretation and implementation of government information policies, programmes and strategies. • Gathering, processing, packaging and disseminating information on Government programmes and Projects as provided for in the Constitution • Creating awareness through regional publications, rural information centres and mobile cinema • Provision of reliable and affordable information services for informed citizenry
2	Department of Communication	<ul style="list-style-type: none"> • Formulate, interpret and implement Government Public Communication Policies, Programmes and Strategies. • Build and sustain a positive Government image through public communications and branding • Undertake centralised government advertising services on behalf of Ministries, Department and Agencies and issue guidelines on centralized Government Advertising • Enhance public communications in National and County Governments • Use appropriate media to engage the public in National development
3	Kenya Broadcasting Corporation (KBC)	<ul style="list-style-type: none"> • Impart knowledge through the process of effective communication with the public • Offer suitable entertainment services to the people of Kenya; • Promote an effective approach to the use of Radio and Television as tools for National Development; and • Spearhead the adoption of emerging technologies to improve on broadcasting in the country through migration from analogue to digital broadcasting.

4	Communications Authority of Kenya	<ul style="list-style-type: none"> • Management of Radio Frequency Spectrum • Foster growth, competition and investment in Telecommunication Sector; • Ensure operators compliance with the Act, regulations and licensing conditions • Facilitate universal access and use of ICTs, • Protect the rights of users of ICT services, and • Ensure development and formulation of adequate standards for the ICT sector among others.
5	Postal Corporation of Kenya	<ul style="list-style-type: none"> • Provide communications, distribution and financial services. • Production of stamps and provision of private letter boxes. • Provide new products based on new ICT technologies for improved service delivery
6	Media Council of Kenya	<ul style="list-style-type: none"> • To strengthen media monitoring, spearhead the adoption of a standardized curriculum for middle level training institutions in mass media and accredit educational institutions offering courses in journalism; • Accredit journalists and foreign journalists • Develop and regulate standards governing journalists, media practitioners and media enterprises; • Advise the government on the relevant media regulations; and • Dispute resolution concerning media and infra media
7	Media Complaints Commission	<ul style="list-style-type: none"> • To mediate or adjudicate in disputes between government and media and between public and the media and intra media on ethical issues • To ensure the adherence to high standards of journalism as provided for in the code of conduct for practice of journalism in Kenya • To achieve impartial, speedy and cost effective settlement of complaints against journalists and media enterprises
8	Kenya Yearbook Editorial Board	<ul style="list-style-type: none"> • Compile, edit and publish the Kenya Yearbook • Document and detail the work of the Government of Kenya, • Document the government development Programme of action for improved economy, and • Document Kenya immense resources and potential.
9	Kenya Institute of Mass Communications (KIMC)	<ul style="list-style-type: none"> • Offer training in communication and cinematic-arts; • Produce and disseminate products in communication, cinematic-arts and • Develop and provide educational, cultural, professional, technical and vocational services to the community.
10	Government Advertising Agency	<ul style="list-style-type: none"> • authorize public sector advertising and implementing sectorial standards, procedures, guidelines and managing consolidated government advertising funds.

11	National Communications Secretariat	<ul style="list-style-type: none"> Advise the Government on info-communications policies, Carryout specialized research, and Conduct continuous review of development under the info-communications sector
12	Communications and Multimedia Appeals Tribunal	<ul style="list-style-type: none"> Arbitrate disputes between parties in the communications sector.
13	Universal Service Fund advisory Council	<ul style="list-style-type: none"> Support widespread access to ICT services, promote capacity building and innovation in ICT services in the country.
14	Broadcast Content Advisory Council	<ul style="list-style-type: none"> Administer broadcast content and monitor compliance with broadcasting code and ethics for broadcasters.

In the FY 2017/18, the State Department has a gross allocation of **Kshs. 2,859.7 million** against a total requirement of **Kshs. 5,631million**. The Shortfall thereof is **Kshs. 2,771.3 million** as shown below-

	Vote	Requirement in Kshs. Millions	Allocation in Kshs. Millions	Shortfall in Kshs. Millions	Remarks
1.	Recurrent	4,15	2,095.7	2,054.3	The short fall affects current transfers to SAGAs and GAA
2.	Development	1,481	764	717	The short fall affects Capital transfers to SAGAs for projects and KNA Modernization Project
3.	Total	5,631	2,859.7	2,771.3	

Programmes and their objectives

	Programme	Objective
1	General Administration, Planning and Support Services	To formulate, review and implement appropriate Broadcasting and Telecommunication policies, legal and institutional frameworks that improve efficiency of public service delivery
2	Information and Communication Services	To collect, collate and disseminate credible information to promote a competitive knowledge based economy
3	Mass Media Skills Development	To train, build and strengthen the ICT and mass media skills.

Proposed estimates of revenue and expenditure 2017/18 Financial Year

	Programme	F/Y 2016/17 Printed Estimates	FY 2016/17 Revised Estimates	FY 2017/18 Proposed Estimate s	Decrease/Inc rease VS Printed Estimates	Remarks
1.	General Administration, Planning and Support Services	288	330	311.5	23.5	The increment for 2017/18 is to cater for annual salary increment
2.	Information And Communication Services	1,983	2,158.9	2,119.7	136.7	The increase includes Kshs. 115 for Purchase and installation of a Digital Printer and for annual Salary increment.
3	Mass Media Skills Development	437	322.4	428.4	(8.3)	
Total		2,708	2,811.4	2,859.7	151.9	

List of funded projects, FY 2017/18– Kshs. in Millions

	Programme	Sub programme	Name of Project	FY 2016/17 Printed Estimates	FY 2016/17 Revised Estimates I	FY 2017/18 Proposed Estimates
1.	Information and Communication Services	News and Information Services	KBC Analogue to Digital TV Migration	300	150	300
2.	Information and Communication Services	News and Information Services	KBC Rollout of Studio Mashinani	54	54	54
3.	Information and Communication Services	News and Information Services	Modernization of KNA National Desk and Press Centre	74	10	74
4.	Information and Communication Services	Kenya Year Book Initiative	Installation of Digital Printing Press	0	0	115
5.	Mass Media Shills Development	Mass Media Shills Development	450 bed capacity five storey building - KIMC	100	50	105
6.	Mass Media Shills Development	Mass Media Shills Development	Modernization of KIMC Media Training Facilities	130	65	116
Total				658	329	764

Unfunded Projects in FY 2017/18

	Programme	Sub programme	Name of Project	Requirement in Kshs. Million	Remarks
1.	Information and Communication Services	News and Information Service	Public Interest Multi Media Centre	34	To establish a center for assessing media coverage/reporting of public interest issues to inform public policy and media development in general.
2.	Mass Media Skills Development	Mass Media Skills Development	Construction of a multipurpose Hall	342.2	construction of a Multipurpose Complex with the following facilities: Arena, Control and Atelier rooms, Sound Studios, Production rooms, Animation rooms and Orchestra rooms equipped with state of the Art multimedia equipment
3.	Information and Communication Services	News and Information Service	Refurbishment of Sub County and County Information Services	100	Improve work environment, security and safety standards, retain tenants in the leased out offices for enhanced A-I-A, improvement of ablution facilities and maintenance of the buildings and fence off national government land to avoid encroachment.
4.	Information and Communication Services	News and Information Service	Construction of Office Blocks in Kajiado and lamu Offices	100	Provide office space for county information staff who are currently housed in single rooms at the County Commissioners offices
Total				576.2	

In conclusion, the Ministry stated that the low funding levels will;

- affect timely completion of projects/programmes
- cause delay in implementation of projects whose contracts have been signed in SAGAs and this may result in litigations.
- affect the achievement of planned targets and also lengthen the project completion period.
- The reduction in budget due to austerity measures will affect the achievement of planned targets and also lengthen the project completion period.
- The state Department of Broadcasting and Telecommunication requires more funding to implement its programmes so as to play its role as an enabler of economic growth.

3. Observations made by the Committee

The Committee made the following observations-

3.1 Ministry of Energy and Petroleum

- (a) The committee observed that the total proposed allocation for the Ministry for the FY 2017/18 amounts to kshs 82.599 billion, broken down as kshs 77.219 billion for the State Department for Energy and kshs 5.380 billion for State Department for Petroleum. In view of the 2017 BPS levels and the resource needs of the ministry for the fiscal year under

consideration (2017/18), the proposed overall allocation translates to 94 percent and 60 Percent (or 40 percent shortfall) of allocation , respectively.

- (b) Further, the Committee noted that the allocation under the State Department of Energy comprised of Kshs 2.052 billion for recurrent activities to cater for employees compensation and operational and maintenance items, and the remaining kshs 75.16 billion for development outlays towards key projects and programmes to be implemented. Similarly, the Committee noted, the allocation for the State Department of Petroleum is made up of kshs 242.01 million for recurrent activities and kshs 5.138 billion for development expenditure mainly to implement the exploration and distribution of oil and gas including early oil monetization project, development of key infrastructure including LPG facilities as well as undertaking the associated regulatory works such as fuel marking and testing and security of supply of oil in the country.
- (c) On account of the Committee engagement with the ministry on the need to ensure further prioritization of proposed allocation towards critical projects and activities under the various programmes under implementation, the committee observed the ministry further submission on the same. The committee noted the submission on the proposed re-allocations within GOK ceilings as indicated here in below:

From	Amount (Kshs. Millions)	To	Amount (Kshs. Millions)
Project		Project	
115206501 Geothermal Exploration and development in rift valley	200	1152106601 Nuclear fuel resources exploration and development	100
		11521047001 Off-grid Diesel Power Stations.	100
1152105301 Lake Turkana Wind power Project.	100	1152105601 Development of Community Small Hydro Power projects.	35
		1152106001 Construction of institutional biogas plants.	25
		11521047001 Off-grid Diesel Power Stations.	40
1152106200 Expansion of Energy Centres .	60	1152106100 Pilot programme on Domestic household biogas digesters.	50
		11521047001 Off-grid Diesel Power Stations.	10
Total	360		360

- (d) The committee observed that under the +5000 MW Plan a total of 657.5 MW of new generation capacity was installed since 2013 and further notes the source and composition of the extra capacity. The committee observed the current level of generation mix consisting of geothermal (44.3 percent), Hydro (29.43 percent), and fossil fuel (22.9 percent), and further noted reduction in fuel cost charge, a key driver of electricity cost, from Kshs 4.79 per kWh as per October 2014 to kshs 2.31 by October 2015 before increasing to kshs 2.85 per kWh in December 2016 which was attributed to reduced hydropower output.

- (e) The Committee observed that there is need to improve demand and uptake of generated power through scale up of flagship projects such as last mile connectivity and street lighting as well as fast tracking the completion of high voltage transmission lines such as Loiyangalani – Suswa line and inter country interconnector lines to evacuate and avail power to consumers including industries.
- (f) On account of the obtaining resource shortfall, the Committee also observed an amount of **Kshs 20.328 billion** mainly reflected as pending bills and shortfalls for clearance of wayleave compensation that need to be further financed. This shortfall affects a number of key flagship projects mainly consisting of construction of power transmission lines by KETRACO (**Kshs 11.503 billion**), rural electrification and connection of electricity to public facilities that is been undertaken by REA (**Kshs 1.527 billion**), development of geothermal in menangai where amount payable to various contractors is to be done by GDC (**kshs 896 million**), further counterpart support to last mile connectivity project in conjunction with ADB (**Kshs 2.51 billion**), off grid activities and others payables (**kshs 3.3 billion**) and Nuclear support programs and operational activities such as grid study, and nuclear research reactors, regulatory and technology assessment (**Kshs 593 million**).
- (g) Committee also observes that the National oil Corporation of Kenya (NOCK) as a key energy institution in the petroleum industry, both in the upstream and downstream areas was allocated **kshs 780 million** up from **kshs 280 million**. The committee noted the need to support the upstream operations undertaken by the institution with a view to bridge the resource deficit that is currently obtaining.
- (h) The committee was informed of measures by the ministry to ensure that consumers of electric power and petroleum fuel are cushioned against escalating prices on account of global and external factors driving the respective cost elements of those products. The ministry is putting in place modalities by way of having escrow account/ cushion funds to primarily mitigate against adverse price changes to local consumers.

3.2 Ministry of Information, Communication and Technology

- (a) With regards to the ICT, Broadcasting and Telecommunication sector, the committee observed that the proposed gross allocation stands at **kshs 23.38 billion**, of which **kshs**

20.523 billion is the budget for the State Department of ICT and Innovation and **Kshs 2.85 billion** is for the State Department of Broadcasting and Telecommunication.

- (b) The Committee further noted that the proposed total allocation under the State Department of ICT & Innovation is broken down as **kshs 1.276 billion** for recurrent sub vote and **kshs 19.247 billion** while the proposed allocation for the State Department of Broadcasting and Telecommunication is made up of **kshs 2.095 billion** and **Kshs 764 million** for recurrent and development sub votes, respectively.
- (c) With regards to interventions in the ICT sub sector and in view of the submissions, the Committee noted that in overall terms the ministry is underfunded to the detriment of key flagship projects envisioned in the Medium Term Plan and V-2030 Blue print agenda and thus hampers the ministry's role as critical enabler towards improving economic growth. In addition, the sector priorities are also critical to the thematic pillar of underpinning outcomes expected and outlined in the approved 2017 Budget Policy Statement such as creating conducive business environment, technology led innovation, provision of ICT infrastructure and digital rollout as well as facilitating knowledge based economy for higher productivity and competitiveness.
- (d) The Committee further observed that the following specific areas were also underfunded:

No	AREA/PROJECT	Amount Required, Kshs millions	Purpose
1	Current Grant to Media Council of Kenya	34	Personal emoluments for media monitors, pension and statutory deductions, annual rent and upgrading and maintenance of media monitoring equipment
2	Current Grant to KBC	160	One-off for Purchase of critical equipment to beef up current stock for covering 2017 general elections equipment includes: OB Van with complete kit for live broadcasting, satellite news gathering kits (SNGs) and professional cameras with accompanying 10 back pack streaming kits
3	Grant to Postal Corporation of Kenya	200	One-off for alternative source of power for outlets without electricity to utilize ERP system at a total cost of Kshs 100 Million and Finance purchase of additional motor vehicles for mails and courier business at a cost of Kshs 100 Million
4	Construction of Multi-Purpose Hall for KIMC	343	For commercializing, publicizing and show casing creative arts; content development; media research; media consultancy and; talents of media practitioners.
5	Construction of satellite campus in Eldoret for KIMC	30	For devolving media training to counties.

6	Enhance Mobile Cinema unit	94	For purchase of projecting equipment and related accessories for 47 Counties. This is meant for disseminating documentaries and other informative materials to the public and institutions and grassroots level.
7	Digitization of KNA Multimedia assets	100	To complete the digitization of analogue materials that include video, film, photos, negatives and audio to ease accessibility by those in need of them online and for preservation.

- (e) The committee was also informed of plans to further scale up basic horizontal development at Konza city, and in addition to fast - tracking the completion of ongoing projects such as the construction of Konza complex, access roads, waste water reclamation facility, design guidelines, among others . However, the Committee noted gross underfunding and the need to source for funds to supplement exchequer support to realize faster completion of planned projects and activities.
- (f) The Committee noted the recurrent allocation towards Kenya Broadcasting Corporation (KBC) of kshs 374 million vis a vis a baseline allocation of 375 million and a total requirement of approximately kshs 1.6 billion mainly for operational needs that is expected to increase during the upcoming general elections and to meet pension arrears. The Committee observed that there was need to improve its overall performance and governance and that there was need by the Ministry and the Management of the State broadcaster to spearhead efforts to restructure KBC with a view to settle its pending bills and improve its balance sheet and its overall performance.

4. Recommendations by the Committee

In view of deliberations and consultations the Committee had with the key stakeholders such as the National Treasury (representative) and the relevant Ministry and its various agencies tasked with the key mandate to ensure key priority programmes and projects are implemented as planned and budgeted for while taking into account the relevant policies and legal framework in-force, the Committee recommends as follows with respect to each Ministry-

4.1 Ministry of Energy and Petroleum

- (a) The approval of a total allocation of **kshs 77.219 billion** for the State Department of Energy, comprising of **kshs 75.16 billion** for Development Expenditure and **kshs 2.052 billion** for Recurrent Expenditure.
- (b) The Committee further recommends the following reallocations under the development expenditures:
- (i) Reallocate Kshs 200 million from ‘Geothermal Exploration and Development in Rift Valley – *Under Head 1152106501*’ to the following Items: Kshs 100 million to ‘Nuclear Fuel Resources Exploration And Development - *Under Head 1152106601*’ and Kshs 100 million to ‘Off-grid Diesel Power Stations - *Under Head 11521047001*’
 - (ii) Reallocate Kshs 100 million from ‘Lake Turkana Wind Power Project - *Under Head 1152105301*’ to the following Items: Kshs 35 million to ‘Development of Community Small Hydro Power projects - *Under Head 1152105601*’; Kshs 25 million to ‘Construction of Institutional Biogas Plants – *Under Head 1152106001*’ and Kshs 40 million to ‘Off-grid Diesel Power Stations - *Under Head 11521047001*’.
 - (iii) Reallocate Kshs 60 million from ‘Expansion of Energy Centres - *Under Head 1152106200*’ to the following Items: Kshs 50 million to ‘Pilot Programme on Domestic Household Biogas Digesters - *Under Head 1152106100*’ and Kshs 10 million to ‘Off-grid Diesel Power Stations - *Under Head 11521047001*’.
- (c) The approval of a total allocation of **kshs 5.380 billion** for the State Department of Petroleum, comprising of **kshs 5.138 billion** for Development Expenditure and **kshs 242.01 million** for Recurrent Expenditure.
- (d) That in view of the contribution of the energy and petroleum sector to the economy and on account of effects of the obtaining resource shortfall as well as the need to settle the existing pending bills and commitments, the Committee recommends that the following projects be considered for further funding:

SAGA/Head	Amount, Kshs	Programme /Vote	Remarks/Justification
KETRACO	11.5039billion	Power Transmission and Distribution (D1152)	pending bills mainly for clearance of wayleave compensations as follows; ❖ Suswa –Isinya Kshs. 971.1m ❖ Turkwel–Ortum-Kitale Kshs. 235.6m ❖ Isiolo-Meru Kshs. 530.2m

			<ul style="list-style-type: none"> ❖ Msa- Nrb. Kshs. 644.2m ❖ Ethiopia- Kenya Kshs. 1.2b ❖ Olkaria-Lessos-Ksm. Kshs. 538m ❖ Loiyangalani-Suswa Kshs. 108.4 ❖ Kisii-Awendo Kshs. 243.8m ❖ Sondu-Homabay Kshs.636.5m ❖ Nanyuki-Isiolo Kshs. 430.2m <p>Others critical projects of kshs 7.825 billion:</p> <ul style="list-style-type: none"> ❖ Kenya – Tanzania 400kv Kshs. 434m for payment of wayleave ❖ Ethiopia – Kenya Kshs. 302m additional funding for wayleave payment ❖ Power Transmission system improvement project Kshs. 2,590m additional funding ❖ Olkaria – Lessos – Kisumu Kshs. 761m facilitate evacuation of power from existing and new olkaria power plants ❖ Nanyuki – Isiolo – Meru132kv Kshs. 903m ❖ KEEP (Kisii – Awendo) Kshs. 639m wayleave payment ❖ INDIAN Lock Projects Kshs. 253 additional funding. For Machakos – Konza – Kajiado – Namanga and Turkwel – Ortum – Kitale. ❖ Sondu - Homa Bay – Ndhiwa Kshs. 431m alternative evacuation of power from sondu power plant ❖ Lesos – Tororo 132 kv Kshs. 603 m for wayleave payment. ❖ Lamu – Kitui – Nairobi East Kshs. 909m
REA	1.527 billion	Power Transmission and Distribution (D1152)	to clear outstanding pending bills detailed as follows; <ul style="list-style-type: none"> ❖ Kshs. 1.1 payable to various contactors ❖ Kshs. 427m payable to KPLC for grid materials borrowed
GDC	1.346 billion	Power Generation (D1152)	payable to contractors in Menengai geothermal field
Kenya Power	5.8 billion	Power Transmission and Distribution (D1152)	<ul style="list-style-type: none"> ❖ Counterpart funding for last mile connectivity under the ADB Project Kshs. 2.51b ✓ ❖ Kshs.2.3b for equalization of off-grid
Kenya Nuclear Electricity Board	593 million	Power Generation (D1152)	Nuclear support programs and operational activities such as grid study, and nuclear research reactors regulatory and technology assessment

(e) That the Committee further recommends that the ministry to fast-track completion of on-going projects especially those under geothermal generation and exploitation, rural electrification and installation of transformers, last mile connectivity and critical transmission lines like Loiyangali-Suswa line as well as development of oil related infrastructure through the early oil project and monetization project.

(f) The committee recommends that in future the ministry to prioritize its allocation within the approved resources at the BPS level and undertake commitments within the approved levels and exchequer and external performance so as to minimize accumulation of pending bills. The committee also recommends that the National Treasury to ensure release of funds as approved and responsive communication made to the ministry on exchequer and budget performance to ensure smooth budget implementation.

4.2 Ministry of Information, Communication and Technology

- (a) The approval of a total allocation of **kshs 20.523 billion** for the State Department of ICT & Innovation, comprising of **kshs 19.247 billion** for Development Expenditure and **kshs 1.276 billion** for Recurrent Expenditure.
- (b) The approval of a total allocation of **Kshs 2.859 billion** for the State Department of Broadcasting and Telecommunication, comprising of **kshs 764 million** for Development Expenditure and **kshs 2.095 billion** for Recurrent Expenditure.
- (c) In view of the huge short fall in resource requirement, the committee recommends that the ICT sub sector be considered for further allocation and specifically under the following items-

No	Area/Project	Amount Required, Kshs millions	Purpose
1	Current Grant to Media Council of Kenya	34	Personal emoluments for media monitors, pension and statutory deductions, annual rent and upgrading and maintenance of media monitoring equipment
2	Current Grant to KBC	160	One-off for Purchase of critical equipment to beef up current stock for covering 2017 general elections equipment includes: Van with complete kit for live broadcasting, Satellite News Gathering kits (SNGs) and professional cameras with accompanying 10 back pack streaming kits
3	Grant to Postal Corporation of Kenya	200	One-off for alternative source of power for outlets without electricity to utilize ERP office system (back and front automation) at a total cost of Kshs 100 Million and Finance purchase of additional motor vehicles for mails and courier business at a cost of Kshs 100 Million
4	Construction of Multi-Purpose Hall for KIMC	343	For commercializing, publicizing and show casing creative arts; content development; media research; media consultancy and; talents of media practitioners.
5	Construction of satellite campus in Eldoret for KIMC	30	For devolving media training to counties.
6	Enhance Mobile Cinema unit	94	For purchase of projecting equipment and related accessories for 47 Counties. This is meant for disseminating documentaries and other informative materials to the public and institutions and grassroots level.
7	Digitization of KNA Multimedia assets	100	To complete the digitization of analogue materials that include video, film, photos, negatives and audio to ease accessibility by those in need of them online and for preservation.
8	Konza	5,000	To support a 5 year financing plan to unlock donor and private developers contribution and in supporting phase one infrastructure costs

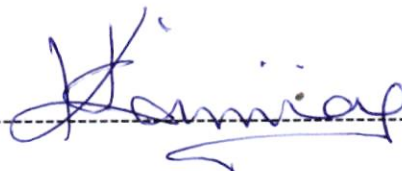
(d) That the Committee recommends the Ministry to put in place time bound measures to the effect of determining all outstanding pension arrears owed by Kenya Broadcasting Corporation (KBC) and prioritize the settling of the obtaining obligations as quickly as possible.

The Committee further recommends that the Ministry to urgently embark on the outlined reform measures including the restructuring of the State Broadcaster to, among other things, enhance operational efficiency and strengthening its balance sheet towards sound financial footing where the institution is capable of competing in the media sector and attract and retain qualified and motivated staff establishment.

(e) The Committee recommends that the Ministry of ICT to prioritize the completion of on-going flagship projects so as to be delivered without further delay and further reorganize its budget items with a view to eliminate duplication and direct allocations to high impact areas within the approved sub programmes and programmes.

(f) The committee recommends that in future the ministry to prioritize its allocation within the approved resources at the BPS level and undertake commitments within the approved levels and exchequer and external performance so as to minimize accumulation of pending bills. The committee also recommends that the National Treasury to ensure release of funds as approved and responsive communication made to the ministry on exchequer and budget performance to ensure smooth budget implementation.

Signed: _____



Date: _____

16/3/2017

THE HON. JAMLECK KAMAU, EGH, MP,

CHAIRPERSON



REPUBLIC OF KENYA



11TH PARLIAMENT – FIFTH SESSION – 2017

REPORT OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS
ON THE EXAMINATION OF THE BUDGET ESTIMATES FY 2017/2018

CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

MARCH 2017

1.0. Committee's Mandate

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

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

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

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

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

- (a) Judicial Service Commission (JSC);
- (b) Judiciary;
- (c) Office of the Attorney General and Department of Justice;
- (d) Ethics and Anti-Corruption Commission (EACC);
- (e) Independent Electoral and Boundaries Commission (IEBC);
- (f) Kenya National Commission on Human Rights (KNHCR);
- (g) Office of the Directorate of Public Prosecution (ODPP);
- (h) Registrar of Political Parties;
- (i) Witness Protection Agency (WPA);
- (j) Commission on Administration of Justice (COAJ) and

2.0. Committee Membership

The Committee on Justice and Legal Affairs was constituted by the House on Thursday 16th May, 2013 and comprises the following Members:-

1. Hon. Samuel Chepkong'a, M.P. – Chairperson
2. Hon. Priscilla Nyokabi, M.P. – Vice Chairperson
3. Hon. NjorogeBaiya, M.P.
4. Hon. MuriithiWaiganjo, M.P.
5. Hon. NdiranguWaihenya, M.P.
6. Hon. Florence Kajuju, M.P.
7. Hon. Kang'atalrungu, M.P.
8. Hon. Benson Mutura, M.P.
9. Hon. John NjorogeChege, M .P.
10. Hon. William Cheptumo, M.P.
11. Hon. Mohamed Abdi Haji, M.P.
12. Hon. Stephen BitokKirwa, M.P.
13. Hon. Sammy Koech, M.P.
14. Hon. Moses Cheboi, M.P.
15. Hon. Paul Bii, M.P.
16. Hon. Charles Gimose,M.P.
17. Hon. Johanna Ng'eno, MP.
18. Hon. Boniface Otsiula, M.P.
19. Hon. David OchiengOuma, M.P.
20. Hon. NetoAgostinho, M.P.
21. Hon. Kaluma Peter, M.P.
22. Hon. Fatuma Ibrahim Ali, M.P.
23. Hon. Ben MomanyiOrari, M.P.
24. Hon. Tom J. Kajwang', M.P.
25. Hon. (Bishop) MutuaMutemi, M.P
26. Hon. OlagoAluoch, M.P.
27. Hon. (Dr.) Christine OduorOmbaka, M.P.
28. Hon. William MwamkaleKamoti, M.P.

3.0. Committal of the Budget Estimates to Departmental Committees

The Budget Estimates 2017/2018 were tabled in the House by the Majority leader on Wednesday 15th February, 2017 and thereafter referred to the various Departmental Committees for consideration and subsequently make reports to the Budget and Appropriations Committee.

4.0. Committee's examination of the Budget Estimates FY 2017/2018

The Committee held two sittings examining the estimates. The first sitting took place on 14th March, 2017 where the Committee discussed the estimates with the Budget Office before interacting with five State agencies. The agencies include the Judiciary, the Office of the Attorney General and Department of Justice (OAG&DOJ), the Ethics and Anti-Corruption Commission (EACC), the Office of the Directorate of Public Prosecution (ODPP), Kenya National Commission on Human Rights (KNCHR), Kenya Law Reform Commission (KLRC). The second sitting was held on 16th March, 2017 where the Committee met with the officials from the Commission on Administration of Justice (CAJ), Office of the Registrar of Political Parties (ORPP), and the Independent Electoral and Boundaries Commission (IEBC).

The Committee's examination of the Budget Estimates FY 2017/2018 was based on a report of the Parliamentary Budget Office on the same which is annexed hereto as appendix 1.

In deliberations and subsequent consideration of the Budget Estimates FY2017/2018 by the Committee, the Committee made the following considerations and recommendations:-

5.0. Considerations and Recommendations

1) Office of the Director Public Prosecutions (ODPP)

The office of the Director Public Prosecutions informed the Committee that the allocation to ODPP for the 2017/18 FY – Ksh. 2.333 Billion, did not match their resource requirement of Ksh. 3.491 billion, during the GJLO sector resource allocation process.

They presented the following five (5) key areas, for additional funding resulting from the funding gap above and other emerging issues. In total the Office seeks an additional Ksh. 1.734 Billion as follows.

S/No.	Description	Amount
I.	Special Fund to fast track prosecution of Election offences, Hate Speech and Incitement to Violence	234,000,000
II.	Purchase of Stand-alone Building	1,000,000,000
III.	Special Fund for the continuing Anti-Corruption Initiative	200,000,000
IV.	ICT Networking and Implementation of a Case Management System	200,000,000
V.	Establishment of ODPP Prosecutor Training Institute	100,000,000

Total	1,734,000,000
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Committee's Recommendation on ODPP:

That: No changes were proposed with regard to the EACC proposed estimates.

2) Judiciary/Judicial Service Commission (JSC)

The Committee was informed that there was a need for additional funding of the Judiciary to facilitate expanded dispensation of justice activities. It was also reported that a legal framework for the tribunals' transition into the Judiciary is required.

The Judiciary reported that they have additional funding requirements as follows;

- Establishment of 9 High Court in the remaining counties –
 - Construction of Lamu and ElgeyoMarakwet High Courts at Kshs. **700M**
 - Operational costs for the 9 High Court registries at Kshs. **200M** per year
- Establishment of a court of Appeal at Nakuru – *operational cost of Kshs. 50M per year*
- Conversion of existing 55 mobile courts to fully fledged sub-county magistrate courts at Kshs. **550M** per year
- Clearance of Case Backlog : - Kshs. **100M** for service weeks and Justice @ last initiatives in all court stations
- Automation of Revenue, Deposits receipting and Accounting services – Kshs. **50M** for establishment of JFIMIs, servers and printers in all court stations
- Refund of Lapsed deposits at Kshs. **50M**
- Strengthening of the Judiciary Ombudsperson office through establishment of a secretariat at Kshs. **10M** per year
- Judiciary Digital Strategy : - Judiciary support systems i.e secure email, online case date tracking system, court transcription, e-filing at the High Court Commercial and Tax division, mobile payment of court fees, mobile SMS queries of judicial processed at Kshs. **100M** per year.
- Refurbishment of Judges residential Houses at Kshs. **50M**

The Committee recommended additional funds of Kshs600 million as follows;

No.	Description	Amount
I.	Development Budget(to equalise 2016/17 Capital Budget)	250,000,000
II.	National Council for Law Reporting	300,000,000
III.	Judicial Digital	50,000,000
	Total	600,000,000

Committee's Recommendation on Judiciary:

That: the Judiciary be provided with additional funds of Kshs. 600 million

3) Ethics and Anti-Corruption Commission (EACC)

The Commission reported that its total allocation of Kshs. 4,036,540,000 for both recurrent and development expenditure was against their request of Kshs. 7,066,540,000 by a budget deficit of Kshs 3,030,000,000.

The Commission highlighted a 7% reduction in their recurrent budget from FY 2016/2017 Supplementary Estimates 1 as insufficient to cater for their existing programmes and that it would bar the Commission from recruiting more staff, acquire new facilities, and enhance field operations.

Committee's Recommendation on EACC:

That: No changes were proposed with regard to the EACC proposed estimates.

4) Office of the Attorney General and Department of Justice (OAG & DOJ)

The Office of the Attorney General informed the Committee of inadequate funds for the execution of its mandate in the following areas; inadequate legal framework, cross border legal practice, rising levels of insecurity, demand for legal services, cross sector linkages, implementation of the Marriage Act, 2014, establishment of the Business Registration Service, representation in Regional and International Courts, Commissions and Tribunals, and Cybercrime and Transnational Organized Crimes.

The Committee proposed a discussion with the SRC for a revised remuneration on mortgage and car loan scheme to enhance harmonization within the sector. The Committee also raised concerns on the increase in Government cases and recommended an establishment of funds for settlement of judgements; Office of the Attorney General to set up a policy on how to come up with the contributions.

The Committee recommended additional funds of Kshs 264 million as follows:

No.	Description	Amount
IV.	Allowance of Kshs. 15,000 to employees	144,000,000
V.	Activation of National Legal Aid Scheme	20,000,000
VI.	Automation of business process management system	20,000,000
VII.	Victim protection board	20,000,000

VIII.	GJLOs program	30,000,000
IX.	Purchase of Motor Vehicles for field officers	30,000,000
Total		264,000,000

Committee's Recommendation on OAG&DOJ:

That; the OAG &DOJ be provided with additional funds of Kshs264 million

5) The Kenya National Commission on Human Rights (KNCHR)

The Commission reported its allocation of KShs. 450 million in the 2017/2018 FY – 2018/2019 FY MTEF Budget against a resource requirement of KShs. 1,000 million by the National Treasury. This leaves a resource gap of about KShs. 550 million

The Commission highlighted the key areas that have not been funded as follows;

Emerging Issues

- Rights of Inter Sex have had interactions with Parliamentary Committee and there is need for broad public education on the same.
- Child Rights especially trafficking and bullying in schools.

General Elections – 2017

The National Commission has not been facilitated to monitor the 2017 General Elections. This is one of our core functions and our reports have contributed immensely to Electoral Reforms in the Country.

Security Sector Reforms

- Insecurity caused by terrorist attacks, inter community violence that is politically instigated or arising from resource conflicts. The Commission has concluded on the Public Inquiry on Insecurity in Baringo and Coast Province and the process of finalizing reports for these two inquiries requires resources for dissemination and stakeholder engagements.
- The need by the Commission to hold the inquiry in the North Eastern and Western part of the Country to finalize.

Committee's Recommendation on KNCHR:

That; the Commission be provided with additional funds of Kshs. 70 million for monitoring of the General Elections and Security sector reforms.

6) The Commission on Administration of Justice (CAJ)

The Commission reported that it had been allocated Kshs. 480 million against their proposed budget of Kshs. 501 million thus a deficit of Kshs. 21 million. The Commission also informed the Committee that it will require additional funds of Kshs 45million to enable the Commission operationalize the additional mandate on Access to Information; that unless the shortfall is provided for, the Commission's ability to discharge its expanded mandate on Access to Information would be inhibited. The Committee noted that the Access to Information Act passed through the Budget Office prior to its approval by the House and enactment.

Committee's Recommendation on CAJ: the Commission be provided with additional funds of Kshs 15 million

7) The Independent Electoral and Boundaries Commission (IEBC)

The Committee was informed that the Commission had a pending bill of Kshs. 200 million as a consequence of the court order to extend voter registration period by 5 days.

The Committee was of the view that interim orders should be issued in the presence of all the stakeholders.

Committee's Recommendation on IEBC: the Commission be provided with additional funds of Kshs 200 million

8) Office of the Registrar of Political Parties (ORPP)

The Committee was informed of a complaint in court by the political parties over compliance of legal requirement in regard to budgetary allocations.

The ORPP therefore requested the Committee for an additional funds to the Political Parties Fund of Kshs. 3.208 billion so that there is compliance with Section 24 1(a) of the Political Parties Act, 2011.

The Committee was also requested to approve the ORPP's recurrent expenditure of Kshs. 877,750,000 FY2017/2018.

There was a proposal by the Committee that the ORPP not hire lawyers and instead use the state counsels for dispute resolution hence a reduction on their recurrent expenditure.

Committee's Recommendation on ORPP:

That: the ORPP to await consultations by the National Treasury on the Political Parties' Fund.

Signed:

Hon. Samuel Chepkong'a, M.P.
Chairman, Departmental Committee on Justice and Legal Affairs

Dated this 20th day of March, 2017

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION - 2017

REPORT OF THE DEPARTMENTAL COMMITTEE ON LANDS

THEREPORT ON FINANCIAL YEAR 2017/18 BUDGET ESTIMATES

Published by:-

CLERK'S CHAMBERS,
DIRECTORATE OF COMMITTEE SERVICES,
KENYA NATIONAL ASSEMBLY,
PARLIAMENT BUILDINGS,
NAIROBI.

MARCH, 2017

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CHAIRMAN'S FOREWORD

The Committee considered the submissions on the FY 2016/17 Budget Estimates from the Ministry of Lands and Physical Planning and National Land Commission. In addition, Prof. Jacob Kaimenyi, Cabinet Secretary Ministry of Lands and Physical Planning and Prof. Muhamad Swazuri, Chairman, National Land Commission, briefed the Committee.

On my own behalf, I wish to commend Members of the Committee for their patience, endurance and hard work during the long sitting hours under tight schedules, which enabled us to complete the tasks within the stipulated period. Furthermore, the assistance received from the offices of the Speaker and the Clerk of the National Assembly was invaluable.

Finally, it is my pleasant duty, on behalf of the Departmental Committee on Lands, to present this report in accordance with the provisions of Standing Order 235(4) which requires that the committee submit report and recommendations to the Budget and Appropriations Committee within twenty one days, after being laid in the House.

SIGNED.....

DATE.....16/03/2017.....

THE HON. ALEX M. MWIRU, MP
CHAIRPERSON - DEPARTMENTAL COMMITTEE ON LAND

MANDATE OF THE COMMITTEE

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

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

The Committee is mandated to Consider the following subjects:-

- a) Land Policy,
- b) Physical Planning,
- c) Land Transactions,
- d) Survey and Mapping,
- e) Land Adjudication,
- f) Settlement,
- g) Land registration,
- h) Land Valuation,
- i) Administration of Private, community and Public Land,
- j) Land Information and Management System.
- k)

Oversight

In executing its Mandate, The Committee oversees the following Government Departments, Namely:-

- i. The State Department for Lands
- ii. The National Lands Commission

Members of the Committee

Chairperson	The Hon. Alex Mwiru, M.P.
Vice Chairperson	The Hon. Moses Ole Sakuda, M.P.
Members	The Hon. Mutava Musyimi, M.P.
	The Hon. John Kihagi, M.P.
	The Hon. Francis W. Nderitu, M.P.
	The Hon. Kipruto Moi, M.P.
	The Hon. Hellen Chepkwony, M.P.
	The Hon. Sarah Korere, M.P.
	The Hon. Benson Mbai, M.P.
	The Hon. Suleiman Dori, M.P.
	The Hon. George Oner, M.P.
	The Hon. Mathew L. Lempurkel, M.P.
	The Hon. Shakila Abdallah, M.P.
	The Hon. Dr. Paul Otuoma, M.P.
	The Hon. Thomas Mwadeghu, M.P.
	The Hon. Joseph Magwanga, M.P.
	The Hon. Ali Shariff Athman, M.P.
	The Hon. Francis Njenga, M.P.
	The Hon. Hezron Awiti Bollo, M.P.
	The Hon. Benard Bett, M.P.
	The Hon. Esther Murugi, M.P.
	The Hon. Onesmus Ngunjiri, M.P.
	The Hon. Julius Ndegwa, M.P.
	The Hon. Patrick Kingola, M.P.
	The Hon. Kanini Kega, M.P.
	The Hon. Eusilah Ngeny, M.P.
	The Hon. Charles Nyamai, M.P.

Secretariat

First Clerk Assistant	Mr. James Ginono
Third Clerk Assistant	Mr. Joshua Ondari
Third Clerk Assistant	Mr. Emmanuel Muyodi
Fiscal Analyst	Mr. Jonathan Lemurt

LIST OF RECOMMENDATIONS

The Committee recommends as hereunder:-

Under Vote 1112: Ministry of Lands and Physical Planning

- 1) The Committee noted that Land is the most important aspect of production, especially agricultural production yet it was not adequately funded. The Committee recommends that more resources amounting to KShs. 6 billion which is equivalent to the shortfall be sourced from elsewhere and re- allocated to the Ministry.
- 2) Given that the Ministry of Lands and Physical Planning are in the same sector group with the Ministry of Agriculture, Livestock and Fisheries, the committee recommends that some resources be re-allocated from the Ministry taking cognizance that Agriculture is devolved. Some of the sub-programmes under the three state departments where resources may be re-allocated are:
 - a) Agribusiness and information management with an allocation of KShs. 1.2 billion;
 - b) Lands and Crop Development sub-programme with an allocation of KShs. 852.7 million;
 - c) Livestock Diseases Management and Control KShs. 899.4 million;
 - d) Livestock Production and Management KShs. 1.4 billion and
 - e) Fisheries Development and Management at KShs. 2.3 billion.

Under Vote 2021: National Land Commission

- 3) The Committee is agreeable to the proposal that an amount of KShs. 1,752,000,000 be withdrawn from the consolidated fund for National Land Commission, Vote 2021 comprising of KShs. 1,452,000,000 in recurrent and Kshs 300,000,000 in development in the 2017/2018 financial year disaggregated into the following programmes.
 - a) LandAdministrationandManagement with KShs.382,482,220
 - b) GeneralAdministration,Planningand Support services KShs.891,565,780
 - c) LandDisputesandConflictResolutions KShs.126,171,000
 - d) NationalLandInformationManagement Systems KShs.351,781,000

1. INTRODUCTION

1. The Standing Orders 235 of the National Assembly stipulates that the Estimates, upon being laid in the House, are committed to the respective Departmental Committee, after which the Committee shall consider, discuss, and review the Estimates according to its mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly.
2. The Second Schedule of the Standing Orders for the National Assembly assigns the Committee on Lands the mandate to consider and offer oversight on all matters related to lands. In that regard, the following spending agencies are under the purview of the Departmental Committee of Lands:
 - a. Ministry of Lands and physical planning
 - b. The National Land Commission.
3. The 2017/18 estimates and the budget implementation come in when the 2017/18 general elections is five months away. History has demonstrated that high political temperatures significantly slow economic performance as it erodes investors' confidence, which may subsequently impact negatively on the realization of projected revenues and therefore affecting budget implementation.
4. This 2017/18 budget coincides with the last year of the Second Medium Term Plan (2013-2017) of Vision 2030. In the Land Sector, the key flagship project in the MTP II is the digitization and computerization of land paper records through the Programme National Land Information Management. This therefore requires that both the Ministry and the Commission prioritizes the implementation of projects that have lagged behind in the past years and are part of the MTP II.

2. SUBMISSIONS FROM RELEVANT STAKEHOLDERS

2.1 Presentation by the Parliamentary Budget Office.

The Budget Office through its presentation (attached) to the committee informed as follows, that:-

2.1.1 Ministry of Lands and Physical Planning

5. The development planning and land reforms sub –Programme is allocated 47.8% of the overall ministry's budget followed by the land survey sub-Programme with an allocation of 18% of the total ministry budget. The Budget for the Ministry is projected to increase to KShs.6.9 billion by the year 2019/2020;
6. The overall absorption rate for the ministry has been very good for the financial years 2013/14, 2014/15 and 2016/2017 at an average of 98%;64 % of the recurrent allocation to the ministry of Lands and Physical Planning goes towards acquisition of non-financial assets; 19% transfers are to other government agencies and 17% to social benefits;
7. The development budget for the ministry of lands is divided between two expenditure components, namely; use of goods and services taking 48% of the development

allocation while the remaining 52% of the allocation goes to acquisition of non-financial assets as.

8. The Ministry of Lands and Physical Planning implements only programme, namely; Land Policy and Planning, through the following sub-programmes:
 - a. Registration and issuance of title deeds,
 - b. Surveying and maintenance of National and International boundaries,
 - c. Development of Geospatial data,
 - d. Digitization of land registries, Reorganization of land registries,
 - e. Construction of land registries, Renovation of land registries,
 - f. Finalization and dissemination of National Spatial Plan,
 - g. Adjudication and settlement parcels finalized for registration,
 - h. Settlement of the landless, Geospatial database (Number of plots geo-referenced),
 - i. Number of students trained on Survey and mapping skills;
9. Critical sub-programmes like digitization of land registries, reorganization of land registries, construction of land registries and renovation of land registries did not achieve their targets.

2.1.2 The National Land Commission (NLC)

10. The NLC is charged with managing of public land on behalf of the national and county governments and facilitating sustainable land use, ensuring equitable access to land, undertaking comprehensive land registration and management of land disputes. The Commission derives its mandate from the Constitution, the National Land policy, National Land Commission Act of 2012 and the Land Registration Act of 2012;
11. The Vision 2030 proposes to undertake Land Reforms which include the establishment of the National Land Commission and opening up of County Land Management Boards;
12. To perform its functions the Commission is proposed an overall allocation of **KShs.1, 752 Million** (recurrent expenditure, KShs.1, 452 **Million**) and capital expenditure Kshs.300, Millions. The budget is proposed to increase by KShs.317, 451,496 compared to the allocation in financial year 2016/17 and below the BPS ceiling by KShs.50 million;
13. On average the absorption rate for the three years is 88% for both development and recurrent allocation. However the absorption rate increased to a commendable level of 96% in the financial year 2015/16;
14. The national lands commission has been allocated Kshs.1.45 billion for recurrent expenditure of which 51% of the same goes towards compensation to employees, use of goods and services 36% and acquisition of Non-financial assets;
15. In the period beginning 2013/14 the commission achieved various targets which includes; preparing leases on public land, establishment of the GIS laboratory, developing alternative dispute resolution and traditional dispute mechanism. It also reviewed over 5000 grants and dispositions in Nairobi, Kirinyaga, Kwale, Usian Gishu, Mombasa, Malindi and Laikipia counties and revoked grants in 15 ranches in Lamu County and acquired land for public projects.

2.1.3 Audit Issues

16. In the audit report of 2014/15 a revenue amounting to Kshs 1,984,821,679 under the ministry of Lands, Housing and Urban Development was categorized as disclaimer by the Auditor General.
17. Concerning expenditure of funds by the Ministry the auditor also flagged out unsupported expenditure amounting to Kshs 7,327,743. The report states that in absence of the records and documentation the propriety of the expenditure cannot be ascertained and therefore the funds may not have been utilized lawfully and in an effective manner.
18. An over expenditure of Kshs.181, 067164 is reported on the National Land Commission. Kshs 535,275,993 was spent against a budget of Kshs.354, 208,829.

2.1.4 Pending Bills

19. Ministry of Lands, Housing & Urban Development also carried forward to 2014/15 Fy bills totaling Kshs 3,704,994,723 under recurrent vote.

2.2 Presentation by the Ministry of Lands and Physical Planning

Prof. Joseph Kaimenyi, Cabinet Secretary Ministry of Lands, Housing and Physical Planning accompanied by Ms. Mariam El. Maawy, Principal Secretary and other government officials in the Ministry appeared before the Committee and informed the Committee as follows, that:-

20. In the Financial Year 2017/18 the Ministry's had requested **Ksh 12.38 billion** to implement its core projects and programmes. The National Treasury's proposed allocation is only **Kshs. 6.234 billion** out of which Recurrent Expenditure is **Kshs. 2.464billion** and Development Expenditure is **Kshs. 3.7 billion**.

2.2.1 Ministry's Absorption Capacity FY 2106/17

21. During the FY 2016/17 the Ministry of Lands and Physical Planning absorption capacity of the allocated funds is as indicated in the table below:-

	A 2016/2017 Allocation (Kshs billion)	B 2016/2017 Total Exchequer Releases (Kshs billion)	C 2016/2017 Total Expenditure (Kshs billion)	D Variance (B –C) (Kshs billion)
Recurrent Estimates	2.189	1.375	1.385	(0.01)
Development Estimates	3.841	1.286	1.396	(0.11)

TOTAL	6.030	2.661	2.781	(0.12)
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22. During Supplementary Estimates No. 1, 2016/17 Financial Year, Kshs. 466 million was reduced the Ministry's Development Budget. The following key projects /programmes were affected: Settlement of the landless (Ksh.27,738,255); National Physical Planning (Ksh.53,261,745); Development of Geospatial Data (Ksh.145,144,000); Survey (Ksh.125,000,000); Renovation of Land offices (Ksh.14,356,000); and Construction of Land Registries (Ksh.87,500,000). This reduction will adversely affect the achievement of the Ministry's set targets for the 2016/17 financial year.

2.2.2 The Shortfalls

23. That the following areas affected by the shortfalls in the financial year 2017/2018

		Kshs. Million
Recurrent		258.0
1	Operations and maintenance for HQs. and County Land Offices for utilities, stationeries, disputes, valuation etc.	233.0
2	Allowances for the newly gazetted Land Control Board	25.0
Development		6,243.0
	Court awards and arbitrations	2,500.0
2	Declaration of new adjudication sections	1,300
3	Reorganization of land registries in readiness for digitization	100.0
4	Construction and Renovation of land offices in readiness for digitization	166.0
5	Ratification of all boundaries by 2017 in line with AU Commission	550.0
6	Geo-referencing of land parcels into National Title Register	568.0
7	Settlement of landless	1,059.0
8	Dissemination of National Spatial Plan, National Land Use Policy	105.0

2.3 Presentation by the National Land Commission

Prof. Muhammad Swazuri, Chairman National Land Commission accompanied by Mr. Tom Chavangi, Chief Executive Officer, appeared before the Committee and informed the Committee as follows: -

24. In the FY 2017/18, the Commission's requested for Kshs. 6.884 billion but was allocated of Kshs. 1.752 billion by Treasury.

2.3.1 Resources Allocation Shortfalls

25. Personnel emoluments deficit 2017/18 - Requirement Kshs 895 million against an allocation of Kshs 745 million; a shortfall of Kshs 150 million. Due to this shortfall, the Commission will not be able to employ key technical staff to serve Kenyans at the County level.

26. Purchase of Vehicles for the 47 County Offices and Headquarters - The Commission operates nationally with only four (4) pool vehicles located at the Headquarters in Nairobi. Despite the expansive nature of our 47 Counties, not a single County has an operational vehicle though we have requested budgetary allocation every year since inception. This not only weakens the effectiveness of the Commission nationally but is also creates a great deservice to Kenyans.
27. Land Administration and Management shortfall will lead to:
 - a. Comprehensive school and other public institutions land titling activities will be hampered greatly despite it being a Presidential directive,
 - b. Planned Land Use and Natural Resources oversight and advisory activities in the Commission will not be achieved, and
 - c. For the Commission to effectively carryout out its advisory role, its mandate of Research on land and the use of natural resources need to be fully funded, particularly to inform the Land Policy.
28. Public Land Information Management System - Due to inadequate funding in this area the Commission will not be able to attain the envisaged completion timelines, thus denying Kenyans of the accruing benefits of a fully implemented system.
29. Land Dispute & Conflict Resolution inadequate funding leads to:
 - a. The Commission may not effectively attend to most of the inherited over 7,000 land cases plus the new ones, and
 - b. Review of grants and dispositions activities, which are key to National Development, may not be fully met within the laid down datelines.
30. Historical Land Injustices function has not been factored or funded in this budget as the role of the Commission was only clearly defined via Land Laws (Amendment) Act of 2016 which was enacted with effect from 01 September 2016. The Commission requires about Kshs 250 million to role out the programmes for this function during FY 2017/18.

3. COMMITTEE OBSERVATIONS

The Committee makes the following Observations:

- 1) During Supplementary Estimates No. 1, 2016/17 Financial Year, the Ministry's Development Budget was reduced by Ksh. 466 million. The following key projects /programmes were affected: Settlement of the landless (Ksh.27,738,255); National Physical Planning (Ksh.53,261,745); Development of Geospatial Data (Ksh.145,144,000); Survey (Ksh.125,000,000); Renovation of Land offices (Ksh.14,356,000); and Construction of Land Registries (Ksh.87,500,000). This reduction will adversely affect the achievement of the Ministry's set targets for the 2016/17 financial year;
- * 2) Personnel emoluments deficit 2017/18 - Requirement Kshs 895 million against an allocation of Kshs 745 million; a shortfall of Kshs 150 million. Due to this shortfall, the Commission will not be able to employ key technical staff to serve Kenyans at the County level; *waivers.*
- * 3) Historical Land Injustices function has not been factored or funded in this budget as the role of the Commission was only clearly defined via Land Laws (Amendment) Act of 2016 which was enacted with effect from 01 September 2016. The Commission requires about Kshs 250 million to role out the programmes for this function during FY 2017/18;
- 4) The slow pace in the achievement of the target to renovate, digitize and construct land registries is attributable to low allocation over the years. This is despite the fact that it's a priority project in the achievement of Vision 2030;
- 5) The ministry's budget has been increasing over the last three years; however major cuts have been experienced at the supplementary stage affecting overall target achievement by the ministry;
- 6) The allocation of Kshs 1.6 billion towards the processing and registration of title deeds is the same compared to year 2016/17 despite the target reducing by more than half;
- 7) The allocation to the Kenya Coastal development project (donor funded) is zero despite it being an ongoing project; and
- 8) The student enrollment target in the Kenya Institute of Survey and Mapping has remained constant in the last three years despite the fact that monies have been allocated towards infrastructure improvement in the institute.

4. COMMITTEE RECOMMENDATIONS

The Committee recommends as hereunder; That,

Vote 1112: Ministry of Lands and Physical Planning

- 1 The Committee noted that Land is the most important aspect of production, especially agricultural production yet it was not adequately funded. The Committee recommends that more resources amounting to KShs. 6 billion which is equivalent to the shortfall be sourced from elsewhere and re- allocated to the Ministry. (Refer Page 10/2.2)
- 2 Given that the Ministry of Lands and Physical Planning are in the same sector group with the Ministry of Agriculture, Livestock and Fisheries, the committee recommends that some resources be re-allocated from the Ministry taking cognizance that Agriculture is devolved. Some of the sub-programmes under the three state departments where resources may be re-allocated are:
 - a) Agribusiness and information management with an allocation of KShs. 1.2 billion;
 - b) Lands and Crop Development sub programme with an allocation of KShs. 852.7 million;
 - c) Livestock Diseases Management and Control KShs. 899.4 million;
 - d) Livestock Production and Management KShs. 1.4 billion and
 - e) Fisheries Development and Management at KShs. 2.3 billion.

Vote 2021: National Land Commission

- 3 The Committee is agreeable to the proposal that an amount of KShs. 1,752,000,000 be withdrawn from the consolidated fund for National Land Commission, Vote 2021 comprising of KShs. 1,452,000,000 in recurrent and Kshs 300,000,000 in development in the 2017/2018 financial year disaggregated into the following programmes.
 - a) Land Administration and Management with KShs.382,482,220;
 - b) General Administration, Planning and Support services KShs.891,565,780;
 - c) LandDisputesandConflictResolutions KShs.126,171,000 and
 - d) National Land Information Management Systems KShs.351,781,000.

SIGNED.....

DATE.....16/03/2017.....

THE HON. ALEX M. MWIRU, MP
CHAIRPERSON - DEPARTMENTAL COMMITTEE ON LAND

MINUTES OF THE 19TH SITTING OF THE DEPARTMENTAL COMMITTEE (K) ON LANDS HELD ON THURSDAY 16TH MARCH 2017, IN BOARD ROOM OF FOURTH FLOOR PROTECTION HOUSE AT 11.00 AM

PRESENT:

1. The Hon. Dr. Paul Otuoma, M.P. - Chairing
2. The Hon. Hellen Chepkwony, M.P.
3. The Hon. Bernard Bett, M.P.
4. The Hon. Omar Mwinyi, M.P.
5. The Hon. Suleiman Dori, M.P.
6. The Hon. Julius Ndegwa, M.P.
7. The Hon. A. Shariff, M.P.
8. The Hon. Francis W. Nderitu, M.P.

ABSENT WITH APOLOGIES:

1. The Hon. Alex Mwiru, M.P. - Chairperson
2. The Hon. Moses Ole Sakuda, M.P. - Vice Chairperson
3. The Hon. Charles Nyamai, M.P.
4. The Hon. Francis Njenga Kigo, M.P.
5. The Hon. George Oner, M.P.
6. The Hon. Benson Mbai, M.P.
7. The Hon. Onesmus Ngunjiri, M.P.
8. The Hon. Patrick Makau, M.P.
9. The Hon. John Kihagi, M.P.
10. The Hon. Sarah Korere, M.P.
11. The Hon. Kipruto Moi, M.P.
12. The Hon. Shakila Abdallah, M.P.
13. The Hon. Mathew L. Lempurkel, M.P.
14. The Hon. Hezron Awiti Bollo, M.P.
15. The Hon. Kanini Kega, M.P.
16. The Hon. Thomas Mwadeghu, M.P.
17. The Hon. Mutava Musyimi, M.P.
18. The Hon. Eusilah Ngeny, M.P.
19. The Hon. Joseph Oyugi Magwanga, M.P.
20. The Hon. Esther Murugi, M.P.

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

- | | |
|------------------------|---------------------|
| 1. Mr. James Ginono | Clerk Assistant I |
| 2. Mr. Joshua Ondari | Clerk Assistant III |
| 3. Mr. Emmanuel Muyodi | Clerk Assistant III |

MINUTE NO. DCL/LN/2017/82

PRELIMINARIES

The chairman called the meeting to order at 11.15 p.m. with a word of prayer from the Hon. Esther Murugi, MP

The Committee considered the report and come up with the following observations and recommendations:

COMMITTEE OBSERVATIONS

The Committee makes the following Observations:

- 1) During Supplementary Estimates No. 1, 2016/17 Financial Year, the Ministry's Development Budget was reduced by Ksh. 466 million. The following key projects /programmes were affected: Settlement of the landless (Ksh.27,738, 255); National Physical Planning (Ksh.53,261,745); Development of Geospatial Data (Ksh.145,144,000); Survey (Ksh.125,000,000); Renovation of Land offices (Ksh.14,356,000); and Construction of Land Registries (Ksh.87,500,000). This reduction will adversely affect the achievement of the Ministry's set targets for the 2016/17 financial year;
- 2) Personnel emoluments deficit 2017/18 - Requirement Kshs 895 million against an allocation of Kshs 745 million; a shortfall of Kshs 150 million. Due to this shortfall, the Commission will not be able to employ key technical staff to serve Kenyans at the County level;
- 3) Historical Land Injustices function has not been factored or funded in this budget as the role of the Commission was only clearly defined via Land Laws (Amendment) Act of 2016 which was enacted with effect from 01 September 2016. The Commission requires about Kshs 250 million to role out the programmes for this function during FY 2017/18;
- 4) The slow pace in the achievement of the target to renovate, digitize and construct land registries is attributable to low allocation over the years. This is despite the fact that it's a priority project in the achievement of Vision 2030;
- 5) The ministry's budget has been increasing over the last three years; however major cuts have been experienced at the supplementary stage affecting overall target achievement by the ministry;
- 6) The allocation of Kshs 1.6 billion towards the processing and registration of title deeds is the same compared to year 2016/17 despite the target reducing by more than half;
- 7) The allocation to the Kenya Coastal development project (donor funded) is zero despite it being an ongoing project; and
- 8) The student enrollment target in the Kenya Institute of Survey and Mapping has remained constant in the last three years despite the fact that monies have been allocated towards infrastructure improvement in the institute.

COMMITTEE RECOMMENDATIONS

The Committee recommends as hereunder; That,

Vote 1112: Ministry of Lands and Physical Planning

- 1 The Committee noted that Land is the most important aspect of production, especially agricultural production yet it was not adequately funded. The Committee recommends that more resources amounting to KShs. 6 billion which is equivalent to the shortfall be sourced from elsewhere and re- allocated to the Ministry.

- 2 Given that the Ministry of Lands and Physical Planning are in the same sector group with the Ministry of Agriculture, Livestock and Fisheries, the committee recommends that some resources be re-allocated from the Ministry taking cognizance that Agriculture is devolved. Some of the sub-programmes under the three state departments where resources may be re-allocated are:
- a) Agribusiness and information management with an allocation of KShs. 1.2 billion;
 - b) Lands and Crop Development sub programme with an allocation of KShs. 852.7 million;
 - c) Livestock Diseases Management and Control KShs. 899.4 million;
 - d) Livestock Production and Management KShs. 1.4 billion and
 - e) Fisheries Development and Management at KShs. 2.3 billion.

Vote 2021: National Land Commission

- 3 The Committee is agreeable to the proposal that an amount of KShs. 1,752,000,000 be withdrawn from the consolidated fund for National Land Commission, Vote 2021 comprising of KShs. 1,452,000,000 in recurrent and Kshs 300,000,000 in development in the 2017/2018 financial year disaggregated into the following programmes.
- a) Land Administration and Management with KShs.382, 482, 220;
 - b) General Administration, Planning and Support services KShs.891, 565, 780;
 - c) Land Disputes and Conflict Resolutions KShs.126, 171, 000 and
 - d) National Land Information Management Systems KShs.351, 781, 000.

The report was adopted after having been proposed by Hon. Julius Ndegwa, MP and seconded by Hon. Omar Mwinyi, MP.

MINUTE NO. DCL/LN/2017/84 ADJOURNMENT

There being no any other business, and the time being 1:25 pm the Chairman adjourned the meeting.

SIGNED.....
(CHAIRPERSON)

DATE.....16/03/2017.....

MINUTES OF THE 18TH SITTING OF THE DEPARTMENTAL COMMITTEE (K) ON LANDS HELD ON TUESDAY 14TH MARCH 2017, IN BOARD ROOM OF FOURTH FLOOR PROTECTION HOUSE.

PRESENT:

1. The Hon. Alex Mwiru, M.P. - Chairperson
2. The Hon. Charles Nyamai, M.P.
3. The Hon. Francis Njenga Kigo, M.P.
4. The Hon. George Oner, M.P.
5. The Hon. Benson Mbai, M.P.
6. The Hon. Hellen Chepkwony, M.P.
7. The Hon. Bernard Bett, M.P.
8. The Hon. Omar Mwinyi, M.P.
9. The Hon. Suleiman Dori, M.P.
10. The Hon. Dr. Paul Otuoma, M.P.
11. The Hon. Julius Ndegwa, M.P.
12. The Hon. Esther Murugi, M.P.

ABSENT WITH APOLOGIES:

1. The Hon. Moses Ole Sakuda, M.P. - Vice Chairperson
2. The Hon. Onesmus Ngunjiri, M.P.
3. The Hon. A. Shariff, M.P.
4. The Hon. Patrick Makau, M.P.
5. The Hon. John Kihagi, M.P.
6. The Hon. Sarah Korere, M.P.
7. The Hon. KiprutoMoi, M.P.
8. The Hon. Francis W. Nderitu, M.P.
9. The Hon. Shakila Abdallah, M.P.
10. The Hon. Mathew L. Lempurkel, M.P.
11. The Hon. HezronAwitiBollo, M.P.
12. The Hon. Kanini Kega, M.P.
13. The Hon. Thomas Mwadeghu, M.P.
14. The Hon. Mutava Musyimi, M.P.
15. The Hon. Eusilah Ngeny, M.P.
16. The Hon. Joseph Oyugi Magwanga, M.P.

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

1. Mr. James Ginono Clerk Assistant I
2. Mr. Joshua Ondari Clerk Assistant III
3. Mr. Emmanuel Muyodi Clerk Assistant III
4. Mr. Odhiambo Fiscal Analyst I

NATIONAL LAND COMMISSION

1. Prof. Mohammed Chairman
2. Mr. Tom Aziz Chavangi Chief Executive Officer
3. Mr. Isaac Kamau HARM
4. Mr. FK Mugo DFTA

MINUTE NO. DCL/LN/2017/79

PRELIMINARIES

The chairman called the meeting to order at 12.15 p.m. with a word of prayer from the Hon. Esther Murugi, MP

MINUTE NO. DCL/LN/2017/80

MEETING WITH NATIONAL LAND COMMISSION

Prof. Muhammad Swazuri, Chairman National Land Commission accompanied by Mr. Tom Chavangi, Chief Executive Officer, appeared before the Committee and informed the Committee as follows: -

- a) For the FY 2017/18, the Commission requested amount was **Kshs. 6.884 billion** against an allocation of **Kshs. 1.752 billion**.
- b) The total Budget assigned is **Kshs 103 million** through Article 223 of the Constitution of Kenya, 2010. The Commission is still awaiting release of the Exchequer. This Budget allocation was for settling pending bills for FY 2015/16.
- c) **Personnel emoluments deficit 2017/18 - Requirement Kshs 895 million against an allocation of Kshs 745 million; a shortfall of Kshs 150 million.** Due to this shortfall, the Commission will not be able to employ key technical staff to serve Kenyans at the County level.
- d) **Purchase of Vehicles for the 47 County Offices and Headquarters** - The Commission operates nationally with only four (4) pool vehicles located at the Headquarters in Nairobi. Despite the expansive nature of our 47 Counties, not a single County has an operational vehicle though we have requested budgetary allocation every year since inception. This not only weakens the effectiveness of the Commission nationally but is also creates a great deservice to Kenyans.
- e) **Land Administration and Management shortfall** will lead to:
 - i) Comprehensive school and other public institutions land titling activities will be hampered greatly despite it being a Presidential directive,
 - ii) Planned Land Use and Natural Resources oversight and advisory activities in the Commission will not be achieved, and
 - iii) For the Commission to effectively carryout out its advisory role, its mandate of **Research** on land and the use of natural resources need to be fully funded, particularly to inform the Land Policy.
- f) **Public Land Information Manangement System** - Due to inadequate funding in this area the Commission will not be able to attain the envisaged completion timelines, thus denying Kenyans of the accruing benefits of a fully implemented system.
- g) **Land Dispute & Conflict Resolution** inadequate funding leads to:
 - i) The Commission may not effectively attend to most of the inherited over 7,000 land cases plus the new ones, and
 - ii) Review of grants and dispositions activities, which are key to National Development, may not be fully met within the laid down datelines.

- h) **Historical Land Injustices** function has not been factored or funded in this budget as the role of the Commission was only clearly defined via Land Laws (Amendment) Act of 2016 which was enacted with effect from 01 September 2016. The Commission requires about **Kshs 250 million** to role out the programmes for this function during FY 2017/18.

MINUTE NO. DCL/LN/2017/81 ADJOURNMENT

There being no any other business, and the time being 2:25 pm the Chairman adjourned the meeting.

SIGNED.....
(CHAIRPERSON)

DATE..... 16/03/2017



MINUTES OF THE 17th SITTING OF THE DEPARTMENTAL COMMITTEE (K) ON LANDS HELD ON TUESDAY 14TH MARCH 2017, IN BOARD ROOM OF FOURTH FLOOR PROTECTION HOUSE.

PRESENT:

1. The Hon. Alex Mwiru, M.P. - Chairperson
2. The Hon. Charles Nyamai, M.P.
3. The Hon. Francis Njenga Kigo, M.P.
4. The Hon. George Oner, M.P.
5. The Hon. Benson Mbai, M.P.
6. The Hon. Hellen Chepkwony, M.P.
7. The Hon. Bernard Bett, M.P.
8. The Hon. Omar Mwinyi, M.P.
9. The Hon. Suleiman Dori, M.P.
10. The Hon. Dr. Paul Otuoma, M.P.
11. The Hon. Julius Ndegwa, M.P.
12. The Hon. Esther Murugi, M.P.

ABSENT WITH APOLOGIES:

1. The Hon. Moses Ole Sakuda, M.P. - Vice Chairperson
2. The Hon. Onesmus Ngunjiri, M.P.
3. The Hon. A. Shariff, M.P.
4. The Hon. Patrick Makau, M.P.
5. The Hon. John Kihagi, M.P.
6. The Hon. Sarah Korere, M.P.
7. The Hon. Kipruto Moi, M.P.
8. The Hon. Francis W. Nderitu, M.P.
9. The Hon. Shakila Abdallah, M.P.
10. The Hon. Mathew L. Lempurkel, M.P.
11. The Hon. Hezron Awiti Bollo, M.P.
12. The Hon. Kanini Kega, M.P.
13. The Hon. Thomas Mwadeghu, M.P.
14. The Hon. Mutava Musyimi, M.P.
15. The Hon. Eusilah Ngeny, M.P.
16. The Hon. Joseph Oyugi Magwanga, M.P.

IN ATTENDANCE:

KENYA NATIONAL ASSEMBLY

1. Mr. James Ginono Clerk Assistant I
2. Mr. Joshua Ondari Clerk Assistant III
3. Mr. Emmanuel Muyodi Clerk Assistant III
4. Mr. Odhiambo Fiscal Analyst I

MINISTRY OF LANDS & PHYSICAL PLANNING

1. Prof. Jacob Kaimenyi Cabinet Secretary

2. Ms. Mariamu El-Maawy	Principal Secretary
3. Mr. Peter Kahuho	Secretary Lands
4. Mr. Ezekiel Omari	SFO
5. Mr. Julius Muriithi	DCE
6. Mr. Paul Ndungu	Ag. AD
7. Mr. Jacob Owino	SLRO
8. Mr. A.A. Ombima	Ag. US
9. Ms. Esther Ogega	DLAS
10. Mr. John Njuguna	PAC
11. Ms. Nancy Wachira	PLASO

MINUTE NO. DCL/LN/2017/76

PRELIMINARIES

The chairman called the meeting to order at 10.15 a.m. with a word of prayer from the Hon. Esther Murugi, MP

MINUTE NO. DCL/LN/2017/77

MEETING WITH THE MINISTRY OF LANDS AND PHYSICAL PLANNING

The Cabinet Secretary Prof. Jacob Kaimenyi accompanied by the Principal Secretary Ms. Mariam El Maaway and informed the Committee as attached in the Minutes:

The Committee noted from the deliberations by the Ministry of Lands and Physical Planning, that:-

During Supplementary Estimates No. 1, 2016/17 Financial Year, the Ministry's Development Budget was reduced by Ksh. 466 million. This reduction will adversely affect the achievement of the Ministry's set targets for the 2016/17 financial year;

Although the Ministry was underfunded in the FY 2016/17 through its operations it managed to generate Kshs. 5,524,660,106 from the following sources:-

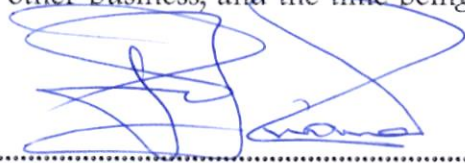
- a) Stand Premium
- b) Registration Fees
- c) Land Rent
- d) Other Land Revenue
- e) Land Adjudication and Case Fees
- f) Sale of Freehold Interest in Agricultural Land
- g) Conveyance Fees
- h) Land Valuation Fees
- i) Stamp Duty on Land Transactions

The Committee noted that Land is the most important aspect of production, especially agricultural production yet it was not adequately funded. The Committee recommends that more resources amounting to KShs. 6 billion which is equivalent to the shortfall be sourced from elsewhere and re- allocated to the Ministry.

MINUTE NO. DCL/LN/2017/78

ADJOURNMENT

There being no any other business, and the time being 1:35 pm the Chairman adjourned the meeting.



SIGNED.....

(CHAIRPERSON)

16/03/2017

DATE.....

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIRST SESSION

THE DEPARTMENTAL COMMITTEE
ON
HEALTH

REPORT
ON
THE EXAMINATION OF FINANCIAL ESTIMATES FOR THE YEAR 2017/2018

FOR
THE MINISTRY OF HEALTH (VOTE 1081)

PARLIAMENT BUILDINGS
NAIROBI

MARCH, 2017

PREFACE

Mr. Chairperson

The Departmental Committee on Health is established pursuant to the provisions of Standing Order No. 216(5) of the Kenya National Assembly and in line with Article 124 of the Constitution (2010) which provides for the establishment of the Committees by Parliament. The mandate and functions of the Committee is to:-

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

The Committee Membership is as follows:-

- | | | |
|--|---|------------------|
| 1. The Hon. Dr. Rachel Nyamai, M.P. | - | Chairperson |
| 2. The Hon. Dr. Robert Pukose, MP | - | Vice Chairperson |
| 3. The Hon. Dr. Enoch Kibunguchy, M.P. | | |
| 4. The Hon. Dr. James Murgor, M.P. | | |
| 5. The Hon. Mwinga Gunga, M.P. | | |
| 6. The Hon. Raphael Milkau Otaalo, M.P. | | |
| 7. The Hon. Leonard Sang, M.P. | | |
| 8. The Hon. Zipporah Jesang, M.P. | | |
| 9. The Hon. Robert Mbui, M.P. | | |
| 10. The Hon. Alfred Agoi, M.P. | | |
| 11. The Hon. Kamande Mwangi, M.P. | | |
| 12. The Hon. Dr. Eseli Simiyu, CBS, M.P. | | |
| 13. The Hon. Dr. Stephen Wachira, M.P. | | |
| 14. The Hon. Stephen M. Mule, M.P. | | |
| 15. The Hon. Dr. Dahir D. Mohamed, M.P. | | |
| 16. The Hon. Michael Onyura, M.P. | | |
| 17. The Hon. Dr. James Nyikal, M.P. | | |
| 18. The Hon. Dr. James O. Gesami, M.P. | | |
| 19. The Hon. David Karithi, M.P. | | |
| 20. The Hon. Jared Opiyo, M.P. | | |
| 21. The Hon. Dr. Naomi Shaban, M.P. | | |
| 22. The Hon. Fred Outa, M.P. | | |
| 23. The Hon. John Nyaga Muchiri, M.P. | | |
| 24. The Hon. Hassan Aden Osman, M.P. | | |
| 25. The Hon. James Gakuya, M.P. | | |
| 26. The Hon. Dr. Patrick Musimba, M.P. | | |
| 27. The Hon. Dr. Susan Musyoka, M.P. | | |
| 28. The Hon. Paul Koinange, M.P. | | |
| 29. The Hon. Alfred Sambu, M.P. | | |

The budget estimates of the National government for 2017/18 and the Medium Term was submitted and tabled before the National Assembly on Wednesday 15th February 2017 pursuant to Article 221 of the Constitution and Section 37 of the Public Management Act 2012. The Budget estimates stand committed to the Departmental Committee without question put pursuant to Standing Order 235(3).

The Departmental Committee is mandated to cover the functions of the Ministry of Health alongside seven Semi-autonomous Government Agencies (SAGAs) namely: **Kenyatta National Hospital; Moi Teaching and Referral Hospital; Kenya Medical Training College; Kenya Medical Supplies Authority; National Hospital Insurance Fund; Kenya Medical Research institute; National Aids and Control Council.**

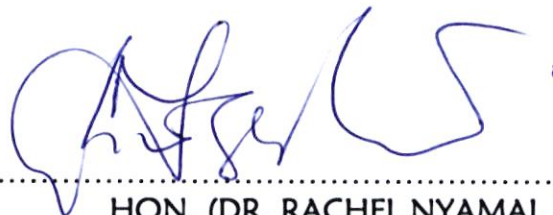
This report therefore contains the deliberations of the Departmental Committee on Health, on the 2017/18 Programme Based Budget of the National Government of Kenya for the year ending 30th June 2018 including submissions presented by the Ministry and the seven SAGAs under its purview.

Mr. Chairperson

On behalf of the Committee, I have the honor and pleasure to present this report on the Examination of the Financial Estimates for the Ministry of Health for the year 2017/18 before the Committee on Budget and Appropriation.

Thank You

SIGNED



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

DATE.....

20 / 3 / 2017.

1.0 INTRODUCTION

01. The Estimates of Recurrent and Development Expenditure of the National Government were laid before the House on the 28th April 2016 pursuant to the provisions of Section 221(1) of the Constitution. Section 221 (4) stipulates that *'a Committee of the Assembly shall discuss and review estimates and make recommendations to the Assembly'*.

02. The Standing Order 235(3) provides that *'Upon being laid before the House, the Estimates shall be deemed to have been committed to each Departmental Committee without Question put to deliberate upon according to their respective mandates'*.

03. Standing order 235(4) provides that *'Each departmental Committee shall consider, discuss and review the Estimates according to its mandate and submit its report and recommendations to the Budget and Appropriation Committee within twenty-one days, after being laid before the House'*.

04. The summary of the submissions from meetings with the Ministry and the Semi-Autonomous Governmental Agencies (SAGAs) under the purview of the Departmental Committee on Health are summarized as follows.

2.0 EXAMINATION OF BUDGET ESTIMATES FOR THE MINISTRY OF HEALTH (VOTE 1081)

05. The Departmental Committee on Health held one meeting with the Ministry of Health and representation from the various SAGAs on Thursday 10th March 2017. The SAGAs are:- The Kenyatta National Hospital (KNH); Moi Teaching and Referral Hospital(MTRH); Kenya Medical Training College (KMTTC); Kenya Medical Supplies Authority (KEMSA); National Hospital Insurance Fund (NHIF); Kenya Medical Research institute (KEMRI); National

Aids and Control Council (NACC). The Committee took note of the following issues:

Compliance of the Budget to the Legal Framework

06. The 2017/18 budget estimates is prepared under a revised budget taking into consideration the Parliamentary calendar and the need to prepare for the 2017 General elections to be held on 8th August 2017. However the Ministry of Health budget failed to recognize Section 25(8) of the Public Finance Management Act which provides that the "Cabinet Secretary in charge of Treasury shall take into account the resolutions passed by the Parliament in finalizing the budget for the relevant financial year.
07. During the preparation of the 2017/2018 Ministry of Health estimates, the Cabinet Secretary did not fully adhere to the ceilings of the BPS 2017. For example the Budget Policy Statement (BPS) 2017 provided the following ceiling: Recurrent budget, Ksh 29.609billion and Development of Ksh 25.297billion. This is against the 2017/18 estimates of Ksh 30.673billion and Ksh 30,966billion for recurrent and development respectively. According to the Ministry, the variance in recurrent budget between the BPS and the estimates of Ksh 1.064billion is as a result of provision for the health workers salaries and allowances following unrest in the health sector. Additionally, an increase in the development budget of Ksh 5.669million is due to the increase in budgetary allocation of donor funded projects which were negotiated and signed after the setting of the BPS ceilings.
08. The Committee was concerned about the inability for the Ministry to effect the Committee recommendations and House Resolutions on the BPS 2017 as relates to priority programs for interventions in 2017/18 in line with national government policies, MTP II (2013-2017). As such the Committee recommendations for reallocations of funds from a particular sub-programme to other priority areas not funded was not adhered to.

Overall National Budget, Ministry of Health Budget and the National Agenda

09. The goal for the health sector is to provide equitable, affordable and quality health care to all citizens(Republic of Kenya, 2010). To achieve this goal, the Ministry of Health and the health sector committed itself to realize certain flagship projects in the MTP II (2013-2017). Analysis of the flagship projects for the health sector in MTP II (2013-2017 shows that there gaps persist in terms of MTEF funding for the various national agenda priorities in the health sector.
10. Further that, the key national priorities and flagship projects as contained in the national policies such as the Medium Term Plan II (2013-2017) of the Kenya Vision 2030 have not been at centre of the of the MTEF budget for the Ministry of Health.
11. Overall, the total gross expenditure estimates increased from Ksh 2.534trillion in 2016/17 to Ksh 2.63trillion in 2017/18 representing a 3.81 percent increase. However, the gross total current and capital expenditures estimates for the national government is decreasing from Ksh 1.677trillion
12. The total gross expenditure estimates for the Ministry of Health in 2017/2018 is Ksh. 61.640 billion compared to Ksh. 60.269 billion in the approved expenditure estimates for 2016/2017. This is 3.91 percent of the total current and capital expenditures estimate for the national government (excluding, Parliamentary Service Commission, CFS, Judiciary, and Judicial Service Commission).
13. The total gross expenditure estimates for the Ministry of Ksh. 61.140 billion is an increase of Ksh. 6.734 billion compared to the BPS 2017 ceiling for the vote which was Ksh. 54.906 billion
14. Of the **Ksh 61.640 billion** allocated for the sector, **Ksh 43.7Billion** is from Government while **Ksh 17.955billion (10.228 billion in loans and Ksh 7.727billion in grants) is derived from external funding.** Further out of the **Ksh 43.7billion** by the Government, capital expenditure is **Ksh 13billion** while the rest is current expenditure.

Sources of finances	Recurrent (Ksh)	Development(Ksh)	TOTAL
GOK	30,673,820,252	13,011,000,000	43,684,820,252
Development Partners			
Loans	-	4,815,553,846	4,815,553,846
Loans AIA	-	2,911,157,647	2,911,157,647
Grant Revenue	-	3,682,283,772	3,682,283,772
Grant AIA	-	6,546,668,054	6,546,668,054
Sub total	-	17,955,663,319	17,955,663,319
GRAND TOTAL	30,673,820,252	30,966,663,319	61,640,483,571

Source: Ministry of Health

15. As regards donor funding, the Ministry of Health has a total capital expenditure estimates for HIV/AIDS, TB and Malaria budgeted for under the Ministry in 2017/18 as Ksh. 3.312 billion comprising of Ksh. 759.572 million for HIV/AIDS round 7; Ksh. 602.515 million for TB Round 6; and Ksh. 1.2 billion malaria round 10. However, Ksh 20.071 billion is retained at the Treasury under the Global Fund to manage HIV/AIDS Round 7, Tuberculosis (TB) Round 6, and Malaria Round 10.

16. Like other previous financial years, in 2017/18, the Ministry reorganized its programs and subprograms as indicated in the table below. The result of the reorganization is that certain subprograms show a baseline of zero allocation of funds. This raises questions on challenges in tracking expenditures in the Medium term. The Ministry however explained that the reorganization was necessitated by the reclassification of programs introduced by the National Treasury.

Showing expenditure estimates by programme and sub-programme for th Ministry of Health in 2016/17 and 2017/18		
Programme and Sub-programmes	Baseline 2016/17	Estimates 2017/18
SP1.1 Health promotion	1,383,627,161	-
SP1.2 Non-communicable Disease Prevention and Control	1,003,149,198	252,198,400
SP 1.3 RMNCAH	-	3,811,819,400
SP1.4 Radiation Protection	181,334,201	185,885,284
SP1.5 Communicable Disease Control	4,898,571,736	3,980,317,981
SP1.6 Family planning Services	120,000,000	-
SP 1.9 Environmental Health	-	469,624,992
P1 Preventive, Promotive and RMNCAH	7,586,682,296	8,699,846,057
SP2.1 National Referral services	16,274,828,685	16,093,144,360
SP2.4 Forensic and diagnostics	5,617,134,423	1,568,602,428
SP2.5 Free primary Healthcare	1,686,369,870	6,844,686
SP2.6 Specialised Medical Equipment	-	6,000,000,000
SP2.9 Health Products and Technologies	-	2,529,741,504
P2 National Referral & Specialized Services	23,578,332,978	26,198,332,978
SP3.1 Capacity building and training(Pre-service and In service	3,761,926,059	3,744,711,669
SP3.2 Research and innovations on health	1,834,962,265	1,850,451,510
P3 Health Research and Development	5,596,888,324	5,595,163,179
SP4.1 Health policy, planning and financing	7,600,197,509	3,358,421,813
SP4.2 Health standards, quality assurance and standards	3,707,651,015	176,104,826
SP4.3 National quality control laboratories	189,766,648	96,615,528
SP4.4 Human Resource Management and Development	3,922,843,466	5,009,459,488
P4 General Administration, Planning and Support Services	15,420,458,638	8,640,601,655
SP5.1 Family planning services	466,461,386	-

SP5.2 Maternity	4,298,000,000	-
SP5.3 Immunization	3,323,106,400	-
SP5.4 Health Policy, Planning and financing	-	10,689,182,352
SP 5.5 Health standards and regulations	-	665,093,766
SP 5.7 Social Protection in Health	-	1,152,263,584
P5 Health Policy, Standards and Regulations	8,087,567,786	12,506,539,702
TOTAL EXPENDITURE FOR VOTE 1081	60,269,930,022	61,640,483,571

Source: National Treasury

Specific Programs in the Health Budget 2017/18

17. *The Program Preventive, Promotive and RMNCAH*: In 2016/17 the program consisted of five main sub programs namely Communicable Disease Prevention and Control; Health Promotion; Non-communicable Diseases Prevention and Control, Government Chemist and Radiation Protection. However in 2017/18 it has been expanded to include RMNCAH and family planning services while Government Chemist has been excluded.
18. The Environmental Health sub-programs which include promotion of primary health care and environmental health including sanitation are devolved functions. Further that the family planning services, newly introduced sub-program within two programs that is RMNCAH and Health, Policy, Standards and Regulations has no budgetary allocation in 2017/18.
19. *National Referral & Specialized Services Programme* previously Curative Service Programme has the following sub programmes: National Referral Health Services; Specialized Health Services; Specialized Medical Equipment; Forensic and Diagnostic services; Health Products and Technologies.
20. That the Ministry is likely to miss its key performance indicators for the program as key national referral hospitals, that is Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital (MTRH) remain inadequately funded. For example KNH has been allocated Ksh 50million for capital expenditure. No allocation has been provided for the Cancer and Chronic Disease Management Centre and the Children Hospital all at MTRH.

However, Matero Teaching and Referral Hospital has been allocated Ksh 75million towards modernizing wards and staff houses while Ksh 170 million has been allocated for expansion of ICU at MTRH. The Committee noted that the Managed Equipment Service (MES) Project, an on-going capital infrastructure health sector project initiated in 2013/14 has its annual approved expenditure increased by Ksh. 1.5 billion from the Ksh. 4.5 billion in 2016/17 to Ksh. 6 billion in 2017/18.

21. Further that in 2016/17 Ksh. 4.5 billion was adjusted further upwards to Ksh. 9.6 billion (an increment of Ksh. 5.1 billion) in the supplementary expenditure estimates 1 for 2016/17. The Ministry explained that this was occasioned by pending bills/arrears owed to the various suppliers and fines and penalties. **It was therefore observed that there was need for a performance audit to be undertaken on the implementation of the MES program.**
22. In the BPS 2017, *the Health Research and Development Programme* had two main sub programmes that is Pre-service and In-service training. However these have been combined into one sub-programme namely capacity building & training (pre-service and in service) and a second sub-programme research and innovations on health introduced.
23. Under the programme, the Kenya Medical Training College (KMTC) may fail to achieve its mission as the growth in KMTC campuses and student population has not been matched with adequate budgetary support to increase the number of teaching, non-teaching staff and infrastructural expansion. To substantiate these, the allocation to KMTC for construction of tuition blocks buildings has been reduced from Ksh. 140 million in 2016/17 to Ksh. 50 million in 2017/18. Ksh 33million has however been allocated to KMTC for the construction and equipping of laboratory and classrooms. According to the Ministry, Kshs 50 million was provided to complete the ongoing constructions of tuition blocks at KMTC campuses which began in 2016/17.

24. Under the Program *General Administration, Planning & Support Services*, two main sub-programmes exist in the BPS 2017 namely: General Administration and Finance and planning. However this has been reorganized in the estimates to form four sub-programmes namely: Health Policy, Planning & Financing; Health Standards, Quality Assurance & Standards; National Quality Control Laboratories; and Human Resources Management and Development.
25. There was an increase in total compensation to employees under the Ministry's vote by Ksh. 1.238 billion from Ksh. 5.72 billion in the FY 2016/17 to Ksh. 6.959 billion representing an average increment of 21.65 percent.
26. On *Health Policy Standards and Regulations Programme* the BPS 2017 provided the following sub-programmes as Health Policy; Social Protection in Health; Health Standards and Regulations and National Cancer Program. However this has been reorganized in the 2017. The National Cancer Programme has been eliminated while Family Planning Services; Maternity; Immunization and Health Policy Standards and Regulations have been introduced.
27. Concerns were raised about the implementation of the subsidized health coverage to the poor and vulnerable where the Ministry was given an approved budget of Ksh. 1.785 billion in the supplementary expenditure estimates II of the 2015/16.
28. Regarding specific programs, the Committee took note of three strategic interventions by the Ministry: MES, Free maternity programme and the Upgrade of health centers in slums. The Free maternity programme is a strategic intervention by the national government to ensure the national agenda of free maternity for mothers is realized. The expenditure estimates for the project has remained the same at Ksh. 4.298 billion in the 2016/17 and 2017/18. However, unlike 2016/17 where the fund were disbursed to Counties as conditional grants, in 2017/18, Ksh. 4.298 billion for the

programme is expected to be disbursed through a special grant to the National Health Insurance Fund (NHIF). This follows the Committee recommendation in its BPS2017 report. It is expected that this will eliminate double claims by facilities, reduce resource leakages and improve efficiency.

29. The slum upgrading (portable clinics), the other strategic intervention by the Ministry of Health has been allocated Ksh 450million in 2017/18. The expenditure estimates allocation of Ksh. 500 million for slum upgrading (portable clinics) in the 2017 BPS was reallocated to other key priority projects and programmes in line with the core mandate of the Ministry. The recommendation by the Committee was adopted by the House as a resolution and was to form the basis of the 2017/18 budget estimates. It was noted that the recommendation was not taken into consideration by the Ministry of Health and the National Treasury to take it into consideration while compiling the budget estimates for the FY 2017/18.

3.0 MEETING WITH THE MINISTRY OF HEALTH ON THE 2017/18 FINANCIAL ESTIMATES

30. The Committee held a meeting with the Ministry of Health on 9th March 2017. The Ministry sought to clarify issues arising from the interactions with the Committee. The Committee sought clarification of the following issues among others:

- i. The rationale for allocating Ksh 450million towards slum upgrading (portable clinic) despite the sub-program not being a core mandate of the Ministry
- ii. The reasons for increasing the allocation to MES in 2017/18 by 1.5billion to Ksh 6billion
- iii. The rationale for not funding the equipping of the children hospital at MRTH and the Cancer and chronic disease Management Centre

- iv. The variances in allocations across programs in 2016/17 compared to 2017/18
 - v. The statuses of implementation of the roll out of universal health coverage
31. **MES**, The rationale for increasing the allocation for MES in 2017/18 by Ksh 1.5billion from Ksh 4.5billion according to the Ministry is that the actual annual charge for the five MES contracts is USD 61,783,165 and that all the payments are made in US dollars. Given the currency fluctuations, the resultant cost is Ksh 6.1billion hence the budget allocation. Further, the Ministry explained that the total number of hospitals to be equipped under the MES Project is 98 and only 85 hospitals are fully equipped under all the equipment. Further that all the 98 hospitals have received at least two (2) Equipment Lots. Payments are effected upon material compliance by the contractor of their obligations in accordance with the contract implementation programme. The contractors are in various implementation stages. The Committee was therefore concerned about the rationale for payments to contractors and given that some facilities are yet to commence utilization of the said equipment.
32. **Improving access to referral systems**, The Ministry explained that the Cancer and Chronic Disease Management Centre at MTRH which was allocated Ksh 20million in 2016/17 was not allocated funds in 2017/18 to allow for the expansion and equipping of the MTRH Intensive Care Unit (ICU). According to the Ministry, this also applies to the Children hospital. The basis for these according to the Ministry is that the ceilings for the development budget for 2017/18 was lower compared to the 2016/17 allocation in respect of GoK funded projects and as such could not accommodate any new project. This according to the Ministry is in line with requirement that

first priority be given to the completion of the ongoing projects hence funds were not sufficient to allocate to the project.

33. **Family planning services**, according to the Ministry, the sub programme following the realignment of the programs and sub-programs, was transferred to the newly introduced sub-program of RMNCAH.
34. The Committee's concerns on the drastic increase in General administration, planning and support service (recurrent expenditure) in 2014/15 and 2015/16 was as a result of Ksh 1.183 billion loan revenue from World Bank and DANIDA for capacity building (Training of workers) and Essential Medical and Medical Supplies (EMMS) to dispensaries and Health Centers and procurement of special medical and dental equipment. Further in 2015/16, the development expenditure increased by Ksh 1.785 billion being an approved allocation of funds received from JICA for implementation of the universal health care project.
35. Further, the JICA supported Programme for UHC focuses on the expanded Free Maternity Care programme implemented through NHIF, health insurance subsidy programme for the poor implemented by NHIF and Results Based Financing (RBF) co-financing. The latter two programmes are jointly funded through the Programme for UHC and Kenya Health Sector Support Project. The Ministry also clarified that the health insurance subsidy programme for the poor targets 20 percent of the population in the lowest wealth quintile (poorest of the poor), currently estimated to be about 1 million households. Also, that the database is maintained by Social Protection Secretariat and has 256,000 households already on a Cash Transfer Programme. As such, the immediate target for the health insurance subsidy programme is to ensure that all the 256,000 households have a health insurance cover.
36. The Ministry also explained that the total compensation to employees under the Ministry's vote is increasing by Ksh.1.238 billion from Ksh.5.72 billion in

the 2016/17 to Ksh.6.959 billion representing an average increment of 21.65 percent. The increment in the Ministry's Budget for compensation to employees is as a result of the following:

- i. Last phase implementation of revised House Allowance to All Civil servants by SRC whose effective date is 1st July, 2017, (An increase of Kshs. 71,622,000)
- ii. Nursing Service Allowance awarded to Nurses as reflected as sub item 2110338 under 1081000100 Headquarters Administrative and Technical Services head. (ksh.290,400,000)
- iii. Proposed 40 percent salary increment for medical practitioners, dentists and Pharmacists. (Sub item 2210910 Medical insurance and 2110335 Emergency Call Allowance under 1081000100 Headquarters Administrative and Technical Services (Increase of Ksh. 776.1M)
- iv. Annual Increment on IPPD that caters for basic salary yearly increment. (Ksh.101M)

37. Pending Bills; totaled Ksh 287.8million at the closure of 2015/16 which resulted from failure to get Exchequer. The Ministry has so far paid Kshs.204.983 million. The Committee ^{however} was concerned about the high pending bills in the Ministry some of which the Committee felt are linked to abuse of public resources and lack of accountability within the SAGAs. The State corporations pending bills are as follows:

No.	SAGA	AMOUNT(Ksh)
1	Kenyatta National Hospital	424.4million
2	Kenya Medical Supplies Authority (KEMSA)	1.582billion
3	MTRH	834.9million
4	Kenya Medical Research Institute (KEMRI)	2.851.9billion
5	National Aids Control Council (NACC)	89.122million
6	Kenya Medical Training College (KMTC)	1.825.3 billion

Source: Ministry of Health

38. Appropriation in Aid (AIA) from 2013/14 – 2016/17 (as at January) figures were shared by the Ministry where the Committee noted a reduction ~~that~~

that in the first six months of the year, KNH collected 3.012 billion compared to Ksh 4.874 billion and Ksh 4.648 billion in 2015/16 and 2014/15 respectively. The table below is summary for the rest of the institutions:

State Corporation	2013/14 (000)	2014/15 (000)	2015/16 (000)	2016/17 (Half year) (000)
KNH	4,213,912	4,648,972	4,874,088	3,012,973
KEMSA	1,208,309	2,695,160	2,737,173	-
MTRH	1,508,165	1,583,406	1,863,149	1,100,850
¹ KEMRI	6,273,668	6,248,448	4,946,007	2,291,936
Collaborators Funds	6,045,530	6,045,929	4,571,671	2,205,902
Sundry income overheads	74,677	-	104,959	57,252
Revenue generating activities	153,462	202,519	104,959	28,782
KMTC	1,636,904	1,875,610	2,126,722	-
NACC	328,890	150,000	128,242	42,277

Source: Ministry of Health

4.0 COMMITTEE OBSERVATIONS

39. Following the interactions with the Ministry of Health and the SAGAS within the Ministry, The Committee made the following observations:

- (a) The total gross expenditure estimates for the Ministry of Health in 2017/2018 increased to Ksh. 61.640 billion compared to Ksh. 60.269 billion in the approved expenditure estimates for 2016/2017.
- (b) The Ministry of Health ceilings as provided in the Budget Policy Statement (BPS) 2017 were not adhered. The increment in the recurrent expenditure of Ksh 1.064 billion is attributed to provision of the health workers salaries and allowances following unrest in the health sector.
- (c) The Ministry of Health Capital expenditure is highly donor dependent. This is to say, of the total gross expenditure estimates for the Ministry of Ksh. 61.140

¹ Source: KEMRI, 2017

billion, Ksh 43.7billion is from Government while Ksh 17,955billion (10.228 billion in loans and Ksh 7.727billion in grants) is derived from external funding. Out of the Ksh 43.7billion by the Government, capital expenditure is Ksh 13billion while the rest is current expenditure. As such donor support towards capital expenditure is to a tune of Ksh 17.955billion compared to Government of Ksh 13billion.

- (d) The Ministry strategic interventions towards HIV/AIDs, TB and Malaria are donor dependent. The 2017/18 budget estimates has allocated Ksh 23.071 billion towards these interventions. 85 percent of the funds whoever are retained at the National Treasury and the programs implemented through the Kenya Coordinating Mechanism (CCM). This therefore calls for further follow-ups and involvement by the Committee to ensure the funds are utilized for the intended purpose.
- (e) Like previous financial years, the Committee observed that the in 2017/18, the Ministry reorganized its programs and subprograms. The explanation being that the reorganization was necessitated by the reclassification of programs as introduced by the National Treasury. The consequence of these however is that that certain subprograms show a baseline of zero allocation of funds which may not be the case. Further it raises the question on the efficacy of tracking expenditures in the Medium term.
- (f) The Ministry has allocated Ksh 469.6million towards the Environmental Health sub-programs under the Preventive, Promotive and RMNCAH which include promotion of primary health care and environmental health including sanitation, all of which are devolved functions. The Ministry explanation being that sub –program entirely is donor funded.
- (g) The family planning services sub programme was transferred to the newly introduced sub-program of RMNCAH. This explaining non allocation in 2017/18.
- (h) In as much as the National Referral & Specialized Services Programme has been allocated Ksh 23.578billion in 2017/18, the bulk of the funds are provided

toward the Specialized Medical Equipment sub-program where MES program is domiciled. However, the Ministry is likely to miss its key performance indicators for the program as key national referral hospitals, that is Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital (MTRH) remain inadequately funded.

- (i) The Committee also noted that the Managed Equipment Service (MES) Project, an on-going capital infrastructure health sector project initiated in 2013/14 has its annual approved expenditure increased by Ksh. 1.5 billion from the Ksh. 4.5 billion in 2016/17 to Ksh. 6 billion in 2017/18. Further that in 2016/17 Ksh. 4.5 billion was further adjusted upwards to Ksh. 9.6 billion (an increment of Ksh. 5.1 billion) in the supplementary expenditure estimates 1 for 2016/17. According to the Ministry, this was occasioned by pending bills/arrears owed to the various suppliers and fines and penalties. **It was therefore observed and recommended that a performance audit to be undertaken on the implementation of the MES programmes in a bid to address any emerging challenges.**
- (j) The growth in student population at the KMTC is not commensurate with budgetary support as the institution is in need of increased numbers of teaching, non-teaching staff and infrastructural expansion. In 2017/18, Ksh 33million and Ksh 50million has however been allocated to KMTC for the construction and equipping of laboratory and completion of tuition block respectively.
- (k) It is not clear how the implementation of the subsidized health coverage to the poor and vulnerable where the Ministry was given an approved budget of Ksh. 1.785 billion in the supplementary expenditure estimates II of the 2015/16 is being undertaken.
- (l) In 2017/18, free maternity programme, a strategic intervention with an expenditure estimate of Ksh. 4.298 billion in the 2016/17 and 2017/18 will no longer be disbursed as a County conditional grant but as a special grant to the National Health Insurance Fund (NHIF). This follows the Committee

recommendation in its BPS2017 report. **As such the Committee is to follow-up with the Ministry and NHIF on the specifics and implementation details of the “Linda Mama: concept before its roll out.**

- (m) The slum upgrading (portable clinics), the other strategic intervention by the Ministry of Health has been allocated Ksh 450million in 2017/18. This is against the Committee on Health recommendation in the BPS 2017 report that the expenditure estimates allocation of Ksh. 500 million for slum upgrading (portable clinics) be reallocated to other key priority projects and programmes in line with the core mandate of the Ministry. The recommendation by the Committee was adopted by the House as a resolution and was to form the basis of the 2017/18 budget estimates.

It was noted that the recommendation was not taken into consideration by the Ministry of Health and the National Treasury while compiling the budget estimates for the FY 2017/18. **The Committee therefore resolves to reallocate the Ksh 450 million allocated towards the slum upgrading project in the budget estimates 2017/18.**

- (n) There is an annual increase in pending bills by the various SAGAs. The Committee was concerned about the growing pending bills some of which are as a result of and lack of accountability and mismanagement of public resources within the SAGAs. The Committee singled out KEMRI – CDC Program debts and pending Bills - Debts Ksh 1.202 billion and Pending bills – Ksh 2.852 billion (2,765 billion – recurrent and Ksh 86 million development) and KEMRI Pension Scheme where KEMRI is requesting for Ksh 100 million annually for its staff scheme. **The Committee therefore resolved to meet with the KEMRI Board in order to ascertain the extent with which the Committee recommendations in the report on misappropriation of funds at KEMRI has been implemented**

- (o) The Committee also noted shortfall in the budgetary allocations to several SAGAs. Section 5.0 provides the summary of the shortfall from the various SAGAs.

5.0 MAJOR BUDGET SHORTFALLS

- (i) The SAGAs highlighted the following as the priority areas requiring additional funding in 2017/18.

KNH

KNH requires additional funding of Ksh 9,159 billion broken down as follows:

- Capital allocation – **Ksh 2.850 billion**. No capital allocation for KNH in 2015/16 and 2016/17. This comprise of:
 - a. Surgical Day care Center – **Ksh 218million**. Initial estimate was Ksh 160million. Donor support to contribute Ksh 100million while KNH to contribute 60million. Actual cost has been determined as Ksh 202million hence a deficit of Ksh 42million. Completion date of the project is 2016/17; hence equipment worth Ksh 176 million is required.
 - b. East African Kidney Institute (EAKI) – **Ksh 200million**
 - c. BADEA project – **Ksh 1.731 billion** (GoK contribution)– Construction and equipping of the KNH Pediatrics Emergency Centre and Burns Management Centre
 - d. Cancer Centre – **Ksh 200million** – for peripheral facilities to support the operations of the bunker.
- Recurrent allocation – **Ksh 2.792 billion**, Comprising of:
 - a. Nursing allowances – **Ksh 398million** (phase II of the Kenya National Union of Nurses negotiated nursing allowance
 - b. Employer contribution to pension scheme – **Ksh 176million**
 - c. Personnel Emolument shortfall-**Ksh2.218billion**
- Pending Bills - **Ksh 3.517 billion**
 - a. Pension deficit – **Ksh 2.8billion**
 - b. NSSF arrears- **Ksh 311 million**
 - c. Deficit in Recurrent grant receivable in 2015/16 – **Ksh 113.6 million**

d. Deficit in Development grant receivable in 2012/13 – **Ksh 292 million**

MTRH

- Kshs. 1 billion to equip CCCDC with radiotherapy machines in the ready bunker and additional bunkers to be constructed, (Request made for equipping through NHIF loan).
- Kshs. 200 million to equip S4A and Ksh. 100 million to equip ICU to 20 beds
- Increase capital development vote to accommodate demand for specialized medical by equipment in A&E, CCU, ICUs, theatres and Neurosurgical ward
- Consistent and timely reimbursement of Free Maternity Funds.
- Purchase of a more advanced MRI (1.5 Tesla) and 64 Slice CT Scan.
- Purchase of 25 dialysis beds and machines through MES-Request to MOH done

A detailed breakdown of the request was presented as follows:

NO	Project Area	Requirement
1.	Radiotherapy Services	
	i. Purchase of radiotherapy equipment(Phase One)	592,000,000
	ii. Construction of additional radiotherapy bunker and equipping (Phase 2)	360,500,000
2.	Purchase of medical equipment	
	i. Equipping of General ICU	175,000,000
	ii. Shoe4Africa Children's Hospital ICU and Theatre	72,000,000
	iii. Equipping of Neurosurgery Unit	98,000,000
3.	Equipping of dialysis Centre with 25 dialysis Units and installation of Treatment Plant	77,500,000
	TOTAL	1,217,000,000

i) KMTC

- Buildings – **200 million**

- Equipping Hostels– **22 million**
- Teaching/Medical Equipment **139.73 million**

ii) KEMRI

- Maintenance of equipment and buildings in Nairobi complex – Ksh 600million
- Research funding – **Ksh 480million**. KEMRI was not allocated research funds in 2016/17 in 2015/16 KEMRI was allocated Ksh 224 million
- KEMRI – CDC Program debts and pending Bills - **Debts Ksh 1.202 billion and Pending bills – Ksh 2.852billion** (2,765billion – recurrent and Ksh 86million development)
- KEMRI Pension Scheme – Ksh 100million annually
- KEMRI Capitation – Capitation for the month of June 2016 is yet to be received – **Ksh 139,37million**
- Rehabilitation of the stalled Alupe projects - **Ksh 86million**
- Emergency call and extraneous allowances – **Ksh 67million**

iii)NACC

Total request for NACC was Ksh 1.9 Billion consisting of Ksh 672million (Recurrent) and Ksh 1.3Billion Development.

However 2017/18 allocations

Expenditure Type	2017/18	2016/17
Recurrent	606,308million	584,000million
Development	75million	75million

Requests for consideration

- Acquisition of Office Space – **Ksh. 400 million**
- Constituency Aids Control Committees – **Ksh. 48 million**

iv)KEMSA

- Capitalization **Ksh. 1.5 billion**

6.0 COMMITTEE RECOMMENDATIONS

40. The Committee noted that the Ministry of Health and the National Treasury failed to take into consideration the recommendation by the Committee and as adopted by the House in 2017 BPS report. The recommendation that funds allocated for the slum upgrading (portable clinics), in 2017/18 BPS be reallocated for other strategic and core mandate of the Ministry. The Committee also observed that the SAGAs within the Ministry have not been adequately funded for capital development, thereby hampering their infrastructural development and service delivery.
41. **As such the Committee recommends that Ksh 450million allocated in the 2017/18 financial estimates towards the slum upgrading program be reallocated to other strategic and core mandate of the Ministry in line with the Fourth schedule of the Constitution; that is National Referral Health Facilities, Health policy, Institutions' of research among others.**
42. The Committee also noted that the Managed Equipment Service (MES) Project was allocated Ksh 4.5million in the BPS 2017 has its annual approved expenditure increased by Ksh. 1.5 billion from the Ksh. 4.5 billion in 2016/17 to Ksh. 6 billion in 2017/18. The Committee was concerned that the project roll out and consequently service provision continues to be hampered by uninstalled equipment and incomplete infrastructure in some facilities and inadequate health staff to operate the equipment. Further that despite these, the program in 2016/17 expenditure allocation of Ksh. 4.5 billion was further adjusted upwards to Ksh. 9.6 billion (an increment of Ksh. 5.1 billion) in the supplementary expenditure estimates 1 for 2016/17. The Committee's concerns are also based on the fact that the Ministry has failed to provide to the Committee the contracts for the MES project and as such the Committee has found it difficult to make informed decisions regarding the same. **The**

Committee therefore recommends the reallocation of Ksh 1 billion from the MES to other priority areas and further recommends that the Auditor General undertake a performance audit on the implementation of the MES programmes in a bid to address any emerging challenges and ascertain value for money.

43. The Committee recommends a reduction in the expenditure ceiling estimate for the following specific sub-programme as contained in 2017/18 financial estimates:

PROGRAM	SUB-PROGRAM	Program/Project	2017/18 Allocations (Ksh)	Reductions (Ksh)	Rationale
Health Policy, Standards and Regulations	SP 5.3 Health Policy, Planning and Financing	Upgrade of Health centers in slums	450million	450million	This is to allow Ministry to address the challenges facing the implementation of the project.
National Referral & Specialized Services	SP2.6 Specialized Medical Equipment	Managed Equipment Service- Hire of medical equipment for 98 hospital	6 billion	1 billion	Implementation challenges. Unexplained annually increments. Lack of documentation
TOTAL SAVINGS				1.450billion	

- (i) That the savings of Ksh. 1.450 billion made by the reductions above should be reallocated to the following programmes and sub-program as shown in the table below:

PROGRAM	SUB-PROGRAM	Sub-Program/Project	2017/18 Allocations in Ksh.	Additional funding in Ksh.	Rationale
P2: National Referral & Specialized Services	SP2.1 National Referral Services	MTRH- Completion and equipping of Cancer Bunkers at MTRH	-	250million	Strengthening of Cancer management at KNH
		KNH- Cancer Centre at KNH	-	200million	For peripheral facilities to support operations of the Cancer bunkers
		KNH- East African Kidney Institute	-	200million	East Africa community initiative for Kenya to host a Kidney Institute. KNH to receive equipment with no infrastructure in place.
		KNH- Surgical Daycare Centre	-	42million	To complete the day care centre
P1: Preventive , Promotive and RMNCAH	SP1.5 Communicable Disease Control	NACC- Constituency AIDs Control Committees -		48million	CACCs are underfunded
		NACC- Acquisition of	-	200million	NACC spends Ksh 65million annually

		office space			on rent
P3:Health Research and Development	SP 3.2 Research and Innovation on Health	KEMRI – Research findings	-	260million	Research is core business of KEMRI Currently Research at KEMRI is highly donor dependent.
	SP3.1 Capacity building and training	KMTC- construction of tuition blocks and buildings	50million	200million	Expansion of training facilities in line with MTP II
		KMTC- Teaching and medical equipment		50million	Support Expansion of training facilities in line with MTP II
TOTAL				1.450billion	

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION – 2017

DEPARTMENTAL COMMITTEE ON DEFENCE AND FOREIGN RELATIONS

REPORT ON THE CONSIDERATION OF THE ESTIMATES OF REVENUE AND
EXPENDITURE FOR FY 2017/18 AND THE MEDIUM TERM FOR THE FOLLOWING

VOTES: -

VOTE 1041 – MINISTRY OF DEFENCE

VOTE 1051 – MINISTRY OF FOREIGN AFFAIRS

VOTE 1281 – NATIONAL INTELLIGENCE SERVICE

AND

VOTE 1182 – THE STATE DEPARTMENT OF EAST AFRICAN COMMUNITY
INTEGRATION.

DIRECTORATE OF COMMITTEE SERVICES,
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS

NAIROBI

MARCH 2017

REPUBLIC OF KENYACHAIR'S FOREWORDEXECUTIVE SUMMARYMANDATE OF THE COMMITTEEEstablishment and mandate of the committee.COMMITTEE SECRETARIATCommittee SecretariatLIST OF RECOMMENDATIONSList of recommendationsRole of MDAs under the Purview of the Committee in National Economic DevelopmentPOLICY OPTIONSEXAMINATIONS OF MINISTRIES, STATE DEPARTMENTS AND AGENCIES FOR THE 2016/2017 ESTIMATES ON REVENUE AND EXPENDITURE.Ministry of Defence Vote 1041Ministry of Foreign Affairs and International Trade Vote: 1051National Intelligence Service Vote: 1281State Department for East African Affairs Vote 1182COMMITTEE RECOMMENDATIONS

2

ANNEXTURES

A. Adoption List

B. Committee minutes

C. Submission from Cabinet Secretary, Ministry Defence.

D. Submissions form the Ministry of Foreign Affairs

E. Submissions from the National Intelligence Service

F. Submissions from the State Department for East African Community Integration.

G. Brief by the Parliamentary Budget Office.

CHAIR'S FOREWORD

The Cabinet Secretary for the National Treasury submitted to the National Assembly the budget estimates for the financial year 2017/2018 pursuant to the provisions of the Constitution of Kenya 2010 section 221(1) which stipulates that *“At least two months before the end of each financial year, the Cabinet Secretary responsible for finance shall submit to the National Assembly estimates of the revenue and expenditure of the National Government for the next financial year to be tabled in the National Assembly”*. Section 221 (4) further states *“Before the National Assembly considers the estimates of revenue and expenditure, a Committee of the Assembly shall discuss and review the estimates and make recommendations to the National Assembly”*.

Further, pursuant to Standing Order 235 (3) upon being laid before the National Assembly, the Estimates stand committed to the relevant Departmental Committee for Examination.

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its Sittings.

On behalf of the Committee, and pursuant to Standing Order, 227 it is my pleasant duty to table the Report of the Departmental Committee on Defence and foreign Relations on its consideration of the estimates of revenue and expenditure for FY 2017/18 and the medium term for the following votes: - Vote 1041 – Ministry of Defence; vote 1051 – ministry of foreign affairs; Vote 1281 – National Intelligence Service; and Vote 1182 – the State Department of East African Community Integration.

Acknowledgements

The Committee wishes to thank the Office of the Honorable Speaker and Office of the Clerk for the necessary support extended to it in the execution of its mandate and providing the necessary logistical and technical support. The Committee is also grateful to the Parliamentary Budget

The National Assembly: Report on the consideration of the Estimates of Revenue and Expenditure for FY 2017/18 and the medium term for the following votes: - vote 1041 – Ministry of Defence; Vote 1051 – Ministry of Foreign Affairs; Vote 1281 – The National Intelligence Service; Vote 1182 – The State Department of East African Community Integration. March 2017

Office for the technical support provided. The Committee further wishes to thank the Cabinet Secretary for Commerce, Tourism and East African Affairs; Defence, the Ministry of Foreign Affairs and International Trade; the Director General of the National Intelligence Service, and all the Technical Staff who appeared before the Committee for providing the necessary information and responding to issues raised by Members during the examination of the estimates.

On behalf of the Members of the Departmental Committee on Defence and Foreign relations, and pursuant to the provisions of Standing Order No. 235 (4), it is my pleasure to present to the Budget and Appropriations committee the report on the Examination the following Votes:

- 1.0 1041 – Ministry of Defence
- 2.0 1051 – Ministry of Foreign Affairs and International Trade
- 3.0 1281 – National intelligence Service
- 4.0 1182 – State Department of East African Affairs

THE HON. NDUNG’U GETHENJI, M.P.

EXECUTIVE SUMMARY

The purpose of this report was to consider the estimates of revenue and expenditure for FY 2017/18 and the medium term for the following votes: - Vote 1041 – Ministry of Defence; vote 1051 – Ministry of Foreign Affairs; Vote 1281 – National Intelligence Service; and Vote 1182 – the State Department of East African Community Integration.

In considering the Estimates, the Committee held a total of six (6) sittings. The Committee received a comprehensive brief from the Parliamentary Budget Office on the Estimates. The Committee later held meetings with the Ministries of Defence, the Ministry of Foreign Affairs, the State Department of East Africa Community Integration and the National Intelligence Service where it received submissions, presentations and other reports. The minutes of these sittings are appended to this report.

The report recommends that the Budget and Appropriation Committee consider the estimates as presented to the house by the National Treasury as follows: -

1. KShs. 17.7 billion for recurrent and KShs. 2 billion for Development expenditures for the Ministry of Foreign Affairs and International Trade (Vote 1051) in the 2017/2018 financial year.
2. Kshs 103.619 billion in recurrent and Kshs 45 million in development be withdrawn from the Consolidated Fund to finance the Ministry of Defence (Vote 1041) in the 2017/2018 financial year.
3. Kshs 26.604 billion be withdrawn from the Consolidated Fund to finance the National Intelligence (Vote 1281) in the 2017/2018 financial year.
4. Kshs 1.616 billion be withdrawn from the Consolidated Fund to finance the State Department of East African Community Integration (Vote 1182) in the 2017/2018 financial year.

1.0 MANDATE OF THE COMMITTEE

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

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

The Committee is mandated to consider the following subjects:-

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

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ix. conventions.

a. Oversight

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

- 2.0 Ministry of Defence
- 3.0 Ministry of Foreign Affairs
- 4.0 The National Intelligence Service
- 5.0 The State Department for East African Community Integration.

b. MEMBERS OF THE COMMITTEE

Chairperson	The Hon. Ndungu Gethenji, M.P.
Vice Chairperson	The Hon. Elias Bare Shill, M.P.
Members	The Hon. Adan Keynan, CBS, M.P.
	The Hon. Jakoyo Midiwo, MGH, M.P.
	The Hon. Katoo Ole Metito, EGH, MGH, M.P.
	The Hon. Christantus Wamalwa, CBS, M.P.
	The Hon. Nyiva Mwendwa, EGH, M.P.
	The Hon. Gonzi Rai, MGH M.P.
	The Hon. Joel Onyancha, MGH, M.P.
	The Hon. Richard Onyonka, M.P.
	The Hon. Wafula Wamunyinyi, M.P.
	The Hon. Lekuton Joseph, OGW, M.P.
	The Hon. Joseph Kiuna, M.P.
	The Hon. Joseph Gitari, M.P.
	The Hon. David Pkosing, M.P.
	The Hon. Col (Rtd.) Ali Dido Rasso, MBS, M.P.
	The Hon. Beatrice Nyaga, HSC, M.P.
	The Hon. John Lodepe Nakara, M.P.
	The Hon. Roselinda Soipan, M.P.
	The Hon. Annah N. Gathecha, M.P.
	The Hon. David Wafula, M.P.
	The Hon. Elisha Busienei, M.P.
	The Hon. Abass S. Mohammed, M.P.
	The Hon. Ibrahim Sane, M.P.
	The Hon. Joyce Wanjalalah Lay, M.P.
	The Hon. Dennitah Ghati, M.P.
	The Hon. Elijah Memusi, M.P.

The Hon. Suleiman Murunga, MP

The Hon. Jacob Macharia, MP

c. **COMMITTEE SECRETARIAT**

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

d. LIST OF RECOMMENDATIONS

- **The Committee, after careful scrutiny of the budget estimates for the Ministry of Foreign Affairs and International trade; and having received submissions from the Principal Secretary on behalf of the Cabinet Secretary, the committee therefore recommends a total of KShs. 17.7 billion for recurrent and KShs. 2 billion for Development expenditures for the Ministry of Foreign Affairs and International Trade (Vote 1051) in the 2017/2018 financial year.**
- **The Committee recommends that, an amount of Kshs 103.619 billion in recurrent and Kshs 45 million in development be withdrawn from the Consolidated Fund to finance the Ministry of Defence (Vote 1041) in the 2017/2018 financial year. The Committee also recommends that since terrorism has advanced in technology, the government needs to allocate more resources to the Ministry of Defence for quick modernization of their equipment and facilities to handle the versatile terrorism advances.**
- **The Committee recommends that, an amount of Kshs 26.604 billion be withdrawn from the Consolidated Fund to finance the National Intelligence (Vote 1281) in the 2017/2018 financial year and, that the government finds more funds to allocate to the directorate to counter the more advancing terrorism intelligence.**
- **The Committee recommends that, an amount of Kshs 1.616 billion be withdrawn from the Consolidated Fund to finance the State Department of East African Community integration (Vote 1182) in the 2017/2018 financial year.**

2.0 SCRUTINY OF THE BUDGET ESTIMATES FOR 2017/2018

2.1 Economic Outlook

The 2017/2018 estimates have been prepared against a backdrop of reduced GDP growth in quarter 3 of 2016 as compared to the same quarter in 2015. The economy expanded by 5.7% on an annual basis in Q3, which was a deceleration over the previous quarter's growth rate.

According to Transparency International, corruption has remained a major impediment to doing business in Kenya with allegations of misappropriation of public funds on the rise. Additionally the Estimates come at a time when the drought situation is worsening. According to the United Nations, People and animals' lives are at risk because they have not had a chance to recover from drought in 2014 as rains were also poor in 2015 and 2016.

There is a security risk which remain a serious challenge, with the main threat being posed by a Somalia-based group al-Shabab and locally recruited radicals (There has been al-shabaab attacks on Kolbiywo and el adde within a span of one year), although long-term ethnic rivalries remains as the country heads to the August General elections.

In its Examination, the Committee mainly dealt with the following issues:-

- i. Total net allocations for each of the Ministries/Departments;
- ii. Total net requested from the Exchequer for each of the Ministries/Departments;
- iii. Comparison with the 2014/2015 financial year allocations;
- iv. How the Ministries/Departments spent their 2014/2015 allocations;
- v. Performance and implementation status of projects/programmes in 2014/2015 budget;
- vi. Allocations to new projects/programmes;
- vii. Details on all projects financed in the development estimates giving start date, how much had been spent so far and expected date of completion all development projects (new, on-going and stalled);
- viii. Ministries/Departments absorption capacity;
- ix. Areas/projects left-out of the 2015/2016 Estimates;
- x. How the Ministry/Departments intends to live within the shortfall between total net requested and the estimates;

- xi. Critical policy issues that the Ministries/Departments intend to achieve during the financial year 2014/2016;
- xii. Proposed allocation vis-à-vis the achievements of the Ministries/Departments Strategic Plans; and
- xiii. Other budget related issues as may arise in the course of the meetings.

In MTEF Sector classifications, the Ministry of Defence together with the National Intelligence Service are classified under the National Security Sector. The Ministry of Foreign Affairs and International Trade is classified under the Public Administration and International Relations, whereas the State Department of East African Affairs is classified under the General Economic, Commercial and Labour Affairs (GECA) Sector under the Medium Term Expenditure Framework (MTEF). The sectors are key in the delivery of goals and objectives of the three Pillars of Vision 2030.

The 2016/2017 estimates has been framed against a backdrop of heightened electioneering activities ahead of the next year's general elections. Sadly in Kenya, intensification of political activity tends to be correlated with lower growth. This may therefore spell doom for the economy if the pattern is repeated.

The estimates have been prepared at a time the Kenya Revenue Authority has reported a shortfall in revenue collection by KShs.69 billion in the third quarter. The economy has also experienced challenges such as collapse of Chase bank, sluggish recovery in the tourism sector and slow pace of implementation of Vision 2030 projects due to shortfall in revenue collection. Even though the Economic Survey 2015 reports that there were 842,000 jobs created, the unemployment situation in the country remains a challenge with many people especially the youth remain jobless.

The National Treasury projects that the economy will grow by 6 percent in 2016 from 5.6 percent in 2015 and 6.5 percent in the medium term. This growth will be supported by strong output in agriculture with a stable outlook and completion of key projects in roads, rail and

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energy generation. In addition, strong consumer demand and private sector investment as well as stable macroeconomic environment will help reinforce this growth.

2.2 Legal Framework

This is the 7th annual budget to be prepared under the new Constitution order and the fifth under the current administration. The preparation, approval and execution stages of the Kenya budget are anchored in the Constitution, the Public Finance Management (PFM) Act, 2012 and various subsidiary legislations including the Standing Orders. For a budget to be credible, it must not only be technically sound, but also faithful to legal provisions. The following table shows how the tabled estimates have adhered to the legal provisions.

Table 1: Adherence to legal provisions			
Key Element	Detailed Requirements	Legal Provisions	Comments
Timelines: <i>Were the estimates of revenue and expenditure for 2017/18 and medium term submitted to the National Assembly on time? i.e. by 30th April.</i>		Constitution, PFM Act, Standing Orders	Estimates have been submitted in February, two months before the deadline
Comprehensiveness of the estimates and related documents: <i>Do the estimates provide enough details?</i>	Fiscal responsibilities principles: explanation of how the budget relates to the principles. List of all projects been implemented in the financial year 2015/16 and the medium term Allocation to state corporations/all entities on those that are to receive appropriated funds Detailed estimated	Constitution, PFM Act	There is no comprehensive list of all projects being funded. The information on allocation to SAGAs is provided. The budget is prepared on Programme based basis but some targets looks unrealistic and therefore not achievable.

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	expenditure by vote and programme indicating both recurrent and development expenditure		
Financing proposals: <i>Do the estimates provide reliable information of the government's financing of the budget</i>	On anticipated deficit /surplus for the financial year and the MT and the proposed source of financing On loans and guarantees made to and by the national government, including an estimate of principal, interest and other charges to be paid by the national government in the financial year	Constitution, PFM Act	The information has been provided
Public Participation: <i>Were the key stakeholders consulted during preparation of the estimates?</i>	Did the three arms of Government consult the public when they were preparing their estimates?	Constitution, PFM Act	There is no report attached to prove that the public were consulted

Further to this, in preparing the estimates, the National Treasury is required to present a memorandum on how the resolutions of the BPS have been taken into consideration when preparing the estimates. In deed the Public Finance Management Act acknowledges that in preparing the estimates, the adopted BPS should be used as a basis for future deliberations on the estimates. The following table shows how agencies have deviated from the ceilings set by the National Treasury on the BPS 2017.

MDA	BPS Ceilings	Estimates	Deviation	% Deviation
Ministry of Defence	100,300	103,619	(3,319)	3.3
Ministry of Foreign Affairs	19,508	19,746	(238)	1.2
State Department of	1,617	1,616	(1)	0.1

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East African Integration				
National Intelligence Service	25,804	26,604	(800)	3.1

Source: National Treasury

From the table above, all the agencies under the purview of the Committee surpassed their BPS ceilings as set by the National Treasury in the BPS 2017 with the Ministry of Defence and the National Intelligence Service having the highest deviation. There is need for the agencies and the National Treasury to use the BPS as the basis for allocation in the estimates.

2.3 Role of MDAs under the Purview of the Committee in National Economic Development

2.3.1 National Security

The role of the National security sector is to provide a secure environment that is safe and conflict free, to promote public confidence and also to integrate the various sectors of the economy. A secure environment attracts investment to a country as no investor would want to invest in a trouble and conflict society. National security is a prerequisite in providing a conducive environment for implementing the flagship projects for vision 2030 such as LAPSSSET, ensuring exploitation of natural resources for development, protecting the population and other assets against an ever growing threat of terrorism. Improved security will also contribute to a better environment of doing business in Kenya bringing in more internal tourists and investments into the country.

2.3.2 Foreign Relations

The Foreign relation encompasses economic, Peace, Environment and Cultural diplomacy pillars. The economic diplomacy pillar aims to achieve robust and sustained economic transformation through increased trade in order to secure Kenya's social economic development and prosperity that will ensure Kenya becomes a middle income and industrialized economy by the year 2030. The peace diplomacy pillar seeks to consolidate Kenya's legacy in cultivating peace and stability as necessary conditions for development and prosperity in countries within the region. Environmental diplomacy pillar recognizes Kenya's enormous stake in the

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management of its own resources, those of the region and the world and is designed to provide the link between the management of shared resources and issues of security, sustainability and prosperity especially within the Eastern African region. The cultural diplomacy pillar aims to use culture as a vital role in international relations especially through the use of Kiswahili language as the pedestal of our engagement with foreign cultures and the renowned Kenyan personalities including athletes in order to exert greater influence on domestic, regional and international exchanges. The Diaspora diplomacy pillar recognizes the importance of harnessing the diverse skills, expertise and potential of Kenyans living abroad, and facilitating their integration into the national development agenda. These pillars are anchored on core priorities and strategies for bilateral and multilateral engagement.

2.4 POLICY OPTIONS

During the financial year 2017/18, the Ministry of Defence will continue strengthening its stand in securing territorial integrity and sovereignty, enhancing regional and international peace and security and providing humanitarian assistance.

The Ministry of Foreign Affairs strengthened and expanded its diplomatic footprint in key regions in Africa and across the globe by negotiating, concluding and signing implementing 15 cooperation frameworks between Kenya and various countries key among them being; Algeria, Iran, Egypt, Somali, Zambia, South Korea, Ethiopia, USA, China, Botswana, South Africa, Tanzania, Turkey, Thailand and UAE. The cooperation frameworks include Joint Commissions for Cooperation (JCC), Joint Economic Commissions for Cooperation (JEC), Joint Permanent Commissions for Cooperation (JPC), Joint Ministerial Commission (JMC) and Joint Trade Commissions (JTC).

In promoting economic diplomacy and enhancing intra-Africa trade and integration as well as strengthening trade ties across the globe, the Ministry continued to coordinate the implementation and monitoring of existing cooperation frameworks which led the country into recording significant Foreign Direct Investment flows.

During the review period, a total of 48 framework agreements were initiated, 83 agreements negotiated while 16 frameworks were being monitored. A total of 73 MoUs were also signed on the sidelines of TICAD VI Summit held in Nairobi in August 2016. This was aimed at

strengthening and expanding areas of bilateral cooperation, opening up new frontiers for Kenyan products and broadening our political and diplomatic engagements.

The EAA coordinates and track implementation Social-Political and Economic activities within the five partner States. Notably, the resources will be used to facilitate the implementation of the Customs Union, the Common Market Protocols and spearhead the unitary monetary regime (common currency).

3.0 EXAMINATIONS OF MINISTRIES, STATE DEPARTMENTS AND AGENCIES FOR THE 2016/2017 ESTIMATES ON REVENUE AND EXPENDITURE.

3.1 Vote 1041: Ministry of Defence

The Ministry of Defence has a proposed allocation of KShs 103.6 billion in the 2017/2018 for recurrent activities with only KShs. 45 million for development. Though, this may not be the correct position, the Ministry has continued to have its 99.9 per cent of its allocation treated as recurrent due to confidentiality associated with Defence expenditure.

The budget for the Ministry is projected to have a nominal growth from KShs. 103 billion in 2017/2018 to KShs. 106 billion in 2018/2019 and KShs. 109 in 2019/2020 with three programmes namely Defence, Civil Aid and General Administration, Planning and Support Services.

Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
Defence	97,064,046,6 37	102,186,000,0 00	99	104,371,000,0 00	107,714,000,0 00
Civil Aid	450,000,00 0	200,000,00 0	0	450,000,00 0	450,000,00 0
General Administratio n, Planning and support services	1,185,114,88 2	1,233,400,00 0	1	1,363,300,00 0	1,495,300,00 0
Total	98,699,161,5 19	103,619,400,0 00	100	106,184,300,0 00	109,659,300,0 00

Source: National Treasury

In the period 2017/18 and the Medium Term, the Ministry will continue to implement ongoing projects and activities in the defence programme including the Modernization programme, develop and review defence policies and strategies, support internal security

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operations and humanitarian activities when called upon to do so, operationalize the Kenya Space Agency among others.

From the analysis above, the entire budget (99%) goes towards National defence whose components are as follows

- (i) Defence policy and Coordination-KShs. 8.8 billion
- (ii) Land Defence- KShs. 51.6 billion
- (iii)National Airspace Defence-KShs. 15.3 billion
- (iv)Territorial Water Defence KShs.8.8 billion
- (v) Modernization (Logistics Bridge, Mobile crane, Jasiri weapon system, Combat net radios) - KShs.15.6 billion
- (vi)Kenya – Somalia border Securitization KShs 2 billion

Analysis of targets and outputs

Key output	Target	Comments
Secure territorial integrity and sovereignty	Timely and Effective response to threats	The target is not measurable
Enhanced regional and international peace and security	Timely deployment to PSOs	The target is not measurable
Humanitarian assistance	Timely and Effective response	The target is not measurable

3.2 Vote 1052: Ministry of Foreign Affairs

The Ministry of Foreign Affairs is charged with the mandate of formulation, articulation and implementation of Kenya's Foreign Policy. In the 2017/2018 FY, it has been proposed that the Ministry be allocated KShs. 19.7 billion comprising of KShs. 17.7 billion for recurrent and KShs. 2 billion for Development expenditures. It is projected that the allocation for the Ministry will grow to KShs. 22.1 billion in 2018/2019 and KShs. 22.8 billion in 2019/2020.

3.2.1 Analysis by programmes

In the 2017/2018 FY, the Ministry will be implementing four programmes namely General Administration, Planning and Support Services, Foreign Relations and Diplomacy and Foreign

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Policy Management, Economic and Commercial diplomacy and Foreign Policy research, capacity Development and Technical cooperation research as shown in the table below.

Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
General Administration Planning and support services	5,017,349,188	3,501,491,885	18	4,255,841,609	5,250,371,780
Foreign Relation and Diplomacy	15,188,886,759	15,955,108,188	81	17,644,888,391	17,290,568,220
Economic and Commercial Diplomacy	-	141,913,000	1	126,000,000	133,450,000
Foreign Policy Research, Capacity Dev. and Technical Cooperation	-	147,486,927	1	158,270,000	163,610,000
Total	20,206,235,947	19,746,000,000	100	22,185,000,000	22,838,000,000

Source: National Treasury

The Ministry will continue prioritizing the programme on General Administration, Planning and Support Services, Foreign Relations and Diplomacy and Foreign Policy Management. The Ministry has also added two more programmes of Economic Diplomacy and Foreign Policy Research, Capacity Dev. and Technical Cooperation. Analysis of the outputs and targets for the programme 'Economic and Commercial Diplomacy' however reveals it is the same programme as International Trade and Investment which was transferred to the Ministry of Industrialization and Enterprise Development through the last Executive Order on the reorganization of

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government. The Ministry is therefore duplicating functions which are already allocated resources elsewhere.

The following however will be the key outputs for the Ministry with the proposed allocations:

- (i) Opening new fully fledged missions in Guangzhou, Dakar and Accra;
- (ii) Strengthen operations in all existing missions abroad;
- (iii) Promote peace and stability and enhance its collaborations in peace initiatives within the region and globally;
- (iv) Build capacity on conflict management and trade negotiations;
- (v) Establish Joint Commission for Cooperation Agreements/Joint Partnership for Cooperation with trading partners;
- (vi) Finalize labour agreement between Kenya and Middle East on migrant workers;
- (vii) Strengthen foreign relations through the Regional Economic Communities and other economic partnership frameworks; promote Nairobi as a diplomatic hub, including safeguarding the location of the United Nations Offices in Nairobi (UNEP and UN-Habitat),
- (viii) Champion environmental sustainability debate; and continue to articulate Kenya Foreign Policy and promote the country's interests in international and regional fora.

An analysis of these outputs and targets however reveals the following discrepancies as per the column of comments in the table below

Output	Target	Comments
Joint trade committee forums held	3	This is replicated in the state department of Trade
Chancery and official residence constructed in Islamabad	100%	This target relates to another year given that the funding for the project was completed three years ago.
Kenya Marketed internationally Consular services	4 Quarterly trade and Investment promotion/fairs/exhibitions/events organized	It is not commensurate with the resources allocated given that each mission has a target of four yet they are not allocated the same amount. It is also not prudent to have foreign missions have only two output of

investment promotion and visa issuance which is a primary function of other ministries.

Joint Commissions for
Cooperation (JCC)
initiated and concluded 30

This is not achievable given that previous years the ministry has been achieving an average of 5

3.2.2 Analysis by Economic Classification

Chart 1: Analysis of Recurrent and Development expenditure

It is observed that the resources for the Ministry of Foreign Affairs is being channeled towards use of Goods and Services at 40 per cent and Compensation to Employees at 36 per cent.. Further analysis reveals that the Ministry is spending the bulk of its resources on Personnel Emoluments owing to the number of Foreign Service officers serving in the Foreign Missions, Foreign Travel owing to its mandate and rentals of produced assets.

Chart 2: Actual Spending in Personnel Emoluments, Foreign Travel and Rentals and Rates

The Chart above shows the trend of spending other the main areas of Personnel Emoluments, Foreign Travel and Rentals and Rates. From the graph, it is seen that Personnel Emoluments has been steadily growing since 2013/2014. It is also observed that Foreign Travel has been marginally increasing from KShs1.7 billion in 2013/2014 to KShs. 1.9 billion in 2015/2016. The Rentals and Rates however have been declining owing to the Ministry policy of acquisition of Assets.

Name of Project	Start Date	Completion date	Contract sum/Estimated cost	Amount expended	Allocation in 2017/2018
Construction of new HQ building	July 2014	June 2019	-	-	0
Pretoria	June	January 2017	1,100	-	429.8

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	2013				
Mogadishu Chancery	July 2015	July 2019	• 180	-	74.6
Islamabad Chancery	May 2008	March 2016	446.5	559.7	3
New York Chancery	July 2015	June 2017	2,200	-	2,000
UN Habitat/UNON	July 2017	June 2019	388		0
Geneva Chancery	July 2017	June 2019	2,450	0	1,000

- a) **Pretoria:** The Ministry initiated construction of Ambassadors. Residence, four staff houses and renovations of all government properties in Pretoria. The project started in 2013/14 and was scheduled to be completed in January, 2017 at a total cost of Kshs 1.1 billion. The National Treasury allocated Kshs. 215.0 million in the current financial year but this was not adequate to cater for the project. According to compendium of projects, The Ministry requires a total of KShs. 837. Million to successfully complete the project. This project is off track considering that there was a budget cut for development projects during the supplementary.

However according to the Auditor General report of June 2015, The Ministry purchased eight (8) residential houses in Pretoria during the 2013/2014 financial year. Out of the eight residential houses, two (2) houses were condemned immediately after they were purchased while the remaining six (6) houses were in deplorable conditions. Further, out of the eight (8) houses, seven (7) of the houses were purchased at a cost Kshs.95,000,000.00 while the value and the date of purchase of house no. 281 located at Waterloof/Crown Street was not availed. In addition, the Ministry has approved the demolition of the two condemned houses No.318 located at Waterkloof/Polaris Street which was acquired at Kshs.3, 960,000.00 and No.281 located at Waterkloof/Crown Street. No explanation has been provided for purchasing condemned houses and then almost immediately approving their demolition.

- b) **Acquisition of Land and construction of ministry headquarters.** The ministry was allocated KShs. 250 million to source for land and start construction work of a new building in 2014/2015 but the project never kicked off. The project has been off-track for the last three years due to lack of Land.
- c) **Mogadishu:** This project entails construction of embassy properties (office block, Ambassadors. Residence. four staff houses, barracks, kitchen and dining units and gate houses etc). The project commenced in August 2015 and was due to be completed in April 2016. This project is off track due to lack of exchequer. According to the Ministry, the project requires KShs 80 million for its completion. The Ministry has been allocated KShs. 74.6 million in the 2017/2018 financial year.
- d) **Islamabad:** The Ministry commenced the construction of the Islamabad Mission Chancery, Ambassador's residence and auxiliary work at a cost of Kshs.446.5 million, in May 2008. The project was to be completed within eighteen months. By the end of 2015, the project was still far from completion yet the mission had incurred a total expenditure of Kshs.559.7 million including four variations of Kshs.113.1 million (25%) on the project. The project is still being allocated fund with KShs. 25 million being the allocation in the 2016/2017 financial year and another KShs. 3 million in 2017/2018. The Cabinet Secretary promised to come clear on this project
- e) The ministry has been advocating for more allocations to enable it purchase properties in New York, Geneva among others. To this end, the Ministry was allocated KShs 2 billion to purchase property in New York and another KShs 1 billion in the proposed 2017/2018 estimates. The Committee was informed that the project is progressing well.
- f) In addition to the ongoing projects, the Ministry has been given funds to refurbish building in Missions abroad. The following table shows how funds for refurbishment have been distributed among the foreign Missions.

Ongoing renovations

	2016/2017	2017/2018
Washington DC	15	80
London-Ambassador's Residence	40	80

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Abuja-Chancery Renovation	15	5
Dar -es -Saalam	25	5
Addis -Ababa		12.6

Source: National Treasury

3.3 Vote 1183: State Department of East African Integration

The mandate of the State Department is formulation of EAC policy, coordination of government participation in EAC meetings and institutions; Coordination of the implementation of the EAC regional programmes and projects; implementation of the treaty establishing the EAC and ratified protocols. The State Department allocation has been proposed to be at KShs. 1.616 billion comprising of KShs. 1.541 recurrent and KShs. 65 million for development.

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

Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
East African Customs Union	621,452,780	649,545,260	40%	652,319,147	661,500,537
East African Common Market	877,201,894	865,914,216	54%	887,004,191	897,779,337
EAC Monetary Union	107,510,350	100,540,524	6%	101,676,662	102,720,126
Total	1,606,165,024	1,616,000,000	100	1,641,000,000	1,662,000,000

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Source: National Treasury

3.3.1 The key outputs include:

- (i) Enhanced regional infrastructural and productive services;
- (ii) Regional social sectors programmes of health, education, training, labour, migration, culture, sports, gender, youth and human resources development promoted;
- (iii) Laying the foundation for the political federation under political affairs programmes;
- (iv) Non-Tariff Barriers (NTBs) eliminated;
- (v) Short Message Services (SMS) based mechanism and online reporting of NTBs implemented ;
- (vi) Mapping of opportunities available to Kenyans within EAC region and sensitize them on the benefits accruing from regional integration;
- (vii) Facilitation and enhancing cross border trade including modernization of border markets at Lunga Lunga, Taveta, Namanga, Isebania and Busia including setting up billboards with relevant information

3.3.2 Analysis of Targets

The State Department intends to reduce 3 non-tariff barriers. This was the same target in the previous year where the State Department targeted to reduce four Non-Tariff Barriers out of nine. Several studies on the NTBs in East African Community reveal that the NTBs have increased and the share of the intra-EAC has continued to decrease over the years recording less than 12% growth in 2015 compared to 2009 when it recorded 12% growth due to NTBs. The Ministry therefore needs to adopt a strategic approach towards eliminating the same otherwise they may continue increasing.

The Ministry targets also to have 15% rate of compliance on the Common External Tariff. This looks low considering that the Common External Tariff has been in place within EAC since the ratification of the Customs Union in 2005. The Committee may wish to inquire more from the Cabinet Secretary on the compliance level of the Common External Tariff.

The achievement of these targets is dependent on other agencies that have the primary mandate on their implementation e.g infrastructure by the Ministry of Transport and infrastructure. The state department therefore only plays a coordination role.

3.3.3 Analysis by Economic Classification

The Committee observed that the bulk of resources for the state Department go towards current transfers to Government agencies at 65 per cent in form of membership fees and dues and subscriptions to international Organisation. These agencies include the East African Community Secretariat, the East African Legislative Assembly, and the East African Court of Justice among others at KShs. 1 billion.

The Committee noted that the development vote for the State Department has recurrent components in the entire budget. For instance, Printing, Advertising and Information Supplies and Services have been allocated KShs. 45 million, which is more than half the budget. Other recurrent components include Rental of produced assets at Kshs. 4 million, other operating expenses at KShs. 3.6 million and Foreign Travel and Subsistence at KShs. 400,000.

3.4 Vote 1281: National Intelligence Service

The National Intelligence Service is charged with the mandate of security intelligence and counter intelligence to enhance National security. In the financial year 2017/18 the National Intelligence Service has a proposed allocation of KShs. 26.6 billion from KShs 25.3 billion in 2016/2017.

Programme	Baseline	Estimates	Projected Estimates	
	2016/2017	2017/2018	2018/2019	2019/2020
	KShs.	KShs.	KShs.	KShs.
0804010 SP. 1.1 Security Intelligence	25,346,000,000	26,604,000,000	28,335,000,000	29,313,000,000
0804000 P.1 National Security Intelligence	25,346,000,000	26,604,000,000	28,335,000,000	29,313,000,000
Total Expenditure for Vote 1281 National	25,346,000,000	26,604,000,000	28,335,000,000	29,313,000,000

The National Assembly: Report on the consideration of the Estimates of Revenue and Expenditure for FY 2017/18 and the medium term for the following votes: - vote 1041 – Ministry of Defence; Vote 1051 – Ministry of Foreign Affairs; Vote 1281 – The National Intelligence Service; Vote 1182 – The State Department of East African Community Integration. March 2017

Intelligence Service				
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The Budget for NIS has been on the increase in the MTEF period 2014/15- 2016/17. The allocation in the medium term is projected to be KShs. 28.3 billion in 2018/19 and KShs. 29 billion in 2019/20.

Some of the key outputs will include:

- (i) Intelligence collection capabilities expanded
- (ii) Counter terrorism operations
- (iii) Kenya-Somalia border securitized through acquisition and establishment of border control systems
- (iv) De-radicalization strategies implemented
- (v) Multi-agency collaboration and coordination strengthened
- (vi) Intelligence operation equipment, systems and tools including surveillance systems modernized
- (vii) Capacity building
- (viii) Research and Development

The National Intelligence Services will be implementing one programme of security intelligence. The output of the programme being actionable intelligence. To achieve this, NIS targets to timely disseminate reports on the intelligence given. However the target 'timely dissemination' is not measurable.

4.0 COMMITTEE OBSERVATIONS

1. The Committee observed that the mandates of the above Ministries and Departments is so key to the country's economy and the delivery of goals and objectives of the three Pillars of Vision 2030 and therefore agrees to the fact that there is need for consideration of adequate allocation to enable them execute their mandates more effectively.
2. In concluding, the Committee expressed its concern that the role of international relations and security sectors in the Kenya's economy was so crucial that the respective departments responsible for implementation of programs in this sector needed to be extraordinarily thorough and vigilant to achieve its goals.
3. The budgetary allocation for the Ministry of Defence is projected to rise from KShs. 92.3 billion in 2015/2016 to KShs. 98.7 billion in 2016/2017 and has risen to KShs. 103.6 billion in 2017/2018 and, it is further projected to rise again to KShs.106.184 billion in 2018/2019 while that of the Ministry of Foreign Affairs rose from KShs. 16.5 billion in 2015/2016 to KShs. 20.2 billion in 2016/2017 and now dropped to KShs. 19.746 billion in 2017/2018 and KShs 22.8 billion in the medium term. Similarly, the allocation for National Intelligence Service is projected to grow from KShs. 25.345 billion, in 2016/2017 to KShs. 26.604 billion in 2017/2018. It will further rise marginally to KShs 28.335 billion in 2018/2019 and to KShs. 29.313 billion in the medium term. The State Department for East African Affairs is set to rise from KShs. 1.606 billion in 2016/2017 to KShs. 1.616 billion in 2017/2018. It is projected to rise to KShs. 1.64 billion and KShs. 1.66 billion in the medium term.
4. The objective of the Medium Term Expenditure Framework (MTEF) is to link planning and policy to allocation of resources in various spending agencies. Accordingly every year, there is a medium term budget being approved alongside the budget for the financial year. It is noted however, that there is no consistency in resource allocation to some MDAs e.g Ministry of Foreign Affairs with the two outer years as approved in medium term Expenditure Framework.

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5. Inadequacy of funds has been highlighted as one of the challenges facing the MDAS in the budget implementation; this had led to lack of funding for key priority areas especially in the Ministry of Foreign Affairs. These areas include strategic interventions to acquire properties abroad; state visits; operationalization of the Foreign Service Academy; promotion of Nairobi as a diplomatic and an economic hub through hosting of conferences and summits; promotion of regional peace, security and stability; promotion of economic and commercial diplomacy; strengthening and expanding Kenya's diplomatic foot print and representation; and appropriation in aid (A.I.A) and foreign exchange losses.
6. Whereas the Budget Policy Statement (BPS) sets out the broad strategic priorities and policy goals that guide the national government in preparing the budget estimates, the budget estimates as submitted to the National Assembly did not adhere to the BPS as amended by the resolutions of the House. The estimates for the Ministry of Foreign Affairs have marginally surpassed the BPS ceiling by KShs. 137 million while the ministry of Defence was allocated the exact amount as projected in the BPS together with the National Intelligence Service and the State Department of East African Community Integration.
7. Programme Based Budget focuses on tying decisions on allocation of resources to expected outputs. Outputs are either goods or services delivered to the citizenry and they are prioritized based on the level of their respective expected impact to the society. An analysis of the outputs and targets of some MDAs in the 2017/2018 estimates do gives a correlation between resources allocated and the outputs/targets.
8. The bulk of budgetary allocation to Security agencies, notably Ministry of Defence and National Intelligence Service has remained classified and their expenditure is deemed recurrent due to the nature of the programmes run by these MDAs.
9. The Development budgetary allocation for the Ministry of Foreign Affairs in some projects has remained unimplemented for the fourth year running. The Ministry of Foreign Affairs for

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instance, has had budgetary allocation for construction of new headquarters for the third year but it has never taken off.

10. The state Department for East African Affairs coordinated Infrastructural development within the Partner States. The LAPSSET was commissioned in the year 2014, and was on-going. The Voi-Taveta-Holili – Arusha, a road which was commissioned by the President of Kenya and the President of United Republic of Tanzania was also progressing well. The two roads are being implemented by East African Community (EAC) and are expected to create an expanded market and improve product market access within the trading bloc, to ease movement of goods and services together with mobility of labour.
11. The construction of one border post across the partner States is also reported to be progressing well. In Kenya the border post in Taveta has already been commissioned and operational. Namanga, Malaba, Busia and Lunga- lunga were almost complete.

5.0 COMMITTEE RECOMMENDATIONS

1. The Committee, after careful scrutiny of the budget estimates for the Ministry of Foreign Affairs; and having received submissions from the Cabinet Secretary therefore, recommends a total of Kshs. 19.340 B as the allocation for 2017/2017 for the Ministry of Foreign Affairs and International Trade (Vote 1051).

However, the Committee noted that the Ministry presented a total budget requirement of Kshs. 39.298B to enable it discharge its mandate effectively. Due to the sector ceilings it was only been allocated Kshs. 19.340B which represents only half of the requirements, leaving out some critical priorities without funding for 2017/2018. They are outlined as follows: -

(A) Recurrent Vote

Priority 1: Personnel Emoluments - PE

The current PE level for the Ministry is Kshs. 7.049 billion. The Ministry requires additional funding of Ksh 849 million for personnel emoluments to cater for the following:-

- ❖ I. Recruitment and Promotions- Ksh 433,810,100
 - i. Growth in FSA due to staff changes in Missions as result of posting, promotions - Kshs. 188,101,000
 - ii. Payment of contracts and annual increments for local staff- Kshs 150,000,000
 - iii. Medical Cover for staff in Missions- Kshs 188,000,000
 - iv. Appointment of New Ambassadors and filling of vacant positions in missions - a total of Kshs 15,865,200
 - v. Recruitment of 64 Third Secretaries Cadet, J/G 'J', 8 Directors of Foreign Service at J/G 'S', 5 Deputy Directors of Foreign Service at J/G 'R' and 6 Senior Assistant Directors of Foreign Service at J/G 'Q': Kshs.61, 134,800.

Priority 2: Strengthening and expanding Kenya's Diplomatic footprint and representation

a) Opening of three new missions/Consulates (PE and O & M)

- | | | |
|------|------------------|--------------------|
| i. | Guangzou (China) | - Kshs 189,950,000 |
| ii. | Ghana | - Kshs 176,599,000 |
| iii. | Senegal | - Kshs 179,350,000 |

The above totals to Kshs 545,899,000

b) The National Treasury has already granted the Ministry the approval. Each budget head will require at least Kshs 150 mn for overhead expenses - totaling to Kshs 750mn, which entails;

- i. **Multiple accreditations which have traditionally been underfunded - Approved by the Cabinet in February, 2016**
- ii. **Lobbying for Kenya's candidatures in the International Governance system**
- iii. **Promotion of Diaspora Diplomacy**
- iv. **Promotion of Cultural Diplomacy**
- v. **Hosting and Celebration of National Days in Missions-This is a constitutional obligation.**

A total of Kshs 600 mn is required

Priority 3: Promotion of Nairobi as a Diplomatic and Economic Hub through Hosting of Conferences and Summits

The President has made an undertaking for Kenya to host two major conferences namely: The Assembly of Heads of State and Government of the International Conference of the Great lakes Region (ICGLR) and the Assembly of the African Union Heads of State and Government (AU Summit). Given WTO/UNCTAD/TICAD experience we need Kshs 1.5 billion since both conferences will be at the Heads of State and Government level.

Priority 4: Additional funding for state Visits

The current allocation under the State Visits by H. E the President should be enhanced. An average trip costs Kshs 50mn and we have a conservative estimate of 10 additional visits in the coming financial year to cater for validation visits after the elections. The ministry has

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been instructed to incorporate DPs official visits into the next budget. In the past we have had to charter planes to cater for DP trips abroad in routes where there are no direct flights. An additional Kshs 1 Billion is required

Priority 5: Promotion of regional peace, security and stability

The Ministry is also Focal Point for IGAD, hence plays a coordinating role in all IGAD activities, initiatives, projects, programmes and specialized institutes, the Cabinet Secretary of Foreign Affairs of the Republic of Kenya is the Rapporteur of the South Sudan Process, Kenya is a member of the AU Peace and Security Council, appointment of special Peace Envoys and Joint Border Commission meetings.

Besides the above, Cabinet Secretary of Foreign Affairs is the Patron of the South Sudan Peace Process as well as the focal point of the IGAD coordination process. This means that Kenya will be obliged to host a number of Extra-Ordinary Summits relating to IGAD- A total of Kshs 500 mn is required

Priority 6: Promotion of Economic and commercial Diplomacy

Following the re-organization of Government through the Executive Order No 1 of May 2016, the International Trade function was transferred to the State Department of Trade. However, the funds that were previously meant for economic cooperation and commercial diplomacy aspects related to MFA were erroneously transferred - including the two sub-programmes. After the Executive Order, the Chief of Staff wrote to the Ministry clarifying that the functions relating to WTO and UNCTAD be retained under the Ministry. The funding for economic cooperation and commercial diplomacy amounting to Ksh 500mn is required.

Priority 7: Full operationalization of the Foreign Service Academy

The Academy is meant to undertake strategic studies and research on foreign policy issues and to serve as a think tank on Kenya's Foreign Policy. We intend to enhance the capacity of the Academy to deliver superior research, and advisory services in contemporary diplomacy. Currently, it is established as a Department in the Ministry but under the new Executive Order it is to be established as a SAGA in line with the Foreign Service bill currently with the AG, A Second MTP Flagship project – Kshs. 500Mn required.

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Priority 9: A.I.A and foreign exchange losses

The introduction of the E-citizen Visa policy means visa collections, which formed part of the missions budget is now remitted straight to the National Treasury and is not available for use by the missions. The ministry's total AIA collection through E-citizen of Ksh 500 million should be replaced by exchequer funding of the same amount. Further the Ministry experiences net foreign exchange losses against hard currencies during the remittances. The Ministry requires Ksh 500 mn towards foreign exchange risk assumption.

THE GRAND TOTAL FOR RECURRENT KSH 6,829,709,100

(B) Development Vote

Priority 1: Strategic Intervention fund

As indicated earlier, for several years, the Ministry's budgetary allocation has fallen way below the requirements. The shortfall has resulted in non-implementation of planned projects and programmes, which in some instances is having a very negative impact on the image of the country.

The Committee therefore, recommends that for the Ministry to be able to bridge the gap of unimplemented projects, we propose the establishment of a *Strategic Intervention Fund*. This will be a dedicated resource outside the Sector Ceiling, which has been a practice evidenced with allocations to some of the other Ministries. The Fund is to be implemented over a period of 10 years to address the perennial shortfalls, allow for planned acquisition and growth of our diplomatic footprint, and enhance Kenya's image and prestige abroad. The Fund will cater for the following:-

i. **Acquisition and Management of diplomatic properties in Missions abroad**

Ownership of diplomatic property is a global practice that is aimed at enhancing the image of a country, saving on rental expenditure that characteristically escalates over the years, providing tailor made features to diplomatic properties for instance with regard to security, among other things. In this regard, the Ministry has a prioritized plan of acquisition that takes into consideration the strategic importance of a mission, as well as a plan for modernization and maintenance of diplomatic property.

Attainment of this objective has nonetheless remained elusive, because the Ministry is totally dependent on The National Treasury for provision of development funds. Funding has been inadequate being that the Ministry's budget is subject to limitations of Sector Ceilings. Acquisition of diplomatic properties has therefore been extremely slow and ad hoc, while majority of government owned properties are in extremely poor condition and some of them have been condemned. It is therefore crucial for the Ministry to be able to access funding outside of the sector ceiling to enable steady acquisition of property, rapid modernization of dilapidated property and scheduled routine maintenance of all existing property.

It is estimated that acquisition of Chanceries and Ambassadors residences in key missions, as well as modernization of dilapidated property requires a budget of about Ksh. 28.0 billion over a period of ten years. The Ministry proposes the following:

- a) Allocation of Ksh. 4.0 billion for the next three years
- b) Allocation of Ksh. 2.5 billion per year thereafter, for a period of seven years

Some of the projects that the funding under the strategic intervention shall cater for are indicated in the Table below:

S/No.	Mission	Description	Estimated cost (Ksh. M)
New Acquisitions			
1.	Geneva	<ul style="list-style-type: none"> • Geneva is of strategic importance • It is the highest rent paying mission with rent of about Ksh. 140.0 million per year • Purchase of land with Ambassador's residence proposed • Chancery and staff houses will be constructed in a phased out programme • Ksh. 1.0 billion has been allocated during FY 2017/2018 	4,500

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2.	Construction of Ministry Headquarters Building	<ul style="list-style-type: none"> • Construction of an ultra-modern office block to consolidate Ministry offices and have more convenience in operations and to position Kenya as a Diplomatic hub in the region projecting a positive image for the country. 	Ksh. 4.5 billion
3.	Purchase of Chancery in Kigali	<ul style="list-style-type: none"> • Rwanda is of strategic importance to Kenya • Will enhance image of the country 	500.0
4.	Purchase of Chancery in New Delhi	<ul style="list-style-type: none"> • New Delhi has extremely large and desperate consular issues • Rental Expenditure is one of the highest 	1,000
5.	Construction of Chancery and residence in Bujumbura	<ul style="list-style-type: none"> • Burundi is of strategic importance being in the EAC region, • It is one of the missions considered a security priority 	500.0
6.	Purchase of a Chancery in Vienna	<ul style="list-style-type: none"> • Vienna is a multilateral station where Kenya will be present for the long term, • Rental expenditure is very high 	1,000
6.	UNON	<ul style="list-style-type: none"> • As a multi lateral station, UNON is considered of strategic importance • Rent is extremely high at approximately Ksh. 9.6 million per year 	500.0

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7.	Establishment of a diplomatic enclave in Nairobi	<ul style="list-style-type: none"> • Purchase of land for allocation to diplomatic missions either for sale or on a reciprocal basis, • Servicing of the land, • Sub-division • This will elevate the status of Nairobi as a diplomatic hub 	
Redevelopment/Modernization Programme			
1.	Lusaka	<ul style="list-style-type: none"> • The mission has eight government owned properties in prime locations, • Five of them are in deplorable condition and require to be redeveloped, • Failure to do so in the next two years will mean that the properties are vacated and the mission starts to pay rent for its officers. 	650.0 over a period of 4 years
2.	Kinshasa	<ul style="list-style-type: none"> • Three properties in Kinshasa were condemned several years ago and have been lying idle. • Redeveloping the properties will result in rent savings, for instance the mission pays approximately Ksh. 18.0 million per year for the Ambassador's residence. 	450.0 over a period of two years

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3	Addis Ababa	<ul style="list-style-type: none"> • The properties in Addis are old and attempts to renovate have yielded no results. • A report by Public Works indicates that it will be more cost effective to demolish and redevelop some of the properties. Additionally, the Ministry proposes to construct a presidential suite given that the frequency of presidential visits to Addis. 	600.0 over a period of three years
4.	Others	Harare (2 properties), New York (3 properties), Washington DC (2 properties), London (2 properties), Windhoek (2 properties)	2,000 over a period of four years

ii. **IT Infrastructure roll-out in Missions**

85% of the Ministry budget is spent in the Missions. Processing, control and reporting of payments is currently done through stand-alone ledgers by individual missions which is prone to abuse. The ministry urgently needs to undertake the following ICT projects in the missions in readiness for integration into IFMIS: Installation of LAN in missions, System development and installation in missions, VPN or point-to-point linkage between the National Treasury and the Missions, Training on the use of IFMIS, Purchase of basic ICT equipment including servers and Financial Monitoring through carrying out periodical audits in the missions to enhance efficiency and accountability.

iii. **Advance Kenya's soft power diplomacy by strengthening Fund for Regional Technical Cooperation.**

The fund is a strategic foreign policy tool for fostering and enhancing Kenya's influence in the region. Current allocation is not adequate an optimal annual allocation of Kshs. 1 billion is required against the current allocation of Kshs. 250 million.

The Ministry requires an average of Kshs 10 billion annually to cater for the planned acquisitions and modernization of the existing properties as well as the ICT infrastructure in the Missions and advancing of Kenya's soft power diplomacy

Priority 2: Regular Maintenance of assets abroad

Kenya owns property in 25 out of the 56 missions and consulates it has established. A regular and adequate maintenance budget of approximately Ksh. 400.0 per year is required to keep the properties in good condition.

This amount should be a permanent feature of the Ministry budget to ensure that these properties have a regular funding for maintenance.

2. The Committee recommends that, an amount of Kshs 103.6 billion in recurrent and Kshs 45 million in development be withdrawn from the Consolidated Fund to finance the Ministry of Defence (Vote 1041) in the 2017/2018 financial year.
3. The Committee recommends that, an amount of Kshs 26.604 billion in recurrent be withdrawn from the Consolidated Fund to finance the National Intelligence (Vote 1281) in the 2017/2018 financial year.
4. The Committee recommends that, an amount of Kshs 1.616 billion be withdrawn from the Consolidated Fund to finance the State Department of East African Community integration (Vote 1182) in the 2017/2018 financial year.

Signed..........Date.....20/03/17.....

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

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION-2017

THE DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

**REPORT ON
THE BUDGET ESTIMATES FOR FINANCIAL YEAR 2017/2018**

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

MARCH, 2017

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CHAIRPERSON'S FOREWORD

The 2017/18 Budget Estimates was tabled in the House on **Wednesday, 15th February, 2017** and thereafter referred to the Departmental Committees for consideration.

The Committee was briefed by the Parliamentary Budget Office then met with the State Departments of Labour, Social Protection, Sports, Arts & Culture, Youth & Public Service, Gender Affairs, their various agencies and National Gender and Equality Commission regarding the Budget Estimates for the FY 2017/18.

The Committee appreciates the assistance provided by the Office of the Speaker and the Clerk of the National Assembly that enabled it to discharge its functions in considering Budget Estimates for the FY 2017/18.

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

THE HON. DAVID WERE, M.P.

EXECUTIVE SUMMARY

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

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

The Second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Labour and Social Welfare the mandate to consider matters related to Labour, Trade union relations, Manpower or human resource planning, Gender, Culture and social welfare, Youth, National youth service, Children's welfare, National heritage, Betting and Lotteries and Sports.

It is from this perspective that this committee is mandated to scrutinize the Budget Estimates for the State Departments of Labour, Social Protection, Sports, Arts & Culture, Youth & Public Service, Gender Affairs, their various agencies and National Gender and Equality Commission. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

On behalf of the Departmental Committee on Labour and Social Welfare, and pursuant to **Standing Order No.199** of the National Assembly, I now have the honor to present the Report thereto for adoption pursuant to the provisions of standing orders of the National Assembly.

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

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

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

ESTABLISHMENT OF THE COMMITTEE

The Departmental Committee on Labour and Social Welfare is one of the twelve Departmental Committees of the National Assembly established under *Standing Order 216* whose mandates pursuant to the *Standing Order 216 (5)* are as follows:

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

MANDATE OF THE COMMITTEE

In accordance with Second Schedule of the Standing Orders, the Committee is mandated to oversee:- Labour, Trade union relations, Manpower or human resource planning, Gender, Culture and social welfare, Youth, National youth service, Children's welfare, National heritage, Betting and Lotteries and Sports.

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

- i. Labour,
- ii. Social Protection,
- iii. Sports,
- iv. Arts & Culture,
- v. Youth & Public Service,
- vi. Gender Affairs.

COMMITTEE MEMBERSHIP

The Committee on Labour and Social Welfare was constituted by the House in May, 2013 and comprises of the following Members:-

Chairperson	The Hon. David Were, MP
Vice Chairperson	The Hon. Tiyah Galgalo, MP
	The Hon. John Serut, MP
	The Hon. Peris Tobiko, MP
	The Hon. John Ndirangu Kariuki, MP
	The Hon. Winnie Karimi Njuguna, MP
	The Hon. Janet Nangabo, MP
	The Hon. Janet Teyiaa, MP
	The Hon. Samuel Gichigi, MP
	The Hon. Elijah Lagat, MP
	The Hon. Cornelly Serem, MP
	The Hon. Abdinoor Mohamed Ali, MP
	The Hon. Daniel Wanyama, MP
	The Hon Regina Nyeris, MP
	The Hon. Wesley Korir, MP
	The Hon. Kinoti Gatobu, MP
	The Hon. Elijah Mosomi Moindi, MP
	The Hon. James Onyango K'Oyoo, MP
	The Hon. Omondi John Ogutu, MP
	The Hon. Aisha Jumwa Karisa, MP

The Hon. Patrick Wangamati, MP
The Hon. Rose Museo Mumo, MP
The Hon. Silvance Onyango Osele, MP
The Hon. Nyasuna Gladys Wanga, MP
The Hon. John Owuor Onyango Kobado, MP
The Hon. Mwanyoha Hassan Mohammed, MP
The Hon. Mlolwa Jones Mwangogo, MP
The Hon. Ferdinand Waititu, MP
The Hon. Irshad Sumra, MP

COMMITTEE SECRETARIAT

- | | | |
|-------------------------------|---|------------------------------|
| 1. Mr. Erick Nyambati | - | Third Clerk Assistant |
| 2. Mr. Abdirahman Gele Hassan | - | Third Clerk Assistant |
| 3. Ms. Nuri Kitel Nataan | - | Third Clerk Assistant |
| 4. Mr. Sydney Okumu | - | Legal Counsel II |
| 5. Ms. Lorna Okatch | - | Research Officer III |
| 6. Ms. Catherine Gati Burure | - | Fiscal Analyst III |

1.0 INTRODUCTION

This report presents an analysis of the proposed estimates of expenditure and revenues for FY 2017/18 for the State Departments of Labour, Social Protection, Sports, Arts & Culture, Youth & Public Service, Gender Affairs, their various agencies and National Gender and Equality Commission for the FY 2017/18. The forward budgets including the Programme based Budget is part of the National Government forward budget submitted to the National Assembly on **17th February 2017**, pursuant to Article 221 of the Constitution as well as Section 37 of the Public Financial Management, 2012. The reason for the early submission of the estimates is based on the revised budget calendar taking into account the general elections expected in August this year.

Further, the submissions were committed to the respective Departmental Committee, as per the Standing Orders 235 of the National Assembly, after which the Committee considered, discussed, and reviewed the Estimates according to the mandate and made recommendations to the Budget and Appropriations Committee of the National Assembly.

Moreover, Section 39(3) of the Act empowers the National Assembly to alter the proposed budget estimates provided that an increase in expenditure is balanced by a reduction elsewhere or a proposed reduction in expenditure is used to reduce the obtaining deficit.

The analysis covers the budget proposals for the State Departments of Labour, Social Protection, Sports, Arts & Culture, Youth & Public Service, Gender Affairs, their various agencies and National Gender and Equality Commission under the purview of the Committee.

The 2017/18 forward budgets of the State departments, and that of the medium term are premised on the 2017 Budget Policy Statement (BPS) that was approved by Parliament in accordance with Section 25 of PFM Act, 2012, where the proposed intervention in various programmes, and thus informing the five pillar thematic economic transformative strategies spelt out in the 2017 BPS.

2.0 SUBMISSIONS ON THE BUDGET ESTIMATES

2.1 SUBMISSIONS FROM THE PARLIAMENTARY BUDGET OFFICE

The Parliamentary Budget Office made the following submissions:

A. Introduction.

The Budget Estimates for the National government financial year 2017/2018 were submitted to the National Assembly on 15th February 2017 and were deemed to have been committed to each Departmental Committees for them to consider and review them as per standing order no. 235.

Article 216 of the Constitution of Kenya establishes House Committees. Consequently, Schedule 2 (Standing Order 216) gives the Committee on Labour and Social Welfare the mandate to oversight the following state departments and the various Autonomous and Semi - Government Agencies under them as well as the National Gender and Equality Commission.

The following are the State Departments under the purview of the Committee with the respective SAGAs.

Vote 1132- State Department for Sports Development

Sports Kenya (SK)

Kenya Academy of Sports (KAS)

National Sports Fund (NSF)

Anti – Doping Agency of Kenya (ADAK)

Vote 1133- State Department for Arts and Culture

Kenya National Library Service (KNLS)

Kenya Film Commission (KFC)

Kenya Film Classification Board (KFCB)

Kenya Cultural Centre (KCC)

National Museums of Kenya (NMK)

Vote 1184- State Department for Labour

National Social Security Fund (NSSF)

National Industrial Training Authority (NITA)

National Employment Authority (NEA)

Vote 1185- State Department for Social Protection

National Council for Children Services (NCCS)

National Council for Persons with Disabilities (NCPWDs)

Child Welfare Society of Kenya

Vote 1212- State Department for Gender

Women Enterprise Fund (WEF)

Uwezo Fund

Anti-FGM Board

National Government Affirmative Action Fund (NGAAF)

Vote 1211- State Department for Public Service and Youth Affairs

Youth Enterprise Development Fund (YEDF)

National Youth Service

Vote 2141 - National Gender and Equality Commission

B. Legal Compliance

According to Article 221 of the Constitution of Kenya the Estimates are supposed to be tabled in the floor of the house two months before the end of the Financial Year.

1. The Budget Estimates for the Fiscal Year have been prepared in accordance to the relevant sections of the PFM Act, 37 and 38 as well as the Constitution of Kenya, 2010- Article 221.
2. The Budget Estimates come at a time when the Labour market is experiencing the challenges i.e. Doctor's strike, lecturers' strike etc. This has hindered the performance /economic development as most public hospitals are not operational.
3. There has been a push to the government by the civil societies to compensate the victims of Post-Election Violence 2008, this mirrors that there are chances most victims were not fully compensated.
4. The Sports industry has experienced challenges in the previous year for instance there is alleged corruption activities that have hindered the performance of the individuals that took part in the Olympic Games that were held in Rio.
5. There have been reported cases of corruption in various sections of the sector for instance there was a swindling of funds at the National Youth Service in the previous past. This has negatively affected the operations of the agency.

6. Other challenges facing this sector include high unemployment rate, lack of timely labour market information, sports and culture information, there has been an increase in the number of children that need of special protection, e.t.c
7. In addition there has been underfunding to the sector, this has made the sector to fail to address the mentioned challenges among others.
8. There have been concerns that the cash transfers to the vulnerable groups is not equitably done, for instance there are those counties whose old persons do not benefit from the transfers.

C. Linking the Budget to the National Agenda

Within the context of 2nd Medium Term Plan of Kenya Vision 2030, the sector will continue to play its strategic role in the country's transformation and economic development through promotion of sustainable employment, productive workforce and gender equity; empowerment of communities and vulnerable groups; nurturing diverse heritage, arts and sports to enhance cohesiveness and Kenya's regional and international competitiveness.

Salient Issues

- (i) Section 25 (8) of the Public Finance Management Act provides that the Cabinet Secretary in charge of Treasury shall take into account the resolutions passed by the parliament in finalizing the budget for the relevant financial year.
- (ii) Pending Bills make the first charge on the Budget allocations. . Most of the pending bills are caused by late or non-exchequer release, reorganization of Government leading to later transfer of funds etc. There is need to evaluate the level of pending bills for every state department before approving the allocations.
- (iii) Most State Departments lack clear guidelines i.e. legislations, policies that outline on the mode of operation, entitlement e.t.c
- (iv)The Funds that are allocated to the youths and the women are not repaid promptly. This makes the fund insufficient for loaning to other needy members.

The table 1 below illustrates the level of pending bills for the state departments for the last three years.

Name of State Department	Recurrent	Dev't	Recurrent	Dev't	Recurrent	Dev't
	2013/2014	2013/2014	2014/2015	2014/2015	2015/2016	2015/2016
1.State Department for Sports Development	21.8	7.14	34	0	115.09	70

2.State Department for Arts and Culture	0	0	23.77	0	130.81	45.92
3.State Department for Labour	17.3	69.3	120.4		68.94	46.1
4.State Department for Social Protection		33.4		36.7	274.21	26.22
5.State Department for Gender	0	0	0.48	0	5.48	0
6.State Department for Public Service and Youth affairs					4083.9	5308.62
7.National Cohesion and Equality Commission	0	0	0	0	0	0

Source: Sectoral reports 2017

The table 2 below shows the amount of funds allocated to the various state departments in this sector as well as the BPS ceilings for the Financial Year 2017/2018 (Kshs Millions)

Name of State Department	2017/2018 BPS CELIINGS			Budget allocations 2017/2018		
	Current	Capital	Total	Current	Capital	Total
1.State Department for Sports Development	2,158.30	540.00	2,698.30	2,218.48	540.00	2,758.48
2.State Department for Arts and Culture	2,898.50	925.00	3,823.50	2,938.42	906.90	3,845.32
3.State Department for Labour	1,684.50	544.10	2,228.60	2,029.90	1,044.10	3,074.00
4.State Department for Social Protection	8,748.20	14,926.80	23,675.00	9,327.00	14,919.75	24,246.75
5.State Department for Gender	1,142.70	3,430.00	4,572.70	1,142.70	3,430.00	4,572.70
6.State Department for Public Service and Youth affairs	13,173.00	12,650.00	25,823.00	13,626.60	12,650.00	26,276.60
7.National Cohesion and						

Equality Commission	445.50	-	445.50	445.00	-	445.00
Total	30,250.70	33,015.90	63,266.60	31,728.10	33,490.75	65,218.85

Source: Budget Policy Statement 2017

The Printed estimates for the FY 2017/2018

For the Year 2016/2017 estimates, the State Department of sports, arts & culture were under one vote known as Ministry of Sports and Culture. This Vote was allocated a total of Kshs **6,257 million** and Kshs **2,361 million** for the current and capital expenditure respectively.

The Ministry of Labour Social Security and services was allocated Kshs **9,811 million** and Kshs **15,299 million** respectively for the Current and capital expenditure respectively for the 2016/2017 financial year.

The Current expenditure allocation to the National Gender and Equality Commission was allocated Kshs **416 million**.

The programmes under the State Department for public service and youth affairs had an allocation of Kshs **14,284 million** and Kshs **14,015 million** for recurrent and development expenditure for the year 2016/2017.

2.2 SUBMISSION FROM THE STATE DEPARTMENTS AND AGENCIES

The Committee held meetings with the State Departments of and the National Gender and Equality Commission on 7th and 8th March, 2017 and it was briefed as follows, that:-

2.2.1 State Department for Labour

The allocation for the State Department can be analyzed as shown in the table 3 below,

	Area	Estimate s 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
1.	Compensation of employees	610.99	668.15	648.2	19.95	The State Department has an aging workforce with a median age of 55.5 years. There is need to replace officers exiting through natural attrition. An approval was given by the National Treasury for concurrence to replace 47 technical staff who had exited. The State Department was allocated an additional Kshs. 23 Million in 2017/18 for replacement of staff leaving a deficit of Kshs. 19.9 Million.

	Area	Estimates 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
2.	Workmen's Compensation Backlog	4.9	151.8	4.9	146.9	A total of 595 Workmen's Compensation claims for public officers injured in the course of duty worth Kshs. 151.8 million have been processed but cannot be paid due to insufficient budgetary allocation. The allocation in the 2016/17 FY for settling the claims is Kshs. 4.9 million. The average payment per claim is Kshs. 450,000 meaning only up to 10 claims can be paid from this allocation. This is causing undue distress and suffering to workers who are injured at the work place. Non-payment of the claims also contravenes the Workmen Compensation Act.
3.	Operations and Maintenance (O&M)	324.035	1,181.96	753.6	428.36	Over the years, funding for O&M has remained low and has continued to decrease making it difficult for the State Department to carry out its mandate both at the national level and in the field offices. The situation is critical in some departments such as the National Productivity and Competitiveness Centre which has a total allocation of Kshs 40 million, of which 80% is for PE and only 20% for O&M. This means that the department has only been facilitated with salaries and insufficient resources for O&M to effectively undertake its functions. The field offices are in a severe position where Labour offices are receiving an average of Kshs. 201,309 while Occupational Safety and Health field offices receive an average of Kshs. 117,508 per quarter. This scenario has hampered effective delivery of the inspectorate services carried out nationally by the departments. Under Administration HQs the State Department is unable to fund most of its activities because of the limited funds. There is need to boost the budget to facilitate the office of Cabinet Secretary, Principal Secretary and HODs and field offices.
4.	Subscriptions	11.89	27.59	9.2	18.39	Under the international obligations the State Department was allocated Kshs. 9.2 Million.

	Area	Estimates 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
	to local and international organizations					The subscriptions amount to Kshs 16.99 M while the State Department has a pending bill of Kshs. 9.57 Million accrued from previous years. This has resulted in a resource requirement of Kshs. 27 Million for the 2017/18 FY. There is a deficit of Kshs. 18.39 Million.
5.	Mediation and Conciliation Services	0	53	0	53	The State Department plans to establish an Alternative Dispute Resolution (ADR) mechanism for labour disputes as provided for under article 159(ii)(c) of the Constitution and the Labour Relations Act 2007. The ADR process is cost effective, less legalistic and expeditious in settlement of Industrial disputes. The State Department is receiving an increasing number of disputes being returned from the Employment and Labour Relations Court for mediation and arbitration. There is need to allocate funding for establishment of an institutional mechanism for the process.
6.	Investigation of Economic Disputes	5	30	5	20	<p>With the gazettelement of Employment and Labour Relation Court Rules under the Employment and Labour Relations Court Act, 2014, on 5th August, 2016, the function of investigation of economic disputes which was previously under the Judiciary has been transferred back to the State Department for Labour. The line budget for this activity was transferred to the Judiciary in 2012/13 Financial Year during the Transfer of the Court from the Ministry to the Judiciary. The activities entail on the spot investigations including analysis of labour cost and audited accounts and other economic factors and producing reports for submission to the Court within specified time lines.</p> <p>In 2012/2013 during the time the Court was in this Ministry there were only 5 Courts based in</p>

Area	Estimates 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
					Nairobi while to date there are twelve Court spread over the country and they require to be served by the Central Planning and Monitoring Unit in the State Department. The State Department was allocated Kshs.5M in 2016/17 and 5M in 2017/18. To effectively perform this function, the Ministry will require an additional allocation of Kshs. 20 Million in 2017/18 Financial Year.
TOTAL RESOURCE GAP				686.6	

2.2.2 State Department of Social Protection

The State Department budget allocation can be analyzed as shown I table 4 below, that:-

A. Recurrent vote

	Programme	Estimates 2016/2017	Proposed 2017/18	Allocation	Variance
1.	Social Development and Children Services	3,094.49	3,197.36		102.87
2.	National Social Safety Net (NSNP)	4,963.64	5,880.37		916.37
3.	General Administration	50.0	188.63		138.62
	Total	8,108.13	8,373.81		265.68

a. National Social Safety Net Programme– Kshs. 916.37

The increase of Kshs.916.37 Million under the National Social Safety Net Programme is to cater for Government takeover of 40,000 households under the Cash Transfer for Orphans and Vulnerable Children currently being supported by DFID.

b. Operational Costs NSNP- Kshs. 44Million

Despite the additional allocation under the NSNP there is a reduction of Kshs. 44 Million for administration costs for Cash Transfer for Older Persons. The reduction will affect payment of allowances for CSAC members.

c. General Administration Planning and Support Services – Kshs. 138.62 Million

The increase of Kshs. 135.62 Million under General Administration comprises of:-

- Ksh. 109.27 Personnel Emoluments for Headquarter Staff transferred from State Department for Labour
- Kshs.29.35 Million operations for the support units which had not been created in the Financial Year 2016-17.

B. Development Vote

Table 5

	Programme	Estimates 2016/2017	Proposed Allocation 2017/18	Variance
1.	Social Development and Children Services	776.60	778.21	1.61
2.	National Social Safety Net	14,041.19	14,134.55	93.35
3.	General Administration	4.0	7.0	3.00
	Total	14,821.79	14,919.76	97.96

a. National Social Safety Net Kshs. 97.96 million

The State Department decentralized the single registry in the Financial Year 2015/16. In FY 2016/17, the State Department embarked on the second phase of the Single registry which involves:

- Capacity building of officers to manage the single registry since currently we rely on consultants
- Securing the single registries
- Linking up more programmes to the single registry

The allocation for FY 2017/18 will be used to:

- Train officers to provide skills for managing the single registry
- Enhancing security of the single registry

- Creating awareness on the single registry to encourage more stakeholders to utilize it.

b. General Administration Planning and Support Services Kshs. 3 Million

The increase of Kshs. 3Million is to complete Partitioning of Supply Chain Management offices and registries at headquarters.

C. Summary of Allocation (Kshs Millions)

Table 6

	Vote	Estimates 2016/2017	Proposed Allocation2017/18	Variance
1.	Recurrent	8,108.13	8,373.81	265.68
2.	Development	14,821.79	14,919.75	97.96
	Total	22,929.92	23,293.56	363.64

D. Areas/Projects Left Out in the 2017/18 Estimates (Kshs Millions)- table 7

	Area	Estimates 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
1.	Cash Transfer 710,000 (Existing Beneficiaries)	16,453	17,404	17,178		The allocation in 2016/17 FY has a shortfall of 600 Million which will be carried forward to 2017/18 as arrears.
2.	Absorption of Social Development Officers Recruited Under World Bank Support	0	138	0	138	In 2015/16 FY, the Ministry with support from the World Bank, recruited 210 Social Development Officers on contract for a one-year period. To Supplement the thin staff in the Ministry under the Cash Transfer Programmes. The contract period for the officers is expected to lapse in February, 2017. There is need for the officers to be retained to enhance implementation of the

	Area	Estimates 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
						Programme. The Ministry will therefore require Kshs.40.6 million for the officers personal emoluments for five months during the 2016/17 Financial Year and an additional Kshs.97.4 million for the 2017/18 Financial Year.
3.	Scale up the expansion of the Cash Transfer Programmes in accordance with the expansion plan	0	8,177.4	0	8,177.4	The Expansion Plan for the National Social Safety Net Programme (NSNP) provides for enrolment of an additional 330,000 beneficiaries (150,000, 150,000 and 30,000 OP-CT, OVC-CT and PWSD-CT respectively). A total of Kshs.7.920 Billion will be required to pay beneficiaries and Kshs.257.4 Million for commissions Pay Service Providers.
4.	Enhance funding under Community Mobilization Empowerment Programme	40	286	86	200	The Programme undertakes community empowerment and support to vulnerable groups at various levels, which include individuals, families and households, groups and communities.
5.	Operationalization of the Counter Trafficking in Persons Act, 2010	0	50	0	50	Counter Trafficking in Persons is one of the interventions under the Children services Department as per Executive order No.1 of May 2016. The enactment of the Counter Trafficking in persons act in 2010 was not accompanied with enhanced resource allocation to enable its implementation

	Area	Estimates 2016/17	Resource Requirement 2017/18	Allocation 2017/18	Shortfall	Remarks
6.	Implementation of the cabinet moratorium	0	300	0	300	Pending bills for FY 2015/16 and FY 2016/17
		0	680	0	680	Implementation of Moratorium
	Total	16,493	27,035.4	17,264	9,545.4	

E. Budget for State Corporations

a. Recurrent Vote (Kshs Millions)

Table 8

	State Corporations	Estimates 2016/2017	Proposed Allocation 2017/18	Variance
1.	National Council for Persons with Disabilities	200.40	272.20	72.2
2.	National Council for Children Services	70.00	70.00	0.00
3.	Child Welfare Society of Kenya	481.25	485.25	4.00
	Total	751.65	827.45	76.2

b. Development Vote (Kshs Millions)

Table 9

	State Corporations	Estimates 2016/2017	Proposed Allocation 2017/18	Variance
1.	National Development Fund for Persons With Disabilities	259.00	259.00	0.00
2.	Child Welfare Society of Kenya	400.00	400.00	0.00
	Total	659.00	659.00	0.00

F. Proposed Allocation Vis-à-vis Achievements of the Ministry's/ Department's Strategic Plan (Kshs Millions)

Table 10

Sub-Programme	Allocation 2017/18	Key Outputs
Programme1: Social Development and Children Services		
Community Mobilization and Development	405.40	65,000 SHGs, CBOs, groups registered
		70,000 groups linked to various MFIs and non-State actors
		550 SHGs, CBOs, CSAC and BWCs members trained on basic book keeping, conflict Management, governance, leadership and project Management
		3,000 SHGs and CBOs supported with grants
		Operationalize Kirinyaga rescue centre (recurrent budget to meet day to day running of the centre
		Conversion of Kilifi CCSP to offer rescue for distressed older persons and support to families
		5 offices constructed and opened
		<ul style="list-style-type: none"> • Populate the CDGRMIS, with existing data on registered SHG and CBOs Collect, collate and disseminate Information on SHGs
Social Welfare and Vocational Rehabilitation	147.88	Dissemination and enforcement of the regulations
		600 No. of PWDs trained in VRCs
		20 placements of the VRCs graduates
		100 VRCS graduates assisted with tools/equipment and start up capita for self-employment
	34.00	<ul style="list-style-type: none"> • Refurbishment of 5 VRC in phase one • Elevate Bura to a model VRC Develop a Five Year Strategic Plan for VRCs one
	23.50	<ul style="list-style-type: none"> • Educational equipment and materials of 12 VRCs Specialized modern educational equipment for 4VRCs
259.00	290 SHGs for PWDs supported with grants	

		and training for economic empowerment
	172.2	3,020 PWDs provided with assistive & supportive devices and services 800 PWDs provided with scholarship
	100.00	3,100 Persons with Albinism supported with sunscreen lotion, protective clothing, cancer screening and eye care
Child community Support Services	128.11	Database rolled out to 10 counties (Turkana, garissa, Mombasa, Tanariver, Isiolo, Marsabit, West Pokot, Samburu, Kajiado and Taita Taveta).
		Deal with all reported cases
		300 children assisted through the child-helplines
		2 child protection centres established in Laikipia East sub county and Endebes sub county in Kitale.
		30 new offices operationalized
	9.60	5 Children offices constructed in Nyamira, Meru south, Kirinyaga south, Kapenguria and Kinango.
	394.00	29,000 OVCs supported with education scholarship
	70.00	30 Area Advisory Councils operationalized
		12 County AACs established
		30 Capacity Build the County & Sub-County AACs
		60 recommendations of the 2015/16 CCI M&E Implemented
		170 certified CCIs
		1 report prepared
100.00	95,040 Orphans and Vulnerable Children (OVCS) and vulnerable young person outside family households provided with psychosocial support	
481.00	73,920 of children provided with emergency support services	
	18,618 families provided with psychosocial support and children provided with families	
	12,461 duty bearers trained/sensitized and institutional strengthened	
Child Rehabilitation Custody	153.63	650 Children rehabilitated and trained in various skills
	250.33	4 Rehabilitation Schools equipped with

		training facilities
	48.16	5 Children institutions rehabilitated
	400.00	11 Temporary places of children safety in CWSK upgraded
	646.33	6,800 Children reintegrated
		800 children rescued
Programme 2: National Social Safety Net		
Social Assistance to Vulnerable Groups	7,395.00	460,000 households with older persons supported with cash transfers
	8,660.09	503,000 households with OVCs supported with cash transfers
	1,200.00	47,000 households with PWSDs supported with cash transfers
	110.00	Integrate and link the Single Registry to 5 social protection programmes implemented by MDAC.

2.2.3 State Department of Youth and Public Service

The State Department proposed budget estimates for FY 2017/18 is **Kshs.26, 276,650,000** to implement three Programmes: **Youth Empowerment Programme, Public Service Transformation Programme and General Administration**. The Breakdown of the proposed budget per programme for the State Department for the year 2017/18 is as follows in table 11:

PROGRAMME	PROPOSED BUDGET ESTIMATES (Kshs. Millions)		
	RECURRENT 2017/18 FY	DEVELOPMENT 2017/18 FY	TOTAL BUDGET 2017/18 FY
Youth Empowerment	7,645	10,695	18,340
Public Service Transformation	1,812	1,956	3,768
General Administration	4,169	0	4,169
TOTAL	13,626	12,651	26,277

The proposed budget estimates 2017/18 FY Youth Empowerment Programme has a total budget estimates of **Kshs.18, 339,525,209** representing 70% of the total state Department Budget.

Total Budget Allocations for 2015/16 - 2017/18FY

The comparison of previous and current years' allocation per programme for the State Department is illustrated in the table 12 below;

PROGRAMME/SUB-PROGRAMME	BUDGET ESTIMATES 2015/16 FY	BUDGET ESTIMATES 2016/17 FY	BUDGET ESTIMATES 2017/18 FY
Youth Empowerment			
National Youth Service	17,931	16,865	16,468
Youth Development Services	505	999	1,241
Youth Employment Scheme	531	597	597
Youth Coordination and Representation	33	34	34
Information communication services	-	-	8
TOTAL	19,000	18,495	18,340

The proposed budget allocation for the State Departments' Youth Empowerment programme for 2017/18 is **Kshs.18,339,525,209**, which consists of **Kshs.7,645,010,166** in recurrent and **Kshs.10,694,515,043**. The proposed budget will be used to implement and spearhead youth empowerment in all aspects of National Development.

In the financial year 2016/17 budget a number of key priority programmes and projects have not been fully financed due to tight budgetary ceilings and constraints. Some of these include: the restructuring of the NYS to enable the youth participate fully in nation building and public service; implementation of the Youth empowerment programme and Youth Enterprises Development Fund.

The State Department has several projects funded by Government and Donor partners as illustrated in table 13 below:

No	Project Name (GOK FUNDED PROJECT)	Cost of Project	Allocation 2016/17	Projects Outputs	ALLOCATION		
					2017/18	2018/19	2019/20
National Youth Service							
1	Construction of Buildings and other infrastructure at NYS	950	503.9	Provide additional classrooms, accommodation for servicemen and women	396.1	503.9	503.9

				in various units at NYS			
2	Construction of double span kitchen, dining and barracks at NYS Engineering Institute, Ruaraka (completion of the building)	91.81	51.71	Accommodate NYS servicemen and women	17.0	-	-
3	Construction of Storey Classrooms at NYS Institute of Business Studies at NYS Headquarters, Ruaraka (completion of the building)	149	42.2	Provides additional classrooms for servicemen and women in vocational training.	1.8	52.5	52.5
4	NYS Youth Empowerment Programme in Counties	97,751	9,801.8	Empowerment of the youth through gainful engagement, national service activities, formation of SACCOs & training.	9,717.28	9,881.76	9,871.76
Sub-Total			10,399.61		10,132.18	10,438.16	10,428.16
Youth Development Services							
23	Youth Enterprise Development Fund -	1,667.40	305.34	Loans Disbursement and Business Development Services.	305.34	305.34	305.34
24	Youth Empowerment Centres (YECs)	6,000.0	-	Establish 138 YECs at the constituency level.	50	80.77	376.27
25	Kenya Youth Employment and Opportunities Project	5,800	130	Employment Opportunities	207	207	207

	(KYEOP)		es for the Youth.			
Sub-Total		435.34		562.34	593.11	888.61
GRAND TOTAL		10,834.95		10,694.52	11,031.27	11,316.77

Areas/Projects Left-Out in 2017/18.

The State Departments' Youth Empowerment programme has not been fully financed due to tight budget ceilings. The State Department require additional funds for this important programmes and projects as illustrated in table 14 below:

No	PROJECTS/AREARS	AMOUNT KSHS. MILLIONS	REMARKS
RECURRENT			
1	Funds for Training Additional 10,000 recruits per year at NYS as per presidential directive	1,200	The additional recruits will require additional costs for food and rations, uniforms and other training costs
2	Funds for training Servicemen and women in Vocational Training Institutions both internally and in TVET Institutions	500	The funds are needed to have the SM/W trained in vocational training institutes
3	Funds for recruitment of Uniformed and technical instructors for the increased intake	670	There is an acute shortage of uniformed officers to supervise the large number on recruits in all stages of their stay in NYS
4	Funding youth field offices.	365	Cost of administration and management of youth fields officers which are in counties and sub-counties levels
SUB-TOTAL		5,135	
DEVELOPMENT			
1	Inadequate funding for NYS Youth Empowerment programmes in informal settlement and constituencies	1500	Costs of youth Empowerment programmes in additional constituencies to be rolled out.
2	Youth Empowerment Centres (YECs)	500	To operationalized 75 YECs at the constituency level, cost of Completing 20 YECs centres and purchase of Equipment's for the centres.
SUB-TOTAL		4,442	

GRAND TOTAL	9,577	
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Budget for State Corporation/SAGAS

The State Departments' Youth Empowerment programme has two SAGAs namely Youth Enterprise Fund and National Youth Council, their budget are illustrated in table 15 below:

NO	NAME OF SAGA	RECURRENT KSHS. MILLIONS	DEVELOPMENT KSHS. MILLIONS	TOTAL KSHS. MILLIONS
1	Youth Enterprise Development Funds	291	305	596
2	National Youth Council	34	-	34
	TOTAL	325	305	630

2.2.4 State Department of Gender Affairs

PROGRAMMES

The State Department has three programmes namely;

1. Community Development
2. Gender Empowerment
3. General Administration and Planning

a) Sources of Finances

The Recurrent and Development budget for the F/Y 2017/18 are financed by Government of Kenya (GoK) and UNWOMEN as indicated in the table 16 below.

Vote	2016/17 (Kshs million) Baseline	2016/17 Donor Funding(Kshs million)	2017/18 (Kshs million)
Recurrent	1,125	-	1,142
Development	3,430	12	3,442
Total	4,555	12	4,584

b) Allocations to ongoing Programmes

Table 17

Programme	Printed Estimates 2016/17 Kshs million (Baseline)			Resource Allocation 2017/18 (Kshs million)		
	Recurrent	Development	Total	Recurrent	Development	Total
Community Development	-	2,130	2,130	-	2,130	2,130
Gender Empowerment	1,125	1,366.9	2,492.3	847	1,300	2,147
General Administration and Planning	-	-	-	296	-	296
Total	1,125	3,496.9	4,622.3	1,143	3,430	4,573

Programme 1. Community Development

This is Affirmative Action Social Development which was established through the Public Finance Management Act (Affirmative Action Social Development Fund) Regulations, 2015. The fund is operated and managed by a Board gazetted through gazette notice No. 3447 dated 19th July, 2015. The aim of the fund is to provide socio-economic empowerment to the affirmative action groups that include; women, the youth, persons with disability, children and the elderly.

Programme 2: Gender Empowerment

This programme involves implementation of the following outputs;

- Women and other disadvantaged in the Society empowered through disbursement of loans to individuals and groups, training on entrepreneurship skills, training on SACCO formation, LPO financing among others.
- Gender issues incorporated in Policies, Plans and Programs,
- Enhanced research on gender,
- Reduced prevalence of Gender Based Violence,
- Reduced prevalence of FGM
- Promoting collaboration and partnerships with stakeholders on anti-FGM
- Commemoration of UN international days on gender(zero tolerance on FGM day, International women Day, 16 days of activism against GBV and campaign on zero tolerance to GBV) and participation in Gender Treaty monitoring forums and preparation of country reports on International and regional treaties, conventions and protocols that

Kenya is signatory to Gender i.e UNGASS, CSW, CEDAW , SDGGEA, Common Wealth, EAC and COMESA among others.

Programme 3: General Administration and Planning

This programme involves provision of policy direction and support services for improved service delivery.

c) Allocations to new projects/ programmes

The State Department does not have an allocation for any new project/ programmes due to budget constraints and tight budget ceilings.

d) Areas /projects left out in the 2017/18 estimates

In the financial year 2017/18 budget, a number of key priority programmes / activities have not been funded due to tight budget ceilings. Some of these include;

- **UN-GOK 5 year joint program on GBV and Childhood marriage**

The state Department of Gender Affairs recently launched the Joint GoK- UN programme on ending GBV and Childhood marriage. The Department will establish Gender Based recovery centers in 47 counties. The programme will involve construction /refurbishment of existing structures and training of service providers and this will be one stop response centers where survivors will receive all the appropriate services. Safe houses for survivors of GBV will also be established to provide safe spaces to GBV survivors away from the perpetrators. The Department wishes to start with 20 safe houses in 2017/18. However, no funds have been provided for this. The programme requires a funding to the tune of **Kshs 200M**.

- **Leadership programme for women**

This Department will conduct Civic education for increased women in elective positions and key decision making. Over the years, women have been under represented in elective and appointive positions. Gender bills have drafted to give effect to the 2/3rd constitutional requirement to enhance representation in elective and appointive positions, however many of this bills have not sailed through to the National Assembly and Senate. The department intends to train and create public awareness on election of women in elective and support them get appointive positions. This requires funding of **Kshs 100M**

- **Implementation of the Kenya national Action Plan (KNAP) resolution 1325.**

The United Nations Security Council Resolution (UNSCR) 1325 on Women, Peace and Security recognizes the importance of women's contributions to conflict prevention and resolution, peacekeeping and peace building. It seeks to ensure that women's contribution and inclusion in peace and conflict management processes is valued and appreciated. The Department has developed the Kenya National Action Plan (KNAP) on UNSCR 1325 whose implementation is

underway. A secretariat has been established under the State Department to coordinate its implementation. The state department requires **Kshs 200M**

- **Refurbishment of Offices.**

The new State Department of Gender Affairs had no offices; however it has acquired offices at Teleposta towers. The department requires **Kshs 50M** to refurbish and partition the offices

- **Increased support for Affirmative Action funds.**

This will cater for more loans lending to beneficiaries and Public education of the Funds as follows; NGAAF **Kshs 2B**, Uwezo Fund **Kshs 250M** W.E.F (Sacco lending **Kshs 250M** and training and outreach **Kshs 250M**

3. BUDGET FOR SAGAs

The State Department has four SAGA's namely;

- Uwezo Fund
- Women Enterprise Fund
- National Government Affirmative Action Fund
- Anti FGM Board

The budget for SAGA's is mainly for empowerment of Women and other disadvantaged in the Society through disbursement of loans to individuals and groups, training on entrepreneurship skills, training on SACCO formation, LPO financing among others.

The Anti FGM Board budget mainly caters for activities geared to reducing the prevalence of FGM and Promoting collaboration and partnerships with stakeholders on anti-FGM.

The SAGA's budget for the financial year 2017/18 is as per the table 18 given below:

	2016/17 (Kshs million)			2017/18 (Kshs million)		
	Recurrent	Development	Total	Recurrent	Development	Total
UWEZO Fund	183	500	683	183	500	683
Women Enterprise Fund	115	800	915	115	800	915
National Government Affirmative Action Fund	-	2,130	2,130	-	2,130	2,130
Anti FGM Board	92	-	92	92	-	92
Totals	390	3,430	3,820	390	3,430	3,820

2.2.5 National Gender and Equality Commission

The Commission participated actively on the budget process in the National Treasury sector working group in 2017/18. The commission prepared a costed annual plan of **Kshs.608 Million** presented in four program areas in accordance to program based budgeting. The sector working allocated the commission **Kshs. 444.5 million**. The commission revised its costed work-plan from **Kshs 608m** to a minimum of **Kshs 545 million** the minimum it requires to principally deliver on key deliverable of the 2017/18 most of which are mandatory. The commission prays to this committee to bridge the gap of **Kshs 99.45 million** from current allocation by sector working group to increase the funding to **Kshs 545 million**.

Key proposed allocations are as follows.

Priority areas of funding showing YR 2017/18 proposed budget, sector working group allocations, and variance/deficit by key line items.

Table 19

Line item	2016/17 available budget (Kshs 416.2m) (a)	2017/18 NGECEC proposed budget (Kshs 516m) (b)	2017/18 sector working group allocations (Ksh 444.5m) (c)	Deficit (b-c)
Personal emolument	147.1m	162.8m	158.3m	4.5m
Programs 1 Legal investigations	23.29m	42.2m	30.4m	11.8m
Programs 2 mainstreaming	33.72m	45.9m	31.3m	17.6m
Program 3 Public advocacy	27.96m	48.1m	35.3m	12.8m
Data Base	-	20m	-	20m
Election Monitoring		15m	-	15m
Operations	154.9m	208.2m	190.5m	17.7m
Total	386.97m	545m	445.87m	99.45m

The commission prayer is for the government to consider providing additional 100 Million to bridge the gap.

2.2.6 State Department of Sports

The overall resources allocated for the 2017-18 FY is **Kshs 2,758.4 Million** which is way below the current year allocation of **Kshs 5,161.8 Million**. The reduction in funding will negatively impact on implementation of our programmes activities hence the overall performance of the State Department. The State Department requested for **Kshs 22.061 Billion** in the FY 2017/18 but was only allocated **Kshs 2.758 Billion**. The budget shortfall for the 2017/18 FY is **Kshs 19.3 Billion** as indicated above. This implies that much of the planned activities for the State Department would not be undertaken as envisaged including both ongoing and new projects.

The State Department for Sports Development ceiling for Recurrent and Development expenditure for the Financial Year 2017/18 is **Kshs 2,218.4** and **Kshs 540 Million** respectively. Compared to the Approved Estimates for the current Financial Year (2016/17) whose Recurrent and Development stand at **Kshs 3,607** and **Kshs 1,555 Million** respectively, this represents a reduction of 40 and 65%

In view of the above, it is worth noting that some of our key programmes and activities have been grossly underfunded. The immediate total funding shortfall for 2017/18 is **Kshs 7.389 Billion** tabulated in the matrix below. Under Development expenditure, the State Department requires an additional **Kshs 2.28 Billion** as indicated table 20 and 21 below :-

Item Description	Amount Kshs.
Infrastructure Upgrade and Maintenance of Stadia for Africa Champions Cup (CHAN) in January/February 2018	980,000,000
Development of Regional Stadia	1,300,000,000
Total	2,280,000,000

Under Recurrent expenditure, the State Department requires an additional **Kshs 4.11 Billion** broken down as follows:

Item Description	Amount Kshs.
i. Recurrent expenses to be incurred in hosting Africa Champions Cup (CHAN) in January/February 2018.	1,741,947,820
ii. Review of the Sports Policy, 2002 and Sports Act, 2013	25,000,000
iii. Recurrent expenses to be incurred for participation in IAAF World Athletics Championships in London, August 2017 Kshs. 400 Million	400,000,000
iv. Recurrent expenses to be incurred for participation in Commonwealth Games in Australia, April 2018 Kshs 350 Million	350,000,000
v. Recurrent expenses to be incurred for participation in Youth Olympics in Argentina, October 2017 Kshs. 250 Million	250,000,000

vi.	Participation in Deaflympics in Turkey, July 2017 Kshs. 130.5 Million	130,000,000
vii.	Participation in Africa U20 athletics championship in Algeria, July 2017	19,316,215
viii.	World athletics championship in London-August 2017	49,032,900
ix.	Participation in Global Senior world Grand Prix women volley ball in Peru, Kazakstan and Korea-July 2017	14,649,700
x.	Participation in under 23 Women World championship in Slovenia-September 2017	5,280,444
xi.	Pending tax liability (Kshs 184million), Personnel Emoluments for existing staff (Kshs 106 million), salaries for staff initially seconded to county Government (Kshs 174 million),gratuity (Kshs 86 million) and maintenance expenses for stadia (Kshs 100 million) for Sports Kenya.	650,000,000
xii.	Additional funds to cater for personnel emoluments (Kshs 20 Million) and operations(Kshs 75Million) at the Kenya Academy of Sports	95,000,000
xiii.	Additional funds to cater for personnel emoluments for the newly recruited staff (Kshs 62 Million) and operations (Kshs 30Million) for Sports Fund	92,000,000
xiv.	Purchase of 2 Vehicles for Sports Registrar's office (14 Seater and Prado)	15,000,000
xv.	Additional funds for up-scaling anti-doping programmes to meet WADA requirements. Programmes designed in line with approved cabinet memo.	200,000,000
xvi.	Additional funds to cater for shortfall in the personnel emoluments for the headquarters staff (Kshs 10 Million) and (Kshs 62Million) for recruitment of 175 interns for the State Department.	72,000,000
TOTAL		4,109,227,079

The recurrent budget ceiling for 2017/18 FY has decreased by **Kshs 1,448.6 Million** as compared to the budget level for the current year. Consequently, the ceiling for current grants and operations & maintenance has decreased by **Kshs 500 Million** and **Kshs 905 Million** respectively. The implication of this is that we cannot therefore be able to allocate any funds to Sports Promotion and Incentives head meant for awards for our sports persons participating in international competitions. We are therefore requesting for **Kshs 500 Million** additional funding to cater for the same.

The budget ceiling allocated to State department during the MTEF sector budget discussion was **Kshs 3,648 Million**(Kshs 2,608 Million in Recurrent & Ksh1,040 Million in Development).However when we received the circular for finalization /itemization of 2017/18 Budget the ceiling had reduced to **Kshs 2,758 Million** (Kshs 2,218 Million in Recurrent & Ksh540 Million in Development). This means there was a reduction of **Kshs 890 Million** in the final Budget allocation which is a huge variation from the MTEF sector budget that was discussed and agreed in Mombasa.

Pending Bills incurred in the 2015/16 FY

Recurrent expenditure	125,551,511.40
Development expenditure	70,000,000
Total	195,551,511.40

During the financial year 2015/16 the state department incurred Pending Bills amounting to **Kshs 195,551,511.40** broken down as in the above matrix. We have already reallocated **Kshs 123 Million** to cater for payment of the recurrent bills. The pending bill in the development expenditure will be paid from 1-005-01-2630201(Refurbishment of Regional Stadia project) as the bill relate to the project.

2.2.7 State Department of Art and Culture

The State Department was allocated Kshs. 3.823 billion indicating a shortfall of Kshs. 3.529 Billion. As shown in the table below the requirement for FY 2017/18 is Kshs. 7.32 billion for both the recurrent and development expenditures.

Allocations to the Ministry versus Requirement Detailing Shortfalls and the Affected Programmes

Table 22

ANALYSIS OF PROGRAMME EXPENDITURE RESOURCE REQUIREMENT									
	Requirements2017/18			BPSCeiling			Shortfall		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Culture Development	2,102.40	2,287.17	4,739.60	1,357.60	251.9	1,609.50	744.80	2,035.27	2,780.07
The Arts	908.1	164	1,072	707.08	95	802.08	201.02	69.00	270.02
Library Services	818.06	625	1,443.06	701.96	560	1,261.96	116.10	65.00	181.10
General Administration and Support Services	413.07	-	413.07	171.78	0	171.78	298.6	0.00	298.60
Total	4,241.70	3,076.17	7,317.90	2,938.42	906.90	3,845.32	1,360.52	2,169.27	3,529.79

The shortfall between the BPS ceiling and the State Department's requirements has affected the ability of the State Department to execute its mandate efficiently. As a result, the State Department needs an additional funding for the following critical areas:

Table 23

Entity	Description	Requirement (Kshs. Millions)
Jumuiya Ya Africa Mashariki Utamaduni Festival (Jamafest)	Kenya will participate in the 3 rd edition of Jumuiya ya Afrika Mashariki Utamaduni Festival (JAMAFEST) to be held in Kampala, Uganda, in September 2017. This is a festival that brings together all the EAC Partner states. The festival gives the partner states the opportunity to enhance their integration through use of cultural expressions. Partner states are obliged by the treaty to participate in the festival	25
Presidential Music Festival And Talent Development Programme	This initiative is meant to harness the synergies and benefits associated with the creative talents exhibited by our youth.	200
Subscription To International Organizations	Kenya is a state party to UNESCO 2003 AND 2005 Conventions and is required to make yearly subscription. We are also a member of International Federation for Arts and Culture Council (IFACC) which we also pay annual subscription to. In order to honour this international obligation we require	20M
Refurbishment And Upgrading Of The National Archives	The roofing and the refurbishment of the Nairobi and Mombasa office are in dire need of upgrading to the current international standards and equipping them with mobile shelves so as to safeguard the legal documents stored in the centres	100
Local Presidential Visits	Kenya will hold its General Elections on 8 th August, 2017. The implication is that presidential functions will be at their peak in the first half of the financial year 2017/18 and as such, there is a need to for an additional	50
Kenya Film Commission – KFC	Expansion of the mandate of KFC and subsequent re-categorization of the same	200
National Museums of Kenya – NMK	The Retirement Benefits Scheme is in the process of wounding up NMK Pension Scheme. There is an urgent need to forestall this from taking place.	425
National Museums of Kenya – NMK	Monuments in honor of the Mau Mau	30
Kenya Cultural Centre – KCC	The Kenya Cultural Centre needs to expand and collaborate with artistes and thespians across the country. To do this,	60

	there is a need to enhance its budgetary allocation for operations and maintenance.	
Pan-African Federation of Film Makers (FEPACI)	The Government of Kenya has to set aside Kshs.84million each Financial Year for the next four financial years	40.4
Total		1,130.4

The total pending bill of the state department is as detailed in table 24 below:

Pending Bills 2016/17	
Recurrent	123,704,360
Development	48,048,109
Historical	31,552,706
Total	203,305,175

The total pending bill is Ksh.203.3Million the State Department has endeavored to pay some bills which formed first charge. However, due to limited budget allocation the state department has made requests to the National Treasury for assistance in the settlement of these bills. The National Treasury obliged and vide letter ref. no. RE/1133/16/01/A/18 dated 23rd November, 2016 allocated the Department an additional Kshs. 101,268,916 to help in the settlement of the same

3.0 COMMITTEE OBSERVATIONS

The Committee observed that:

1. There were no clear guidelines and policies that informed the mode of operation in the state department of Sports development.
2. There is no proper follow up of the cash transfers that are made to orphans and vulnerable children after they exit from the program.
3. Most projects being undertaken by the State departments are ongoing and this has led to accumulation of pending Bills over the years.
4. The State Department of Social Protection was intending to retrench 210 social development workers who were being facilitated by a donor funding which has come to an end.
5. Despite the Government signing international Human Counter trafficking conventions and the relevant institutions put in place locally, these institutions are not being funded.

4.0 RECOMMENDATIONS

The Committee recommends that:-

- i. *The Budget Estimates for the Financial Year 2017/2018 for the State Departments of Labour, Gender and National Gender & Equality Commission be adopted as printed by the National Treasury.*
- ii. *The State Department of Sports initiates policy, guidelines and legislations to control the operations in the sector and to enhance better performance.*
- iii. *There is need for the State Department of Gender to install stringent measures that will enforce the repayment of the loans i.e. Uwezo funds to enable the fund benefit a wide base of youths who will be assisted by the funds arising from the repayment of loans.*
- iv. *There is need for a follow up of the cash transfers especially to the vulnerable children this is to enhance effectiveness and efficiency..*
- v. *The State Departments may need to put more emphasis on their completion to avoid spreading too thinly i.e invest in few projects to completion than many too 'ongoing'*

Reductions: The Committee recommends that;

- a) *The following reductions to be effected in the state Department for Social Protection.*
 - (i) *National social Safety Net programme, Head D 1185100100- Cash Transfer for orphans and vulnerable children, Item 2211100 - Office and General supplies services to be reduced by **Ksh 14 Million***

- (ii) *National social Safety Net programme, Head D 1185100100- Cash Transfer for orphans and vulnerable children, item 2210300 - Domestic travel, subsistence and other transportation costs to be reduced by **Ksh 48 Million.***
- (iii) *National social Safety Net programme, Head D 1185100100- Cash Transfer for orphans and vulnerable children, item 2210700 - Training expenses to be reduced by **Ksh 54 Million***
- (iv) *The allocation to the Programme Social development and Children Services, Sub Programme Child Community Services Head National Council for Children Services item 2630100- Current grants to Semi-Autonomous Government Agencies to be reduced by **Kshs. 20 Million.***
- (v) *The allocation to the programme National Social Safety Net, Head R- Cash Transfer to persons with severe disability, item 2630101- current grants to Government agencies and other levels of government to be reduced by **Kshs 20 million.** Subsequently the allocation to the Programme National Social Safety Net, Head D- 1185103501, Item 3111111 - purchase of ICT networking and communication equipment to be reduced by **Kshs. 20 Million. This will total to Kshs 40 million.***

b) *The following reductions to be effected from the State Department of Youth Affairs*

- (i) *Youth Empowerment Programme, Head R 1211001000- NYS street youth Rehabilitation be reduced by **Ksh 30 Million***
- (ii) *Youth Empowerment programme, Head R 1211000900- Yatta Complex , Sub head R 1211000901- Headquarters, item -2211000 -Specialized materials and supplies be reduced by **Ksh 30Million***
- (iii) *Youth Empowerment Programme, Head R 1211001100- NYS Catering School/ Gilgil, Sub Head R- 1211001101, Item - 2211000 specialized materials and supplies by **Ksh 100Million***

c) *The Following reallocation to be made in the State Department of Arts & Culture Library Services Programme, Head D 1133101100 – Construction of an ultra-modern National Library to be reduced by **Ksh 30 Million***

Total deductions = Kshs 366 million

Additions

- (i) *A sum of **Ksh 116 million** realized from the reductions be reallocated as follows*

- (ii) *The Programme Social Development and Children Services, Sub programme Child Rehabilitation and custody, Head R 1185001101- Children Services to be allocated **Kshs 40 million** for operationalization of the Counter Trafficking in Persons Act, 2010. (See Table 7)*
- (iii) *The Programme Social Development and children services, Head R 1185000100- Labour service field offices & Head R 1185000200- occupational Health & safety Field Services to be allocated **Kshs 60 million** to cater for the 210 Social Development field Officers who were being donor funded initially.*
- (iv) *The allocation to the Programme Social development and children services, sub programme Child community support services, Head D- 1185102500 support to orphans and vulnerable children outside households , Sub Head D 11851025001— Support to vulnerable children outside households , Item 2630200- Capital Grants to government agencies and other levels of government to be increased by **Kshs 176 million**.*
- (v) *The **Kshs 20 million** is to be reallocated to the Programme Social Development and Children Services, Head R 1185001101- Children Services to operationalize the Counter Trafficking in Persons Act, 2010.*
- (vi) *The amount **Kshs 40 million** to be allocated to the Programme Social Development and children services, Head R 1185000100- Labour service field offices & Head R 1185000200- occupational Health & safety Field Services to absorb the 210 social development field workers.*
- (vii) *An allocation of **Kshs 30 million** to be made to the Culture programme, Head D 1133100700, sub Head D 11331007001- installation of mobile shelves, Item 3111100- Purchase of Specialized plant, Equipment and Machinery, for establishment of shelves at National Archives as records are being kept on the floor.*

Total additions = Kshs 366 Million.

a. Other Recommendations

- (i) *Additional funding of **Kshs 6,989,764,179** to made to the State Department of Sports Development, which is **Kshs 4,709 million** for recurrent expenditure and **Kshs 2,280 million** for Development Expenditure. This allocation is to cater for the Africa Champions Cup that will be hosted in Kenya in January/ February 2018 and other sports to be held. (See table 20 and 21)*

- (ii) *The State Department for Social Protection to be allocated an additional **Kshs 300 million** to cater for the pending bills incurred by the steering committee as indicated in item 6 of Table 7.*
- (iii) *The State Department for Social protection to be allocated an additional **Kshs 680 Million** to cater for the operations of the steering committee, in reviewing and adopting the framework in Kenya and for the Implementation of the cabinet moratorium (See Item 6 of Table 7)*

Signed: _____



Date: _____

20/03/2017



THE HON. DAVID WERE, MP, CHAIRPERSON

REPUBLIC OF KENYA

NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION, 2017

**REPORT OF THE DEPARTMENTAL COMMITTEE
ON TRANSPORT, PUBLIC WORKS AND HOUSING ON THE CONSIDERATION OF
THE BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2017/2018 FOR THE
FOLLOWING VOTES:**

**VOTE 1091 -STATE DEPARTMENT OF INFRASTRUCTURE
VOTE 1092- STATE DEPARTMENT OF TRANSPORT
VOTE 1093 - STATE DEPARTMENT OF MARITIME
VOTE 1094 - STATE DEPARTMENT OF HOUSING AND URBAN
DEVELOPMENT
VOTE 1095 - STATE DEPARTMENT OF PUBLIC WORKS**

**CLERK'S CHAMBERS
NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI**

MARCH, 2017

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1.0 PREFACE

1.1 Mandate of the Committee

The Departmental Committee on Transport, Public Works and Housing derives its mandate from provisions of Standing Order No. 216(5) which defines functions of the Committee as being:

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

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

- a) Transport
- b) Roads
- c) Public works
- d) Construction and maintenance of roads, rails and buildings
- e) Air and seaports
- f) Housing

1.2 Oversight

The Committee oversees the Ministry of Transport, Infrastructure, Housing and Urban Development which comprises of the following State Departments and Directorates;

- ✓ State Department of Transport
- ✓ State Department of Infrastructure
- ✓ The Directorate of Housing and Urban Development
- ✓ State Department of Public Works
- ✓ State Department of Maritime Affairs

1.3 Committee Composition

The Parliamentary Departmental Committee on Transport, Public Works and Housing was constituted on 20th May, 2013 and its membership is as follows:-

1. The Hon. Maina Kamanda, M.P. – **(Chairperson)**
2. The Hon. Eng. Mahamud Maalim, M.P. – **(Vice Chairperson)**
3. The Hon. Eng. Stephen Ngare, M.P.
4. The Hon. Ali Wario, M.P.
5. The Hon. Arch. David Kiaraho, M.P.
6. The Hon. Cecily Mbarire, M.P.
7. The Hon. Capt. Clement Wambugu, M.P.
8. The Hon. Eng. John Kiragu, M.P.
9. The Hon. Gideon Konchella, M.P.
10. The Hon. Barchilei Kipruto, M.P.
11. The Hon. Mark Lomunokol, M.P.
12. The Hon. Grace Kipchoim, M.P.
13. The Hon. Mathias Robi, M.P.
14. The Hon. Joseph Lomwa, M.P.
15. The Hon. Peter Shehe, M.P.
16. The Hon. Stephen Manoti, M.P.
17. The Hon. Emmanuel Wangwe, M.P.
18. The Hon. K.K. Stephen Kinyanjui Mburu, M.P.
19. The Hon. Suleiman Dori, M.P.
20. The Hon. Rashid Juma Bedzimba, M.P.
21. The Hon. Simon Nyaundi Ogari, M.P.
22. The Hon. Johnson Manyana Naicca, M.P.
23. The Hon. Mishi Juma, M.P.
24. The Hon. Aduma Owuor, M.P.
25. The Hon. Edick O. Anyanga, M.P.
26. The Hon. Omar Mwinyi, M.P.
27. The Hon. Ahmed Abbas Ibrahim, M.P.
28. The Hon. Omulele Christopher, M.P.
29. The Hon. Mukwe James Lusweti, M.P.

2.0 INTRODUCTION

2.1 Tabling of the Budget Estimates for the FY 2017/18

The Budget Estimates for the Financial Year 2017/2018 were tabled in the House on Wednesday 15th February, 2017 and thereafter referred to the various Departmental Committees for consideration and subsequently make reports to the Budget and Appropriations Committee.

On Thursday, 23rd February, 2017, the Committee received a brief from the Parliamentary Budget Office (PBO). This was aimed at informing Members of the Committee on the contents of the Budget Estimates for the various State Departments falling within its purview. Thereafter the Committee held a meeting on Tuesday 28th February, 2017 to consider the Budget Estimates for 2017/2018 in respect to the Ministry of Transport, Infrastructure, Housing and Urban Development.

2.2 Background

2.2.1 2017/2018 Budget Estimates

The 2018/17 budget is estimated to amount to KSh. 2.28 trillion having increased from 2.23 trillion in 2016/17 representing a 2% increase. The budget will compose of KSh. 988.96 billion in recurrent expenditure (of which wages & salaries amount to 23.8% of the budget) and KSh. 638.379 billion in development outlay (32.3% of the budget) and the county allocations of Ksh. 328.5 billion. Against revenues worth KSh. 1.7 trillion, this therefore results in a budget deficit amounting to KSh. 523.6 billion.

Table 1: National Budget over the MTEF (KSh. Millions)

Items	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
Total Expenditure & Net Lending	2,232,338.0	2,286,973.0	2,458,729.0	2,676,628.0
Ministerial recurrent expenditure	918,861.0	988,968.0	1,055,024.0	1,135,072.0
Interest payments & pensions	293,880.0	356,892.0	381,984.0	425,477.0
Development Expenditure	727,685.0	638,379.0	685,826.0	754,603.0
Net Lending	2,127.0	2,398.0	2,383.0	1,600.0
Contingency Fund	5,000.0	5,000.0	5,000.0	5,000.0
County Allocation	284,785.0	295,336.0	328,512.0	354,876.0
Total revenues	1,515,464.0	1,704,503.0	1,914,103.0	2,166,878.0
Grants	51,471.0	58,821.0	59,996.0	81,366.0
Deficit	(665,403.0)	(523,649.0)	(484,630.0)	(428,384.0)

Source: National Treasury

2.2.2 Legal Compliance

The submission and approval of the financial year 2017/18 Budget Estimates by the Executive to the National Assembly is anchored in Article 221 of the Public Finance Management (PFM) Act, 2012 (Section 38), Public Finance Management (National Government Regulations) 2015 and the National Assembly Standing Orders.

The 2017/18 budget is the 5th budget under the current administration and the first under the third Medium Term Expenditure Framework of the Vision 2030.

3.0 SUBMISSIONS

3.1 Presentation by the Parliamentary Budget Office

3.1.1 Overall Ministerial Expenditure

i. 2017/18 Budgetary Allocation

The total ministerial expenditure for FY 2017/18 is set at KSh. 309.7 billion and accounts for 20% of the total KSh. 1.698 trillion budget for the Executive Arm of Government. This is a reduction of KSh. 71 billion or 19% in resource allocation from the KSh. 381.7 billion allocated in FY 2016/17 and will be the lowest resource allocation since 2015/16. This is because of the decline in budgetary allocations to the State Department for Transport, which will fall by 43% (as a result of reduced allocations to the Railway program) and the State Department of Housing & Urban Development budget which will decline by KSh. 4.2 billion as some programs such as the Kenya Municipal Program have been completed.

Table 2: Overall ministerial budget (KSh. Millions)

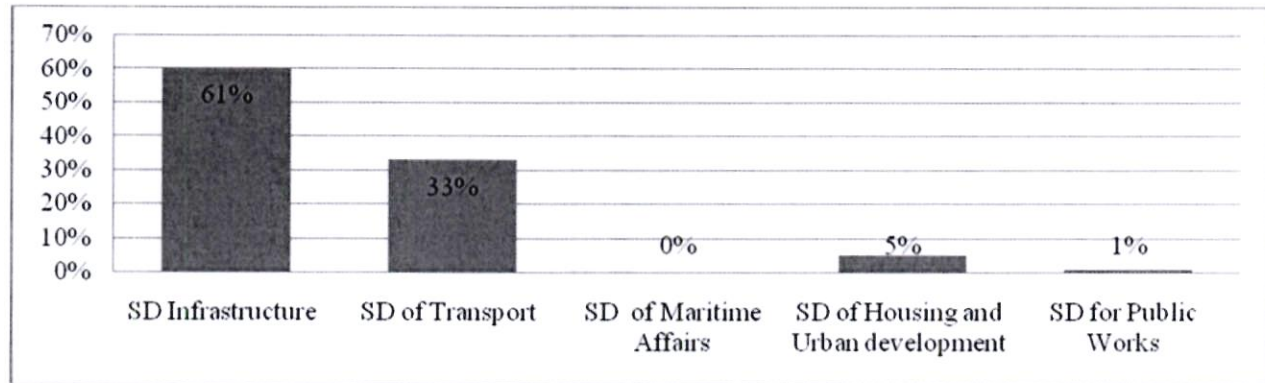
State Department	2015/16	2016/17	2017/18	% Change	2018/19	2019/20
Infrastructure	133,966	176,751	187,586	6%	208,722	211,041
Transport	164,254	181,587	102,820	-43%	90,660	92,567
Maritime	-	237	275	16%	272	274
Housing & Urban Development	21,973	20,151	15,998	-21%	10,355	10,398
Public Works	3,209	2,944	3,022	3%	2,863	3,013
Total Ministerial Expenditure	323,402	381,671	309,701	-19%	312,871	317,292

Source: National Treasury

ii. Comparison of Allocation per State Department

The focus for the ministry is expected to continue on facilitating movement of goods and services as can be indicated by 94% of the ministry's budget, being allocated to the SD/Infrastructure (i.e. 61% of total budget for construction, rehabilitation and maintenance of roads), SD/Transport (33% - for construction of major infrastructure facilities) and SD/Maritime; while 6% is left to be shared between the SD/Housing & Urban Development and the SD/Public works.

Figure 1: Allocation of resources by state department

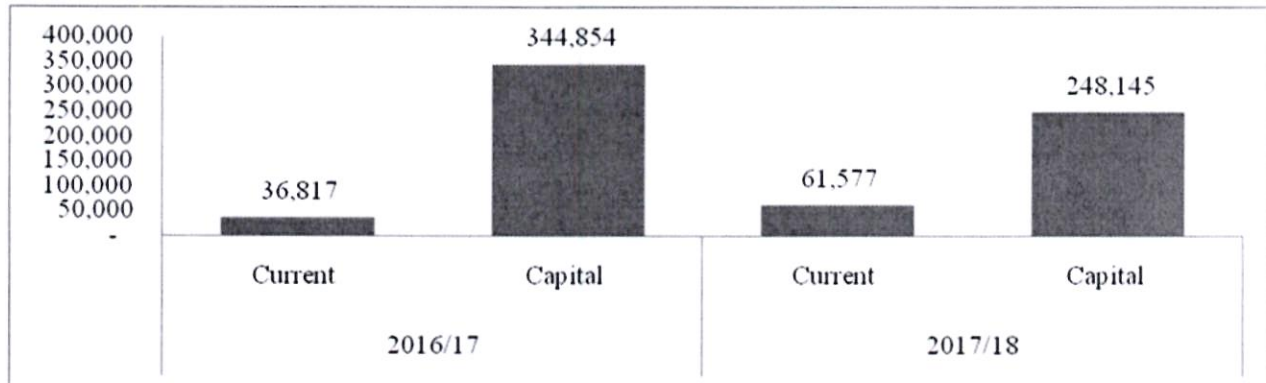


Source: National Treasury

iii. Ministerial Economic Classification

In terms of economical classification, the ministry will be spending 61.6 billion on recurrent expenditure representing 20% of total ministerial expenditure while the rest, KSh. 248.1 billion will be development expenditure representing 80% of total ministerial. Analysis by economic classification indicates that recurrent expenditure has increased by 67% from 36.58 to 61.6 billion. Development expenditure on the other hand is expected to fall from KSh. 344.9 billion to KSh. 248.1 billion on account of reduced resources allocation to the railway program.

Figure 2: Ministerial Economic Classification



Source: National Treasury

iv. Donor Financing

The total allocation for the ministry will be composed of donor commitments and exchequer allocations. For capital expenditure, the ministry will receive total external financing worth 117.6 billion which will be a decline from the KSh. 223.39 billion declared in 2016/17. This will account for 46% of total external expenditure for the 2017/18 budget worth KSh. 253.8 billion. This therefore implies that the ministry is a major driver of total debt accumulation for the country and calls for efficiency in utilization of resources.

Table 3: Notable of the sources of donor finances for the ministry in 2017/18

State Department	Grants			Loans		
	AIA	Revenue	Total	AIA	Revenue	Total
Infrastructure	5,760	-	5,760	34,849	3,583	38,432
Transport	-	-	-	63,675	1,530	65,205
Housing & Urban Development	1,188	10	1,198	3,800	3,155	6,955
Sub-Total	6,948	10	6,958	102,324	8,268	110,592
Total Ministerial	Total - 117,550 (46%)					
Total Budget External Finance	40,184	12,369	52,554	171,270	29,998	201,268
	Total - 253,822					

Source: National Treasury

The total external finance will include KSh. 6.96 billion in Grants and KSh. 110.6 billion in loans. In grants the beneficiary will be the SD of infrastructure, and major largest donors will be the from the

- European Development Fund (KSh. 4.3 billion)
- Japan (KSh. 1.2 billion) and.

While majority of the loans will be lent for projects in the Transport sector. Major lenders include:

- Government Of China (54 billion)
- World Bank-IDA (27 billion) – (See Annex 1)

3.1.2 Ministerial allocation vs 2017 Budget Policy Statement Ceiling

Overall expenditure levels for the ministry are within the 2017 - Budget Policy Statement limits by 6.4 billion. This is because of the resource allocation for the SD/Transport is within its ceiling by up to 15.3 billion i.e. BPS limit of 118.1 billion vs a budgetary allocation of 102.8 billion. Budgets for the state departments of Infrastructure, Housing & Urban Development and Public works are set to supersede the set limits by 8.5 billion, 261 million and 50 million respectively.

Table 4: Ministerial allocation vs 2017 BPS Ceiling (KSh. Millions)

State Department	2017/18 Budget Estimates			BPS			Deviation		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Infrastructure	52,658	126,386	179,044	52,658	134,928	187,586	-	8,542	8,542
Transport	6,009	112,080	118,089	6,051	96,769	102,820	42	(15,311)	(15,269)
Maritime Affairs	296	-	296	275	-	275	(21)	-	(21)
Housing & Urban development	1,391	14,346	15,737	1,726	14,272	15,998	335	(74)	261
Public Works	796	2,176	2,972	846	2,176	3,022	50	-	50
Ministry Total	61,149	254,988	316,137	61,555	248,145	309,700	406	(6,842)	(6,437)

Source: National Treasury

3.1.3 Analysis per State Department

1. State Department for Infrastructure

The State Department is mandated to oversee the construction, rehabilitation and maintenance of the country's road network. During the period under review, some of the key achievements included; the construction of 1,194km of road, rehabilitation of 523 km of road, routine maintenance of 144,858 KM of road, the Roads sub-sector policy was finalized, One Stop Border Posts were constructed at LungaLunga, Namanga, Busia, Malaba, Taveta and Isebania.

There were a number of challenges encountered during the implementation of the budget including; inadequate funding for Government projects; costly acquisition of land along transport corridors; lengthy procurement processes; high costs of relocating utilities; huge backlog of road network; discharging of bills among others. To mitigate these challenges, the State Department is embarking on completion of on-going projects and piloting annuity program.

During the 2017/18 - 2019/20 MTEF period, the major output will be; construction of approximately 11,600 km of roads and rehabilitation of a further 740 km through the Low Volume Seal and Annuity programs. The Department also plans to maintain 114,765 km of roads through the Road Maintenance Levy Fund.

Table 5: Sub-Program analysis SD/Infrastructure

	2016/17	2017/18	2018/19	2019/20
Construction of roads and bridges	96,906.9	86,717.2	102,389.6	105,600.6
Rehabilitation of Roads	47,895.2	45,530.4	47,361.8	46,352.1
Maintenance of Roads	26,178.0	49,748.0	52,901.0	52,902.0
Design of Roads & bridges	1,000.0	1,000.0	1,000.0	1,000.0
GAP&SS	4,770.8	4,590.0	5,069.4	5,186.9
Total Road Transport	176,750.87	187,585.59	208,721.79	211,042

Source: National Treasury

a. Recurrent

The recurrent expenditure for the SD/Infrastructure will increase from KSh.29 billion to KSh. 52.7 billion on account of increase in the Road Maintenance Levy Fund whose levy was increased to KSh. 18/liter; as such the allocation to the Kenya Roads Board have increased to KSh. 49 billion in 2017/18 from KSh. 26.2 billion in FY 2016/17. Other heads that will have the largest allocations will include; the Mechanical & Transport Department – KSh. 1.5 billion.

b. Development

The development budget on the other hand is expected to fall by KSh. 12.8 billion (8%) (from 147.8 billion) to 134.9 billion on account of reduction of the budget for capital transfers under the Construction of Roads and Bridges program. However these funds are expected to be substituted by the increase in collection of the RMLF and as such the state department's budget remains unaffected.

Table 6: Major Development Outlays for FY 2017/18 (KSh. Millions)

	<u>2016/17</u>	<u>2017/18</u>			<u>2018/19</u>	<u>2019/20</u>
		<u>Gross Expenditure</u>	<u>AIA - Donor</u>	<u>Net Expenditure</u>		
Annuity Low Volume Seal Road	20	10,320	10,300	20	10,820	10,820
Roads 2000 Phase	500	3,610	2,600	1,010	5,372	5,538
Mombasa Port Area Roads Development Project	716	3,808	2,500	1,308	4,000	4,500
Dualling Of Nairobi Dagoretti Corner Roads Phase 1	100	1,000	1,000	-	1,000	1,000
Nothern Corridor Transport Improvement Project	1,300	4,075	1,300	2,775	3,571	3,668
Kenya Transport Sector Support Program	3,204	13,870	10,940	2,930	20,972	22,045
National Urban Transport Improvement Project (Nutrip)	1,543	6,624	5,050	1,574	7,995	9,779
Southern Sudan Eastern Africa Transport, Trade & Development Facilitation	2,200	9,912	8,128	1,783	12,748	13,983
Low Volume Seal Road Phase 1 Batch 2	9,797	8,452	-	8,452	10,448	10,231
Low Volume Seal Road Phase 1 Batch 2	1,616	1,202	-	1,202	1,442	1,337
Low Volume Seal Road Phase 1 Batch 1	12,371	8,543	-	8,543	9,283	9,405
Low Volume Seal Road Phase 1 Batch 2E	-	5,271	-	5,271	6,179	5,639
Arusha -Hollili/Taveta -Voi Road Project	350	2,800	2,000	800	2,340	2,200
Mombasa Mariakani Highway Project	350	1,830	1,500	330	2,380	2,900

Source: National Treasury

2. State Department for Transport

This State Department is mandated to; formulate transport policies to guide in the development of the transport sector, development of regulatory framework for the transport sector to ensure harmony and compliance with international standards, monitoring and supervise service delivery by state corporations under its purview.

The State Department has been credited for the completion of the SGR, Construction of LAPSSSET, signing of bilateral air agreements etc. but has continued to face challenges such as:

- variations between land market value and expectations from the local owners led to lengthy negotiations;
- encroachment of the land earmarked for transport facility development;
- insecurity in the country;
- delays in funds disbursement for the projects;
- lengthy procurement process; inadequate provision of funds;

The major outputs in the MTEF 2017/18-2019/20 will be;

- completion of the Mombasa - Nairobi SGR,
- completion of demarcating the railway line and relocation of the railway encroachers in to the relocation units at Kibera and Mukuru,
- rolling out of 2million second generation driving licenses,
- completion of the first three berths at Lamu Port, completion of integrated Security system at Likoni Ferry,
- completion of phase II of the second container terminal
- Relocation of Kipevu Oil Terminal.

For the FY 2017/18 the State Department is receiving 102.8 billion representing a 43% decrease from KSh. 181.6 billion allocated in FY 2016/17. The reduction follows the winding up of the Nairobi-Mombasa SGR (427Km) under the Rail Transport Program (of whose budget is reduced by from 154.4 billion to 15.5 billion in 2017/18) as a result of and beginning the Nairobi-Naivasha (150 Km). The reduction in marine is as a result of reduction of the amounts allocated Mombasa Port Development Area having been allocated 3.7 billion down from the 5.5 billion in 2016/17.

However there are programs of whose resource allocation have been increased i.e. increase in Air Transport is as a result of increase in resource allocations to the Kenya Airports Authority The increase Air transport is on account of increase in targets for the rehabilitation the Bomet and construction of the runway at the Lokichogio Airport.

Table 7: Program Budget - State Department for Transport

	2016/17	2017/18	% Change	2018/19	2019/20
Gen Admin Planning & SS	663	1,183	79%	1,155	816
Rail Transport	156,533	75,832	-52%	61,917	61,917
Marine Transport	17,127	14,667	-14%	16,730	18,732
Air Transport	6,516	10,391	59%	10,112	10,355
Road Safety	748	746	0%	746	746
Total Budget	181,587	102,820	-43%	90,660	92,567

Source: National Treasury

a. Recurrent Expenditure

The recurrent budget is set to increase by 5% to 6.1 billion in 2017/18. The largest component for the recurrent budget will be the KSh.4.5 billion allocation to the Kenya Civil Aviation authority which are receipts from sales from Non-market establishments. Other large expenditures will include 436

million to National Transport & Safety Authority (NTSA) for production of 1 million Second generation driving licenses rolled, Kenya Ferry services 363 million, information and communication unit – 1.1 billion of which office and general supply expenditure amount up to 1.4 billion.

b. Development Expenditure

The development expenditure rose from KSh. 175.8 billion to KSh. 96.8 billion for the FY 2017/18. This is on account of the conclusion of the SGR/Nairobi Mombasa (427 Km) which has been allocated only KSh. 15.5 billion (down from the KSh. 154 billion allocated in FY 16/17) while the state department embarks on the shorter 150 KM Nairobi-Naivasha stretch at a cost of KSh. 59.7 billion for . Other major capital projects include the Malindi Airport expansion project - KSh. 1.5 billion, LAPSSET – KSh. 10 Billion, Mombasa Port Development Project – 3.7 billion.

Table 8: Major Development Outlays SD Transport

Head	2016/17	2017/18			2018/19	2019/20
		Gross Expend	AiA	Net Expend.		
Mombasa Port Development Project	-	3,650	3,650	-	5,500	7,500
Mombasa / Nairobi Standard Gauge Railway	-	15,515	15,515	-	-	-
Kenya Transport Sector Support Program	1,021	2,924	1,903	1,021	2,224	1,870
National Urban Transport Improvement Project (NUTRIP)	300	807	447	360	807	807
Relocation Units at KiberaMukuru	1,530	400	-	400	-	-
Malindi Expansion Project	438	1,500	-	1,500	1,777	1,850
Isiolo Airport Expansion Project	375	884	-	884	884	884
Suneka Airstrip	20	100	-	100	-	-
Lokichoggio Airport Facilities	20	150	-	150	150	150
Establishment of Kenya Ferry Maintenance Facility	100	40	-	40	-	-
Maintenance of ferries & Jetties project	100	200	-	200	150	150
Implementation of integrated security system	500	400	-	400	700	700
Bomet Airstrip Rehabilitation	50	50	-	50	63	-
LAPSSET Project	10,000	10,000	-	10,000	10,000	10,000
Second Generation Smart Card Based Driving License	-	300	-	300	300	300
Nairobi/Naivasha Standard Gauge Railway	-	59,669	59,669	-	61,669	61,669
Kenya Aviation Modernization Project	-	170	-	170	170	170
Multinational lake Victoria maritime Communication & Transport Project	-	10	10	-	10	10

Source: National Treasury

3. State Department for Maritime Affairs

The State Department's mandate includes the following functions; promotion of maritime and shipping industry; ship registration in Kenya; Marine cargo Insurance, establishment of effective admiralty jurisdiction; development of a central data and information centre; human resource development management and research in support of Kenya's shipping Industry.

Key achievement made by the State Department during the period under review was to domesticate Maritime Cargo Insurance Policy. During the implementation of the budget, the State Department experienced several challenges that slowed the implementation of the program such as lack of technical staff, lack of office space, furniture, office equipment, motor vehicles and late establishment of the human resource. However, the human resource is now established and has received the staff establishment approval from the Public Service Commission.

The expected output in FY 2017/18 and the medium term includes; creation of business opportunities in the maritime sector through public awareness campaigns and policies and regulations that will enhance efficiency in the sector.

As such the State Department will have a total resource allocation of 275 million which is a 16% increase from the 237 million allocated in 2016/17. The budget is purely recurrent budget.

Table 9: Budget for the SD Maritime

Project	2016/17	Gross Exp.	AIA – Donor	Net Expenditure/Treasury	2018/19	2019/20
Shipping & Maritime Affairs Department	197	-	-	-	-	-
Headquarter Administration Services	40	149	-	149	150	139
Shipping Affairs	-	58	-	58	52	56
Maritime Affairs	-	69	-	69	70	79
Total SD Budget	237	275	-	275	272	274

Source: National Treasury

4. State Department for Housing & Urban Development

The State Department is mandated to provide policy direction on matters related to housing and urban development. The core functions of the State Department include housing policy management, facilitation of access to adequate and affordable housing, development, management of government housing and urban planning and development, accreditation of construction workers, and development of occupational standards.

In the period 2013/14 - 2015/16, the State Department achieved the following;

- completed 822 housing units Kibera Soweto East Village Zone A and 729 housing units for civil servants,
- Kisumu under Civil Servants Housing Scheme at 65% completion level,

- constructed 2,592 housing units using ABT technology for IDPs in Turkana,
- facilitated 730 Civil Servants to access housing through mortgage worth Kshs 2.5 billion and 143 State Officers for mortgage worth Kshs 1.7 billion,
- refurbished 3,208 and registered 1,535 government houses country wide, and fenced 1,026 government plots/houses.
- installed 116 high-mast floodlights in urban areas,
- completed 159 markets (135No. ESP and 24No. flagship markets);

The State Department faced challenges which included inadequate funding coupled with delayed release of exchequer leading to pending bills, delay in enactment of bills to facilitate establishment of 5 other metropolitan regions, conflicting stakeholder interests in slum upgrading that leads to delay in project implementation, non- availability of land for solid waste management and housing development as well as lack of incentives to spur private sector investments in low cost housing.

In the period 2017/18 -2019/20 the following projects will take precedence;

- completion of markets (245 market stalls, 151 vision 2030 flagship and 8 ESP markets);
- construction of 2,450 housing units for National Police and Prisons Services;
- construction of 800 housing units in Machakos, Embu and Kiambu under Civil Servants Scheme;
- refurbishment of staff houses and fencing in state houses and lodges (8);
- refurbishment of 1900 government pool housing.
- installation of social and physical infrastructure in slums and informal settlements;
- development of integrated Urban Strategic Plans;
- Parking Bays, commuter rail stations and fire stations;
- Carrying out building audit on 19,5000 buildings countrywide and registering 18,000 contractors.

Table 10: Overall Budget SD Housing & Urban Development

	2016/17	2017/18	2018/19	2019/20
Housing Development	5,728	4,578	4,993	4,655
Estate Management	2,027	1,840	2,255	2,322
Housing Development & Human Settlement	7,756	6,418	7,248	6,977
Metropolitan Planning & Infrastructure Development	6,595	4,995	212	208
Urban Development & Planning Services	5,712	3,461	1,565	1,669
Urban & metropolitan Development	12,307	8,456	1,777	1,877
GAP&SS	88	267	272	278
Gen. Admin Planning & SS	88	267	272	278
Regulation of Constructions	0	686	686	686
Research Services	0	37	37	39
Buildings Standards	0	134	334	541
Regulation & Development of the construction Industry	0	857	1,057	1,266

Total - SD/ Housing & Urban Development	20,151	15,998	10,355	10,398
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Source: National Treasury

a. Recurrent Expenditure

1.73 billion or 11% of the State Department's budget will be incurred as recurrent expenditure, whilst 89% or 14.3 billion will be development expenditure. Largest component of the recurrent expenditure will be amounts allocated to the national Construction authority worth 686 million and will facilitate regulation of the construction industry. Other major allocations are for the national building inspectorate department that will be allocated 39 million and the urban development program that will be allocated 62.4 million.

b. Development Expenditure

KSh. 1.35 billion will be allocated to construction of 850 police and prison officer housing units, KSh. 2.8 billion will be allocated to the Kenya informal settlements improvement project (for constructing sewer lines, 56.3 Km of roads etc.) targeting Kisumu, Kericho, Kitui Embu and Kilifi counties.

Table 11: Development budget State Department of Housing & Urban Development

Project	2016/17	2017/18 Budget			2018/19	2019/20
		Gross Exp.	AIA - Donor	Net Expenditure		
Kisumu Urban Project	100	655	-	655	-	-
Kenya informal settlements' Improvement Project	3,975	2,760	-	2,760	1,800	1,800
Civil Servants Housing Scheme Fund	50	1,537	37	1,500	2,435	2,537
construction of housing Units for National & Kenya Prisons	1,600	1,350	-	1,350	1,350	1,350
Nairobi Metropolitan Services Improvement project	2,450	4,800	3,800	1,000	-	-
	8,175	11,102	3,837	7,265	5,585	5,687

Source: National Treasury

5. State Department for Public Works

The State Department is mandated to provide policy direction and coordinate all matters related to public works. The core functions of the State Department include development of public works policy and Planning, development and management of public buildings, public office accommodation lease management, maintenance of government property inventory, accreditation of architects, engineers and quantity surveyor etc.

During the period 2013/14 - 2015/16, the State Department completed 7 stalled government buildings projects such as Kibabii Teachers College, Garissa PTTC, Longisa District Hospital etc.,

maintained and rehabilitated 188 government buildings and conducted research on appropriate locally available building materials in Coast region, Lamu customs, rehabilitated Matondoni jetties, constructed 1,495 metres of seawall in Ndau, Lamu, Kizingitini and Shimoni, completed 73 footbridges etc.

Even with these completed projects, the SD faced challenges during which included inadequate funding, delayed release of exchequer leading to pending bills and delay in project implementation, land use conflicts and unavailability of land on which public projects are to be implemented.

Major services /outputs to be provided by the State Department in the 2017/18 - 2019/20 period will be:

- completion of 27 stalled government buildings,
- rehabilitation of 195 government buildings,
- construction and completion of 41 on-going footbridges,
- construction of 65 economic stimulus program District Headquarters,
- construction of 5 county headquarters,
- construction of 57 new government buildings,
- construction of Shimoni Jetty, Siyu and Mokowe jetties,
- construction/rehabilitation of 5,699 meters of seawall as follows; Ndau seawall - 284 meters, extension of Lamu seawall -1,615 metres, Mbwajumwali seawall -1,600 meters, Mkokoni and Pate seawall -2200 meters,

The budget for the State Department is expected to rise to KSh. 3.022 billion and KSh. 77.9 million or 3% above the 209 billion 2016/17 budget. This is as a result of increase of budgetary allocation to the government buildings program which accounts for up to 2.4 billion or 80% of total budgetary allocation for the state department.

Table 12 : Budgetary allocation to the State Department of Public works (KSh. Millions)

Program / Sub-Program	2016/17	2017/18	2018/19	2019/20
Stalled and new government Buildings	2,147	2,410	2,305	2,531
Buildings Standards & Research	152	-	-	-
Government Buildings	2,299	2,410	2,305	2,531
Coastline Infrastructure development	180	145	169	90
Pedestrian Access	77	75	-	-
Coastline Infrastructure & Pedestrian Access	257	220	169	90
Administration, Planning & Support Services	367	370	363	364
Procurement, Warehousing & Supply	22	22	26	28
General Administration planning & support services	388	392	389	392
Total - SD - Public works	2,944	3,022	2,863	3,013

Source: National Treasury

3.2 Presentation by the Principal Secretary, Eng. John Mosonik for the State Department of Infrastructure, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 28th February, 2017, the Committee met with the Principal Secretary for the State Department of Infrastructure on the Budget Estimates for the FY 2017/18. The following were his submissions;

The total budget for the State Department is Ksh.188 billion, is analyzed into Recurrent and Development Votes as follows:-

	Printed 2016/2017	Revised 2016/2017	Printed 2017/2018
(i) Recurrent	29,039,085,190	49,965,690,901	52,658,000,000
(ii) Development	<u>147,711,782,851</u>	<u>119,948,730,671</u>	<u>134,927,591,571</u>
Total	<u>176,750,868,041</u>	<u>169,914,421,572</u>	<u>187,585,591,571</u>

a. Recurrent Budget

The major components of the Recurrent Budget 2017/2018 are as follows:-

Component	Allocation	Method of Financing
(i) RMLF	-49,748,000,000	A.I.A
(ii) Mechanical Fund-	1,000,000,000	A.I.A.
(iii) Other Local A.I.A.	-26,000,000	A.I.A.
(iv) Other Recurrent -	<u>1,884,000,000</u>	Net GoK
Total	<u>52,658,000,000</u>	

The total Road Maintenance Levy Fund (RMLF) Budget 2017/2018 is Ksh.62,148,000,000 of which Ksh.12,400,000,000 has been captured under the Development Budget for Annuity Programme and Development Budget Support with the balance of Ksh.49,748,000,000 being captured under the Recurrent Budget.

The total collections under the revolving Mechanical and Transport Fund will amount to Ksh.1 billion. These collections will accrue from the equipment that was left with the National Government after 85% of the same was released to the Counties in 2015/2016 financial year.

The other Recurrent portion of Ksh.1,884,000,000 will mainly finance salaries to the tune of Ksh.1.3 billion for the Headquarter Divisions with the balance going to finance Operations and Maintenance for the Headquarters.

b. Development Budget

The Development Budget 2017/2018 of Ksh.135 billion will be financed as per the following analysis:-

	Printed 2016/2017	Revised 2016/2017	Printed 2017/2018
(i) Development Partner Portion	54,895,582,851	19,885,290,301	44,311,591,571
(ii) Gok Portion	<u>92,816,200,00</u>	<u>100,063,440,370</u>	<u>90,616,000,000</u>
Total	<u>147,711,782,851</u>	<u>119,948,730,671</u>	<u>134,927,591,571</u>

The State Department will continue with implementation of the Low Volume Seal Roads (LVSR) under the 10,000 Roads Programme to enhance connectivity and improve market access. In the current 2016/2017 financial year, the Low Volume Seal Roads has an allocation of Ksh.36 billion while in the financial year 2017/2018, the Low Volume Seal Roads has an allocation of Ksh.27 billion under the strategic initiative programme . The state Department will continue with implementation of the Low Volume Seal Roads in the 2017/2018 financial year. The Low Volume Seal Roads, under which additional new roads will be taken on board has a funding shortfall of approximately 20 billion. Arising from the foregoing, the State Department will request for supplementary allocations in 2017/2018 to bridge the gap for the ongoing LVSR and new LVSR.

The State Department intends to physically roll out some major projects awarded in 2016/2017 which include the following:-

- Machakos Turn Off-JKIA
- Junction James Gichuru-Rironi
- Southern Sudan Link Roads from Kitale-Nandapal/Nakadok
- Kibwezi-Mutomo-Kitui

All the major new projects are co-financed by Development Partners and are expected to decongest Nairobi and also improve mobility and increase trade between Kenya and Southern Sudan.

3.2.1 Status of Pending Bills on Road Projects

Works on road projects are paid on accrued basis after certification. Consequently, there will always be outstanding bills on projects under implementation. As at 24th February, the State Department had outstanding bills to the tune of Ksh.34 billion on certified works.

These bills continue to be settled with the 2016/17 Budget. Those that will not be settled, including additional ones to 30th June, 2017 will be settled with the 2017/2018 allocations. Despite the foregoing efforts, the net GoK ceilings allocation for 2017/2018 of Ksh.78.2 billion is inadequate to finance major road projects under Kenya National Highways Authority (KeNHA), Kenya Rural Roads Authority (KeRRA), Kenya Urban Roads Authority (KURA) and

the Low Volume Seal Roads (LVSR). The State Department expects to carry forward bills to the tune of Ksh.30 billion to 2017/2018. The total GoK Budget shortfall 2017/2018 is Ksh.50 billion.

3.3 Presentation by the Principal Secretary, Irungu Nyakera for the State Department of Transport, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 28th February, 2017, the Committee met with the Principal Secretary for the State Department of Transport on the Budget Estimates for the FY 2017/18. The following were his submissions;

The allocation for the 2017/18 financial year for both Recurrent and Development Vote is Kshs. 102,820,132,000 of which Kshs. 6,050,700,000 is Recurrent and Kshs. 96,769,432,000 is Development Estimates.

Table 13: Recurrent and Development Budgets

	2017/18 Allocation	Source of Financing
Recurrent	6,050,700,000	GoK
Out of which:		
KCAA	4,535,000,000	
KFS	356,000,000	
NTSA	436,000,000	
Northern Transport Corridor Coordinating Authority	84,176,000	
Min. Allocation		
Personnel Emoluments	197,500,000	
O&M	442,024,000	
Development	96,769,432,000	
Out of which:		
	14,044,000,000	Gok
	60,025,432,000	Donor AiA

21,169,000,000	Local AiA
1,531,000,000	Donor Revenue

Source: State Department of Transport

The State Department will be implementing the following new projects in the 2017/18 financial year.

1. Kenya Aviation Modernization Project - Kshs. 170,000,000

The project is aimed at improving the overall aviation environment by providing training and modern equipment and shall be implemented by KAA and KCAA.

2. Multinational Lake Victoria Marine Communication Project – Ksh. 10,000,000

The project aims at providing search and rescue facilities along the Lake Victoria and has a component for Kenya, Uganda and Tanzania.

Table 14: Projects Considered for Allocation

Programme Name	Projects	Allocation
Marine Transport	Mombasa Port Dev't Phase II	3,650,000,000
	Establishment of a Ferry Maintenance Facility	40,000,000
	Maintenance of ferries & Jetties	200,000,000
	Implementation of Integrated Security System	400,000,000
	LAPSSET Project	10,000,000,000
	Multinational Lake Victoria Comm' & Transport Project	10,000,000
Rail Transport	Standard Gauge Railway – Mombasa/ Nairobi	15,515,000,000

Table 15: Overall Performance

	Allocation	Expenditure to-date	Balance	% Absorption
Recurrent Vote	5,825,225,133	4,225,255,430	1,599,969,703	73.53%
Development Vote	163,414,396,000	98,927,828,082	64,486,567,918	60.54%
Total	169,239,621,133	103,153,083,512	66,086,537,621	60.95%

Source: State Department of Transport

Table 16: 2016/17 Projects Performance

Project Name	Allocation	Expenditure/ Transfer to-date	Projects Performance
Standard Gauge Railway – Msa/Nrb	110,574,000,000	91,922,309,934	99% complete
Relocation Units at Kibera	1,903,000,000	1,678,609,648	
Security Toll Gate at JKIA	71,000,000	35,500,000	Project complete 100%
Acquisition of ferries	650,000,000	262,500,000	70% complete. Delivery in June 2017
Establishment of ferry maintenance facility	100,000,000	75,000,000	20% of the project already done.
Maintenance of ferries & Jetties	350,000,000	175,000,000	80% complete. Completion by June 2017.
Implementation of Integrated Security System	100,000,000	75,000,000	20% completed.

Isiolo Airport Expansion project	134,500,000	134,500,000	
Lokichoggio Airport expansion project	20,000,000	10,000,000	
Malindi Airport expansion project	400,000,000	219,000,000	By the end of financial year all compensation under phase one to project affected persons will be finalised
Suneka Airstrip	20,000,000	10,000,000	
Mombasa Port Development Project Phase II	800,000,000	800,000,000	Preliminary designs already completed & project ready for take off.
LAPSSET	7,000,000,000	4,168,037,524	Construction of the first 3 berths is 18% complete

Source: State Department of Transport

3.4 Presentation by the Principal Secretary, State Department of Housing and Urban Development, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 28th February, 2017, the Committee met with the Principal Secretary for the State Department of Housing and Urban Development on the Budget Estimates for the FY 2017/18. The following were his submissions;

The draft budget for the Financial Year 2017/18 under the State Department is **Kshs. 15,997,000,000**. Of this amount **Kshs. 1,725,700,000** will be utilized towards the Recurrent expenditure and **Kshs. 14,272,000,000** towards the Development Expenditure.

Table 17: Summary of Allocations and sources of finances

Vote	Source	Original Printed 2016/17 FY	2017/18 FY Allocation
Development Vote	Development Partners	14,228,000,000	8,153,000,000
	World Bank	12,000,000,000	6,300,000,000
	KFW Germany	688,000,000	728,000,000
	AFD France	1,500,000,000	655,000,000
	Italian Government	40,000,000	470,000,000
	GOK	5,061,020,000	6,119,700,000
Recurrent Vote	GOK	862,299,444	1,725,000,000
Total		20,151,319,444	15,997,700,000

Source: State Department of Housing and Urban Development

The reduction under projects funded by Development Partners for the Financial Year 2017/18 is due to some programmes ending by June 2017 e.g. Kenya Municipal Programme II (KMP) and reduced allocations for projects funded by World Bank e.g. Nairobi Metropolitan Services Improvement Programme (NaMSIP) and Kenya Informal Slum Improvement Programme (KISIP)

Table 18: Allocation to Programmes and Sub-Programmes for the FY 2017/18

Programm/Sub-programme	2016/17 F/Y	2017/18F/Y	2018/19 F/Y	2019/20 F/Y
Programme I. Housing Development and Human Settlement	7,755,520,915	6,417,603,879	7,248,421,090	6,976,702,787
S.P. Housing Development	5,728,246,937	4,577,781,028	4,992,957,434	4,654,544,114
S.P. Estates Management	2,027,273,978	1,839,822,851	2,255,463,656	2,322,158,673
Urban and Metropolitan Development	12,307,370,780	8,455,704,396	1,777,054,735	1,876,792,036
Metropolitan planning and infrastructure	6,595,312,128	4,994,920,901	212,271,240	208,008,541
Urban Development and planning Services	5,712,058,652	3,460,783,495	1,564,783,495	1,668,783,495
General Administration	88,427,749	267,477,103	272,264,553	278,245,555
General Administration	88,427,749	267,477,103	272,264,553	278,245,555
Regulation and Development of the Construction Industry	-	856,914,622	1,056,959,622	1,265,959,622
Regulation of Construction	-	686,060,725	686,060,752	686,060,752
Research services	-	37,049,817	37,094,817	39,094,817
Building Standards	-	133,804,053	333,804,053	540,804,053
TOTAL VOTE 1094	20,151,319,444	15,997,700,000	10,354,700,000	10,397,700,000

Source: State Department of Housing and Urban Development

During the preparation of the 2017/18 Financial Year budget, the State Department had an approval from the National Treasury to create an additional programme called "Regulation and Development of the Construction Industry." The programme has three sub-programmes namely;

- i. Research Services (Kenya Building Research Centre)
- ii. Building Standards (National Building Inspectorate)
- iii. Regulation and Development of Construction Industry (National Construction Authority)

This was informed by the expanded mandate of the State Department in line with the Executive Orders No. 1/2016 which transferred some functions i.e. Kenya Building Research Institute (KBRC), National Building Inspectorate (NBI) and National Construction Authority (NCA) from the State Department of Public works to the State Department of Housing and Urban Development.

The State Department also created one expenditure Head under the Recurrent Vote called County Estates Services. The Head is to cater for National Government Functions at the County level.

During the MTEF period 2017/18- 2019/20, the following will be undertaken:

1. Construction of 850 Housing units for the National Police and Prison Services
2. Facilitation of 750 Civil Servants with Mortgage Loans to develop/purchase houses
3. Refurbishment, security fencing, civil works of 1,900 Government residential units
4. Refurbishment of staff houses and fencing of 10 state houses and lodges
5. Coordination of National Secretariat for Human Settlement
6. Installation of physical infrastructure (access roads, Strategic link roads, Non- Motorized Transport facilities foot paths, security/high masts lighting, storm water and sanitation, solid waste management) in urban areas
7. Construction of market hubs and completion of ESP markets
8. Construction of bus parks and parking bays
9. Construction of school in poor urban areas
10. Register and regulate conduct of contractors
11. Accredited Skilled construction workers and site supervisors
12. Establish and maintain Construction Industry Information system
13. Training of contractors, skilled construction workers and site supervisors
14. Carry out research and development in the construction industry and disseminate its findings
15. To audit No.20,000 of buildings countrywide.
16. Scientific testing of No.600 of suspected buildings.
17. To develop 50kms reclaimed riparian spaces i.e into pedestrian and non motorised landscaped walk way.

Table 19: List of Projects and 2017/18 FY Allocation

Project	2017/18		TOTAL
	GOK	DEVPARTNER	
PROGRAMME: Urban and Metropolitan Development			
1094101801 Nairobi Metropolitan Services Improvement Project (NAMSIP) (World Bank)	1,000,700,000	3,800,000,000	4,800,000,000
Primary and secondary phase 111 (KFW Germany)	100,000,000	628,000,000	728,000,000
Korogocho Slum Upgrading-Nairobi (Italian Government)	0	115,000,000	115,000,000
Primary School in poor urban Areas Phase I & 11 (KFW Germany)	0	100,000,000	100,000,000
Kisumu Urban Project (ADF France)	0	655,000,000	655,000,000
Korogocho Slum Upgrading programme- Kilifi Access Roads (Italian Government)	0	355,000,000	355,000,000
Rehabilitation & Reconstruction of Narok Stormwater Drainage Phase II	150,000,000	0	150,000,000
1094101601 Completion of Karatina market	162,100,000	0	162,100,000
1094101604 Construction of Mumbuni and Migwani Retail Market	22,000,000	0	22,000,000
Completion of 79 No. ESP Markets	125,900,000	0	125,900,000
1094102201 Completion of Daraja Mbili Market	20,000,000	0	20,000,000
1094102001 Construction of Oyugis Market	100,000,000		100,000,000
Construction of Kerugoya Kutus Storm water Drainage	150,000,000	0	150,000,000
Completion of Daraja Mbili Market	136,000,000	0	136,000,000
1094102401 Construction of Mudete Retail Market	55,000,000	0	55,000,000
Construction of Chaka Market	150,000,000	0	150,000,000
Completion of Taveta Bus Park and Market	80,000,000	0	80,000,000
Redevelopment of Westland's Market	81,000,000	0	81,000,000
Construction of Mbita Point Market	29,000,000	0	29,000,000
Construction of Sotik and Bomet markets	50,000,000	0	50,000,000
Construction of Kongowea Wholesale market	84,000,000	0	84,000,000
Kenya Urban Programme	35,000,000	0	35,000,000
SUB-TOTAL	2,530,700,000	5,653,000,000	8,183,000,000
PROGRAMME: Housing Development and Human Settlement			
Kenya Informal Slum Improvement Programme (KISIP)	260,000,000	2,500,000,000	2,760,000,000

Construction of Housing Units for National Police & Kenya Prison	1,350,000,000	0	1,350,000,000
Disbursement of Loans to civil Servants	1,500,000,000	0	1,500,000,000
National Secretariat for Human Settlement	112,000,000	0	112,000,000
Civil Servants Tenant Purchase Development in ShauriMoyo	37,000,000	0	37,000,000
1094101203 Refurbishment of Government Residential Houses units	150,000,000	0	150,000,000
Refurbishment of staff houses and fencing in state houses and lodges	50,000,000	0	50,000,000
SUB-TOTAL	3,459,000,000	2,500,000,000	5,959,000,000
PROGRAMME: Regulation and Development of Construction Industry			
Renovation and equipping the National Building inspectorate	100,000,000	0	100,000,000
Building and Construction Materials survey	30,000,000	0	30,000,000
SUB-TOTAL	130,000,000		130,000,000
GRAND TOTAL	6,119,700,000	8,153,000,000	14,272,000,000

Source: State Department of Housing and Urban Development

The State Department has a budget short fall on other key priority areas as follows;

Recurrent Vote

- a. Operationalization of 47 National housing county offices 200 Million
- b. Other operational expenses (electricity, rent, water, security & cleaning services among others) 300 Million

3.5 Presentation by the Principal Secretary, Mrs. Nancy karigithu for the State Department of Shipping and Maritime Affairs, Ministry of Transport, Infrastructure, Housing and Urban Development

On Tuesday, 28th February, 2017, the Committee met with the Principal Secretary for the State Department of Shipping and Maritime Affairs on the Budget Estimates for the FY 2017/18. The following were his submissions;

In the FY 2017/18 MTEF Budget, the state department of Maritime and Shipping Affairs require Ksh 598 million for recurrent expenditure and Ksh 765 million for development expenditure. The total resource requirement for recurrent and development expenditure is Ksh 1,363 million.

Table 20: Resource requirement vs Allocation

Resource Requirement Vs Allocation Analysis					
Recurrent (Kshs Million)		Development (Kshs Million)		Total(Development & Recurrent) (Kshs Million)	
Requirement	Allocation	Requirement	Allocation	Requirement	Allocation
598	262.2	765	-	1,363	262.2

Economic Classification	Requirement (Kshs. Million)	Allocation (Kshs. Million)
Compensation Of Employees	274	39.14
Use Of Goods And Services	184	133.23
Grants And Transfers	140	89.9
Other Development	765	0
Total	1,363	262.2

Source: State Department of Shipping and Maritime Affairs

3.5.1 Justification for resource requirement

1. Staffing

Staffing is a key function in management that deals with acquiring deploying and retaining human resources in an organization. Being a new state Department, the unit faces a big challenge of human resource. The State Department has received approval from Public Service Commission on staff establishment of 83 technical officers. In order to recruit and acquire additional staff the budget on Personnel Emoluments should be provided of Kshs 99.6 million. However no funds have been allocated for recruitment in FY 2017/2018.

2. Office Rent

Currently the State Department is housed at Transcom House under State Department of Transport. The available space is insufficient. The offices including those with related functions are scattered on several floors which compromises efficiency in office work such as time wastage on movement between offices, poor utilization of office equipment and non-effective supervision of staff. The department is in the process of acquiring office space of around 16,500 square feet.

3. Policy Development

Kenya aims at transforming its vast maritime resources into a blue economy in order to create jobs and spur economic growth for socio economic development in line with Vision 2030. This calls for the need to put in place the necessary supporting mechanisms to develop the blue economy, so that the maximum benefits for the economy are achieved. Of immediate priority is the introduction of appropriate fiscal and policy interventions that make an enabling environment for Kenyan private investors to set up enterprises in the sector.

4. Office Furniture and Equipment

The State Department is extremely lacking computers that and officers have to increasingly interrupt the Principal Secretary's Office Administrator for use of the computers. It is as well discomfoting when officers cobble together makeshift furniture for use due to insufficient office furniture.

5. Maritime School of Excellence

To support the growth of the Kenya's shipping and maritime industry, there are key areas that must be addressed. These include, need to build capacity for the industry which requires setting up a specialized maritime centre of excellence. As part of capacity building the State Department is in the initial stages for establishment of the maritime school of excellence for the shipping and maritime industry.

6. Data Centre

Data and statistics influence national planning, budgeting and development agenda. History shows that much of the available maritime data is exclusively related to the port industry. In this regard, the State Department is in the process of developing a data centre that will provide the public with maritime data/information necessary for policy decision making and investment options. It is intended that this data centre will be the depository of data and information for the entire shipping and maritime industry.

7. Public Awareness

As part of its strategic objective the State Department of Maritime and Shipping Affairs is mandated to create awareness to the Kenyan public on the potentially and abundant resources that a well-leveraged maritime sector can provide for sustainable social and economic growth and development. The maritime sector also opens up avenues for sustainable food security and energy resources as well as mineral resources critical for existing or new industrial growth. There will be publicity and campaigns organised especially to regions around the coast and inland waters such as lake areas to create awareness of the immense opportunities in the maritime sector as well as the need to create human resource capacity necessary to develop the blue economy.

8. Logistical support - Motor Vehicles

The State Department needs to satisfy the logistics needs by acquiring at least 9 vehicles for its fleet which it considers optimal for now as it does not have devolved offices. Currently it does not possess any vehicle of its own. Since officers are based in Nairobi, there will be regular travelling to the areas around the coast and inland lakes for various activities.

9. Maritime training and education

Training and development is critical in building capacity of the human resource for achievement of an organization's goals. The global shipping industry is experiencing shortage of qualified personnel such as seafarers, especially officers. The shortage of qualified human resource provides Kenya with immense investment opportunity in maritime education and training. With a population of 40 million people in which 55% are youth aged between 18 and 35 years, and over 300,000 pupils finishing secondary school education annually, maritime training and education program can go a long way in absorbing the youth locally and also supply the global industry with the required expertise. In addition the Social Pillar in Vision 2030 seeks to improve the quality of life of the people of Kenya through investment in identified sectors namely: Education and Training and Labour and Employment. The Maritime sector lacks medium and higher level training institutes and academies with training ships and other related facilities for various disciplines in maritime and shipping such as sea farers, ship captains, naval architects, ship surveyors, and trainers amongst others. The Bandari College is the only one that offers maritime training, but for a long time it has catered mainly for Kenya Ports Authority staff.

10. Vessel chartering

Kenya is keen to make use of the blue economy, and therefore there is need to put supporting mechanisms in place so that the maximum benefit accrues to Kenyans. One of the bold decisions that need to be taken for the promotion of the industry is to restructure the Kenya National Shipping Line (KNSL) which is a Kenyan flag carrier and support it to own ships so as to bring immense benefit to the industry. Ships are also necessary to support maritime education and training. Currently KNSL operates on slot charter on MSC vessels. While this arrangement saved the company exorbitant feeder costs, dead slots and higher container leasing costs, it inhibited expansion of the KNSL due to the limited ports of call stipulated in the contract and inconsistent provision of equipment. In the FY 2017/2018 KNSL intends to charter vessels for commercial and training needs. The chartered vessel will result in provision of training slots for Kenyan seafarers, increase jobs in the maritime industry, increase revenues, safety and security of sensitive Government shipments among other benefits.

11. Vessel Acquisition

The Kenyan economy is heavily dependent on international trade with cargo throughput of more than 20 million tons being shipped through the Port of Mombasa. To date, the shipment of this tonnage depends entirely on foreign shipping lines with freight costs paid to these carriers being averaging over Kshs. 92 billion reflecting substantial balance of payment outflows.

To enable KNSL meet its mandate, the Government support in acquisition of vessels is required in order to operate effectively in a highly competitive international arena.

The market expects the KNSL as the National Carrier to have vessels. The fact that KNSL lacks own vessels gives a negative first impression and makes it difficult to convince clients that the Line is able to deliver. Therefore the KNSL intends to acquire vessels.

The State Department has got only one program and has 4 projects for funding consideration; however no funds have been provided by the sector for all the projects in the FY 2017/2018 budget. They include:-

1. Establishment of a maritime school of excellence at Bandari College – Ksh. 150 million
2. Development of maritime master plan – Ksh. 20 million
3. Restructuring the Kenya National Shipping Line – Ksh. 1,608,669,500 billion
4. Chartering of a ship for Kenya National Shipping Line – Ksh. 550 million

3.6 Presentation by the Principal Secretary, prof. paul Maringa for the State Department of Public Works, Ministry of Transport, Infrastructure, Housing and Urban Development

In the Financial Year 2017/18 the State department is projected to receive a total of **Kshs. 3,022.14 Million** of which Recurrent Expenditure is **Kshs. 842.05 Million** and Development Expenditure is **Kshs. 2,176.09 Million**.

Table 21: Proposed Allocations to State Departments of Public Works

	ESTIMATES 2016/17	ALLOCATION 2017/18
Recurrent Expenditure	897.187	842.05
Development Expenditure	2047.00	2,176.09
Total	2,944.187	3,022.14

Source: State Department of Public Works

Table 22: Proposed allocation verses the achievements of the department

No.	Programme/Project	Proposed allocation 2017/18 (Ksh.million)	Achievements/ Current Status
1.	Seawalls and jetties	61.40	
	Construction of Ndau Seawall	57.00	72%
	Construction of Shimoni Fisheries Jetty	4.40	Pending bill
2.	On-going Stalled Government Building Projects	1,317.31	
	Migori District Headquarters Ph I	69.83	86%
	Medical Training Centre Kabarnet	39.20	68%
	Completion of Kibish Police Station & GSU Base Camp + Divisional headquarters	107.70	94%
	KITI Nakuru	123.3	50%
	MathareNyayo Hospital	287.60	45%
	Voi Pool Housing	262.00	40%
	Kenya Institute of Business training(KIBT)	151.50	85%
	KerichoArdhi House Phase II	96.60	93%
	Nyamira Divisional Police Phase II	48.70	95%
	Kapsabet pool housing	130.88	5%
3.	Completion of various Economic Stimulus Programme (ESP) District/Sub-County Headquarters	98.35	
	Mandera West	18.10	Ongoing

No.	Programme/Project	Proposed allocation 2017/18 (Ksh.million)	Achievements/ Current Status
	Kabete	14.73	Ongoing
	Tinderet	9.80	Ongoing
	Nyamira North	10.10	Ongoing
	Starehe	23.35	Ongoing
	Mathira West	2.30	Ongoing
	Marigat	9.07	Ongoing
	Sabatia	10.90	Ongoing
4.	Completion of various foot bridges	75.13	
	Proposed footbridge at kachepkos/trimion	1.72	Ongoing
	Proposed footbridge at atyar primary	1.72	Ongoing
	Proposed 2no.footbriges at kapkures&cherumbas at saruchet	6.55	Ongoing
	Proposed mayoni-nanyeni footbridge	6.55	Ongoing
	Proposed isongo-makunga footbridge	7.44	Ongoing
	Proposed adhiegra footbridge	7.40	Ongoing
	proposed kaptarin footbridge	11.29	Ongoing
	<i>proposed 4.no.footbridges over river suam</i>	8.17	Ongoing
	Riamokua footbridge	2.40	Ongoing
	Proposed footbridge in alegousonga and kawere	15.65	Ongoing
	proposed footbridge in lokoridivision,Turkana south constituency	6.24	Ongoing
5.	Construction of county Headquarters	605.00	
	Isiolo	121.00	Ongoing
	Lamu	121.00	Ongoing

No.	Programme/Project	Proposed allocation 2017/18 (Ksh.million)	Achievements/ Current Status
	Nyandarua	121.00	Ongoing
	Tana river	121.00	Ongoing
	TharakaNithi	121.00	Ongoing
6.	Construction of county works offices	18.90	
	Works building	18.90	Ongoing

Source: State Department of Public Works

4.0 COMMITTEE'S OBSERVATIONS

The Committee observed that:-

1. The total ministerial expenditure for FY 2017/18 is set at KSh. 309.7 billion and accounts for 20% of the total KSh. 1.698 trillion budget for the Executive Arm of Government. This is a reduction of KSh. 71 billion or 19% in resource allocation from the KSh. 381.7 billion allocated in FY 2016/17 and is as a result of the decline in budgetary allocations to rail transport program as the longer 427 KM (Nairobi - Mombasa) comes to a conclusion and the shorter Nairobi – Naivasha Phase begins.
2. The LAPSSET absorption rate is below the current 2017/18 allocation of 10 billion by up to KSh. 3 billion i.e. the KSh. 10 billion allocations in 2016/17 budget estimates was reduced to 7 billion on account of absorptive capacity, in addition, the state departments (Transport) mid-year absorption is 4.1 billion leaving approximately 3 billion for the remainder of the financial year.
3. Some projects are taking too long to be completed such as Implementation of security system at Likoni Ferry(is has to take 3 years), Suneka airstrip is to be completed in 2019/20, Lokichogio runway extension is to take 3 years, among others.
4. The state department of shipping and maritime affairs has a very small budget and attempts by the ministry should be put in place to see other source of finance such as Public Private Partnerships to enhance the resources available to the state department. A small allocation to the state department could also facilitate donor financing to this state department.

5. The budget for construction of housing units for National Police and Kenya Prisons Service units has fallen from KSh. 1.6 billion (under the supplementary I Budget) to KSh. 1.35 billion and as a result the target for houses to be constructed has fallen from 1850 units down to 850. The Committee has committed itself to follow-up on this project;
6. The state department of public works has accumulated pending bills amounting to 1.21 billion.
7. The ministry is not sharing its resources effectively, having received transferred the state department of public works from the ministry of lands, the ministry has not provided a way forward as to how to solve the pending bills and low resource distribution from SD like Public works.
8. The state department of public works has a growing number of stalled projects that are being carried from year to year e.g. the economic stimulus plans. The State Department has been urged to complete these projects as soon as possible;
9. Whereas the state department has prioritized several footbridges across the country for construction, Ugembo Foot Bridge has not received any financial allocations for the FY 2017/18
10. Whereas the State Department for Transport has earmarked several airstrips and airport for construction and or rehabilitation, Kakamega airstrip has been left out and it has not received any allocations for the FY 2017/18 yet the Airstrip is a critical facility in terms of opening up the county.

5.0 COMMITTEE'S RECOMMENDATIONS


The Committee Recommends that;

- i. There needs to be further transparency with the collection and distribution of the road maintenance Levy fund and the Railway development fund that are valued at KSh. 62 billion and KSh. 36.2 billion if FY 2017/18. Quarterly status reports should therefore be submitted to Parliament every financial year.
- ii. Having noted that the LAPSSSET project has been allocated 10 billion shillings which is above its absorption rate of 7 billion (as indicated under the Supplementary I Budget FY 2016/17). The committee resolves that this amount be reduced by 1 billion to remain at 9 billion for the FY 2017/18. The resultant KSh. 1 billion to be reallocated as follows:
 - a) State department for Public Works – **KSh. 15 Million** for construction of **Ugembo Foot Bridge** – This is under the Coastline Infrastructure & Pedestrian Access Program

- b) Under state department of Transport – **KSh. 300 million** for **Suneka Airstrip** and **KSh. 200 million** for **Kakamega Airstrip** – These are both under the Air Transport Program
 - c) State Department for Housing and Urban Development - **KSh. 435 million** to enhance construction of **housing units for police and prison officers** – This will increase the FY 2017/18 budgetary allocation of KSh. 1.35 billion to KSh. 1.685 billion – This is under the Housing Development and Human Settlement Program
 - d) Under State Department for Maritime Affairs - **Development of the maritime master plan – Ksh. 20 million, purchase of office furniture and general equipment – KSh. 30 million** – This state department does not have a vote for the development budget however it has only one program i.e. marine transport program
- iii. The National Treasury creates or provides for a development budget under the State Department of Shipping and Maritime Affairs to facilitate the above recommendations. The state department has been allocated funds for recurrent expenditure amounting to KSh. 275 million for the FY 2017/18 and the development budget will enable the state department plan and implement projects that will have effect beyond the current financial year.
 - iv. That the **Kenya Maritime Authority** and all its functions be placed under the purview of the state department of Maritime.
 - v. That all functions under the state department for transport that pertains to maritime affairs be transferred to the state department for maritime.

SIGNED.....

DATE

 Hon. Maina Kamanda, EGH, M.P.

Chairperson, Departmental Committee on Transport, Public Works and Housing



REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION

**THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL
RESOURCES**

**REPORT ON THE REVIEW OF THE PRINTED ESTIMATES FOR THE FINANCIAL
YEAR 2017/2018 FOR THE STATE DEPARTMENT FOR ENVIRONMENT, THE
STATE DEPARTMENT FOR NATURAL RESOURCES, THE STATE DEPARTMENT
FOR WATER SERVICES AND THE MINISTRY OF MINING**

VOTE 1105: STATE DEPARTMENT FOR ENVIRONMENT

VOTE 1106: STATE DEPARTMENT FOR NATURAL RESOURCES

VOTE 1103: STATE DEPARTMENT FOR WATER SERVICES

VOTE 1191: THE MINISTRY OF MINING

**CLERKS CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI**

MARCH, 2017

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MANDATE OF THE COMMITTEE

The Committee derives its mandate from provisions of Standing Order 216 (5) which outline functions of the Committee as being:-

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

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

- (a) Climate Change
- (b) Environment Management and Conservation
- (c) Forestry
- (d) Water Resource Management
- (e) Wildlife
- (f) Mining and Natural Resources
- (g) Pollution and Waste Management

On behalf of the Departmental Committee on Environment and Natural Resources and pursuant to the provisions of Standing Order No (199), it is my pleasure and duty to present to the Budget

and Appropriation Committee, the report on Examination of the Printed Estimates for the year 2017/2018.

MEMBERSHIP

The Committee comprises the following members:

1. Hon. Amina Abdalla, M.P., CBS - **Chairperson**
 2. Hon. Alexander Kosgey, M.P. - **V/Chairperson**
 3. Hon. Samuel Ndiritu, M.P.
 4. Hon. Ejidius Njogu Barua, M.P.
 5. Hon. Moitalel Ole Kenta, M.P.
 6. Hon. Sunjeev Birdi, M.P.
 7. Hon. Abdi Noor Ali, M.P.
 8. Hon. Abdulaziz Farah, M.P.
 9. Hon. (Dr) Reginalda N. Wanyonyi, M.P.
 10. Hon. Alice Ng'ang'a, M.P.
 11. Hon. Peter Kinyua, M.P.
 12. Hon. Richard Makenga, M.P.
 13. Hon. Jude Njomo, M.P.
 14. Hon. Kathuri Murungi, M.P.
 15. Hon. Joyce Emanikor, M.P.
 16. Hon. Ronald Tonui, M.P.
 17. Hon. Jackson K. Rop, M.P.
 18. Hon. Hassan Dukicha, M.P.
 19. Hon. Gideon Mwiti, M.P.
 20. Hon. Dr. Wilber Ottichilo, M.P.
 21. Hon. George Oner Ogalo, M.P.
 22. Hon. Chachu Ganya, M.P.
 23. Hon. Joyce Lay, M.P.
 24. Hon. Diriye M. Abdullahi, MP
 25. Hon. Major Muluvi Mutua MP
 26. Hon. Charles Geni Mongare, M.P.
 27. Hon. Shukran Hussein Gure, M.P.
 28. Hon. Zuleikha Hassan Juma, M.P.
 29. Hon. Wandayi James Opiyo,
-

CONSIDERATION OF THE 2017/2018 BUDGET ESTIMATES

The Budget Estimates were tabled in the House on 15th February, 2017 and were referred to departmental Committees pursuant to Standing Order 235 (3). The Committee held five sittings in which it deliberated on the Budget Estimates including meeting with the Parliamentary Budget Office, the Ministry of Environment & Natural Resources, the Ministry of Water & Irrigation and the Ministry of Mining.

OBSERVATIONS

The Committee having reviewed the Budget Estimates for the 2017/2018 Financial Year made the following observations:-

MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES

a) State Department for Environment

1. In the FY 2017/2018 budget, there are new projects totaling to **Kshs. 157.30 million** which goes against the directive of starting new projects and ensuring completion of ongoing projects with the constrained resources.
2. The targets for the Programmes/sub-Programmes are not realistic and not in line with the allocations
3. In the FY 2017/2018, the National Environment Management Authority has a proposed allocation of **Kshs. 990.16 million** out of which **Kshs. 90 million** is to be financed through A-I-A while **Kshs. 900.16 million** is to be financed through exchequer. This is against the allocation of **Kshs. 1.20 billion** of which **Kshs. 800 million** was through A-I-A and **Kshs. 400.15 million** through exchequer allocated in the FY 2016/2017. It is therefore of concern that the A-I-A collection has reduced due to the scrapping of the EIA fee and the funding through the exchequer has gone up. The committee further notes that the scrapping of the Environment Impact Assessment fees goes against international treaties on Polluter pays principle to which Kenya is a signatory;
4. This has further resulted in a shortfall in the operation and maintenance costs for the Authority.

b) State Department for Natural Resources

1. The current drought being experienced in the country has increased incidences of human wildlife conflict. The pending payments for victims of human wildlife amount to **Kshs.4.65 billion** for the period January 2014 to January 2016.
2. The committee was concerned with the stagnation of A-I-A in Kenya Wildlife Service despite the robust tourism level, however the Department explained on the reduction of park fees by 16% against its neighboring countries to provide for the increase in tourists.
3. The committee is concerned with the Kenya Meteorological Department's capability of giving accurate information on the erratic weather patterns which has become the new normal to avoid calamities such as drought and floods brought about by climate change

MINISTRY OF WATER AND IRRIGATION

a) State Department for Water Services

1. The committee noted that out of the Recurrent expenditure of **Kshs. 4.02 billion**, **Kshs. 3.15 billion** (78%) has been taken up by state agencies and out of this over **2 billion shillings** is for personnel emoluments. It was therefore of concern to the committee that most of these agencies such as WARMA are overstaffed and hence the funds allocated are only for paying employees rather than carrying out their mandate.
2. The Committee in its previous engagement with the National Treasury was informed that Kshs. 195 million to Badasa Dam and **Kshs. 536 million** to Umaa Dam would be allocated under amendments to supplementary 1 to cater for the pending bills arising from court cases. However the implementation of the two projects have not been factored in the FY 2017/2018 raising doubts on the status of the projects
3. The Committee noted that some projects have increased donor allocations in the FY 2017/2018 budget; however some of these projects had reductions in their donor budgets under the supplementary budget estimates for the FY 2016/2017 due to non-absorption of funds. The committee therefore notes the gap between budgeting and budget implementation especially in regards to the externally funded projects
4. In the FY 2017/2018 budget, there are new projects totaling to **Kshs. 883 million** which goes against the directive of starting new projects and ensuring completion of ongoing projects with the constrained resources.
5. The State Department under the transboundary waters Programme which is a new Programme, targets to conduct ground water mapping for Turkana and Marsabit. This has been a continuous/ moving target since the FY 2014/2015 under the State Department. This is a clear indication of the lack of linkage between programmes, outputs and allocations

THE MINISTRY OF MINING

1. The Ministry of Mining was allocated **Kshs. 2.76 billion** for conducting the first phase of the nationwide airborne geophysical survey in the FY 2016/2017. The Ministry has been advised by the National Treasury to consider external financing for the said project. However, it has come to the attention of the Committee that the due diligence has not been carried out on the Chinese firm, Geological Exploration Technology Institute (GETI) of Jiangsu Province, which is set to carry out the project.
2. The Ministry headquarters' allocation towards specialized materials and supplies has increased from **Kshs. 500,000** to **Kshs. 32.67 million**. The Ministry explained that the funds were to cater for the purchase of Satellite Images. It was however of concern that the Ministry did not provide information on the purpose and type of satellite images (resolution of the satellite images, whether purchasing archived data) to convince the committee on the allocation.

3. The Ministry was allocated funds for the granite assessment project in Vihiga to conduct feasibility studies, however, the Ministry has not submitted the feasibility studies for onward project implementation

RECOMMENDATIONS

Arising from the budget estimates review and the observations above the Committee recommends that:-

1. The Committee approves the proposed Budget estimates for the Financial Year 2017/2018;

a) State Department for Environment

1. With the constrained and limited resources, the MDAs need to focus on fast-tracking completion of key ongoing projects before starting new projects
2. The need to strengthen the link between the Programme Based Budget framework and Itemized Budget with respect to having a comprehensive and responsive set of indicators, key outputs and realistic targets and proper costing of programmes. There is need to have a costed approach when setting targets and expected outputs as the evidence available indicate a weak link in terms of having an effective and responsive PBB framework
3. The Environment Impact Assessment (EIA) fees which has been scrapped off needs to be reinstated. The scrapping of the Environment Impact Assessment fees goes against international treaties on Polluter pays principle to which Kenya is a signatory; further to this the scrapping of the EIA fee has led to reduction in the A-I-A collected and further increasing the funds to be financed through the exchequer, burdening the tax payers.

b) State Department for Natural Resources

1. The Committee recommends the long term solution is to amend the Wildlife Conservation and Management Act, 2013 to limit the compensation claims to areas of jurisdiction of the Kenya Wildlife Service. However, the **Kshs. 4.65 billion** pending claims for victims of human wildlife conflicts which have been forwarded should be paid;
2. With the effect/impact of climate change, there is need to invest in better and modern weather forecasting and early warning systems to provide the Kenya Meteorological Department the capability to give accurate information on future erratic weather patterns to ensure effective adaptation and mitigation measures.
3. The Kenya Wildlife Service should put measures in place to avoid leakages especially in Park fees to ensure an increase in the A-I-A collected

c) State Department for Water Services

1. The Department should review the staffing levels at the Water Resources Management Authority and other agencies which are greatly over-staffed. The Committee in its previous reports has urged agencies with bloated staff to initiate voluntary retirement programmes;
2. Due to the long court cases involving the implementation of Umaa and Badasa Dams and following the settlement of the court cases under the supplementary, funds should be allocated in the FY 2017/2018 to restart the implementation of the two projects.
3. With the reductions in allocation of donor funded projects due to low absorption rates, there is need to ensure that the ministry's improve the utilization of approved allocations especially of external funds already mobilized and committed with a view to minimize the associated opportunity costs (delayed benefits to Kenyans, fiscal risks and contingent liabilities). The ministry should also enhance efficiency in utilization to further minimize mid-stream budget revisions.
4. With the constrained and limited resources, the MDAs need to focus on fast-tracking completion of key ongoing projects before starting new projects
5. The need to strengthen the link between the Programme Based Budget framework and Itemized Budget with respect to having a comprehensive and responsive set of indicators, key outputs and realistic targets and proper costing of programmes. There is need to have a costed approach when setting targets and expected outputs as the evidence available indicate a weak link in terms of having an effective and responsive PBB framework
6. There is need to harmonize the water sector such that oversight of projects is more coordinated. If project implementation is being monitored by many players it becomes difficult to keep track of the projects;

d) Ministry of Mining

1. The Kshs. 3 billion for the Nationwide Geophysical Survey should be reinstated. Further, the project should be done by Kenyan geologists as recommended by the Committee in its report on the consideration of the Budget Policy statement for the Financial Year 2017/2018. The Committee objects the award of the project contract to the Chinese firm, Geological Exploration Technology Institute (GETI) due to the fact that due diligence has not been carried out on the firm. The Committee therefore recommends that the project be funded through the exchequer for oversight and transparency of the award;
2. The satellite images to be purchased by the Ministry should be of quality in terms of the resolution to warrant such allocation.
3. The committee recommends the Ministry to complete the feasibility study for the granite assessment for Vihiga and if the project is feasible do cost analysis on the capital investment required in order to start exploration works

ACKNOWLEDGEMENTS

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

I take this opportunity to thank all Members of the Committee and officials from the Ministries and SAGAs (Semi-Autonomous Government Agencies) who attended the budget review meetings held between 23rd February and 9th of March 2017.

Finally it is now my pleasant duty, on behalf of the Committee, to present and recommend this report on the 2017/2018 Budget Estimates to the Budget and Appropriation Committee for consideration pursuant to Standing Order 235 (4).

Thank you.

SIGNED.....

Hon. Amina A. Abdalla, CBS, MP

(Chairperson)

Committee on Environment and Natural Resources

DATE.....

BACKGROUND

The Constitution of Kenya and the Public Finance Management Act 2012 (Sections 38 and 39) give Parliament the mandate to review the budget estimates and make recommendations before the budget is approved. The review of budget estimates is carried out through the Budget and Appropriations Committee as well as the departmental committees of the National Assembly which analyze the budget of the various spending agencies within their purview and make recommendations to the Budget and Appropriation Committee.

Standing Order No.235(3) provides that upon being laid before the House, the budget estimates stands committed to each Departmental Committee for each to deliberate upon according to their respective mandates. Section 39(3) of the Public Finance Management Act 2012 empowers the National Assembly to alter the budget estimates provided that an increase in expenditure is balanced by a reduction elsewhere. This provision is also emphasized in Standing Order No. 240(4). The Departmental Committee oversees three Ministries; the Ministry of Environment, & Natural Resources, the Ministry of Water & Irrigation and the Ministry of Mining.

1.1 ANALYSIS OF 2017/2018 FINANCIAL YEAR BUDGET ESTIMATES

1.2 STATE DEPARTMENT FOR WATER SERVICES

- 1) The state department for Water services is charged with management of policies relating to water resources, water and sewerage services and waste water treatment and disposal. It is further mandated to undertake protection, conservation and management of water catchment areas, water quality and pollution control, flood control and land reclamation and also management of public water schemes and community water projects to increase access to clean and safe water for socio-economic development.
- 2) In the FY 2017/18 the State Department for Water Services has a total proposed budget of **Kshs. 33.79 billion** of which **Kshs. 29.78 billion** is for development expenditure while **Kshs. 4.02 billion** is for recurrent expenditure. The Proposed estimates represent a decrease of approximately **Kshs.9.44 billion** compared to the **Kshs. 43.23 billion** approved estimates for the FY 2016/2017.
- 3) Out of the total proposed development allocations of **Kshs. 29.78 billion**, **Kshs. 20.88 billion** representing 70 per cent is to be financed through A-I-A while **Kshs. 8.90 billion** is to be funded through the exchequer.

**a) Programme/sub-programmes analysis for the State Department of Water Services
FY 2017/2018**

- 4) The state department achieves its mandate through 3 Programmes namely, General Administration, Planning and Support Services, Water Resources Management and water and sewerage infrastructure development.
- 5) **The General Administration, Planning and Support Services Programme** had an allocation of **Kshs. 616.19 million** in the FY 2016/2017 and has been increased to **Kshs. 811.74 million** in the FY 2017/2018.
- 6) The recurrent expenditure increased from **Kshs. 560.19 million** to **Kshs. 646.74 million** while development expenditure increased from **Kshs. 56 million** to **Kshs. 165 million**.
- 7) The increase in development allocation is mainly as a result of an increase from **Kshs. 31 million** to **Kshs. 165 million** in capital transfers to Govt. Agencies. Key outputs under this Programme include 75% completion of the water resource centre and equipment of the geo-information laboratory.
- 8) **The water resources management:** In the FY 2016/2017 the Programme had 3 sub-programmes namely water resources conservation and protection, Water storage and Flood Control and water supply infrastructure. In the FY 2017/2018, the Programme has 2 sub-programmes namely water resources conservation and protection and Transboundary Waters (which is a newly introduced sub-Programme)
- 9) In the FY 2016/2017 the water resources management Programme had an allocation of **Kshs. 42.61 billion** while the proposed allocation for the FY 2017/2018 is **Kshs. 5.98 billion**. This is as a result of moving water supply infrastructure sub-Programme in to a main Programme.
- 10) The Water and sewerage infrastructure development Programme outputs are the same outputs which were under the water supply infrastructure sub-Programme. However, the sub-Programme had an allocation of **Kshs. 39.14 billion** in the FY 2016/2017 and it has a proposed allocation of **Kshs. 27 billion** resulting in a decrease of allocation of **Kshs. 12.14 billion**.
- 11) The major projects under the Programme which have suffered from reductions in their budget include; Itare dam with a reduction of **Kshs. 6.01 billion**, the Northern collector with a reduction of **Kshs. 3.3 billion**, water & sanitation improvement project with a reduction of **Kshs. 1.50 billion** and the small towns and rural WSS project which reduced by **Kshs. 1.50 billion**.
- 12) It has also been noted that Isiolo water and sanitation project, Mukurwe-ini water project, Mavoko water supply, Ithanga, west karachuonyo, rehabilitation of Nolturesh, Kaptumo and

Kaboro water supply were not targets in the FY 2016/2017 budget hence no allocation but they have been funded under the FY 2017/2018 budget.

- 13) The water resources conservation and protection sub-Programme has a proposed increment of **Kshs 2.92 billion** which is as a result of the increase from **Kshs. 2.97 billion** to **Kshs 5.89 billion**.
- 14) National water conservation and Pipeline Corporation which was initially under the water storage and flood control sub-Programme has now been put under the water resources conservation and protection sub-Programme. Other Key outputs that have been introduced under this sub-Programme include Nairobi Metro area bulk water sources Ruiru II dam, Karamenu II and Mwache dam.
- 15) Outputs under the transboundary waters Programme include ground water mapping for Turkana and Marsabit. This has been a continuous/ moving target under the State Department and hence need for a clear position on the status. Other outputs under this Programme include environmental assessment and establishment of green villages for sustainable management of Lake Turkana basin and the Kocholia Transboundary multipurpose project to increase land under irrigation for transboundary communities.
- 16) In order to avoid situations where some outputs are moving targets, the relevant MDA should provide status reports on the number of boreholes drilled and equipped since the target is 40 boreholes for every year. Table 1 shows a breakdown of the allocations for all the programmes/sub-programmes under the State department.

Programme	2016/2017	2017/2018	2018/2019	2019/2020
Water Policy Management	616.19	811.74	796.99	818.92
General Admin, Planning and Support Services	616.19	811.74	796.99	818.92
Water Resources Conservation and Protection	2,968.13	5,894.82	5,854.08	6,339.29
Water storage and flood control	502.86	0	0	0
Water Supply Infrastructure	39,143.48	0	0	0
Transboundary Waters	0	87.31	94.93	100.24

Water Resources Management	42,614.47	5,982.13	5,949.00	6,439.53
Sewerage Infrastructure Development	0	27,000.00	28,983.37	34,155.50
Water and sewerage Infrastructure development	0	27,000.00	28,983.37	34,155.50
Total	43,230.66	33,794.53	35,729.36	41,413.96

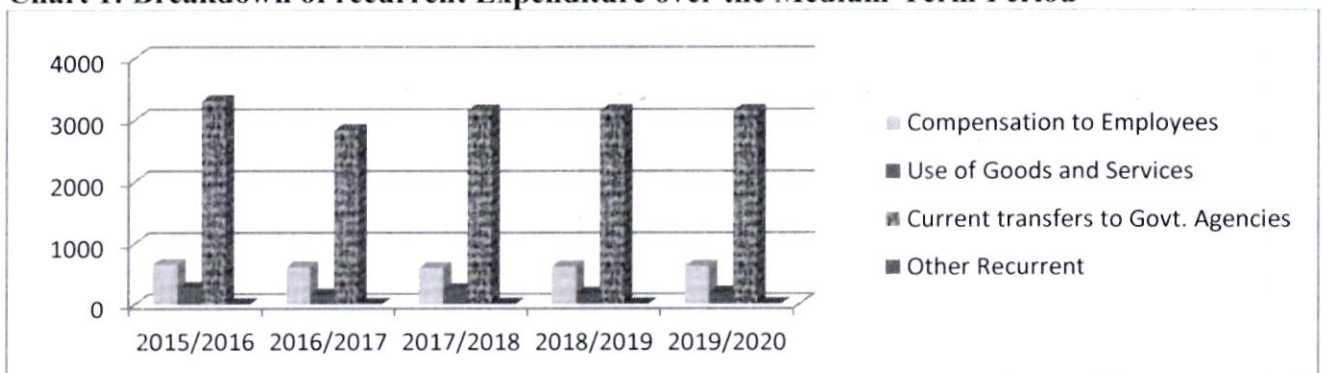
Source: 2017/2018 Programme Based Budget of The National Government Of Kenya For The Year Ending 30th June 2018, National Treasury

b) Recurrent Expenditure

17) Total proposed recurrent expenditure for the FY 2017/2018 is **Kshs. 4.02 billion** of which **Kshs 2.14 billion** is to be financed through A-I-A while **Kshs. 1.88 billion** is to be financed through the exchequer. Recurrent expenditure for the FY 2016/2017 was **Kshs. 3.62 billion** out of which **Kshs.2.14 billion** was to be financed through A-I-A and **Kshs. 1.49 billion** to be financed through exchequer.

18) It is noted that the proposed allocation for the FY 2017/2018 has increased by **Kshs. 0.4 billion** (11%) when compared to the allocation for the FY 2016/2017. Chart 1 shows a breakdown (economic classification) of recurrent expenditure over the medium-term period

Chart 1: Breakdown of recurrent Expenditure over the Medium-Term Period



Source: Programme Based Budget estimates (various)

19) The chart further shows that a huge amount of recurrent expenditure is towards current transfers to government agencies and as shown, out of the **Kshs. 4.02 billion** proposed for recurrent expenditure for the FY 2017/2018, **Kshs. 3.15 billion** representing 78 per cent has been taken up by current transfers to Government Agencies, while 14 per cent is towards compensation to employees. Table 2 shows a breakdown of the recurrent allocations towards the state agencies for the FY 2017/2018 as well as a comparison in the allocation for the FY 2016/2017

Table 2: Recurrent expenditure allocation for the FY 2016/2017 and 2017/2018 for the Major SAGAs

SAGA	Approved Estimates 2016/2017	Proposed Allocation 2017/2018	A-I-A	Net Estimates
Coastal water services Board	630,945,000	630,945,000	630,945,000	-
Athi Water Services Board	500,000,000	500,000,000	500,000,000	-
Water Resources Management Authority	457,000,000	757,000,000	350,000,000	407,000,000
National Water Conservation and Pipeline Corporation	278,864,220	278,864,220	100,000,000	178,864,220
Rift Valley Water Services Board	221,223,000	221,223,000	211,223,000	10,000,000
Kenya Water Institute	200,880,000	200,880,000	60,000,000	140,880,000
Lake Victoria South Water Service Board	75,000,000	90,000,000	35,000,000	55,000,000
Lake Victoria North Water Service Board	77,000,000	61,900,000	35,000,000	26,900,000
Tana Water Services Board	96,490,000	96,490,000	84,250,000	12,240,000
Northern Water Services Board	105,532,000	105,532,000	15,000,000	90,532,000
TANATHI Water Services Board	75,515,780	75,515,780	50,820,239	24,695,541
TOTAL	2,718,450,000	3,018,350,000	2,072,238,239	946,111,761

Source: Budget estimates recurrent Expenditure 2017/2018

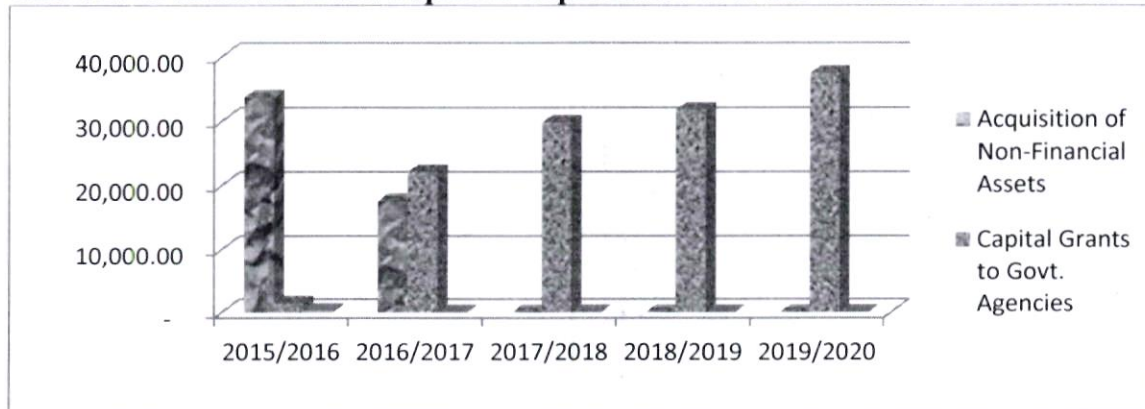
20) Further analysis shows that out of the **Kshs. 3.15 billion** allocated to State agencies, **Kshs. 2.41 billion** (77%) is for personnel emoluments. To reduce the increasing level of the wage bill there is need to rationalize the state agencies and implement the recommendations by the presidential taskforce and in cases where there is overstaffing there is need for considering voluntary retirements to reduce the wage bill in the long run.

c) Development Expenditure

21) In the FY 2017/2018, the total development proposed expenditure is **Kshs. 29.78 billion** of which **Kshs. 20.88 billion** is to be funded through A-I-A while **Kshs. 8.90 billion** is to be financed through the exchequer. The development allocation has decreased by **Kshs. 9.83 billion** in the FY 2017/2018 when compared to development allocation of **Kshs. 39.61 billion** in the FY 2016/2017.

22) In the FY 2016/2017 out of the **Kshs. 39.61 billion**, **Kshs. 28.47 billion** was to be financed through A-I-A while **Kshs. 11.14 billion** was to be financed through exchequer. It can therefore be noted that the decrease is as a result of decrease in both A-I-A and the net exchequer. Chart 2 shows a breakdown of development expenditure over the medium-term period

Chart 2: Breakdown of development Expenditure over the Medium-Term Period



Source: Programme Based Budget estimates (various)

d) Project Analysis for the State Department of Water Services FY 2017/2018

- 23) According to the FY 2016/2017 targets, Mwala cluster water project was to be completed 40% and 80% in the FY 2017/2018, however the project is not under the 2017/2018 targets.
- 24) Kangonde and Masinga Ikaatine-Ikalakala water supply project were to be completed under the FY 2016/2017 budget; the projects are not in the FY 2017/2018 budget. The MDAs should provide a status report on whether projects are completed
- 25) Table 3 shows a list of projects that were not funded under the FY 2016/2017 budget and have been funded under the proposed budget of FY 2017/2018. The table shows that the projects amount to approximately **Kshs 883 million** of which **Kshs. 510 million** is from A-I-A and **Kshs. 373 million** is from exchequer.

Table 3: Projects in the FY 2017/2018 budget and not in the FY 2016/2017 Budget				
Project	Approved Estimates 2016/2017	FY 2017/2018		
		Gross Expenditure	A-I-A	Net Expenditure
Green Growth and Employment creation- Access to mgt	-	120	60	60
Kocholia Trans-boundary Multipurpose project	-	35	-	35
Isiolo water & sanitation project	-	51	-	51

Nairobi Metro area bulk water sources-Ruiru II	-	10	-	10
Mukurwe-ini water project	-	20	-	20
Nairobi Metro area bulk water sources-Karamenu II	-	10	-	10
Mavoko water supply	-	230	200	30
Kenya Towns sustainable water supply & sanitation Programme-Rift V	-	38	20	18
Kenya Towns sustainable water supply & sanitation Programme-Tana	-	28	10	18
Wote water supply & sanitation project	-	20	-	20
Ithanga water supply	-	220	200	20
West Karachuonyo Water Supply	-	7	0	7
Rehabilitation of Nolturesh water supply	-	20	0	20
Kaptumo water supply project	-	10	0	10
Kaboro water supply project	-	10	0	10
Saimoi-Soi water supply project	-	10	0	10
Mwache Dam	-	10	0	10
Kenya Towns sustainable water supply & sanitation programme-Athi	-	34	20	14
TOTAL		883.00	510.00	373.00

Source: Budget estimates Development Expenditure 2017/2018

26) Green Growth and employment creation Programme is a new project under the State Department and its key output is to improve access to water and sanitation and the target for the FY 2017/2018 is to provide 120,000 people with access to improved water and sanitation services. However, the State Department for Environment has a project called the green growth and employment in the country and the target for the FY 2017/2018 is to achieve 4 green growth projects. It is unclear whether the two state departments are carrying out the same projects or how the projects complement each other despite being carried out under two different state departments

27) It has been noted that the state department has a reduced allocation due to reduction in donor funds. Table 4 shows that the change in A-I-A for development expenditure is approximately

Kshs. 10.41 billion. The major projects which will be affected significantly include Itare dam whose A-I-A allocation has gone down by **Kshs. 6 billion**, and the Northern collector by **Kshs. 3.25 billion**.

28) Table 4 shows a summary of the projects which will be affected due to changes in donor funds/allocations for the FY 2017/2018.

Table 4: Change in A-I-A Allocation			
Project	A-I-A Allocation 2016/2017	A-I-A Allocation 2017/2018	Change in A-I-A Allocation
Kisii Water Supply And Sanitation Project (Bunyonyu Dam)	35.00	350.00	315.00
Water & Sanitation Programme	180.00	-	(180.00)
Support to the Water Resources Management and Water Service Provision	328.00	270.00	(58.00)
Sabor Iten Water Supply Project	235.00	-	(235.00)
Rehabilitation of Water and Sanitation-Kiambere	300.00	-	(300.00)
Rehabilitation of Water and Sanitation -Kirandich	700.00	500.00	(200.00)
Water Sector Development (Lake Victoria South)	1,000.00	400.00	(600.00)
Water Sector Development (Support WSTF)	404.52	1,045.00	640.48
Nairobi Water Distribution Network	800.00	1,520.00	720.00
Nairobi Satellite Towns Water and Sanitation Program	1,200.00	416.00	(784.00)
Complimentary Funding For Kisumu Water and Sewerage	500.00	500.00	-
Extension Of Nairobi Water Supply (Northern Collector)	4,950.00	1,700.00	(3,250.00)
The Project For Management Of Nonrevenue Water In Kenya	10.00	80.00	70.00
The Project On Capacity Development For Effective Flood Management I	40.00	40.00	-
Water & Sanitation Services & Improvement Project (Athi WSB)	1,505.90	3,500.00	1,994.10
Water Security and Climate Resilience (Project Advanced)	1,850.00	1,590.00	(260.00)

Lake Victoria Water Supply & Sanitation Programme Phase II	820.00	100.00	(720.00)
Nairobi Rivers Basin Restoration Programme: Sewerage improvement proj	300.00	-	(300.00)
Small Towns and Rural WSS	1,500.00	-	(1,500.00)
Garissa Sewerage Project	300.00	147.50	(152.50)
Rehabilitation Of Water Supply And Sewerage For Oloitokitok Town	150.00	100.00	(50.00)
Garissa Sewerage Project	100.00	-	(100.00)
Upper Tana Natural Resources Management Project	121.00	150.00	29.00
Itare Dam Water Project	10,000.00	4,000.00	(6,000.00)
Kajiado Rural Water Supply	400.00	400.00	-
Water Supply and Sanitation for the Urban Poor	37.65	346.27	308.62
Sirisia-Chwele (Koica)	100.00	100.00	-
Sabor – Iten – Tambach Water Supply Project	600.00	800.00	200.00
TOTAL	28,467.07	18,054.77	(10,412.30)

Source: Budget estimates Development Expenditure 2017/2018

- 29) As shown in table 4, despite the cuts in donor funds for most of the projects, it can also be seen that some projects have an increased A-I-A. These projects include; Water & Sanitation Services & Improvement Project (Athi WSB), Nairobi Water Distribution Network and Water Sector Development (Support WSTF).
- 30) It is important for the Committee to note that under the proposed supplementary budget estimates for the FY 2016/2017 the Water & Sanitation Services & Improvement Project (Athi WSB) had a proposed cut in its donor allocation from **Kshs. 1.51 billion** to **Kshs. 654.13 million** while the Nairobi Water Distribution Network had a proposed cut in its donor allocation from **Kshs. 800 million** to **Kshs. 200 million**. The implementing agencies for the projects should therefore provide a clear position of the loan for the project to avoid problems of adjusting the budget mid-stream.
- 31) In the FY 2017/2018, the total amount to be funded from exchequer for development expenditure is **Kshs. 8.90 billion** which is a decrease from the **Kshs. 11.14 billion** in the FY 2016/2017.

32) The Water & Sanitation Services & Improvement Project (Athi WSB) is the project most affected by a cut in exchequer. In the FY 2016/2017 the project had a net allocation of **Kshs. 4.03 billion**; this has reduced to **Kshs.2.05 billion** in the FY 2017/2018. Annex I shows a breakdown of the projects affected by changes in net exchequer for the FY 2017/2018

STATE DEPARTMENT FOR ENVIRONMENT

33) The State Department of Environment is charged with the mandate of; management of Environmental policy, strategies and development plans relating to conservation, protection and management of environment and natural resources. It is further mandated to safeguard environment, catchment areas and sustainable utilization of basin based resources.

34) The State Department of Environment fulfills its mandate through 3 Programmes. These are General Administration, Planning and Support Services, Environment Management and Protection and Meteorological Services.

35) The total allocation for the State Department in the FY 2017/2018 is **Kshs 6.47 billion**, of which Recurrent Expenditure is **Kshs 2.84 billion (44%)** and Development Expenditure is **Kshs 3.63 billion (56%)**. The proposed allocation of **Kshs. 6.47 billion** has decreased by **Kshs. 758.43 million** when compared to the allocation of **Kshs. 7.23 billion** allocated in the FY 2016/2017.

a) Recurrent Expenditure

36) In the FY 2017/2018 the proposed recurrent allocation is **Kshs. 2.84 billion** of which **Kshs.108.90 million** will be financed through A-I-A while **Kshs. 2.73 billion** will be financed through the exchequer. The proposed recurrent allocation has increased by **Kshs. 141 million (5%)** against the **Kshs. 2.98 billion** allocated in the FY 2016/2017.

37) Out of the total recurrent allocation of **Kshs. 2.84 billion**, **Kshs. 1.19 billion** is towards compensation to employees while **Kshs. 1.26 billion** is towards current transfer to Govt agencies.

38) In the proposed allocation for the state department, current transfers to Government agencies has decreased from **Kshs. 1.42 billion** to **Kshs. 1.26 billion**, Non-financial assets from **Kshs. 1.57 billion** to **Kshs. 1.48 billion** and capital transfers to government agencies from **Kshs. 2.41 billion** to **Kshs. 1.92 billion**.

b) Development Expenditure

39) In the FY 2017/2018 the proposed development allocation is **Kshs. 3.63 billion** of which **Kshs.257.36 million** will be financed through A-I-A while **Kshs. 3.37 billion** will be financed through the exchequer. The proposed allocation has decreased by **Kshs. 620 million (15%)** against the **Kshs. 4.25 billion** allocated in the FY 2016/2017.

40) In the FY 2017/2018 allocation towards capital transfers to government agencies has been reduced to **Kshs. 1.92 billion** from the **Kshs. 2.41 billion** allocated in the FY 2016/2017.

41) In the FY 2017/2018, the net development allocation is **Kshs. 3.37 billion** which is a decrease from the **Kshs. 3.90 billion** allocated in the FY 2016/2017. The projects affected by the change in net allocation are shown in table 5

Table 5: Change in Net Allocation in the FY 2017/2018 projects			
Project	Net Allocation 2016/2017	Net Allocation 2017/2018	Change in Net Allocation
Lake Victoria Environment Management Project (LVEMP Phase II)	1,198,902,731.00	639,400,000.00	(559,502,731.00)
Mercury Initial Actions for Kenya	7,000,000.00	1,000,000.00	(6,000,000.00)
Purchase of digital instrument	212,000,000.00	201,300,000.00	(10,700,000.00)
Acquisition of CAT 3 Automatic Weather Stations (AWS)-Phase Iv	40,000,000.00	50,000,000.00	10,000,000.00
Nairobi River Rehabilitation and Restoration Programme	120,000,000.00	60,000,000.00	(60,000,000.00)
Urban Rivers Rehabilitation Project	288,000,000.00	188,000,000.00	(100,000,000.00)
Green Growth & Employment	64,000,000.00	72,000,000.00	8,000,000.00
Sound Chemicals Management Mainstreaming & UPOPs Reduction in Kenya	3,000,000.00	73,000,000.00	70,000,000.00
TOTAL	1,932,902,731.00	1,284,700,000.00	(648,202,731.00)

Source: Budget estimates Development Expenditure 2017/2018

42) As shown in table 5, the Lake Victoria Environment Management project (LVEMP Phase II) has a proposed reduction in its net allocation by **Kshs. 559.50 million** and the urban rivers rehabilitation project has a net reduction of **Kshs. 100 million**

43) The state department of Environment's development expenditure is mainly financed through the exchequer, however in the FY 2016/2017 the A-I-A for the state departments development expenditure was **Kshs. 346.08 million** while in the FY 2017/2018 this amount has been reduced to **Kshs. 257.36 million** representing a decrease of **Kshs. 88.72 million**. The major projects that have been affected by the decrease are shown in table 6

Project	A-I-A Allocation 2016/2017	A-I-A Allocation 2017/2018	Change in A-I-A Allocation
Green Innovation Award Project-NetFund	288,000,000.00	61,283,000.00	(226,717,000.00)
Green Growth & Employment	-	100,000,000.00	100,000,000.00
TOTAL	288,000,000.00	161,283,000.00	(126,717,000.00)

Source: Budget estimates Development Expenditure 2017/2018

44) Further analysis shows that in the FY 2017/2018 budget, there are some projects totaling to **Kshs. 157.30 million** which had not been funded in the FY 2016/2017 budget. It is unclear whether these projects are new or newly funded. Table 7 shows a summary of these projects.

Project	Approved Estimates 2016/2017	FY 2017/2018		
		Gross Expenditure	A-I-A	Net Expenditure
Afforestation and tree planting	-	11,300,000.00	-	11,300,000.00
Implementation of National Green Economy Strategy through Low Carbon	-	56,000,000.00	38,000,000.00	18,000,000.00
National Solid Waste Management	-	40,000,000.00	-	40,000,000.00
Establishment of National Environment Laboratory	-	10,000,000.00	-	10,000,000.00
Suswa Lake Magadi-Migori Environment Restoration Project	-	40,000,000.00	-	40,000,000.00
TOTAL	-	157,300,000.00	38,000,000.00	119,300,000.00

Source: Budget estimates Development Expenditure 2017/2018

c) Programme/sub-programmes analysis for the State Department of Environment and Natural Resources FY 2017/2018

- 45) **The Environment Management and Protection:** This Programme has a proposed allocation of **Kshs. 3.88 billion** out of which **Kshs. 3.68 billion** is towards the National Environment Management sub-Programme, **Kshs. 127.10 million** is towards the policy & governance in environment management and **Kshs. 80 million** for the climate change adaptation and mitigation sub-Programme.
- 46) The Environment Management and Protection Programme had an allocation of Kshs. 4.65 billion in the FY 2016/2017. Out of which **Kshs. 4.53 billion** was towards the National Environment Management Sub-Programme while **Kshs. 120.32 million** was for policy & Governance in Environment management Sub-Programme. The climate change adaptation and mitigation sub-Programme was not under the FY 2016/2017 budget.
- 47) The National Environment Management sub-Programme has a total reduction of **Kshs.850 million**. Changes in the sub-programmes components include a reduction in current transfers to Government agencies which has decreased from **Kshs. 1.39 billion** to **Kshs. 1.23 billion**, compensation to employees from **Kshs. 95 million** to **Kshs. 66.50 million**, use of good and services from **Kshs. 171.90 million** to **Kshs. 116.25 million**, non-financial assets from **Kshs. 505.10 million** to **Kshs. 348.55 million** and capital transfers to government agencies from **Kshs. 2.37 billion** to **Kshs. 1.92 billion**.
- 48) Targets under the National Environment Management sub-Programme indicate that for example the mercury initial actions for Kenya despite having a cut in its budget from **Kshs. 7m** to **Kshs. 1 million**, the targets under the Programme based budget have remained the same, the Nairobi river rehabilitation and restoration Programme has increased outputs of rehabilitating 15km of riparian (from a target of 10km) and planting of 200,000 seedlings (from a target of 100,000) but its allocation has reduced by half from **Kshs. 120 million** to **Kshs. 60 million** in the FY 2017/2018.
- 49) **Meteorological Services:** Allocation towards this Programme has increased from **Kshs. 2.17 billion** to **Kshs. 2.21 billion**. This Programme has 2 sub-Programmes namely; Modernization of Meteorological Services and Advertent Weather Modification. The allocation towards the modernization of Meteorological Services has increased from **Kshs. 1.84 billion** to **Kshs. 1.88 billion** while the allocation towards the advertent weather modification sub-Programme has remained unchanged at **Kshs. 334 million**.
- 50) The targets under the modernization of Meteorological services sub-Programme indicate a change in the number of staff houses from a target of 20 to 15, the number of constituencies covered by AWS reduced from 3 to 2, purchase of digital instrument reduced from 100 to 80.

51) It has also been observed that the purchase of digital instrument has been reduced from 100 to 80 while the allocation has just reduced by **Kshs. 10.7 million**, under the acquisition of CAT 3 Airport Weather observing system phase III the allocation has remained the same at **Kshs. 200 million** but the number of AWOS installed has been reduced from 3 to 2. Despite having the same allocation the number of constituencies covered by Automatic Weather stations (AWS) Phase IV has been increased from 10 to 12 and the number of hydromet AWS installed has increased from 5 to 12

I. STATE DEPARTMENT FOR NATURAL RESOURCES

- 52) The state department for Natural resources is charged with the mandate to protect, conserve and manage the natural resources in Kenya through sustainable management for posterity. Hence it is charged with formulating natural resources policies, overseeing its administration and coordinating the development of the natural resources sector in Kenya.
- 53) The state department for natural resources was split from the Ministry of Environment and Natural Resources and the new state department has one Programme namely the Natural Resources Management and Protection whose objective is to sustainably manage and conserve natural resources.
- 54) The Programme has 5 sub-Programmes namely: Forests conservation and Management, Forestry Research and Development, Policy and Governance in Natural Resources Management, National Resources Management and Wildlife Security, National Parks and Reserves Management.
- 55) In the FY 2017/18 the State Department for Natural Resources has a total proposed budget of **Kshs. 17.39 billion** of which **Kshs. 3.88 billion** is for development expenditure while **Kshs. 13.51 billion** is for recurrent expenditure. The Proposed estimates represent an increase of **Kshs.2.48 billion** compared to the approved estimates of **Kshs. 14.91 billion** for the FY 2016/2017.

a) Recurrent Expenditure

- 56) The proposed recurrent expenditure for the State department of Natural Resources is **Kshs. 13.51 billion**. Out of this allocation **Kshs. 12.37 billion** representing 92% is going towards current transfer to government agencies. This is an increase from the **Kshs. 10.76 billion** allocated in the FY 2016/2017

SAGA	Approved Estimates 2016/2017	Proposed Allocation 2017/2018	A-I-A	Net Estimates
Wildlife clubs of Kenya	24,739,438.00	24,739,438.00	-	24,739,438.00
Kenya Wildlife Service	3,915,248,200.00	5,415,248,200.00	3,034,421,000.00	2,380,827,200.00
Kenya Forestry Research Institute	1,461,480,997.00	1,491,480,997.00	5,600,000.00	1,485,880,997.00
Kenya Forest Service	5,137,308,628.00	5,137,308,628.00	3,200,000,000.00	1,937,308,628.00
Kenya Water Towers Agency	225,844,800.00	305,222,737.00	-	305,222,737.00
TOTAL	10,764,622,063.00	12,374,000,000.00	6,240,021,000.00	6,133,979,000.00

Source: Budget estimates recurrent Expenditure 2017/2018

b) Development Expenditure

57) In the FY 2017/2018, the total development proposed expenditure is **Kshs. 3.88 billion** of which **Kshs. 1.06 billion** is to be funded through A-I-A while **Kshs. 2.81 billion** is to be financed through the exchequer. The development allocation has decreased by **Kshs. 290 million** in the FY 2017/2018 when compared to development allocation of **Kshs. 3.59 billion** in the FY 2016/2017.

58) In the FY 2016/2017 out of the **Kshs. 3.59 billion**, **Kshs. 1.45 billion** was to be financed through A-I-A while **Kshs. 2.15 billion** was to be financed through exchequer.

59) In the FY 2017/2018, out of the **Kshs. 3.88 billion** allocated towards development expenditure, **Kshs. 3.87 billion** representing **99 per cent** is towards capital transfer to government agencies.

c) Programme/sub-programmes analysis for the State Department for Natural Resources FY 2017/2018

60) **Forest Conservation and Management:** This sub-Programme has a proposed allocation of **Kshs. 7.34 billion** against an allocation of **Kshs. 6.79 billion** in the FY 2016/2017 representing an increase of **Kshs. 550 million**.

61) Out of the total **Kshs. 7.34 billion**, **Kshs 2.21 billion** is for development expenditure while **Kshs. 5.14 billion** is for recurrent expenditure. The key outputs under this Programme include; increased forest cover, conservation and protection of water towers and forest roads construction and rehabilitation. The outputs/projects and allocations under this sub-Programme are shown in table 9

Table 9: Projects and their allocations under the Forest conservation and Management Sub-Programme				
Project	Approved Estimates 2016/2017	Gross Expenditure	FY 2017/2018	
			A-I-A	Net Expenditure
Development Of Drought Tolerant Trees for Adaptation to Climate Chang	110,000,000	10,000,000	-	10,000,000
System for Land-Based Emissions Estimation in Kenya (SLEEK)	5,000,000	5,000,000	-	5,000,000
Kenya's Water Tower Protection & Climate Change (WaTER) Programme- EU	166,000,000	463,000,000	397,000,000	66,000,000
Forest Irrigation Climate and Green Energy PROJECT (FICaGE)	59,000,000	59,000,000	-	59,000,000
Green Schools Programme	545,000,000	545,000,000	-	545,000,000
Natural Forestry Programme	80,000,000	80,000,000	-	80,000,000
Forest Plantations	169,000,000	169,000,000	-	169,000,000
Farm and Dryland Forest Development	74,000,000	74,000,000	-	74,000,000
Forest rangers Camps Rehabilitation	95,000,000	95,000,000	-	95,000,000
Forest roads	125,000,000	125,000,000	-	125,000,000
Capacity Development Project for Sustainable Forest Management	336,000,000	550,000,000	470,000,000	80,000,000
TOTAL	1,764,000,000.00	2,175,000,000.00	867,000,000.00	1,308,000,000.00

Source: Budget estimates Development Expenditure 2017/2018

- 62) As shown in the table above, the development of drought tolerant trees for adaptation to climate change project in the FY 2016/2017 had an allocation of **Kshs. 110M** out of which **Kshs. 100M** was A-I-A and **Kshs. 10M** through exchequer. The project has lost the donor component (**Kshs. 100M**) of funding in the FY 2017/2018.
- 63) Kenya's Water Tower Protection & Climate Change (WaTER) Programme- EU had an allocation of **Kshs. 166M** in the FY 2016/2017 of which **Kshs. 100M** was donor funded

while **Kshs. 66M** was exchequer. In the FY 2017/2018 the project has a proposed allocation of **Kshs. 463M** out of which **Kshs. 397M** is donor funded while **Kshs 66M** is funded through exchequer. It is however of concern that this project had a reduction in its donor component under the supplementary I estimate. It is therefore important to know the exact position of the donor aspect of this project to avoid a revision of this budget during the implementation period.

- 64) Under the FY 2017/2018 budget Capacity development project for sustainable forest management has a proposed allocation of **Kshs. 550Million** out of which **Kshs. 470Million** is funded through A-I-A while **Kshs. 80Million** is through exchequer. The project in the FY 2016/2017 had an allocation of **Kshs. 336 million** out of which **Kshs. 256 million** is through A-I-A while **Kshs. 80million** is through exchequer. As indicated the A-I-A amount has increased by **Kshs. 214 million**.
- 65) It has been noted that in the proposed budget for the FY 2017/2018, there is a newly introduced project called the forest fire protection management project which has an allocation of **Kshs. 40million** and the output for this is to establish 1,500 firebreaks, develop fire outbreak alert and warning systems and procurement of 50 appropriate fire equipment. It is therefore important to understand the realism of these targets against the allocation.
- 66) **Forestry Research and Development:** The sub-Programme has a proposed allocation of **Kshs. 1.67 billion** compared to the **Kshs. 1.71 billion** allocated in the FY 2016/2017. Out of the total proposed allocation **Kshs. 1.49 billion** is for recurrent expenditure while **Kshs. 178 million** is for development expenditure. The proposed allocation for the development expenditure has decreased from **Kshs. 253Million** in the FY 2016/2017, while the recurrent expenditure increased from **Kshs. 1.46 billion** to **Kshs. 1.49 billion**
- 67) The key outputs under this Programme include; increased uptake of forest technologies and increased research. In the FY 2017/2018 there is a new output under the sub-Programme which is the construction of tree seed processing units which has an allocation of **Kshs. 25 million** for the construction of 1 seed processing unit.
- 68) **Wildlife Security, National Parks and Reserves Management:** The sub-Programme has a proposed allocation of **Kshs. 6.88 billion** compared to the **Kshs. 5.49 billion** allocated in the FY 2016/2017. Out of the total proposed allocation of **Kshs. 6.88 billion**, **Kshs. 6.07 billion** is for recurrent expenditure while **Kshs. 812.82 million** is for development expenditure. The proposed allocation for the development expenditure has decreased from **Kshs. 1.55 billion** in the FY 2016/2017, while the recurrent expenditure increased from **Kshs. 3.94 billion**.
- 69) The major decrease of **Kshs. 737.18 million** reduction in development expenditure is as a result of decrease in allocation in the Conservation of Biodiversity in Northern Kenya-FRANCE project which had an allocation of **Kshs. 900 million (Kshs. 890million A-I-A)** in

the FY 2016/2017, and has a proposed allocation of **Kshs. 145 million** out of which **Kshs. 85 million** is donor funded.

- 70) The key outputs under this Programme include; enhanced capacity for sustainable wildlife conservation and use, wildlife governance, reduction in poaching, response rate to human wildlife conflict among others.
- 71) Further analysis of the Programme based budget shows that the outputs under the modernization of anti-poaching technology involve the reduction of poaching by 80% with an allocation of **Kshs. 220 million**. However, in the FY 2017/2018 budget, it has been noted that there is the introduction of Kenya wildlife Services (KWS) conservation project whose target is to reduce anti-poaching rate and allocation of **Kshs. 112.32 million** donors funded. It is therefore important to get clarity on the difference in output for the two projects.

MINISTRY OF MINING

- 72) The Ministry of Mining is mandated to make Kenya an economic hub for metals and mineral trade and become a key pillar in the realization of the Kenya Vision 2030
- 73) The Ministry has a proposed allocation of **Kshs. 2.72 billion** of which **Kshs. 1.46 billion** is for recurrent expenditure while **Kshs. 1.26 billion** is for development expenditure. This is a decrease in the Ministry's allocation when compared with the **Kshs. 4.59 billion** allocated in the FY 2016/2017.

a) Programme/sub-programmes analysis for the Ministry of Mining FY 2017/2018

- 74) The Ministry undertakes its mandate through three Programmes namely; General Administration Planning and Support Services, Resources Surveys and Remote Sensing and the Mineral Resources management.
- 75) **Resources Surveys and Remote Sensing:** Outputs under this Programme include data on land degradation, forest cover, natural resource and environmental Geo-Spatial database. The Programme has a proposed allocation of **Kshs. 546.03 million** which is an increase of **Kshs. 28.4million** from the **Kshs. 517.63 million** allocated in the FY 2016/2017.
- 76) The Programme had development allocation of **Kshs 340 million** in the FY 2016/2017 while the proposed development allocation in the FY 2017/2018 is **Kshs. 361 million** showing an increase of **Kshs. 21 million**. The increase is as a result of an increase in allocation towards strengthening Geo-Information Infrastructure for Resources mapping which has a proposed increment of **Kshs. 71 million** while the overhaul of aircraft project has a decrease in allocation of **Kshs. 50 million**.
- 77) **General Administration Planning and Support Services:** This Programme has a proposed allocation of **Kshs. 984.49 million** against an allocation of **Kshs. 278.72 million** in the FY 2016/2017 showing an increase of **Kshs. 705.77 million**.

- 78) The increase in allocation is as a result of the following; compensation to employees from **Kshs. 145.61 million to Kshs. 219.44 million**, use of goods and services from **Kshs. 112.10 million to Kshs 686.21 million** while non-financial assets decreased from **Kshs. 5.38 million to Kshs. 3.23 million**.
- 79) It is important for the committee to note that despite the call for austerity measures, the Ministry's headquarters allocation towards specialized materials and supplies has increased from **Kshs. 500,000 to Kshs. 32.67 million**. The Ministry needs to provide information on the use for this money.
- 80) It is also of concern that 'other operating expenses' had its allocation increased from **Kshs.13.02 million to Kshs.461.06 million**. Which is a huge increment especially under recurrent expenditure and hence more information is required on the use of these funds.
- 81) **Mineral Resources Management:** This Programme has a proposed allocation of **Kshs. 1.19 billion** against an allocation of **Kshs. 3.79 billion** in the FY 2016/2017 showing a decrease in allocation of **Kshs. 2.6 billion**.
- 82) The Programme has 2 sub-programmes which are Mineral Resources Development which has a proposed allocation of **Kshs. 649.85 million** against an allocation of **Kshs. 453.00 million** in the FY 2016/2017. And Geological survey and mineral exploration which has a proposed allocation of **Kshs. 540.42 million** against an allocation of **Kshs. 3.34 billion** in the FY 2016/2017.

b) Projects under the Ministry of Mining for the FY 2017/2018

- 83) It has been noted that rehabilitation of Madini house was not allocated in the FY 2016/2017 budget, however under the proposed supplementary I estimates, the project was allocated **Kshs. 50 million** and in the FY 2017/2018 it has a proposed allocation of **Kshs. 50 million**. The Ministry Hqs although not allocated funds in the FY 2016/2017 budget the supplementary budget I estimates FY 2016/2017 proposed to allocate **Kshs. 35.16 million** and in the proposed budget for the FY 2017/2018, the HQs has an allocation of **Kshs. 60 million**
- 84) The National Airborne Geophysical Survey project has not been funded under the FY 2017/2018 budget
- 85) Strengthening Geo-Information Infrastructure for Resource mapping has a proposed allocation of **Kshs.131 million** which is an increase from the **Kshs. 60 million** allocated in the FY 2016/2017. The output of the project is to upgrade and update natural resource and environmental Geo-Spatial database by 10%.
- 86) The Geological mapping and mineral exploration has a proposed allocation of **Kshs. 200million** which is an increase from the FY 2016/2017 allocation of **Kshs.130 million**.
- 87) The Mineral Audit support has an increase of **Kshs. 60 million** from its FY 2016/2017 allocation of **Kshs. 90 million**.

SALIENT ISSUES

A. STATE DEPARTMENT FOR WATER SERVICES

- i. List of projects that were not funded under the FY 2016/2017 budget and have been funded under the proposed budget of FY 2017/2018. These projects such as Isiolo water and sanitation project, Mukurwe-ini water project, Mavoko water supply, Ithanga, west karachuonyo, rehabilitation of Nolturesh, Kaptumo and Kaboro water supply amount to an allocation of approximately **Kshs 883 million** of which **Kshs. 510 million** is from A-I-A and **Kshs. 373 million** is from exchequer. The funding of new projects goes against the directive of not starting any new projects until the completion of the ongoing projects
- ii. Further analysis shows that out of the **Kshs. 3.15 billion** allocated to State agencies, **Kshs. 2.41 billion** (77%) is for personnel emoluments. To reduce the increasing level of the wage bill there is need to rationalize the state agencies and implement the recommendations by the presidential taskforce and in cases where there is overstaffing there is need to consider voluntary retirements to reduce the wage bill in the long run.
- iii. The MDAs should provide a status report on all ongoing and complete projects
- iv. It is important for the Committee to note that despite some projects having increased donor allocations in the FY 2017/2018 budget, some of these projects had proposed reductions in their donor budgets under the supplementary budget estimates for the FY 2016/2017. Such projects include; the Water & Sanitation Services & Improvement Project (Athi WSB) and the Nairobi Water Distribution Network. The implementing agencies for the projects should therefore provide a clear position of the loan for the projects to avoid problems of adjusting the budget mid-stream.
- v. The MDAs should also provide a list of all the projects and their donor absorption rates to seek clarity on whether the donor component of funding at the budgeting level is realized during budget implementation.

B. STATE DEPARTMENT FOR ENVIRONMENT

- i. In the FY 2017/2018 budget, there are some projects totaling to **Kshs. 157.30 million** which had not been funded in the FY 2016/2017 budget. It is unclear whether these projects are new or newly funded.
- ii. It is important for the committee to note that the targets for the programmes/sub-programmes are not realistic and not in line with the allocations. For example, targets under the National Environment Management sub-Programme indicate that for example the mercury initial actions for Kenya despite having a cut in its budget from **Kshs. 7m** to **Kshs. 1 million**, the targets under the Programme based budget have remained the same, the Nairobi river rehabilitation and restoration Programme has increased outputs of rehabilitating 15km of riparian (from a target of 10km) and planting of 200,000 seedlings

(from a target of 100,000) but its allocation has reduced by half from **Kshs. 120 million** to **Kshs. 60 million** in the FY 2017/2018

- iii. It has also been observed that the purchase of digital instrument has been reduced from 100 to 80 while the allocation has just reduced by **Kshs. 10.7 million**, under the acquisition of CAT 3 Airport Weather observing system phase III the allocation has remained the same at **Kshs. 200 million** but the number of AWOS installed has been reduced from 3 to 2. Despite having the same allocation the number of constituencies covered by Automatic Weather stations (AWS) Phase IV has been increased from 10 to 12 and the number of hydromet AWS installed has increased from 5 to 12.

C. STATE DEPARTMENT FOR NATURAL RESOURCES

- iv. Kenya's Water Tower Protection & Climate Change (WaTER) Programme- EU had an allocation of **Kshs. 166M** in the FY 2016/2017 of which **Kshs. 100M** was donor funded while **Kshs. 66M** was exchequer. In the FY 2017/2018 the project has a proposed allocation of **Kshs. 463M** out of which **Kshs. 397M** is donor funded while **Kshs 66M** is funded through exchequer. It is however of concern that this project had a reduction in its donor component under the supplementary I estimate. It is therefore important to know the exact position of the donor aspect of this project to avoid a revision of its budget during the implementation period.
- v. Further it is important for the state department to provide information on the donor absorption levels of its projects over the last 5years to inform the committee on the donor support.
- vi. Further analysis of the Programme based budget shows that the outputs under the modernization of anti-poaching technology involve the reduction of poaching by 80% with an allocation of **Kshs. 220 million**. However, in the FY 2017/2018 budget, it has been noted that there is the introduction of Kenya wildlife Services (KWS) conservation project whose target is to reduce anti-poaching rate and allocation of **Kshs. 112.32 million** donors funded. It is therefore important to get clarity on the difference in output for the two projects

SUBMISSION BY THE CABINET SECRETARY FOR THE MINISTRY OF WATER AND IRRIGATION

The Cabinet Secretary submitted to the Committee that,

The State Department of Water Services is one of the two departments under the Ministry of Water and Irrigation. The other is the State Department of Irrigation. The State department was established through an executive order No. I of May 2016.

The State Department for Water Services is mandated to ensure that water resources are sustainably managed. This is undertaken through the following functions; Water Resources Management and Regulation, Water and Sewerage Services Policy and Strategy Formulation, Development of National Water, Public Works that includes Water Storage and Cross-county Water Supplies and other Strategic interventions, Waste Water Treatment and disposal Management, Water Quality and Pollution Control, Management of Public Water Schemes and Community Water Projects. This mandate is executed through fifteen (15) semi-Autonomous Government Agencies.

1. BUDGET PERFORMANCE REVIEW FOR FY 2015/16

During Financial Year 2015/16, the State Department for Water Services implemented its projects and activities through the following four programmes:

- i. General Administration, Planning and Support Services
- ii. Water Resources Management
- iii. Irrigation and Drainage Infrastructure
- iv. Integrated Regional Development (Land reclamation sub-programme)

However, Irrigation and Drainage Infrastructure Programme and Integrated Regional Development programmes were transferred to State Department for Irrigation towards the end of FY 2015/2016.

Programme 1: General Administration, Planning and Support Services

Under this programme, the Ministry provided effective leadership to the water and sanitation sector through policy formulation and coordination. It is under this programme where administrative and support services were provided to the technical departments for efficient and effective implementation of projects and activities.

- During the year 2015/16, Water Bill (draft) was finalized and submitted to Parliament. The Bill has since been enacted to Water Act 2016.
- Capacity building in the water and sanitation sector was undertaken under the programme where a total of **1,415** water technicians graduated with diplomas and certificates from Kenya Water Institute in FY2015/16.
- Monitoring and Evaluation of the projects and programme was effectively undertaken throughout the year.

Programme 2: Water Resources Management

During FY 2015/16, additional **1.95 million** people have access to water services nationally of which **1.19 million** people were in urban and **760,000 people** in rural areas respectively. This translates the proportion of 56.9% of population having access to water services estimated nationally, with 67% having access to urban water services and 49% accessing rural water services as at the end of FY 2015/16.

A total of additional **1.14 million people** have access to basic sanitation services nationally making the proportion of national population with access to basic sanitation to be 74% at the end of FY 2015/16.

This enhanced access to water and sanitation services was achieved through the construction and rehabilitation of water and sewerage/sanitation schemes in urban and rural areas during the year. The following major achievements made during FY 2015/16 include:

- (i) Expansion and construction of 19 water and sanitation projects completed.
- (ii) Expansion and construction of 46 sewerage projects completed.
- (iii) Drilling and equipping 85 boreholes completed.
- (iv) 98 community water projects constructed through funding from Water Services Trust Fund
- (v) 65 Water resources monitoring stations established/ rehabilitated and operationalized.
- (vi) 26 Sub-Catchment Management Plans developed.
- (vii) 11 Km. of flood control dykes constructed/rehabilitated
- (viii) Ground water mapping for Turkana and Marsabit counties undertaken.
- (ix) National policy on ground water resources development and management developed.

2. PROGRAMMES AND THEIR OBJECTIVES

During the Financial Year 2017/2018 the Budget for the State department will be implemented through (3) Programmes namely:

1. **General Planning and Support Services Programme** which is aimed at providing good governance in the management of water resources.
2. **Water Resources Management Programme** which is aimed at promoting effective management of water resources.
3. **Water and Sewerage Infrastructure Development Programme** which is aimed at enhancing accessibility of Water and Sewerage Services through infrastructure development.

3. BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2017/2018

The State Department was able to finalize its budget after an extensive consultation with the Sector stakeholders following which it was allocated a total of **Kshs.33.794 Billion** for both Recurrent and Development Estimates. This allocation is against a resource requirement of **Kshs.122 Billion** which in essence leaves a resource gap of **Kshs.88.2 Billion**. This gap is quite significant and it impacts negatively to the Sub-Sectors capabilities of delivering on its mandate.

Of the total allocation, **Kshs.4.017 Billion** are earmarked for Recurrent Vote against a resource requirement of **Kshs.4.500 Billion** and **Kshs.29.777 Billion** for the Development Vote against a resource requirement of **Kshs.119 Billion**. The total allocation is distributed as follows:

A. RECURRENT EXPENDITURE

In the FY 2017/2018 the total Recurrent allocation is a Gross of **Ksh.4.017 Billion** with Appropriations in Aid (AIA) of **Kshs.2.141 Billion** and a net of **Kshs.1.876 Billion**. This allocation is distributed as follows:

		Kshs. Billion
A	Personnel Emoluments	0.608
B	Transfer to Parastatals	3.164
C	Operations and Maintenance	0.245
	TOTAL	4.017

B. DEVELOPMENT EXPENDITURE

In the FY 2017/2018 the Development Budgetary allocation for State Department is **Kshs.29.776 Billion** of which G.o.K Net allocation is **Kshs5.519 Billion** and the Donor component is **Kshs.24.259 Billion**. This allocation has reduced by **Kshs.9.458 Billion** from the FY2016/2017 allocation of **Kshs.39.236 Billion**. Due to rationalization of the donor commitments by the National Treasury.

This is illustrated as follows:

		FY 2016/2017 Allocation Kshs. Billion	FY 2017/2018 Allocation Kshs. Billion	Variance Kshs. Billion
A	G.O.K. allocation	5.405	5.519	0.113
B	Development Partners	34.201	24.259	(9.942)
	TOTAL	39.606	29.777	(9.829)

The huge drop in donor fund allocation will result to delays in projects completion as the projects implementation timelines have to be revised with incomplete work being rolled over to a future period.

The cabinet secretary pointed out that the Ministry has critical projects that need to be funded to alleviate the low accessibility of water across the country. The low funding levels have however compelled it to drop critical projects. In this context there is a need to rethink the approach to financing Water and Sewerage Infrastructure development if the target of connecting each household to water by the year 2030, as per the Jubilee Manifesto, is to be realized.

Over the years this country's water catchment areas have been degraded. This is mainly due to encroachment of such catchment areas, destruction of forests as well as degradation of the environment. More resources need to be allocated to Water Resources Rehabilitation and Conservation Programmes under WARMA with the objective of addressing this challenge.

SUBMISSION BY THE CABINET SECRETARY FOR THE MINISTRY OF MINING

The Ministry of Mining has been given a Gross budgetary allocation of **Kshs 2,720,785,646** for the financial year 2017/18, out of which:

1. Recurrent Net : **Kshs 1,450,464,217**
2. Recurrent A.I.A: **Kshs 14,000,000**
3. Development: **Kshs 1,234,000,000**
4. Donor AIA: **Kshs 22,321,429 (U.N.D.P)**

The allocation to programs (P.B.B) in the F.Y 2017/18 is as detailed below:

Programme	2017/2018 Ceiling		
	Recurrent	Development	Total
General Administration, Planning & Support services	924,491,089	60,000,000	984,491,089
Resource Surveys and Remote sensing	185,028,131	361,000,000	546,028,131
Mineral Resource Management	354,944,997	835,321,421	1,190,266,426
	1,464,464,217	1,256,321,429	2,720,785,646

Personnel Emoluments

The Personnel Emoluments (salaries and allowances paid as part of salaries) ceiling for the Ministry of Mining for the Financial Year 2017/2018 is **Kshs 584,300,000** up from **Kshs 365,000,000** in the F.Y 2016/17, an increase of **Kshs 219,300,000** being the annual 3% annual increment to the existing staff compliment of 400 officers in the Ministry and recruitment of additional 279 Technical staff

Other Major Recurrent Costs

The other Recurrent costs for the Financial Year 2017/2018 is **Kshs 866,164,217** with the major expenditure items listed below:

Item Description	Amount	Remarks
Legal compensation payments	450,000,000	Compensation to landowners at the Kenya Fluorspar Co Ltd catchment area in Kerio Valley, Elgeyo Marakwet County
Legal dues/payments (Cortec)	98,000,000	Funds to cater for payment of Legal dues in relation to ICSD case No ARB/15/29, Cortec Mining Ltd and Stirling Capital Ltd Vs Republic of Kenya
Recurrent Grants (Subscriptions to international organizations)	20,200,000	Includes subscriptions to Regional Centre for mapping Resources for Development (R.C.M.R.D), Southern & Eastern Africa Mineral Centre (SEAMIC) and Membership to the Geologist registration board,
Training & Capacity building	26,376,428	Includes funds for specialized and promotional courses.
Specialized materials & supplies	18,229,375	Includes funds for Lab supplies and materials for the Mines department and Resource surveys & Remote Sensing Department:
Office General supplies	37,134,713	Includes funds for purchase of Stationary and office equipment.
Domestic Travel costs	33,497,911	Includes domestic travel costs e.g Airlines, bus and subsistence costs for operational activities
Foreign Travel Costs	17,791,797	Includes foreign travel costs e.g Airlines and subsistence costs for international engagements
Fuel for Motor Vehicle	10,300,713	Includes fuel for Motor Vehicles in the Ministry and Departments
Fuel for Aircraft	17,094,000	Includes fuel for Aircraft of the Resource Surveys and Remote Sensing Department

Telephone, internet & Mobile phones	11,610,265	Includes funds for mobile telephone cards and internet connections
Rent (Regional office)	13,275,000	Rental cost for the Nakuru Regional office
Maintenance of Motor Vehicles	9,428,762	Includes funds for routine maintenance of Motor Vehicles
Maintenance of other assets	10,955,151	Includes funds for maintenance of Aircraft, equipment and Non - residential buildings
Other Recurrent Costs	92,268,142	Includes funds for other recurrent expenses and costs eg publishing & printing, insurance costs, staff uniforms, trade shows & exhibitions etc

Development G.O.K (Kshs 1,234,000,000)

The G.O.K Development allocation for the Financial Year 2017/2018 is **Kshs 1,234,000,000**. The Major development items being:

Project	Amount (Kshs)	Description/Objectives
Research	326,000,000	To cater for regular supervision of prospecting & mining activities, mapping of Geo-hazards and resource surveys and remote sensing.
Mineral Certification Laboratory	103,000,000	To establish a world class mineral testing laboratory
Geological Data Bank	100,000,000	To enhance access to Geological data and information
Mineral Audit Support	90,000,000	To establish a revenue management system for effective and efficient computation and collection of royalties fees, taxes and levies
Geological mapping and Mineral exploration	100,000,000	To enhance mineral exploration, inventory and mapping of mineral resources in Kenya
Online transactional Mining cadaster portal	40,000,000	Up-grade of the online transactional mining cadaster portal by adding additional modules and roll out to the 12 regional offices namely Mombasa, Kisumu, Migori, Nyeri, Kwale, Eldoret, Kabarnet, Kakamega, Nakuru, Voi, Embu and Garissa.
Gemstone Value addition Centre in Taita - Taveta county	35,000,000	To finalize the construction and equip the mineral value addition Centre in Taita Taveta County
Granite assessment centre in	50,000,000	To construct and equip the Granite the

Vihiga County		assessment centre in Vihiga County
Africa Mineral Development Centre	10,000,000	To host/establish the African Mineral Development Centre in Nairobi
Strengthen Geo-infrastructure for resource mapping	40,000,000	To purchase software to generate accurate and timely data for planning, conservation and management of Natural Resources for sustainable development
Acquisition of a LIDAR scanner (Survey Equipment)	140,000,000	To purchase the LIDAR scanner for resource surveys & remote sensing
Acquisition of a Hyper-Spectral sensor (Survey Equipment)	70,000,000	To purchase the Hyper spectral sensor for resource surveys & remote sensing
Overhaul of Survey Aircraft	20,000,000	To overhaul four (4) survey aircraft in line with KCAA standards of airworthiness and safety
Purchase of Project Motor Vehicles	60,000,000	To purchase motor vehicles for project operations in the Ministry Hqs, Departments and Field offices
Refurbishment of Madini House	50,000,000	To refurbish Madini House which is the Hqs of Mines & Geology Department, currently the facility is in a dilapidated state.
TOTAL	1,234,000,000	

Development Partners funded Project

The Development Partners have committed to fund a project in the Ministry of Mining in the F. Y 2017/18 amounting to **Kshs 22,321,429** (Grant AIA) namely Extractive Industries for Sustainable Development in Kenya (United Nations Development Program - UNDP)

Major Budget shortfalls for the F.Y 2017/18

The Ministry of Mining total budget requirement both recurrent and development was **Kshs 6,917,708,646** against an allocation from the National Treasury of **Kshs 2,720,785,646**. This resulted in a budgetary shortfall of **Kshs 4,196,923,000**.

Some of the major budget shortfalls both in the Recurrent and Development vote that were not funded include:

Program	Requirements 2017/18	Allocation 2017/18	Gap	Implications
National Airborne Geo-Physical Survey	2,920,000,000	0	2,920,000,000	Affect the implementation of this flagship project
Training	52,728,591	26,376,428	26,352,163	Affect roll out of specialised training and promotional courses.
Partitioning of new Headquarters	160,000,000	0	160,000,000	Affect the movement to the proposed Ministry HQs
Rent of New Headquarters	100,000,000	0	100,000,000	Affect the movement to the proposed Ministry HQs
Digitisation of Mining concessions records.	70,000,000	0	70,000,000	Affect data automation & protection of mining concessions & other important records
Survey & Rehabilitation of abandoned mines	140,000,000	0	140,000,000	Affect survey & rehabilitation of abandoned mines in Migori, Taita-Taveta, Kilifi & Kisumu counties
Mineral Rights Board	110,000,000	0	110,000,000	Lead to delay operationalization of the Mineral rights board in line with the Mining Act 2016
Acquisition of Mines inspectorate equipment	200,000,000	0	200,000,000	Affect acquisition of seismographs and mines safety equipment.
Kenya Seismological Network	160,000,000	0	160,000,000	Affect the roll out of a network for monitoring earth tremors and other seismic activity in Kenya

Coal exploration in Kilifi & Kwale Counties	80,000,000	0	80,000,000	Affect Geo exploration activities to establish economic viability of coal deposits in Kwale & Kilifi Counties
Mineral promotion & Value Addition	300,000,000	6,800,230	293,199,770	Affect the initiatives of marketing Kenya as a mineral hub to the existing and new clients.
TOTAL BUDGETARY DEFECIT			4,196,923,000	

CHALLENGES OF THE MINING MINISTRY/SECTOR

- a) There is budgetary constraint coupled with late release of exchequer caused by unpredictable revenue streams especially for development vote coupled with budgetary cuts/austerity measures.
- b) Outdated Geological data and information in the countries that hamper effective decision making.
- c) Highly dynamic technological changes which renders already acquired expensive mining and geological equipment obsolete.
- d) Inadequate specialized survey, remote sensing and Laboratory equipment needed for resource surveys, remote sensing and Geo – exploration.
- e) Shortage of Technical and specialized staff (Geologists, Geophysicists, Geochemists, Mining Engineers & Mineral Marketers), high staff turnover, inadequate transport and office space.
- f) Inadequate transport. The Ministry has not bought new vehicles since its establishment and attempts to bond old and idle vehicles have not been successful in the past.

- g) Inadequate office space. The Ministry has only three floors in the Works Building and this is not enough for the growing numbers of staff.

Recognizing the constraints in resources, it is important that more resources need to be allocated to critical activities in the mining sector such as Airborne Geo-Physical survey, Mineral exploration and development and generation of mineral and geological data in line with Vision 2030

SUBMISSION BY THE CABINET SECRETARY FOR THE MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES

The total Ministry's budget for 2017/18 FY is **Kshs.23, 857 Million** where by **Kshs. 16, 351 Million** is Recurrent Expenditure while **Kshs.7, 506 Million** is Development Expenditure.

Recurrent Expenditure

In the Budget Estimates the Recurrent Budget allocation is **Ksh. 16,351 million**. This allocation will not be sufficient to cater for Operations and Compensation of Employees. **75 percent** of the recurrent expenditure is utilized for salaries for both the Ministry and SAGAs as illustrated in

Table I.

Table: Analysis of Compensation of Employees for the Ministry and SAGAs			
(Ksh. millions)			
Details	Printed Estimates FY 2016/17	Requirement FY 2017/18	Allocation FY 2017/18
1. Ministry Headquarters	1,224	1,361	1,260
2. NEMA	698	733	733
3. NETFUND	89	102	89
4. KWTA	160	289	289
5. KEFRI	1,212	1,472	1,212
6. KFS	4,200	4,725	4,200
7. KWS	4,199	4,698	4,698
8. WCK	25	45	25

Total	11,807	13,349	12,506
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Because of non-clarity, the following emerging issues were not captured in the MTEF budget under consideration:

- (i) Remuneration of Audit Committee members in Public Service;
- (ii) Interns and incoming new staff under the current reorganization of government. The current Staff in-post is 1,089 against the approved staff establishment of 1,889 following reorganization by the Public Service Commission.

Development Expenditure

The 2017/18 FY allocation for Development is **Kshs.7,506 Million**.

The Ministry will implement four (4) programmes namely: Environment Management and Protection, Natural Resources Management and Protection, Meteorological Services, and General Administration, Planning and Support Services.

The intended achievements and outputs for each programmes are as highlighted:

1. Environment Management and Protection Programme

Under this programme whose key outcome is 'sustainably managed environment' the Ministry intends to achieve the following:

- (i) 70% of degraded areas will be rehabilitated and restored under the Imarisha Lake Naivasha Programme, Lake Victoria Environmental management programme Phase II (LVEMP II) and 3000ha under the Suswa-Magadi Ecosystem;
- (ii) Second National Climate Change Action Plan (2018-2022) and National Adaptation Plan (2016-2030) formulated;
- (iii) National Waste Management regulations will be updated and action plans for waste management infrastructure and systems put in place;
- (iv) Increased number of rehabilitated urban rivers.
- (v) Increased Number of restored riparian areas;
- (vi) Enhanced Green Growth and Employment in the country;
- (vii) Environmental Policy and legislation framework strengthened.

2. Natural Resources Management and Protection Programme

Under this programme whose key outcome is 'Effectively protected and sustainably managed Natural Resources' the Ministry intends to achieve the following:

- (i) Increased forest cover to over 7.1%;
- (ii) A functional tool for estimating emissions and removals of carbon from the land sector developed;
- (iii) 21 forest research technologies developed;
- (iv) 200,000 ha of Water Towers rehabilitated and protected;
- (v) Poaching levels reduced to approximately 100% (towards zero poaching);
- (vi) Response rate to human wildlife conflicts increased to approximately 100%;
- (vii) 210 ranger houses constructed and 250 ranger houses rehabilitated;
- (viii) Two Natural Resources policies (forest and wildlife) finalized and legislation frameworks strengthened.

3. Meteorological Services Programme

Under this programme whose key outcome is 'Timely and Accurate Weather and Climate Information and Services for Decision making', the Ministry intends to achieve the following:

- (i) Timely and accurate dissemination of weather and climate information for aviation industry, agricultural activities and disaster management;
- (ii) Established Data observation systems and networks on meteorological information and services;
- (iii) Established information systems for effective and timely dissemination of weather and climate information and products.

4. General Administration, Planning and Support Services

Under this programme, the key outcome is the 'provision of support services' to the technical departments. The Ministry intends to achieve the following:

- (i) Effective and timely provision of support services;
- (ii) Compliance with the statutory obligations, executive orders and Government Policies;

(iii) Human Resource Training and Development;

(iv) Monitoring, evaluation and reporting on implementation of programmes.

Table II; provides a summary of expenditure per programme:

Table II: Summary of Expenditure per Programme (Kshs. million)				
Programmes	2016/17 Estimates	2017/18 Allocation	Resource Requirement 2017/18	Funding Gap
1. Environment Management and Protection	4,653	3,884	14,052.0	10,168
2. Natural Resources Management and Protection	14,914	17,390	31,495.0	14,105
3. Meteorological Services	2,171	2,213	5,509.0	3,296
4. General Administration, Planning and Support Services	400	369	670.0	301
Grand Total	22,140	23,311	51,726	27,870

It is important to note that the funding gap has continuously increased over the years and this has adversely affected efficient service delivery. Some of the services affected include; human wildlife conflict mitigation, compensation of human wildlife conflict victims, management of forest fires, forest and landscape restoration, securing wildlife corridors and dispersal areas, construction of fences for mitigating human wildlife conflicts, management of invasive species (e.g Mathenge , Indian house crow , Prickly Pear Cactus *Opuntia*), global warming and climate change adaptation and mitigation, timely wildlife census, wildlife security, solid waste management, synergy and collaboration between the National and County Governments.

In addition, compliance with international obligations on Multilateral Environmental Agreements (MEAs) has also been affected due to budgetary constraints on travel, subscriptions, hosting and attendance of meetings. Compliance with the obligations is critical in fulfilling our commitments, resource mobilization and promoting the image of the country.

In addition, the allocation as provided for in the Budget Estimates for the FY 2017/2018 Budget and the Medium Term Budgets, is not commensurate to the required funding of **Ksh.51.726 billion** for key priority areas the Ministry intends to implement as highlighted earlier. This is likely to pose a challenge in fulfilling the requirements of Article 69 of the Constitution. The Article provides for the protection and conservation of the environment and natural resources.

It further states that the State shall ensure sustainable exploitation, utilization, management and conservation of the environment and natural resources, and equitable sharing of the accruing benefits.

The Budget Estimates has clearly highlighted the key priority areas which the Ministry will focus in the next Financial Year. Emphasis has been put on protection and conservation of the environment and natural resources as well as effective climate change mitigation and adaptation. The Ministry has been seeking additional funding from the National Treasury and over the years it has been advised to seek funds within the sector working group ceiling. During the SWGs discussions in Mombasa, my Ministry presented a list of **Twenty (20)** new projects out of which **only seven (7)** were partially funded as shown in **table III**.

TABLE III: LIST OF NEW PROJECTS PARTIALLY FUNDED FY 2017/18 (KSH. MILLIONS)			
Project Name	Brief Description of the Project	Project Total Cost	Allocation
1. National Solid Waste Management Project	The overall purpose of the project is to build and strengthen institutional capacity for monitoring and ensuring compliance and enforcement of Solid Waste Management Regulations in Kenya for a clean, secure and healthy environment.	5000	40

2.Establishment of National Environment Laboratory	The ultimate development goal of the Programme is to provide a facility for environmental data analysis for application in environmental compliance assessment and enforcement.	1500	10
3. Suswa-Lake Magadi- Migori ecosystem and environmental restoration program	The Project aim is to undertake restoration and rehabilitation of Lake Magadi and Migori river catchment to enhance environmental sustainability and quality of exported Trona from Lake Magadi. In addition, undertaking this project will contribute to safeguarding national economic losses from export of soda ash currently estimated to generate Ksh.90Billion of Revenue per year. Siltation is hampering Hydroelectric power generation as the case of Sodu Miriu and overall land degradation in the catchment.	4000	40
4. Airport weather Observation Systems	The project intends to equip major international airports and military airbases with automated weather observation systems for safe and economical negotiation of air navigations.	683	10
5. Forest Fires Prevention and Management Project	The aim of the project is to reduce the damage of forest fires in Kenya, and thereby reduce forest destruction and environmental degradation caused by the fires.	250	40
6. Community Livelihoods Improvement Project	The main objective is to support Communities to engage in conservation based activities for sustainable ecosystem management. The goal is to ensure food security sustainable water resources management and protection of ecosystem by applying holistic policy approaches and support communities to meet basic needs.	1,277	344
7. Construction of tree seeds processing units	The main objective is to expand and improve KEFRI's ability to increased accessibility of high quality germplasm for stakeholders in the counties.	526	5
TOTAL		13,236	509

During the 2017 MTEF resource allocation, my Ministry received a marginal increase of **Ksh.1, 171 million** under GOK development funding against a request of **Ksh.51, 726 million**. The intended projects are part of the Ministry's priority projects anchored in the Jubilee Manifesto. In addition, there are a number of projects earmarked by the Ministry for implementation in the MTEF period which are NOT funded within the Sector. The detailed capital projects that were not funded are provided below in **table IV**.

Major Areas Affected by Underfunding

The marginal increase of allocation during the 2017 MTEF and the underfunding of the new projects will hamper effective execution of the Ministry's mandate;

S/No	Project Name	Estimated Project Total Cost	Requirement 2017/18
1	Enviromental Monitoring Programme for Compliance and Enforcement	215	50
2	Supporting Implementation of Green Economy (Counterpart Funding)	132	40
3	Research and Capacity building in Kenya	315	100
4	Transitioning to Green Economy in Africa	30	30
5	Institutional Strengthening Project	20	20
6	Promotion of Sustainable Private Forestry Management in Kenya	148	30
7	KEFRI/JICA: Capacity Development Project for Sustainable Forest Management in Kenya (Regional Cooperation)	460	100
8	Improvement of tourism facilities	1172	350
9	Vulnerable and Endangered Species Restoration Programme	1700	1700
10	KEFRI/JICA: Project on Regional Training	439	100
11	Miti Ni Mali	1300	300
12	KEFRI/JICA Project: Capacity Development Project for sustainable forest management in Kenya (Tree Breeding)	760	120
	TOTAL	6,691	2,940

1. The scrapping of Environmental Impact Assessment (EIA) levy will significantly reduce NEMAs funding by 75% or a budget shortfall of **Ksh. 1.2billion**. The effective date of implementation of this Cabinet decision will be 2017/18 financial year.
2. Solid waste management programme by **Ksh.960M**;
3. The Suswa – Magadi - Migori ecosystem project by **Ksh.960M**;
4. The outstanding wildlife compensation claims amounting to **Ksh. 4.658 billion** for the period January 2014 to January 2016. These exclude payment for snakebites.

(i) Compensation for death cases

For the period of 18 months between July 2014 to January, 2016 a total of 305 death cases were reported in 35 conflict hot-spot Counties. Of these cases, the Ministerial Wildlife Compensation Committee (MWCC) approved 274 cases for payment which would translate to **Ksh 1.37 billion**. Out of the 274 death cases approved for payment, 171 or 62% of the claims were attributed to snake bites, while 103 or 38% were attributed to ALL other wild animals.

(ii) Compensation for injuries

During the period January 2014 and January 2016, a total of 2029 human injury claims for compensation were approved by CWCCCs from 35 Counties. A total of 385 cases were approved by MWCC amounting to **Ksh. 253 million**. The other 1644 of these cases were snake injuries which accounted for 81% of all injury cases which have so far been deferred.

(iii) Compensation for property damage

Between January 2014 and January 2016, a total of 663 cases of livestock claims, 373 crop damage and 3 other property damage claims had been lodged for consideration by the MWCC. The claims are still accumulating and have not been discussed at the CWCCCs level due budgetary constraints. However the projected amounts to settle claims for crops, predation and other property destruction for the cases between January 2014 to December 2016 are **Ksh.2.9 billion**.

5. Operationalization of County Wildlife Conservation and Compensation Committees (CWCCCs).The CWCCCs require to be operationalized to among other things consider and

make recommendations on all compensation cases across the country. A conservative budget of **Ksh. 135 million** is required to facilitate execution of their mandate and functions as provided for in the Wildlife Act.

6. Construction of Roads in National Parks and Forestry Reserves amounting to **Ksh. 538 million**;

7. Construction and maintenance of game-proof barriers in KWS Parks and Reserves amounting to **Ksh. 500 million**;

8. A shortfall of **Ksh.300 million** for ranger houses construction and maintenance;

9. Approved salaries for the KWTa technical staff amounting to Ksh.129 **million** and Ksh.537million for Soil loss mitigation and community livelihood.

10. KEFRI's personnel emoluments for annual increment of **Ksh.50 million**, staff medical scheme of **Ksh.10 million**, contribution to staff pension scheme of **Ksh.10 million**, housing and hardship allowance of **Ksh.30 million** and medical insurance amounting to **Ksh.200 million**.

11. NEMA's shortfall of Ksh 300 million for operations and maintenance

12. Airport Weather observing systems shortfall of Ksh 673 million

13. Counter funding of the AFD of Ksh.166 million

14. Nairobi River Ksh.500 Million and Ksh.100 Million for Urban Rivers.

The amount is required to control pollution in Nairobi Rivers which are currently in a poor state that has led to;

(i) Complaints from the Public who have written several letters to the Ministry

(ii) Negative media coverage on the state of Nairobi River that portray a bad image of the Government.

(iii) Court petition whereby residents are demanding that the court compels the Government to clean the river to enable them enjoy the right to clean environment as enshrined in the constitution (Copy of the court petition attached).

15. National Air Quality Strategy and Action Plan Ksh.50 Million

16. Emission testing framework for Land, Sea, and Air based mode of transport Ksh.100 million.

As recognized by the Constitution the Ministry plays a critical role in national socio-economic development. It is the key natural capital for both the productive and support sectors. For example, over 70% of the total tourism earnings per year are attributed to wildlife tourism

representing about 5% of the GDP. Unfortunately, the low level of budgetary allocation is not commensurate to the contribution made by the Ministry to the country.

And therefore the cabinet secretary asked for the intervention of the committee to advocate for the Ministry of Environment and Natural Resources before the National Assembly Budget Committee and the National Treasury for additional funding to bridge the funding gap of **Ksh.27, 870Million**

COMMITTEE OBSERVATIONS AND RECOMMENDATIONS:

The Committee having reviewed the Budget Estimates for the 2017/2018 Financial Year made the following observations:-

MINISTRY OF ENVIRONMENT AND NATURAL RESOURCES

a) State Department for Environment

1. In the FY 2017/2018 budget, there are new projects totaling to **Kshs. 157.30 million** which goes against the directive of starting new projects and ensuring completion of ongoing projects with the constrained resources.
2. The targets for the Programmes/sub-Programmes are not realistic and not in line with the allocations
3. In the FY 2017/2018, the National Environment Management Authority has a proposed allocation of **Kshs. 990.16 million** out of which **Kshs. 90 million** is to be financed through A-I-A while **Kshs. 900.16 million** is to be financed through exchequer. This is against the allocation of **Kshs. 1.20 billion** of which **Kshs. 800 million** was through A-I-A and **Kshs. 400.15 million** through exchequer allocated in the FY 2016/2017. It is therefore of concern that the A-I-A collection has reduced due to the scrapping of the EIA fee and the funding through the exchequer has gone up. The committee further notes that the scrapping of the Environment Impact Assessment fees goes against international treaties on Polluter pays principle to which Kenya is a signatory;
4. This has further resulted in a shortfall in the operation and maintenance costs for the Authority.

b) State Department for Natural Resources

1. The current drought being experienced in the country has increased incidences of human wildlife conflict. The pending payments for victims of human wildlife amount to **Kshs.4.65 billion** for the period January 2014 to January 2016.
2. The committee was concerned with the stagnation of A-I-A in Kenya Wildlife Service despite the robust tourism level, however the Department explained on the reduction of park fees by 16% against its neighboring countries to provide for the increase in tourists.
3. The committee is concerned with the Kenya Meteorological Department's capability of giving accurate information on the erratic weather patterns which has become the new normal to avoid calamities such as drought and floods brought about by climate change

MINISTRY OF WATER AND IRRIGATION

b) State Department for Water Services

1. The committee noted that out of the Recurrent expenditure of **Kshs. 4.02 billion, Kshs. 3.15 billion** (78%) has been taken up by state agencies and out of this over **2 billion shillings** is for personnel emoluments. It was therefore of concern to the committee that most of these agencies such as WARMA are overstaffed and hence the funds allocated are only for paying employees rather than carrying out their mandate.
2. The Committee in its previous engagement with the National Treasury was informed that Kshs. 195 million to Badasa Dam and **Kshs. 536 million** to Umaa Dam would be allocated under amendments to supplementary 1 to cater for the pending bills arising from court cases. However the implementation of the two projects have not been factored in the FY 2017/2018 raising doubts on the status of the projects
3. The Committee noted that some projects have increased donor allocations in the FY 2017/2018 budget; however some of these projects had reductions in their donor budgets under the supplementary budget estimates for the FY 2016/2017 due to non-absorption of funds. The committee therefore notes the gap between budgeting and budget implementation especially in regards to the externally funded projects
4. In the FY 2017/2018 budget, there are new projects totaling to **Kshs. 883 million** which goes against the directive of starting new projects and ensuring completion of ongoing projects with the constrained resources.
5. The State Department under the transboundary waters Programme which is a new Programme, targets to conduct ground water mapping for Turkana and Marsabit. This has been a continuous/ moving target since the FY 2014/2015 under the State Department. This is a clear indication of the lack of linkage between programmes, outputs and allocations

THE MINISTRY OF MINING

1. The Ministry of Mining was allocated **Kshs. 2.76 billion** for conducting the first phase of the nationwide airborne geophysical survey in the FY 2016/2017. The Ministry has been advised by the National Treasury to consider external financing for the said project. However, it has come to the attention of the Committee that the due diligence has not been carried out on the Chinese firm, Geological Exploration Technology Institute (GETI) of Jiangsu Province, which is set to carry out the project.
2. The Ministry headquarters' allocation towards specialized materials and supplies has increased from **Kshs. 500,000** to **Kshs. 32.67 million**. The Ministry explained that the funds were to cater for the purchase of Satellite Images. It was however of concern that the Ministry did not provide information on the purpose and type of satellite images (resolution of the satellite images, whether purchasing archived data) to convince the committee on the allocation.

3. The Ministry was allocated funds for the granite assessment project in Vihiga to conduct feasibility studies, however, the Ministry has not submitted the feasibility studies for onward project implementation

RECOMMENDATIONS

Arising from the budget estimates review and the observations above the Committee recommends that:-

1. The Committee approves the proposed Budget estimates for the Financial Year 2017/2018;

e) State Department for Environment

2. With the constrained and limited resources, the MDAs need to focus on fast-tracking completion of key ongoing projects before starting new projects
3. The need to strengthen the link between the Programme Based Budget framework and Itemized Budget with respect to having a comprehensive and responsive set of indicators, key outputs and realistic targets and proper costing of programmes. There is need to have a costed approach when setting targets and expected outputs as the evidence available indicate a weak link in terms of having an effective and responsive PBB framework
4. The Environment Impact Assessment (EIA) fees which has been scrapped off needs to be reinstated. The scrapping of the Environment Impact Assessment fees goes against international treaties on Polluter pays principle to which Kenya is a signatory; further to this the scrapping of the EIA fee has led to reduction in the A-I-A collected and further increasing the funds to be financed through the exchequer, burdening the tax payers.

f) State Department for Natural Resources

1. The committee recommends the long term solution to amend the Wildlife conservation and Management Act, 2013 to limit the compensation claims to areas of jurisdiction of the Kenya Wildlife Service. However, the **Kshs. 4.65 billion** pending claims for victims of human wildlife conflicts which have been forwarded should be paid;
2. With the effect/impact of climate change, there is need to invest in better and modern weather forecasting and early warning systems to provide the Kenya Meteorological Department the capability to give accurate information on future erratic weather patterns to ensure effective adaptation and mitigation measures.
3. The Kenya Wildlife Service should put measures in place to avoid leakages especially in Park fees to ensure an increase in the A-I-A collected

g) State Department for Water Services

1. The Department should review the staffing levels at the Water Resources Management Authority and other agencies which are greatly over-staffed. The Committee in its previous reports has urged agencies with bloated staff to initiate voluntary retirement programmes;
2. Due to the long court cases involving the implementation of Umaa and Badasa Dams and following the settlement of the court cases under the supplementary, funds should be allocated in the FY 2017/2018 to restart the implementation of the two projects.
3. With the reductions in allocation of donor funded projects due to low absorption rates, there is need to ensure that the ministry's improve the utilization of approved allocations especially of external funds already mobilized and committed with a view to minimize the associated opportunity costs (delayed benefits to Kenyans, fiscal risks and contingent liabilities). The ministry should also enhance efficiency in utilization to further minimize mid-stream budget revisions.
4. With the constrained and limited resources, the MDAs need to focus on fast-tracking completion of key ongoing projects before starting new projects
5. The need to strengthen the link between the Programme Based Budget framework and Itemized Budget with respect to having a comprehensive and responsive set of indicators, key outputs and realistic targets and proper costing of programmes. There is need to have a costed approach when setting targets and expected outputs as the evidence available indicate a weak link in terms of having an effective and responsive PBB framework
6. There is need to harmonize the water sector such that oversight of projects is more coordinated. If project implementation is being monitored by many players it becomes difficult to keep track of the projects;

h) Ministry of Mining

1. The Kshs. 3 billion for the Nationwide Geophysical Survey should be reinstated. Further, the project should be done by Kenyan geologists as recommended by the Committee in its report on the consideration of the Budget Policy statement for the Financial Year 2017/2018. The Committee objects the award of the project contract to the Chinese firm, Geological Exploration Technology Institute (GETI) due to the fact that due diligence has not been carried out on the firm. The Committee therefore recommends that the project be funded through the exchequer for oversight and transparency of the award;
2. The satellite images to be purchased by the Ministry should be of quality in terms of the resolution to warrant such allocation.
3. The committee recommends the Ministry to complete the feasibility study for the granite assessment for Vihiga and if the project is feasible do cost analysis on the capital investment required in order to start exploration works

REPUBLIC OF KENYA**THE NATIONAL ASSEMBLY****ELEVENTH PARLIAMENT – FIFTH SESSION - 2017****DEPARTMENTAL COMMITTEE ON ADMINISTRATION AND NATIONAL SECURITY**

REPORT ON EXAMINATION OF 2017/2018 BUDGET ESTIMATES:

THE PRESIDENCY VOTE 1011; STATE DEPARTMENT OF INTERIOR VOTE 1021; STATE DEPARTMENT OF CORRECTIONAL SERVICES VOTE 1022; INDEPENDENT POLICING OVERSIGHT AUTHORITY VOTE 2151; THE NATIONAL POLICE SERVICE COMMISSION VOTE 2101; THE PUBLIC SERVICE COMMISSION VOTE 2071; AND 070000 P5 PUBLIC SERVICE TRANSFORMATION PROGRAMME VOTE 1031

DIRECTORATE OF COMMITTEE SERVICES
CLERK'S CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

MARCH, 2017

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ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic produce
IPOA	Independent Policing Oversight Authority
FY	Financial Year
KSHS.	Kenya Shillings
MDAs	Ministries, Departments and agencies
NCIC	National Cohesion and Integration Commission
NPS	National Police Service
NPSC	National Police Service Commission
PSC	Public Service Commission

Chairperson's foreword

The Cabinet Secretary, National Treasury, submitted to the House the 2017/2018 Budget Estimates on Wednesday 15th February, 2017. The Departmental Committee on Administration and National Security embarked on the process of scrutinizing the 2017/2018 Estimates by inviting the relevant Ministries, Departments and Agencies which fall under the Committee's mandate, requesting them to present their Estimates before the Committee for consideration.

Thereafter, the Committee held meetings with the State Department for Interior on Thursday 2nd March, 2017, the State Department for Correctional Services, the Independent Policing Oversight Authority, the National Police Service Commission, the Public Service Commission and the State Department for Public Service & Youth Affairs, on Tuesday 7th March, 2017. The Committee also held a meeting with the Comptroller of State House on Wednesday 8th March, 2017. During the meetings the Committee looked into the following areas of interest:

- The total net requested from the Exchequer for the Ministries/Departments and comparison of the previous and current year's allocations
- Detailed Explanatory statement on the 2017/2018 Estimates
- Report on the performance of the 2016/2017 budget performance indicating absorption capacity.
- Proposed allocation vis-a-vis the achievements of the Ministries/Departments strategic plans.

The Committee takes this opportunity to thank the offices of the Speaker and Clerk of the National Assembly for logistical support. The Committee is also grateful to the Ministry of Interior and Coordination of National Government, Comptroller of State House, State Department for Public Service and Youth Affairs, the Independent Policing Oversight Authority, the National Police Service Commission, the Public Service Commission and the Presidency for availing and presenting information and documents as requested by the Committee.

On behalf of the Committee, and pursuant to Standing Order 199(6), it is my pleasant duty to present the Report of the Committee on Administration and National Security on its examination of the 2017/2018 Budget Estimates of the relevant Ministry and Departments, for deliberation and adoption.

The Hon. Asman Kamama, MGH, OGW, MP

Chairperson Departmental Committee Administration and National Security

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1.0 PREFACE

- On Wednesday 15th February, 2017 the Cabinet Secretary National Treasury, submitted to the House the 2017/2018 Budget Estimates.
- Article 221(4) of the Constitution provides that, “*a Committee of the Assembly shall discuss and review estimates and make recommendations to the Assembly.*” The Committee is required to submit a report within twenty one (21) calendar days, thereafter.
- The House pursuant to Standing Order 235(3) referred the Estimates to the relevant Departmental Committees for examination.
- The Departmental Committee Administration and National Security received the Budget Estimates on Wednesday 15th February, 2017 and set out a procedure for the examination of the Estimates and presentation a report within twenty one (21) calendar days as set out in Standing Order 235(4).

1.1 Mandate of the Committee

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

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

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(vi) study and review all legislation referred to it

1.2 Committee subjects

The Committee is mandated to consider the following subjects:-

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

1.3 Oversight

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

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

1.4 Members of the Committee

Chairperson	The Hon. Asman Kamama, MGH, OGW, MP
Vice Chairperson	The Hon. Alois M. Lentoimaga, MP
Members	The Hon. Joseph Lekuton, MP
	The Hon. Alice Wahome, MP
	The Hon. Zakayo K. Cheruiyot, MP
	The Hon. Timothy W. Wetangula, MP
	The Hon. Patrick Ole Ntutu, MP
	The Hon. Ali Isaack Shaaban, MP
	The Hon. Samuel Moroto, MP
	The Hon. (Dr.) Humphrey Njuguna, MP
	The Hon. Francis K. Mwangangi, MP
	The Hon. Rashid J. Bedzimba, MP
	The Hon. David Gikaria, MP
	The Hon. Mohamed Shidiye, MP
	The Hon. Jane Machira, MP
	The Hon. Ibrahim Abdi Saney, MP
	The Hon. Joseph O. Ndiege, MP
	The Hon. Wanjiku Muhia, MP
	The Hon. Akuja Protus Ewesit, MP
	The Hon. Joseph M. Kahangara, MP
	The Hon. Ahmed Abdikadir Ore, MP
	The Hon. Grace Kiptui, MP
	The Hon. George Theuri, MP
	The Hon. James Bett, MP
	The Hon. Benard Shinali, MP
	The Hon Charles Nyamai, MP
	The Hon Fatuma Ibrahim Ali, MP
	The Hon. (Dr.) Makali Mulu, MP
	The Hon Peter Kaluma, MP
	The Hon James Opiyo Wandayi, MP

Committee Secretariat

Clerk Assistant I	Mr. Leonard Machira
Clerk Assistant II	Ms. Rose Wanjohi
Third Clerk Assistant II	Ms. Hellen Lokwang
Legal Counsel II	Ms. Christine Odhiambo
Research Officer III	Ms. Fiona Musili
Fiscal Analyst III	Mr. Edison Odhiambo

1.5 List of recommendations

The Committee recommends, that:-

1. **Vote.1011: The Presidency**

The proposal by the Presidency to withdraw from the Consolidated Fund a sum of nine billion, eight hundred and twelve million, four hundred seven thousand and twelve (Kshs.9,812,407,012) for Expenditure under vote.1011; the Presidency, be approved as per the following programmes:-

- (i) 0702000 P2 Cabinet Affairs (Kshs.2, 353,449,651)
- (ii) 0703000 P3 Government Advisory Services (Kshs.1, 014,969,780)
- (iii) 0704000 P4 State House Affairs (Kshs.3, 673,971,500)
- (iv) 0734000 P.6 Deputy President Services (Kshs.2, 770,016,081)

2. **Vote 1022: State Department for Correctional Service**

The proposal by the Cabinet Secretary to withdraw from the Consolidated Fund a sum of twenty two billion, two hundred and fifty five million, three hundred and sixty nine thousand, three hundred and thirteen (Kshs. 22,255,369,313) for the Expenditure under Vote 1022; the State Department for Correctional Services, be approved per as the following programmes(the proposed reallocation may affect the sum):-

- (i) 0604000 P1 Correctional services (Kshs. 21,688,953,391)
- (ii) 0623000 P.2 General Administration, Planning and Support Services (Kshs. 446,482,698)
- (iii) 0624000 P.3 Betting Control, Licensing and Regulation Services (Kshs. 119,933,224)

3. **Vote 2151: Independent Policing Oversight Authority**

The proposal by the Independent Policing Oversight Authority to withdraw from the Consolidated Fund a sum of five hundred and fifty million (Kshs.550, 000,000) for Expenditure under Vote 2151; the Independent Policing Oversight Authority, be approved as per the 0622000 -0622000 P.1 Policing Oversight Services programme (the proposed reallocation may affect the sum).

4. Vote 2101: National Police Service Commission

The proposal by the National Police Service Commission to withdraw from the Consolidated Fund a sum of four hundred and eighty five million, nine hundred and ninety thousand (Kshs. 485,990,000) for the Expenditure under Vote 2101; the National Police Service Commission, be approved as per the 0620000 P.1 National Police Service Human Resource Management programme (the proposed reallocation may affect the sum):

5. Vote 2071: Public Service Commission

The proposal by the Public Service Commission to withdraw from the Consolidated Fund a sum of one billion and two hundred and sixty nine million (1,269,000,000) for Expenditure under Vote 2071; the Public Service Commission, be approved as per the following programmes (the proposed reallocation may affect the sum):

- (i) 0725000 P.1 General Administration, Planning and Support Services
(Kshs. 942,143,639)
- (ii) 0726000 P.2 Human Resource management and Development
(Kshs. 202,189,957)
- (iii) 0727000 P.3 Governance and National Values (Kshs. 124,666,404)

7. Vote 1031- 070000 P5 the Public Service Transformation programme

The proposal by State Department of Public Service and Youth Affairs to withdraw from the Consolidated Fund a sum of three billion seven hundred and sixty seven million, seven hundred and twenty nine thousand, four hundred and forty six (Kshs.3,767,729,446) for Expenditure under Vote 1031- 070000 P5; the Public Service Transformation programme under vote 1031 ; the State Department of Planning(the proposed reallocation may affect the sum).

8. Vote .1021: State Department of Interior

The proposal by the Cabinet Secretary to withdraw from the Consolidated Fund (revised) a sum of one hundred and twenty four billion, seven hundred and thirty six million, one hundred and eighty nine thousand and eight hundred and eighty nine (Kshs.124, 736,089,889) for Expenditure under Vote .1021; the State Department of Interior, be

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approved as per the following programmes (the proposed reallocation may affect the sum):-

- (i) 0601000 P.1 Policing Services (Kshs.90, 308,788,581)
- (ii) 0602000 P.2 Planning, Policy Coordination and Support Service
(Kshs. 25,206,626,501)
- (iii) 0603000 P3 Government Printing Services (Kshs.920, 983,833)
- (iv) 0605000 P.4 Population Management Services (Kshs.8, 174,540,974)
- (v) 07360000 NG O Regulatory Services (125,150,000)

REDUCTIONS

The Committee recommends the following reductions, that :-

1. Kshs 835, 000,000 be reduced from 0601000 P.1 Policing Services in vote 1021 State Department for Interior (485,000,000)from 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization and (Kshs.50,000,000) from 0601020 SP1.2 Administration Police Services- 10211004000 Construction of Police Stations.
2. Kshs. 150,000,000 be reduced from 602000 SP2 Planning , Policy Coordination in vote 1021 State Department for Interior (Kshs. 50,000,000000 from 1021101000 Refurbishment of regional, County and Sub County offices, (Kshs. 50,000,000) from 1021100900 construction of Regional County and Sub County offices and (Kshs 50, 000,000 from 1021101100 Construction of Newly gazetted Sub County Headquarters

REALLOCATIONS

The Committee recommends the following reallocations, that:-

1. Kshs. 150,000,000 be reallocated from 0601000 P.I Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization in vote 2010 State Department of Interior to Vote 2071, Public Service Commission - P.1 0725000 General Administration, Planning and Support Services to facilitate the operationalization of a Mortgage and Car loan scheme for staff(100,000,000) and P.1 0726000 Compliance and quality assurance to facilitate the development of a Citizen Service Delivery Charter (Kshs 50,000,000).
2. Kshs. 180,000,000 be reallocated from 0601000 P.1 Policing Services under

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- 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization in vote 2010 State Department of Interior to Vote 1022 State Department for Correctional Services- P1 Correctional Services to facilitate payment of stipend allowance for 3200 prison recruits (130,000,000) and procurement of Fuel and Lubricants (Kshs. 50, 000,000)
3. KShs. 390,000,000 be reallocated from 0601000 P.1 Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization programme in vote 2010 State Department of Interior to Vote 1031- 070000 P5 State Department for Public Service and Youth under Public Service Transformation Programme to cater for additional recurrent operational costs for Huduma Kenya Secretariat(Kshs. 50,000,000) and stalled modern complex at the of Kenya School of Government - Mombasa campus (Kshs. 340, 000, 000)
 4. KShs. 65,000,000 be reallocated from 0601000 P.1 Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization programme under State Department for Interior to vote 2101 National Police Service Commission to facilitate police vetting(Kshs.46, 800,000), automation of police records(Kshs. 3,200,0000) and monitoring of recruitment of police constables(Kshs. 15,000,000).
 5. KShs. 50,000,000 be reallocated from 0602000 SP2 Planning , Policy Coordination and Support Services under 1021100900 construction of Regional County and Sub County offices in vote 1021 State Department for Interior to vote 2151; the Independent Policing Oversight Authority to cater for funding of 3 newly established regional offices and facilitate the establishment of 3 additional regional offices.
 6. KShs. 50,000,000 be reallocated from 0602000 SP2 Planning , Policy Coordination and Support Services under 1021101000 Refurbishment of regional, County and Sub County offices in vote 1021 State Department for Interior to vote 2151 the Independent Policing Oversight Authority to cater for funding of 3 newly established regional offices and facilitate the establishment of 3 additional regional offices.
 7. KShs. 50,000,000 be reallocated from 0602000 SP2 Planning , Policy Coordination and Support Services under 1021101100 Construction of Newly gazetted Sub County Headquarters in vote 1021 State Department for Interior

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to vote 2151; the Independent Policing Oversight Authority to cater for funding of 3 newly established regional offices and facilitate the establishment of 3 additional regional offices.

8. KShs. 50,000,000 be reallocated from 0601000 1 Policing Services under 0601020 SP1.2 Administration Police Services- 10211004000 Construction of Police Stations and Housing for Administration Police in vote 1021 State Department to vote 2151; the Independent Policing Oversight Authority to cater for funding of Staff and Board Service Gratuity.

Other Recommendations

1. The National Treasury should directly remit Kshs. 2,081,000,000 to the National Hospital Insurance Fund (NHIF) to cater for unpaid premium for civil servants that has been occasioned by inadequate budget provision to the State Department of Public Service and Youth Affairs to cater for the same.
2. The National Treasury should provide additional funding amounting to Kshs. 4,700,000,000 to Vote 1022 State Department for Correctional Services P1 Correctional Services to facilitate payment of pending bills.
3. The National Treasury should allocate 150 vehicles to the State Department for Correctional Services, Correctional Services sub programme from the 1200 vehicles targeted for allocation to the State Department for Interior under the Leasing of Government vehicles programme.

2.0 INTRODUCTION

The 2017/2018 Estimates have been prepared against a backdrop of reduced GDP growth in quarter 3 of 2016 as compared to the same quarter in 2015. The economy expanded by 5.7% on an annual basis in Q3, which was a deceleration over the previous quarter's growth rate.

According to Transparency International, corruption has remained a major impediment to doing business in Kenya with allegations of misappropriation of public funds on the rise. Additionally the Estimates come at a time when the drought situation is worsening. According to the United Nations, People and animals' lives are at risk because they have not had a chance to recover from drought in 2014 as rains were also poor in 2015 and 2016.

There is a security risk which remain a serious challenge, with the main threat being posed by a Somalia-based group al-Shabab and locally recruited radicals, although long-term ethnic rivalries remains as the country heads to the August General elections.

Despite increased spending on security, the number of crimes reported to police has started rising steadily from 69,376 reported in 2014 to 72,490 reported in 2015 and a projected 75,000 for the year 2016. The prison population has declined by 10.6 per cent to 221,974, partly attributed to continued implementation of policies to decongest the prisons.

Legal Framework

This is the 7th annual budget to be prepared under the new Constitutional order and the fifth under the current administration. The preparation, approval and execution stages of the Kenya budget are anchored in the Constitution, the Public Finance Management ((PFM) Act, 2012 and various subsidiary legislations including the Standing Orders. For a budget to be credible, it must not only be technically sound, but also faithful to legal provisions. The following table shows how the tabled estimates have adhered to the legal provisions.

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Key Element	Detailed Requirements	Legal Provisions	Comments
Timelines:		Constitution, Article 221 PFM Act, Section 37 Standing Orders	Estimates have been submitted in February, two months before the deadline
Comprehensiveness of the estimates and related documents:	<p>Fiscal responsibilities principles: explanation of how the budget relates to the principles.</p> <p>List of all projects been implemented in the financial year 2015/16 and the medium term</p> <p>Allocation to state corporations/all entities on those that are to receive appropriated funds</p> <p>Detailed estimated expenditure by vote and programme indicating both recurrent and development expenditure</p>	Constitution, PFM Act, Section 38	<p>There is no comprehensive list of all projects being funded.</p> <p>The information on allocation to SAGAs is provided. The budget is prepared on Programme based basis but some targets looks unrealistic and therefore not achievable.</p>
Financing proposals:	On anticipated deficit /surplus for the financial year and the MT and the proposed source of financing	Constitution, PFM Act section, 38	The information has been provided

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	On loans and guarantees made to and by the national government, including an estimate of principal, interest and other charges to be paid by the national government in the financial year		
Public Participation:	Did the three arms of Government consult the public when they were preparing their estimates?	Constitution, Article 221 PFM Act	There is no report attached to prove that the public were consulted

Further to this, in preparing the estimates, the National Treasury is required to present a memorandum on how the resolutions of the BPS have been taken into consideration when preparing the estimates. In deed the Public Finance Management Act acknowledges that in preparing the estimates, the adopted BPS should be used as a basis for future deliberations on the estimates. The following table shows how agencies have deviated from the ceilings set by the National Treasury on the BPS 2017.

MDA	BPS Ceilings	Estimates	Deviation	% Deviation
The Presidency	8,791	9,812.5	-1,021.5	11.6
Interior	119,682	125,421.1	-5,739.1	4.8
Correctional Services	21,646.8	22,255.4	-608.6	2.8
Public Service Commission	1,269	1,269	0.0	0.0
National Police Service Commission	486	486	0.0	0.0
Independent Police Oversight Authority	524	550	-26.0	5.0
Public Service Transformation	7,211	3,767.8	3,443.2	-

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Source: National Treasury

Linking the budget to vision 2030

The vision 2030 is the economic blueprint which the government uses in achieving its goals and aspiration. Thus it is expected that there exists a strong link between national priorities as identified in vision 2030 and resource allocations for the priorities within a sector. The linkage should also extend to other policy documents and pronouncements such as the budget policy Statement, the sector working group report among others. The following table gives an analysis of the output and targets as identified in the Programme Based Budget with their linkages to the overall development goals as identified in Vision 2030.

Table 3: Linking Outputs to Vision 2030		
MDA	Vision 2030	Output as per the estimates
The Presidency		Overall policy, leadership and Oversight in economic and devolution management
Interior	Completion of the Forensic Laboratory, Installation of CCTV cameras, Complete Modernization including housing projects	better trained and equipped Police and their operational capability improved
Correctional Services	Completion of the construction of 6 prisons	Build capacity of prison staff, complete construction of prisons, modernize prison industries
Public Service Commission	Public Service Transformation Strategy, Training and Capacity Building	Promotion of values and principles to all MDAs
National Police Service Commission	better trained and equipped Police and their operational capability improved	Vetting of police officers, gazettelement of various policies and regulations, automation of police records

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Independent Oversight Authority	Police	Enhance professionalism police service in the interest of the public	Ensure 100% of the cases are processed, investigated and prosecuted
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3.0 EXAMINATION OF 2017/2018 PRINTED ESTIMATES

3.1 Examination of 2017/2018 Estimates for vote 1011: the Presidency

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.1.2 Introduction

The Presidency was established by the Executive Order No. 2 of 2013 in line with the constitution of Kenya, 2010. It is comprised of State House, office of the Deputy President and Cabinet Affairs Office. The Presidency is charged with the mandate of providing national leadership, overall policy formulation and facilitation. It also ensures harmonious operations in the Government by providing policy coordination and direction between government Ministries, Departments and Agencies.

3.1.2 2017/2018 Estimates

In the 2017/2018 financial year, the Presidency has been allocated **Kshs. 9,812,407,012**. The table below shows the distribution of resources amongst the programmes under the Presidency.

Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
Cabinet Affairs	1,847,042,805	2,353,449,651	24.0	2,293,723,096	2,368,062,079
Government Advisory Services	1,014,751,864	1,014,969,780	10.3	1,015,521,017	1,014,360,259
State House Affairs	3,337,360,000	3,673,971,500	37.4	3,908,600,000	4,012,537,614

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Deputy President Services	2,225,510,000	2,770,016,081	28.2	2,903,562,899	2,466,447,060
Total Expenditure for Vote 1011 The Presidency	8,424,664,669	9,812,407,012	100.0	10,121,407,012	9,861,407,012

Source: National Treasury

Examination of programmes (vote 1011)

After examining the vote, the Committee is agreeable to the proposals by the Presidency that the amounts requested under the vote be approved for allocation for expenditure proposed in the items under the various programmes

3.2 Examination of 2017/2018 Estimates for vote 1021: State Department for Interior

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.2.1 Introduction

The State Department for Interior is mandated to coordinate National Government and State functions, national cohesion and reconciliation management, government printer, disasters and emergency response coordination, policy on training of security personnel, internal security affairs, management of refugee policy and drug & narcotic substance control. It is a state department under the Ministry of Interior and Coordination of National Government.

3.2.2 2017/2018 Estimates

In the 2017/2018 Budget, the State Department for Interior has been allocated **Kshs. 125,421,089,889** comprising of **Kshs. 106.82 billion** for recurrent expenditure and **Kshs. 18.60** in Development expenditure. The table below shows the distribution of resources amongst the programmes under the state department in million Kshs.

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Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
Policing Services	90,272,744,9 59	90,843,788,5 81	72.4	95,737,269,3 87	98,515,209,3 16
Planning, Policy Coordination and support services	27,526,653,4 67	25,356,626,5 01	20.2	27,414,768,4 83	26,861,147,6 61
Government Printing Services	884,750,0 00	920,983,8 33	0.7	1,083,914,1 80	1,224,533,1 20
Population Management Services	7,020,612,6 16	8,174,540,9 74	6.5	8,782,743,4 36	9,445,285,4 14
Betting Control, Licensing and Regulation Services	57,075,1 66			-	-
NGO Regulatory Services	-	125,150,0 00	0.1	125,150,0 00	125,150,0 00

Source: National Treasury

Examination of programmes (vote 1021)

After examining the vote, the Committee is agreeable to the proposals by the State Department for Interior that the amounts requested under the vote be approved for allocation for expenditure proposed in the items under the various programmes

3.3 Examination of 2017/2018 Estimates for vote 1022: the State Department for Correctional Services

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.3.1 Introduction

The State Department for Correctional has the mandate of providing correctional services to all offenders, contribute to expeditious administration of justice and regulate the gaming industry. The State Department is under the Ministry of Interior and Coordination of National Government.

3.3.2 2017/18 Estimates

In the 2016/17 Budget, the State Department for Correctional Services has been allocated Kshs. **22,255,369,313** comprising of **Kshs. 21.255 billion** for recurrent and Kshs.900 million for Development. The table below shows the distribution of resources amongst the programmes in Kshs. millions.

Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
Betting Control, Licensing and Regulation Services	-	119,933,2 24	0.5	121,443,2 24	135,753,2 31
Correctional services	19,974,861,0 54	21,688,953,3 91	97.5	22,861,929,2 00	23,909,379,7 70
General Administration, Planning and Support Services	284,171,5 15	446,482,6 98	2.0	439,320,3 24	419,822,4 98
TOTAL	20,259,032,5 69	22,255,369,3 13	100.0	23,422,692,7 48	24,464,955,4 99

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Source: The National Treasury

The Betting Control, Licensing and Regulation Services which was taken over from the State Department of Interior takes 0.5 per cent of the total allocation while Correctional Services programme will take 97.5 per cent.

Examination of programmes (vote 1022)

After examining the vote, the Committee is agreeable to the proposals by the State Department for Coordination of National Government that the amounts requested under the vote be approved for allocation for expenditure proposed in the items under the various programmes.

3.4 Examination of 2017/2018 Estimates for Vote 2071: Public Service Commission

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.4.1 Introduction

The mandate of the Commission include formulation and offering advisory policy services to ministries, departments and agencies (MDAs) on the structure, designs, recruitment and selection, human resource management and development, promotion of good governance, national values and principles of public service for the transformation of public service for efficient and effective service.

3.4.2 2017/2018 Estimates

In the financial year 2017/2018, the Public Service Commission has been allocated **Kshs. 1,269,000,000**. The table below represents the shares of resources allocation per programme in Kshs. Millions.

Table 7: Proposed Allocation to programmes - Public Service Commission					
Programme	Baseline 2016/2017	Estimates 2017/2018	% of total vote	Projected 2018/2019	Projected 2019/2020
General Administration, Planning and	922,361,9 63	942,143,6 39	74.2	1,769,057,9 56	1,934,524,6 87

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Support Services					
Human Resource management and Development	183,856,044	202,189,957	15.9	208,255,652	214,503,328
Governance and National Values	112,151,993	124,666,404	9.8	128,686,392	131,971,985
TOTAL	1,218,370,000	1,269,000,000	100	2,106,000,000	2,281,000,000

Source: National Treasury

Examination of programmes (vote 2071)

After examining the heads, the Committee is agreeable to the proposals by the Public Service Commission that the amounts requested under the vote be approved for allocation for expenditure proposed in the items under the various programmes

3.5 Examination of 2017/2018 Estimates for vote 2101: National Police Service Commission

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.5.1 Introduction

The National Police Service Commission is established under Article 246 of the Constitution and is mandated to recruit and appoint persons to hold or act in offices in the National Police Service; confirm appointments and determine promotions and transfers within the service; observing due process, exercise disciplinary control over and remove persons holding or acting in offices within the service.

3.5.2 2017/2018 Estimates

In the budget 2017/2018, the National Police Service Commission has been allocated **Kshs. 485,990,000** which are all recurrent expenditure. The Commission runs only one programme of National Police Service Human Resource Management but there are three sub programmes attached to the main programme namely Human Resource Management,

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Police Vetting and Administration and Standards Setting. The following table shows the distribution of resources among the three sub-programmes in Kshs. millions.

Programme	Approved Estimates	Estimates		Projected Estimates	
	2016/2017	2017/18	% Share	2018/19	2019/20
Human Resource Management	195,070,000	203,470,000	41	210,240,000	216,970,000
Police vetting	87,700,000	122,102,100	26	104,683,600	125,516,000
Administration and Standards Setting	152,570,000	160,417,900	33	184,886,400	172,214,000
Total	435,340,000	485,990,000	100	499,810,000	514,700,000

Source: National Treasury

Examination of programmes (vote 2101)

After examining the heads, the Committee is agreeable to the proposals by the National Police Service Commission that the amounts requested under the vote be approved for allocation for expenditure proposed in the items under the programme.

3.6 Examination of 2017/2018 Estimates for Vote 2151: Independent Policing Oversight Authority

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.6.1 Introduction

The Independent Policing Oversight Authority was established under IPOA Act, No. 35 of 2011. The Authority is mandated to hold the Police accountable to the public in performance of their functions, discipline and promoting transparency and accountability

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in the National Police Service.

3.6.3 2017/2018 Estimates

The Independent Policing Oversight Authority has been allocated **Kshs.** allocated **KShs.550,000,000** in the budget for 2017/18. All the expenditure are deemed recurrent. The following table shows the distribution of resources among the three sub-programmes in Kshs. millions.

Programme	Baseline	Estimate s	Projected Estimates	
	2016/2017	2017/2018	2018/2019	2019/2020
	KShs.	KShs.	KShs.	KShs.
Policing Oversight Services	491,338,899	550,000,000	565,040,000	581,120,000
Policing Oversight Services	491,338,899	550,000,000	565,040,000	581,120,000
Total Expenditure	491,338,899	550,000,000	565,040,000	581,120,000

Source: National Treasury

Examination of programmes (vote 2151)

After examining the heads, the Committee is agreeable to the proposals by the Independent Policing Oversight Authority that the amounts requested under the vote be approved for allocation for expenditure proposed in the items under the programme.

3.7 Examination of 2017/2018 Estimates for 070000 P5 Public Service Transformation programme under vote 1031 State Department Planning (under the current State Department of Public Service and Youth Affairs)

Paper Laid

2017/2018 Programme Based Budget of the National Government of Kenya.

3.7.1 Introduction

The Ministry of Public Service, Gender and Youth Affairs will be implementing Public Service Transformation programme with an outcome of efficient public service delivery and gender and youth empowerment whose outcome will be empowerment of women, youth and vulnerable groups.

3.7.2 2016/2017 Estimates

The programme has been allocated **Kshs. 3,767,650,000**. Comprising **Kshs.1,812,244,489** in recurrent expenditure and **Kshs.1,955484,957** in development expenditure.

Examination of 070000 P5 the Public Service Transformation programme under vote 1031 State Department for Planning (under the present the State Department of Public Service and Youth Affairs)

After examining the heads, the Committee is agreeable to the proposals by the Ministry of Public Service, Gender and Youth Affairs that the amounts requested under the Public Service Transformation programme be approved for allocation for expenditure proposed in the items under the programme.

4.0 SUBMISSIONS

4.1 Submissions by the State Department for Interior

The Committee held a meeting with the Principal Secretary, State Department for Interior on Thursday 2nd March, 2017 (Appendix 1). The Principal Secretary informed the Committee that the State Department had been allocated Kshs. 125,421,089,889 comprising of Kshs. 106.82 billion for recurrent expenditure and Kshs. 18.60 billion in Development expenditure. The State Department required a total of Kshs. 178.64 billion to fund its programmes and therefore it had a budget deficit of Kshs. 53.22 billion.

The Committee was also informed that during the current financial year the State Department's achievements included the following:-

- i. Completed the operationalization of the National Command centre;
- ii. Construction of the Police Forensic Laboratory which was 95% complete;
- iii. Allocation of Kshs 1.48 billion to National Government field officers;
- iv. Acquisition of group medical and life insurance for police officers;
- v. Recruited 10,000 police officers;
- vi. Repatriated 60,000 refugees;
- vii. Processed 700,000 national identity cards in the month of February to facilitate voter registration; and
- viii. Acquired 600 vehicles under the leasing of government vehicles Programme.

The Committee was further informed that the State Department had acquired one Russian made helicopter for the National Police Service at a cost of 1.9 billion and refurbished 3 others at a cost of Kshs. 300 million. The Principal Secretary acknowledged concern raised by Members on the reliability of the acquired air crafts but he assured them that the aircrafts were fully serviceable. However he acknowledged that the police airwing faced challenges that included insufficient equipment and training of pilots and engineers. He added that remedial measures had been initiated to address the challenges.

It was also reported that the installation of CCTV cameras in Nairobi under the police surveillance project had enhanced the capacity of the police to mitigate crime and had led to the recovery of 700 stolen vehicles since the cameras were installed. The Principal

Secretary promised that the project would be expanded to Kisumu, Nakuru and Eldoret.

3rd generation national identity card rollout: The Committee was informed that the National Registration Bureau required Kshs. 1.5 billion to upgrade the national identity card registration system to enable the production of electronic national identity cards (E-cards). That have superior security features and would be processed quickly and thus would be easily accessible to citizens.

Upgrade of the Government Printer machinery: The Government Printer machinery required Kshs. 400million to fully optimize the utilization of its capacity through the automation of processes, installation of biometric access control devices and CCTV system to enhance security at the facility.

Forensic Laboratory. The State Department and been allocated 936 million for the project but required an additional Kshs. 3 billion to complete and equip the project.

4.2 Submissions by the State Department for Public Service and Youth Affairs

The Committee held a meeting with the Principal Secretary, State Department for Public Service and Youth Affairs on Tuesday 7th March, 2017 (**Appendix 2**). The meeting focused on the Public Service Transformation programme which falls under the mandate of the Committee. The Committee was informed that that the programme had been allocated Kshs 3,767,729,446 in the FY 2017/18.

The Committee was also informed State Department required additional budgetary provisions to cater for accumulated NHIF arrears for the civil servants medical scheme of Kshs. 2.08 billion occasioned by unpaid premiums which have been accruing over the years due to inadequate budget provision for the medical scheme. The Committee was also informed that the Kenya School of Government required Kshs. 925 million to facilitate construction and refurbishment of its campus.

Achievements

The Committee was informed that the State Department's achievements included the following:-

- Establishment of 45 Huduma centres in 41 counties
- Developed /revised 75 schemes of service and reviewed organization structures of MDAS

- Upgraded IPPD system in 150 sites at both levels of government
- Upgraded the Government Human Resource System (GHRIS) to include discipline recruitment and selection modules in the Civil Service

4.3 Submissions by the State Department for Correctional Services

The Committee held a meeting with the Principal Secretary, State Department for Correctional Services on Tuesday 7th March, 2017 (**Appendix 3**). The principal Secretary informed the Committee that The State Department requested Kshs. 38.5 billion but was allocated Kshs. 22 billion as analyzed below:-

Table 10: **Budgetary allocation for the State Department for Correctional Services**

	Approved Estimates	Resource Requirement	Proposed Budget Allocation	Funding Gap
	Kshs. Million	Kshs. Million	Kshs. Million	Kshs. Million
	2016/2017	2017/2018	2017/2018	2017/2018
Recurrent	19,209	32,540	21,355	11,185
Development	525	6,001	900	5,101
TOTAL	19,734	38,541	22,255	16,286

The Committee was further informed that the total funding gap in the department's recurrent budget is Kshs. 11.2 billion which include:-

- Pending bills on food, rations and wood fuel – Kshs. 4.7 billion (funding gap in 2015/16 FY Kshs. 4.2 billion; food & ratios, Kshs. 0.5 billion wood fuels wood fuels).
- Domestic travel – Kshs. 608 million.
- Fuel oils and lubricants – Kshs. 598 million.
- Provision of security operations and the upcoming general elections – Kshs 1 billion.
- Stipend allowances for 3,200 prison recruits for ten months at the rate of Kshs. 10,000 each – Kshs. 130 million.
- Transportation (Leasing of vehicles) – The State Department requested to be considered under the current Government motor vehicle leasing program a provision of 751 vehicles as follows:- 404 vehicles for Kenya Prison Services; 340 vehicles for Probation services and 7 vehicles for Headquarters.

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4.4 Submissions by the Presidency

The Committee held a meeting with a representative of the Comptroller of State House on Wednesday 8th March, 2017 (**Appendix 4**). During the meeting the Administrative Secretary, State House informed the Committee that the Presidency vote 1011 was allocated a total budget of Kshs, 8,235.31 million in FY 2015/2016 which increased to Kshs 8,424.66 million in FY 2016/2017 and is at Kshs. 9,812.41 million in FY 2017/2018. The increase in recurrent expenditure to Kshs. 7,934.69 in the FY 2016/2017 from Kshs.7, 178.55 million in FY 2015/2016 was due to the transfer of the functions of the National Cohesion Department, Office of the Government spokesperson, National Counter Terrorism Centre, Kenya Vision 2030 delivery unit as well as increased activities for the expanded executive office of the president.

The reduction in the development expenditure for FY 2016/2017 to Kshs. 481.34 million from Kshs. 1,044.13 in FY 2015/2016 is as a result of completion of some of the on-going projects. The increase in the development budget allocation in the FY 2017/2018 is for the compulsory acquisition of the land adjacent to the Harambee House Annex (Plot No. LR. 209/11540) as gazetted.

The Presidency will be implementing four programmes and 122 sub-programmes in FY 2017/2018. State House affairs programme has been allocated Kshs. 3,673.97 million; Deputy President Services programme Kshs 2,770.02; Cabinet Affairs Kshs. 2,353.45 million and Government Advisory services Kshs. 1,014.97 million.

The Presidency proposes to prioritize the following projects under development expenditure.

Table 11 priority projects under development expenditure - the Presidency

STATE HOUSE	2017/2018 ALLOCATION in Kshs. millions
Refurbishment of buildings and construction of (500m) perimeter wall at Nakuru State House	200.00
Refurbishment of buildings- Nairobi State House	43.00
Purchase of ICT Networking and Communication and	10.00

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Equipment(PSCU)	
ICT Networking and Communication equipment(Nairobi)	15.00
Refurbishment of buildings at Mombasa State House(phase 2 of both main house and fence)	10.00
Construction of (200m) perimeter wall at Eldoret State Lodge	18.00
Rehabilitation of reception and guest room at Kisumu State Lodge	10.00
Refurbishment of dias, construction of septic tank at kakamega state lodge	5.00
Refurbishment work at Sagana State Lodge	10.00
TOTAL	321.00
OFFICE OF THE DEPUTY PRESIDENT	
Refurbishment of Deputy president residence in Mombasa	30.00
Refurbishment and routine maintenance at Harambee House annex	42.00
Acquisition of the land adjacent to the Harambee Houe Annex (Plot No. L.R 209/11540)	500.00
TOTAL	572.00
CABINET AFFAIRS OFFICE	
Renovation of Harambee House second floor	
Capital transfer to National fund for the disabled persons	
TOTAL	217.00
PRESIDENCY TOTAL	1,110.00

The Committee was informed that due to budgetary constraints, the Presidency could not fund the following key activities:-

	Kshs(million)
Balance for the land acquisition for Harambee House Annex	500.02

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· Phase 2 of the refurbishment of the DPs Mombasa residence	205.00
· Construction of the modern conference facility at Karen	560.00
· Assumption of office of the President	34.25
· The pre and post election County based forums for National Cohesion	670.39
· Newly created policy and strategy unit	158.50
· Coffee sub-sector reforms implementation committee	262.00
· Purchase of security equipment	200.00

The presidency has one semi-autonomous government agency (SAGA), the Vision 2030 Delivery secretariat which has been allocated Kshs. 206.30 million in the FY 2017/2018, which is for recurrent expenditure in form of current transfer.

State House Affairs. The outputs include fulfilment of the constitutional mandates of the Presidency; improved infrastructure within the State Houses and Lodges; improved State House hospitality services; Operationalizing Office of the 1st Lady programmes; effective communication of Presidential functions and information; availing office space for the 2nd retired President and statutory benefits to the retired Presidents and Vice Presidents as per the Retired President's Benefits Act.

Deputy President Services. The outputs include fulfilment of the constitutional mandate of the Deputy President; security enhancement through acquisition and fencing of Plot no. LR 209/11540; Cabinet Committee meetings and accurate recommendations of the committees forwarded to Cabinet; draft bills from MDAs submitted to Parliament; well-coordinated IBEC and IBEC sub-committees' meetings and multi-stakeholders consultative forums to address existing and emerging conflicts.

· **Cabinet affairs.** The expected outputs include facilitation of overall policy formulation and leadership; facilitation of National Security Advisory Committee meetings; undertake consultative initiatives on demarcation of Kenya's International boundaries; increased uptake of Government digital payments; annual Presidential report on National values and principles of governance and consultative forums between the government and private sector (Presidential Round Tables).

· **Government Advisory Services.** The expected outputs include facilitation of the peace process in South Sudan for bilateral relationship; implementation of State Corporations governance reforms following the launch of Mwongozo; sensitization forums on the Power of Mercy Act and the annual Presidential Report on the release of convicted prisoners; efficiency and effectiveness audits of MDAs and comprehensive management, investigative special audits in State Corporations.

The Administrative Secretary, State House requested that in addition to the approved

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estimates additional funds be provided to ensure that the Presidency achieves its objectives and successfully delivers on its mandate.

4.5 Submissions by the Public Service Commission

The Committee held a meeting with the Public Service Commission on Tuesday 7th March 2017 (**Appendix 5**). During the meeting the Committee was informed the Commission had made an exchequer request of Kshs. 2,156,500,000 but was allocated kshs.1, 268,500,000 in the FY 2017/18 and therefore it had a deficit of Kshs. 904,929,600. The Commission had registered an impressive absorption capacity of 98%.

The Commission required additional funds to facilitate programmes as contained the table below:

Table 12: Public Service Commission request for additional funding

Priority areas	Amount
Mortgage and Car Loan Scheme for the staff	Kshs. 200 million
Development of Citizen service delivery charter	Kshs. 50 million
Strengthening devolution through Commission support to County Public Service Boards	Kshs. 520 million
Deficit funding for administration of the financial disclosure/wealth declaration forms	Kshs. 20 million
Legal Expenses	Kshs. 50 million
Refurbishment the Old Commission House	Kshs. 105 million
TOTAL	Kshs. 945 million

4.6 Submissions by the Independent Policing Oversight Authority

The Committee held a meeting with the Chairperson, Independent Policing Oversight Authority on Tuesday 7th March 2017 (Appendix 6). During the meeting the Committee was informed that the Authority had been allocated Kshs. 426 million in FY 2017/18 but required additional resources amounting to Kshs. 326m to support the decentralization of its services to the Counties; funding of new 3 regional offices, and establishment of 7 additional offices. The additional resources will be required as follows:

- i. Personnel Emoluments, Kshs. 207m (includes staff pension), and
- ii. Operations and Maintenance, Kshs. 119m (includes Staff and Board

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Service Gratuity).

The Committee was also informed that as at 3rd March 2017 the Authority registered an absorption rate of 57%. The Authority was however committed towards realizing a budget utilization rate of over 90% during 2017/18 financial year.

Key outputs expected to be provided during the 2017/18-2019/20 include:-

- Processing of all complaints received, however the commission receives over ten thousand cases per year. It may not be realistic for the Authority to process all the ten thousand cases based on their staffing levels
- Conclude investigations of the ongoing 600 cases, however there is no status report on the percentage level of their completion. It may therefore not be possible to establish whether this target is achievable.
- Recommend to the Office of Director of Public Prosecutions on the cases for prosecution, undertake inspections of initial 252 No of police premises and facilities,
- Monitor over 200 police operations and review & monitor all complaints handled by the internal affairs unit of the national police service.

4.7 Submissions by the National Police Service Commission

The Committee held a meeting the Chairperson, National Police Service Commission on Tuesday 7th March 2017 (**Appendix 7**). During the meeting the Committee was informed that the Commission had an ideal budget of Ksh.595.68Million for the 2017/18 Financial Year against an allocation of Ksh.485.99Million. Thus the Commission has a deficit of Ksh.109.69Million.

Table 13: Financial Year 2017/2018 allocation to various items - National Police Service Commission

No	Item	Proposed Allocation 2017/18	Explanatory Notes
a)	Mandatory Expenditure		
1.	Personnel Emoluments	195,150,000	The funds will be utilized for payment of salaries for the Commission staff.
2.	Utilities supplies	10,122,500	The amount is required for payment of electricity,

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	and other services		internet connections, telephone and other services.
3.	Rentals of produced Assets	71,643,700	To cater for costs associated with rent of offices at Sky Park.
4.	Insurance costs	30,522,400	The Commission will require this amount to cater for payment of annual premium of the medical insurance and group life insurance cover for staff and Commissioners.
Sub-Total Ksh.		307,438,600	
b) Use of goods and services			
5	Other operational activities	178,551,400	These are the funds available for all other Commission operational activities including ongoing vetting of police, development of the various policies and regulation, development of the NPS performance management tool, carrying out investigations of the various issues that arise in the process of the Commission human resource function over the National Police Service and all other Commission operations. The deficit of Ksh.109.69 Million mentioned above will therefore affect delivery of the Commission mandate.
Sub-Total Kshs.		178,551,400	
Total Kshs.		485,990,000	

Absorption capacity

The Commission has an approved budget of **Ksh.435.34Million** and has spent **Ksh.292.16Million** as at **28th February, 2017** translating to **67.11%** absorption.

Unfunded / Underfunded Activities

Projects that are not fully funded in the 2017/18 estimates as shown in Table II below.

Table 13 : unfunded/ underfunded Projects/ activities FY 2017/2018

Item	Ideal allocation 2017/2018 (Kshs)	Proposed allocation as per ceiling 2017/18(Ksh)	Deficit (Kshs)
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Police Vetting	128,950,000	59,500,000	(69,450,000)
Development of NPS performance management tool	12,000,000	2,500,000	(9,500,000)
Development of Policies and Regulations	18,000,000	4,500,000	(12,500,000)
Recruitment of police constables	15,000,000	0	(15,000,000)
Automation of police records	5,500,000	2,260,250	(3,239,750)
TOTAL	179,450,000	68,760,250	(109,689,750)

Commission's achievements in FY 2017/2018

Vetting of Police Officers

The vetting of police officers is ongoing, in the current financial year, the commission has undertaken the following activities:-

- Processed vetting results for 904 police officers vetted;
- Data of 2,762 police officers has been captured into the vetpol system;
- Vetted 1,392 police officers in the traffic formation;
- Concluded vetting reviews of 20 officers in the ranks of SP and SSP.
- Received over 500 investigation cases out of which 42 have been concluded. Investigations are still ongoing but operational capability of investigators has been affected by insufficient funds.

Development of Policies and Regulations

The commission is in the process of developing manuals for the implementation of the policies and regulations developed. The manuals and guidelines will go a long way to assist the implementing officers to understand the process envisioned in disciplinary procedures, promotions, deployment and transfers.

Development of Performance Management tool for officers in the Service

The Commission intends to develop a performance management system or tool for

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monitoring and evaluation of employee work performance. The developed tool is expected to facilitate work planning, setting of agreed performance targets, provide feedback and reporting platform as well as monitoring and evaluation. Further, the system is expected to clearly show the linkage to other human resource systems and processes including staff development, career progression and placement.

Automation of National Police Service Human Resource records

The Commission is in the process of developing modules for a Human Resource Management (HRM) System. The Developed system will go a long way towards digitizing and automating all National Police Human Resource Services and also facilitate the continuous monitoring of all human resource aspects of the Service from appointment, promotion, transfers as well as training and separation.

Career guideline (Schemes of service) for members of the National Police Service

The Commission finalized the development of the National Police Service Schemes of Service. The Schemes are the first of their kind developed for police officers in Kenya. The schemes provide clear career progression paths for officers of different ranks in the service. Further, the schemes will standardize procedures for promotions and training in the National Police Service and eventually culminating in improved welfare that will boost morale of the officers.

National Police Service (NPS) human resource management services

The Commission had in the current financial handled the following human resource management cases from the National Police Service:

- Appointments and Promotions -1,135;
- Transfers - 244;
- Requests for extension of service due to disability - 4;
- Disciplinary cases -507;
- Early Retirement – 122;
- Transfer of service /Secondment– 38;
- Posthumous confirmation:-140
- Appeal cases- 102

Recruitment of Police Constables

During the Financial Year 2017/18 the Commission will require **Ksh.15million** in order to effectively provide oversight and monitor the recruitment process and ensure that it's carried out as stipulated in the recruitment guidelines.

5.0 OBSERVATIONS

The Committee made the following observations, that:-

1. Both the Independent Police Oversight Authority and the Public Service Commission have had unqualified audit opinion by the Auditor General making them to be some of the best financially managed public agencies.
2. The Directorate of Criminal Investigations targets to complete the Forensic laboratory by 100 per cent in the FY 2017/18. This target may not be achieved given that the laboratory has not been completed in Phase 1 which involves only construction. Phase II of the project which involves equipping the laboratory has not been started.
3. The National Police Service intends to acquire 3,000 housing units. This number however is minimal in comparison to the number of recruits every year, the Service still may not achieve this target given that in the last four years, they have achieved less than 2,000 housing units.
4. The Office of the Inspector General targets to install 2,000 CCTV cameras in Kisumu and Nakuru. The target seems unrealistic given that National Security Communication and Surveillance System over three years acquired only 1,800 cameras.
5. Some key outputs for the State Department for Correctional Services may not be achieved because the state Department started construction of 17 new prisons outside the planned construction of six as envisaged in the second Medium Term Plan of Vision 2030. The ongoing construction is at 30% level of completion yet they were rolled out five years ago.
6. The state department for Correctional Services also targets to construct 65 new prison wards in the 2017/2018 FY and 130 in the Medium Term. This target is unrealistic given that over the last five years, they have been constructing an average of 3 wards.
7. There is concern regarding pending bills arising from accumulated National Hospital Insurance Fund(NHIF) arrears for the civil servants medical scheme of Kshs. 2.08 billion occasioned by unpaid premiums which have been accruing over the years due to inadequate budgetary provisions to the State Department for Public Service and Youth to cater for the same. Secondly from bills on food, rations and wood fuel for prison inmates amounting to Kshs. 4.7 billion incurred by the State Department for Correctional Services.

6.0 RECOMMENDATIONS

The Committee recommends, that:-

1. Vote.1011: The Presidency

The proposal by the Presidency to withdraw from the Consolidated Fund a sum of nine billion, eight hundred and twelve million, four hundred seven thousand and twelve (Kshs.9,812,407,012) for Expenditure under vote.1011; the Presidency, be approved as per the following programmes:-

- (i) 0702000 P2 Cabinet Affairs (Kshs.2, 353,449,651)
- (ii) 0703000 P3 Government Advisory Services (Kshs.1, 014,969,780)
- (iii) 0704000 P4 State House Affairs (Kshs.3, 673,971,500)
- (iv) 0734000 P.6 Deputy President Services (Kshs.2, 770,016,081)

2. Vote 1022: State Department for Correctional Service

The proposal by the Cabinet Secretary to withdraw from the Consolidated Fund a sum of twenty two billion, two hundred and fifty five million, three hundred and sixty nine thousand, three hundred and thirteen (Kshs. 22,255,369,313) for the Expenditure under Vote 1022; the State Department for Correctional Services, be approved per as the following programmes(the proposed reallocation may affect the sum):-

- (i) 0604000 P1 Correctional services (Kshs. 21,688,953,391)
- (ii) 0623000 P.2 General Administration, Planning and Support Services (Kshs. 446,482,698)
- (iii) 0624000 P.3 Betting Control, Licensing and Regulation Services (Kshs. 119,933,224)

3. Vote 2151: Independent Policing Oversight Authority

The proposal by the Independent Policing Oversight Authority to withdraw from the Consolidated Fund a sum of five hundred and fifty million (Kshs.550, 000,000) for Expenditure under Vote 2151; the Independent Policing Oversight Authority, be approved as per the 0622000 -0622000 P.1 Policing Oversight Services programme (the proposed reallocation may affect the sum).

4. Vote 2101: National Police Service Commission

The proposal by the National Police Service Commission to withdraw from the Consolidated Fund a sum of four hundred and eighty five million, nine hundred and ninety thousand (Kshs. 485,990,000) for the Expenditure under Vote 2101; the National Police Service Commission, be approved as per the 0620000 P.1 National Police Service Human Resource Management programme (the proposed reallocation may affect the sum):

5. Vote 2071: Public Service Commission

The proposal by the Public Service Commission to withdraw from the Consolidated Fund a sum of one billion and two hundred and sixty nine million (1,269,000,000) for Expenditure under Vote 2071; the Public Service Commission, be approved as per the following programmes (the proposed reallocation may affect the sum):

- (i) 0725000 P.1 General Administration, Planning and Support Services
(Kshs. 942,143,639)
- (ii) 0726000 P.2 Human Resource management and Development
(Kshs. 202,189,957)
- (iii) 0727000 P.3 Governance and National Values (Kshs. 124,666,404)

7. Vote 1031- 070000 P5 the Public Service Transformation programme

The proposal by State Department of Public Service and Youth Affairs to withdraw from the Consolidated Fund a sum of three billion seven hundred and sixty seven million, seven hundred and twenty nine thousand, four hundred and forty six (Kshs.3,767,729,446) for Expenditure under Vote 1031- 070000 P5; the Public Service Transformation programme under vote 1031 ; the State Department of Planning(the proposed reallocation may affect the sum).

8. Vote .1021: State Department of Interior

The proposal by the Cabinet Secretary to withdraw from the Consolidated Fund (revised) a sum of one hundred and twenty four billion, seven hundred and thirty six million, one hundred and eighty nine thousand and eight hundred and eighty nine (Kshs.124,

736,089,889) for Expenditure under Vote .1021; the State Department of Interior, be approved as per the following programmes (the proposed reallocation may affect the sum):-

- (i) 0601000 P.1 Policing Services (Kshs.90, 308,788,581)
- (ii) 0602000 P.2 Planning, Policy Coordination and Support Service
(Kshs. 25,206,626,501)
- (iii) 0603000 P3 Government Printing Services (Kshs.920, 983,833)
- (iv) 0605000 P.4 Population Management Services (Kshs.8, 174,540,974)
- (v) 07360000 NG O Regulatory Services (125,150,000)

REDUCTIONS

The Committee recommends the following reductions, that :-

1. Kshs 835, 000,000 be reduced from 0601000 P.1 Policing Services in vote 1021 State Department for Interior (485,000,000) from 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization and (Kshs.50,000,000) from 0601020 SP1.2 Administration Police Services-10211004000 Construction of Police Stations.
2. Kshs. 150,000,000 be reduced from 602000 SP2 Planning , Policy Coordination in vote 1021 State Department for Interior (Kshs. 50,000,00000 from 1021101000 Refurbishment of regional, County and Sub County offices, (Kshs. 50,000,000) from 1021100900 construction of Regional County and Sub County offices and (Kshs 50, 000,000 from 1021101100 Construction of Newly gazetted Sub County Headquarters.

REALLOCATIONS

The Committee recommends the following reallocations, that:-

1. Kshs. 150,000,000 be reallocated from 0601000 P.1 Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization in vote 2010 State Department of Interior to Vote 2071, Public Service Commission - P.1 0725000 General Administration, Planning and Support Services to facilitate the operationalization of a Mortgage and Car loan scheme for staff(100,000,000) and P.1 0726000 Compliance and quality assurance to facilitate the development of a Citizen Service Delivery Charter (Kshs 50,000,000).


2. Kshs. 180,000,000 be reallocated from 0601000 P.1 Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization in vote 2010 State Department of Interior to Vote 1022 State Department for Correctional Services- P1 Correctional Services to facilitate payment of stipend allowance for 3200 prison recruits (130,000,000) and procurement of Fuel and Lubricants (Kshs. 50, 000,000).
3. KShs. 390,000,000 be reallocated from 0601000 P.1 Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization programme in vote 2010 State Department of Interior to Vote 1031- 070000 P5 State Department for Public Service and Youth under Public Service Transformation Programme to cater for additional recurrent operational costs for Huduma Kenya Secretariat(Kshs. 50,000,000) and completion of stalled modern complex at the Kenya School of Government - Mombasa campus (Kshs. 340, 000, 000).
4. KShs. 65,000,000 be reallocated from 0601000 P.1 Policing Services under 0601010 SP 1.1 Kenya Police Services - 10211100200 police modernization programme under State Department for Interior to vote 2101 National Police Service Commission to facilitate police vetting(Kshs.46, 800,000), automation of police records(Kshs. 3,200,0000 and monitoring of recruitment of police constables(Kshs. 15,000,000).
5. KShs. 50,000,000 be reallocated from 0602000 SP2 Planning , Policy Coordination and Support Services under 1021100900 construction of Regional County and Sub County offices in vote 1021 State Department for Interior to vote 2151; the Independent Policing Oversight Authority to cater for funding of 3 newly established regional offices and facilitate the establishment of 3 additional regional offices.
6. KShs. 50,000,000 be reallocated from 0602000 SP2 Planning , Policy Coordination and Support Services under 1021101000 Refurbishment of regional, County and Sub County offices in vote 1021 State Department for Interior to vote 2151 the Independent Policing Oversight Authority to cater for funding of 3 newly established regional offices and facilitate the establishment of 3 additional regional offices.
7. KShs. 50,000,000 be reallocated from 0602000 SP2 Planning , Policy

Coordination and Support Services under 1021101100 Construction of Newly gazetted Sub County Headquarters in vote 1021 State Department for Interior to vote 2151; the Independent Policing Oversight Authority to cater for funding of 3 newly established regional offices and facilitate the establishment of 3 additional regional offices.

8. KShs. 50,000,000 be reallocated from 0601000 P.1 Policing Services under 0601020 SP1.2 Administration Police Services- 10211004000 Construction of Police Stations and Housing for Administration Police in vote 1021 State Department to vote 2151; the Independent Policing Oversight Authority to cater for funding of Staff and Board Service Gratuity.

Other Recommendations

1. The National Treasury should directly remit Kshs. 2,081,000,000 to the National Hospital Insurance Fund (NHIF) to cater for unpaid premium for civil servants that has been occasioned by inadequate budget provision to the State Department of Public Service and Youth Affairs to cater for the same.
2. The National Treasury should provide additional funding amounting to Kshs. 4,700,000,000 to Vote 1022 State Department for Correctional Services P1 Correctional Services to facilitate payment of pending bills.
3. The National Treasury should allocate 150 vehicles to the State Department for Correctional Services, Correctional Services sub programme from the 1200 vehicles targeted for allocation to the State Department for Interior under the Leasing of Government vehicles programme.

Signed.....  Date..... 20/03/2017

Hon. Asman Kamama, MGH, OGW, MP
Chairman, Departmental Committee on Administration and National Security

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Estimates: March, 2017



REPUBLIC OF KENYA

ELEVENTH PARLIAMENT - FIFTH SESSION

NATIONAL ASSEMBLY

**THE DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH AND
TECHNOLOGY REPORT ON THE 2017/18 BUDGET ESTIMATES AND THE
MEDIUM TERM FOR THE EDUCATION SECTOR**

VOTE HEAD 1061: STATE DEPARTMENT OF BASIC EDUCATION

VOTE HEAD 1062: STATE DEPARTMENT FOR UNIVERSITY EDUCATION

VOTE HEAD 1064: STATE DEPARTMENT FOR TECHNICAL EDUCATION

VOTE HEAD 2091: TEACHERS SERVICE COMMISSION

Clerk of the National Assembly

Parliament Buildings

NAIROBI

March, 2017

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1.0 CHAIR'S FOREWORD

On behalf of the Departmental Committee on Education, Research and Technology and pursuant to provisions of Standing Order 227, it is my pleasant privilege and honour to present the report of the Departmental Committee on Education, Research and Technology on the consideration of the Budget Estimates for 2017/18 and the Medium Term for four MDAs under the oversight the Committee namely: -

1. Vote Head 1061: State Department for Basic Education
2. Vote Head 1062: State Department for University Education
3. Vote Head 1064: State Department for Vocational and Technical Training
4. Vote Head 2091: Teachers Service Commission

The Committee wishes to thank the Offices of the Speaker and Clerk of the National Assembly for providing guidance and necessary technical support extended to the Committee during this process. Without this support, this work would not have been possible. The Chairperson expresses gratitude to Committee Members for their devotion and commitment to duty during the consideration of the 2017/18 budget.

On behalf of the Committee, I now wish to submit this report for consideration by the Budget and Appropriations Committee.

2.0 MANDATE OF THE COMMITTEE

The Departmental Committee on Education, Research and Technology is established pursuant to **Standing Order No. 216**, and has the following functions:

- 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 of the implementation;
- iii) To study and review all legislations 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 recommendation of proposed legislation’.

The Standing Orders also empowers the Committee to make its own selection of the subjects regarding the policy, management, administration, etc of the Ministries and Departments falling under its jurisdiction.

In terms of the budget making process, the Committee oversees four (4) spending agencies namely the State Department of Education, State Department for University Education, State Department for Technical and Vocational Training and the Teachers Service Commission.

3.0 MEMBERS OF THE COMMITTEE

Chairperson	Hon. Sabina Chege, M.P
Vice Chairperson	Hon. Julius Melly, MP
Members	Hon. Yusuf Chanzu, M.P
	Hon. (Dr.) Christine Ombaka, M.P
	Hon. (Dr.) Wilber Ottichillo, M.P
	Hon. (Dr.) Susan Chebet, M.P
	Hon. (Prof.) Helen Sambili, M.P
	Hon. Cecilia Ng'etich, M.P
	Hon. Muriuki Njagagua, M.P
	Hon. Eric Keter, M.P
	Hon. Joseph M'eruaki, M.P
	Hon. Joseph Manje, M.P
	Hon. Kenneth Okoth, M.P
	Hon. Halima Ware Duri, M.P
	Hon. Silverse Lisamula Anami, M.P
	Hon. Richard Makenga, M.P
	Hon. Opiyo Jared Odhiambo, M.P
	Hon. Geoffrey Makokha Odanga, M.P
	Hon. Anthony Kimaru, M.P
	Hon. Banticha Abdullahi, M.P
	Hon. Moses Injendi, M.P
	Hon. Mohamed Adan Huka, M.P

Hon. Harrison Kombe, M.P
Hon. Zulekha Hassan Juma, M.P
Hon. Rose Rwamba Mitaru, M.P
Hon. Mary Seneta, M.P
Hon. Michael Kisozi Munyao, M.P
Hon. Ibren Nasra Ibrahim, M.P
Hon. Andrew Mwandime, M.P.

4.0 COMMITTEE SECRETARIAT

Ms. Leah Wanjiru	First Clerk Assistant
Mr. Abdiaziz Shobay	Third Clerk Assistant
Mr. John Mugoma	Third Clerk Assistant
Mr. Eric Kanyi	Fiscal Analyst
Ms Doreen Karani	Legal Officer II
Ms Annceta Gacheri	Research Officer III

5.0 A SUMMARY OF THE BUDGET ESTIMATES 2017/18

The Committee was briefed on the 2017/18 proposed budget Estimates by the Parliamentary Budget Office and was informed as follows.

5.1 State Department for Basic Education (SDBE)

1. That the 2017/18 proposed budget for the State Department for Basic Education is **Kshs 67.07 Billion**. The proposed current expenditure is **Kshs 60.3 Billion** whereas the capital expenditure is **Kshs 6.78 Billion** as indicated in table 2. The allocation is projected to increase over the medium term.

Proposed Estimates of SDBE (Mlns)						
Programmes	2016/17 baseline estimates	2017/18 Estimates			Projections	
		Current	Capital	Total	2018/19	2019/20
Primary Education	23,037	17,239	4,600	21,839	23,177	24,411
Secondary Education	34,853	34,216	1,732	35,948	36,676	36,870
Quality Assurance and Standards	4,504	4,152	302	4,454	4,557	4,341
General Administration, Planning and Support Services	4,779	4,690	141.5	4,832	5,022	5,133
Total	67,173	60,297	6,776	67,073	69,432	70,755

2. That a bulk of the recurrent resources to the State Department is going towards subsidies (50.6%) whereas current transfers to government agencies have the second largest allocation (33.1%). The subsidies mainly go towards funding of free primary and free day secondary education.
3. That a bulk of the Capital budget (73.6%) is allocated as capital transfers and 25.3% has been allocated for use of goods and services.
4. That a huge chunk of the resources allocated to the State Department is going towards funding of the free primary education and free day secondary education which are the key deliverables under this State Department. That some of the key allocations to this State Department are:
 - (i) Kshs 33 billion for Free Day Secondary Education

- (ii) Kshs 14 billion for Free Primary Education
- (iii) Kshs 4 billion for Subsidy to KNEC for examinations fee waiver
- (iv) Kshs 2.6 Billion for school feeding programme (Including donor)
- (v) Kshs 400 million for sanitary towels for girls in school
- (vi) Kshs 300 million for upgrading of national schools
- (vii) Kshs 300 for ICT integration in secondary schools

5. That with this allocation, the State Department has set the following key targets under the various programmes during the FY 2017/18:-

- (i) Primary Education: There are three subprogrammes namely the FPE, SNE and school health and nutrition where the Ministry is targeting to give capitation to 9,150,000 pupils and improve primary school infrastructure for 208 schools under SNE and 28,035 learners to be targeted primary educations for special needs children. The Ministry is also targeting to provide midday meals to 900,000 learners.
- (ii) Secondary Education: The Ministry is targeting to provide capitation to 2,778,787 learners and at the same time improve infrastructure to 24 national schools and other 290 secondary schools. In support of SNE in secondary education, the Ministry is targeting to cover 3,944 learners.
- (iii) Quality assurance and standards: Under the Subprogramme Examinations and Certification the Ministry is targeting to pay examination fee for KCPE / KCSSE for 1,994,651 learners and assessment of 10,000 institutions. On the other hand, curriculum review is at 75 % level of completion.

5.2 State Department for University Education (SDUE)

1. That the State Department for University Education has been allocated **Kshs 98.01 Billion** in 2017/18. The proposed current expenditure is **Kshs 85.72 Billion** whereas the capital expenditure is **Kshs 12.29 Billion** as indicated in table below. It is projected that the allocation will increase to Kshs 100.7 Billion in 2018/19 and Kshs 102.9 Billion in 2019/20.

Proposed Estimates of SDUE (Mlns)						
Programmes	2016/17 baseline estimates	2017/18 Estimates			Projections	
		Current	Capital	Total	2018/19	2019/20
University Education	67,959	81,970	11,942	93,912	96,532	98,585
Research, Science, Technology and Innovation	3,473	3,099	356	3,455	3,563	3,626
General Administration, Planning and Support Services	698	651	0	651	684	692
Total	72,130	85,720	12,298	98,018	100,779	102,903

2. That a bulk of the recurrent resources to this State Department of University Education is going towards current transfers mainly to public universities and constituent colleges to fund various operational expenses whereas acquisition of financial assets has the second largest allocation. On the other hand, a bulk of the capital spending allocation is on capital transfers at 72.7% mainly going to universities and constituent colleges to fund various projects while the rest going to use of goods and services and non-financial assets at 11.5% and 15.8% respectively.
3. That a huge amount of the resources allocated to this State Department is going towards funding of university education where the university education programme has been allocated of **Kshs 93.9 Billion**. The allocations under this programme are mainly disbursed as transfers to the universities to support their operations and infrastructural development.
4. That it is targeted that 89,520 government sponsored students will be admitted to public universities in 2017/18 and that 247,307 students including students in tertiary institutions will be awarded HELB loans. The key allocations to this State Department are:
 - i. Kshs 83.8 Billion for University Education
 - ii. Kshs 10.1 Billion for HELB

5. That It is expected that with this allocation, the State Department will be able the following key targets under the various programmes during the FY 2017/18: -

- (i) Under the University Education programme : The Ministry is targeting to achieve the targets as shown below:

Key Targets for the State Department for University Education			
Programme	Sub Programme	KPI	2017/18 Target
University Education	University Education	No. of students enrolled in the Universities	260,947
	Quality Assurance and Standards	No. of programmes evaluated	215
	High Education Support services	No of students sponsored by the government	89,520
		No. of undergraduate students awarded loans	247,307

- (ii) That under Research programme the Ministry has to main priority sub programme namely the Research Management and Development and Science & Technology Development and Innovation where the State Department targets to conduct 1 national innovation survey and fund 250 research projects.

5.3 State Department for Technical and Vocational Training

1. That the State Department for Technical and Vocational training has been allocated Kshs 8.28 Billion in 2017/18. This comprises of Kshs 2.6 Billion for recurrent expenditure and Kshs 5.64 Billion for development expenditure.

Proposed Estimates of SDTVT (Mlns)						
Programmes	2016/17 baseline estimates	2017/18 Estimates			Projections	
		Current	Capital	Total	2018/19	2019/20
Technical Vocational Education and Training	6,370	2,373	3,621	5,994	6,302	6,422
Youth training and development	105	62	2,025	2,087	2,095	2,087
General Administration, Planning and Support Services	50	205	0	205	209	213
Total	6,525	2,640	5,646	8,286	8,606	8,722

2. That a bulk of the recurrent allocation is going towards current transfers. The current transfers are mainly for Technical Training Institutes and Institutes of Technology meant to fund their operational expenses. Similarly, the bulk of the development allocation goes towards capital transfers mainly for Technical Training Institutes meant to fund of specific projects and for construction of Technical Training Institutes.
3. That the Technical Vocational Education and Training programme has the largest allocation at Kshs 5.9 Billion and this goes towards infrastructure support for various Technical Training Institutes (TTIs) and also taking care of operational expenses for the TTIs. The key allocations to this State Department are:
 - i. Kshs 6 Billion for Technical Training Institutes
 - ii. Kshs 2 Billion as conditional grants to County governments
4. That the county governments have been allocated a conditional grant of Kshs 2 Billion to support village polytechnics and vocational centres which are a devolved function. The conditional grant was one of the recommendations made by the Budget and Appropriations Committee during the processing of the Budget Policy Statement 2017. This conditional allocation will be distributed to the counties using a formula with two parameters, that is, equitable share (60%) and trainee enrollment (40%).
5. That some of the key outputs under this State Department include among others registration of TVETS by TVETA, enhancing enrolment of students in TTIs and TTI infrastructural development and equipping.

5.4 Teachers Service Commission (TSC)

That the Teachers Service Commission is mandated to among other functions register trained teachers and recruit and employ registered teachers. In order to execute its mandate, the proposed 2017/18 budgetary allocation for Teachers Service Commission is **Ksh 201.9 Billion**. This comprises of **Kshs 201.8 Billion** in recurrent expenditure and **Ksh 118 Million** for development spending.

Proposed Estimates for TSC (Mlns)						
Programmes	2016/17 baseline estimates	2017/18 Estimates			Projections	
		Current	Capital	Total	2018/19	2019/20
Teacher Resource Management	187,874	195,058	0	195,058	205,674	211,557
Governance and Standards	62	84	0	84	86	88
General Administration, Planning and Support Services	6,156	6,693	118	6,811	7,004	7,075
Total	194,092	201,835	118	201,953	212,764	218,720

Source: National Treasury

1. That a significant allocation to the Teachers Service Commission is allocated towards compensation of employees and this is mainly compensation of Teachers and recruitment of additional teachers. The capital expenditure is allocated for acquisition of non financial assets and is meant for construction of county offices.
2. That a huge allocation is going to the Teacher Resource Management (Primary, Secondary and Tertiary Teachers) at **Kshs 195.05 Billion**. This allocation is meant to cater for Teachers salaries and recruitment of additional teachers. **Kshs 2 Billion** has been set aside for recruitment of additional teachers.
3. That through this allocation, the Commission has set a target of recruiting 5,000 teachers (Primary-2,500, Secondary 2,447 and Tertiary-53) to add on the existing pool of teachers. With the proposed recruitment of 5,000 additional teachers, the Commission will have achieved its target of recruiting 25,000 teachers over the second medium term plan (2013-2017).

Key Targets for the Teachers Service Commission			
Programme	Sub Programme	KPI	2017/18 Target
Teacher Resource Management	Teacher management-primary	No. of teachers recruited	2,500
	Teacher management-secondary	No. of teachers recruited	2,447
	Teacher management-Tertiary	No. of teachers recruited	53
Governance and	Quality Assurance and Standards	Percentage of Teachers appraised	100%

Standards		Percentage of schools with performance contract	100%
	Teacher professional development	Reduction in discipline cases registered	1,000
	Teacher Capacity Development	Number of teachers trained	60,000

Source: National Treasury

4. That despite the achievement on the Commission on attaining the set target on the number of teachers to be recruited in the second medium term plan, there are challenges of teacher equitable distribution across the country which hinders the attainment of the recommended teacher pupil ratio.

6.0 COMMITTEE OBSERVATIONS

1. The Committee further observed that over the last period 2013/14 and the medium term, all the Agencies under the purview of the Committee recorded an average budgetary absorption rate of 90 % and above with the Teachers Service Commission recording the highest absorption at 99 %. However, the Committee observed that the high absorption of the Budget does not reflect on the ground in terms of service provision especially in supporting school infrastructure and easing the shortage of teachers in the country.
2. The Committee observed that Kshs 400 million had been allocated for purchase of sanitary towels for school girls. However, the number of girls to benefit from this initiative has not been captured under the summary of programmes output and performance indicators in the Program Based Budget. This has been the case in the previous financial years and the Committee has been raising this matter with the Ministry.
3. The Committee observed that with the ongoing education sector reforms especially on examination management at secondary school level, public university expansion need to be slowed down and attention directed towards ensuring the existing public universities are well equipped to meet the required international standards.
4. The Committee observed that the State Department has also been allocated a conditional grant of Kshs 2 Billion to cater for vocational training centers support. The allocation is under the youth training and development programme and is meant to benefit village polytechnics and home craft centres in counties.

5. The Committee noted that the estimated cost of various projects being undertaken in various universities are unreasonably high and there is a possibility of improper use and lose of public funds.
6. The Committee noted that various public universities are establishing new projects yet the ongoing projects are yet to be completed and most of the ongoing projects are behind schedule. Further, some of the ongoing projects have not been funded.
7. The Committee observed that there are inadequate Technical Training Teachers to support the ongoing expansion of the Technical Training Institutes Infrastructure across the country given the low number of technical training teachers recruited by TSC annually.
8. The Committee Observed that despite the Higher Education Loans Board (HELB) receiving an increased budgetary allocation to cater for increased number of students in universities and technical training institutes, Students who have not attained the age of eighteen years are not able to access loans from HELB.
9. The Committee notes that national schools that make up only 5% of the total secondary schools in Kenya receive almost the same budgetary allocation for infrastructural development with other categories of secondary schools (Extra County, County and Sub County schools).

7.0 COMMITTEE ENGAGEMENT WITH THE MINISTRY OF EDUCATION, SCIENCE AND TECHNOLOGY AND TEACHERS SERVICE COMMISSION

The Committee considered the Budget Estimates for the FY 2017/18 by inviting the Ministry of Education, Science and Technology and the Teachers Service. The Committee received both oral and written submissions which it used to make its final observations and recommendations. The submissions are as informed as follows: -

7.1 Submissions by the Ministry of Education, Science and Technology

Dr. Belio Kipsang, the Principal Secretary (PS) for State Department for Basic Education and Dr. Dinah Mwinzi Principal Secretary for the State Department of Vocational & Technical Training appeared before the Committee on 2nd March, 2017 to discuss the Budget Estimates for the FY 2017/18 for the Ministry of Education, Science & Technology and its SAGAs.

The Principal Secretaries were accompanied by other officers including heads of SAGAs under the Ministry. The Committee was informed as follows: -

1. That the Budget Estimates for the 2017/18 for the State Department for Basic Education was Kshs 67.07 Billion with the current expenditure was Kshs 60.30 Billion and the capital expenditure being Kshs 6.78 Billion.
2. That the State Department for University Education was allocated Kshs 98.01 Billion in 2017/18 with the current expenditure as Kshs 85.72 Billion and the capital expenditure being Kshs 12.29 Billion.
3. That in the medium term, the Ministry was projecting that the allocation would increase to Kshs 100.7 Billion in 2018/19 and Kshs 102.9 Billion in 2019/20.
4. That the State Department for Technical and Vocational training was allocated Kshs 8.28 Billion in 2017/18 comprising Kshs 2.6 Billion for recurrent expenditure and Kshs 5.64 Billion for development expenditure.

VOTE	STATE DEPARTMENT	Total Budget (Gross) Ksh	Development (Gross) Ksh	Recurrent (Gross) Ksh Million	AIA Ksh Million
1063	Basic Education	67,076	6,777	60,299	1,547
1064	Technical Training	6,987	4,346	2,641	1,300
1065	University Education	98,020	12,288	85,722	41,581
	Total	172,082	23,421	148,661	44,429

5. That the Ministry would continue to fulfill the government's commitment to pay examination fees for students registered in both public and private schools.
6. That the Ministry was undertaking reforms in curriculum at all levels of education and training. The process was at 75% level of completion.
7. That the Ministry was planning to establish of Kenya School of Education. has not been funded under the FY 2017/18 budget
8. That the Ministry was planning to relocate KTTC to the Kenya Science for strategic reason which is to allow for the land where KTTC is located to be used for the expansion of UN complex. The Ministry requires finances to carry out this exercise. However, funds had not been made available.
9. That the support for TVET trainees for the FY 2017/18 had not been adequately funded. In order to realize the objectives of revitalization of TVET sector, more funds ought to be provided through HELB.
10. That the construction of TVET institutions in counties TTI was ongoing. A financial agreement for the GOK/China projects for equipping the TTI's had been signed and the project would commence in the FY 2017/18.
11. That the establishment of University Funding Board had played a critical role in ensuring equity in resource allocation. Therefore, the recurrent grants to universities would be based on differential units cost criteria

12. That the Ministry had ring fenced Kshs. 1 billion for development grants for newly chartered universities to cater for the basic infrastructure development.
13. That the Government has embarked on strategic intervention to increase university slots for students by providing an allocation of Ksh 2 billion to cater for capitation for GOK funded students in private universities.
14. That the audit of New Mitihani house by the Department of public works was ongoing and an alternative financing of Kshs. 60 million for New Mitihani house was factored in the Budget Estimates 2017/18.
15. That the National Commission for Science, Technology and Innovation (NACOSTI) complex where it hopes that the complex would be handed over soon. However, an additional Kshs. 300 million was required to complete all the payments to the contractor.
16. That the Ministry was planning to make the class one 2016 to be the baseline year for the distributing of devices for the digital literacy programme in 2017. The devices would be distributed to schools by April, 2017.
17. That the Ministry was planning to construction of ten (10) new Technical Training Colleges to replace the ones that had been since converted to universities.
18. That the curriculum reform process had financial implications which the Ministry would be factoring in once the curriculum reform was ready. The Ministry would be carrying out Civic Education to sensitize the public on the proposed new curriculum before the operationalization. The activity has not been factored in the Budget Estimates 2017/18.
19. That the Ministry budgeted Kshs. 81M for the literacy evaluation in the 2017/18 FY.
20. That the Ministry facilitated the construction of Multipurpose hall for the National Adult Education Board.
21. That the Ministry was running two types of meal programs which cover arid schools only while schools in semi-arid areas were covered under home grown food program. However, budgetary allocation had remained stagnant for the last six years. To be able to have a wider coverage the allocation need to be augmented. The world food program would not be supplying food to schools in the first term due to lack of donor funding but would resume in the second term. The

Ministry was hoping to involve elected leaders to assist in the monitoring the distribution of food in schools in their area and to ensure food ration reach the intended beneficiaries.

22. That the National Assembly had made a resolution to have the bursary allocation for secondary school channeled through the National Government Constituency Development Fund.
23. That the braille transcribers are paid by Teachers Service Commission while the Technicians are employed by the schools' Board of Management and are paid through current transfers to respective institutions. The technicians and transcribers do not have a clear employment structure and therefore there is a need for the need to review their terms of service in order to mainstream SNE.
24. That the 39th session of the General Conference is scheduled to be held in October/November 2017 in Paris, France. Kenya is obligated as a Member state to participate in the conference. Subsequently, the Kenya National Commission for UNESCO (KNATCOM) has proposed a budget of **KShs18,916,550.00** to facilitate Kenya's participation in the 39th session of the General Conference. This amount will cater for travel expenses for participants and Kenya reception. The Commission has also budgeted for **KShs. 1,000,000** for hire of transport during the one-month period of the General Conference. Additionally, The Commission has five committees of experts including Education committee which coordinates all UNESCO educational programme The Commission requires **KShs. 5,000,000** to cater for these committee expenses during the financial year 2017/2018 when they meet to discharge there mandate as outlined in the Act. Finally, the capitation grant that the Commission has been allocated in the 2017/2018 financial year is not adequate to recruit the requisite technical and administrative staff. In view of the above, the Commission requests for an additional **Kshs.27,318,863** to enable it meet the personal emoluments.
25. That the construction and equipping of the new TTI's was well on course with one hundred and thirty four (134) institutions equipped so far, Further, The Ministry is in the process of establishing TVET Fund.
26. That the Ministry signed an Memorandum of Understanding (MOU) with the National Youth Service (NYS) to have the NYS recruits train with the Vocational Training Institutions as the NYS pay for their tuition.

7.2 Submission by the Teachers Service Commission

The Teachers Service Commission appeared before the Committee on 2nd March where they presented the highlights of the 2017/18 Budget including their financial gaps.

The Chairperson invited Mr. Cheptumo Ayabei Director Finance, TSC to make his submission to the Committee. The Committee was informed: -

1. That the total proposed gross allocation to the Commission was Kshs.201.9Billion which is broken down as follows:

Economic classification	Baseline estimates 2016/17 (Kshs millions)	Estimates 2017/18 (Kshs millions)
Compensation to employees	192,655	200,219
Use of goods and services	994,734	1,013
Non-Financial assets	341,725	604,007
Capital expenditure	100	118
Total	194,092	201,955

2. That among the major priority areas financed include the recruitment of an additional 5,000 teachers at a cost of Kshs.2.5Billion, automation and modernization of TSC operations at a cost of Kshs.255Million, quality assurance including performance contract and performance appraisal at Ksh. 32Million, professionalizing of the teaching service at Kshs.29 million, field operations at Kshs.492Million, wage drift at Kshs.5.7Billion and construction of 2 County offices at Kshs.118Million.
3. That the Construction of County Offices in Bomet and Kilifi Counties was ongoing and that the Commission had obtained all the required documentation as well as bill of quantities and tenders had been advertised.
4. That the issue of the pensions owed to retired teachers was being handled by the pensions department and the National Treasury transferred 1.5 billion to Pensions Department. The Commission had already furnished the Pensions Department with 60% of the 31,000 retired teachers for payment.

5. That the Commission had embarked in the process of automating and modernizing its operations so that all its services to the teachers were accessible online. Following the automation, the teachers would be able to access e-pay slips and digitalized files. This would hasten the operations at the Commission and promote efficiency.

7.2.1 The Commission financial Gaps

1. That the Commission had a gap of **Kshs. 200 million** that was meant to fund quality assurance and standards by ensuring that performance contracting and performance appraisal for teachers was carried out.
2. That the Commission had rolled out Teacher Professional Development Modules and required additional **Kshs. 500 million** funding to subsidize the cost of these modules for the teachers.
3. That the Commission signed a CBA with the Teachers' Unions to be implemented from 1st July, however there was no provision in the estimates for the same. However, the commission wrote to treasury in honoring the funds to implementing the agreement. The CBA requires **Kshs 13.7 Billion** to implement.
4. That the Commission had projected that they would recruit of 20,000 teachers but the proposed Budget Estimates would only cater for the recruitment of 5,000 teachers at a cost of Kshs. 2.5 billion. Owing to the ever increasing teacher shortage, the Commission was requesting for additional funds to recruit an additional 15000 teachers at a cost of **Kshs. 7.5 billion**.
5. That the Commission was responsible for the Capacity building component under Digital Literacy Programme, however funds to implement the subprogram were being allocated to the Ministry of ICT. The Commission would therefor request that the funds be channeled through it to be able to carry out the function. The amount channeled to Ministry of ICT totals to **Kshs. 700 million**.

COMMITTEE RECOMENDATIONS

1) Policy Recommendations

1. The number of girls to benefit from this sanitary towel programme has not been captured under the summary of programmes output and performance indicators in the Program Based Budget despite having a budgetary allocation of Kshs 400 million in 2017/18. The Ministry and specifically the State Department for Basic Education should ensure that the purchase of sanitary towels is captured in the performance summary and the set targets indicated for easy monitoring by the Committee.
2. The Committee recommends that a formula for distributing the Kshs 2 Billion conditional allocation to county governments meant to benefit village polytechnics and home craft centres in counties be put in place to ensure equity in distribution.
3. The Committee noted that the estimated cost of various projects being undertaken in various universities are unreasonably high and there is a possibility of improper use and lose of public funds. The Committee recommends that the State Department for University Education re-engages the various universities councils on the proper costing of the various projects being undertaken to ensure that resources are well utilized.
4. The Committee noted that various public universities are establishing new projects yet the ongoing projects are yet to be completed and most of the ongoing projects are behind schedule. Further, some of the ongoing projects have not been funded. Going forward, the Committee recommends that the State Department for University Education should vet and ensure that public universities do not start new projects without first completing the ongoing projects unless the new projects are proved to be urgent and of strategic importance.
5. The Committee recommends that the Teachers Service Commission also focuses on recruiting Technical Training Institutes teachers to support the expanding TVET infrastructure in the country.

6. The Committee recommends the review the Higher Education Loans Board Law to ensure that Students who are yet to attain the age of eighteen years are able to access loan facilities from the Higher Education Loans Board.
7. The Teachers Service Commission should ensure that the issue of distribution of teachers is addressed so as to ensure that some areas are not overstaffed while other remain with the perennial shortages.

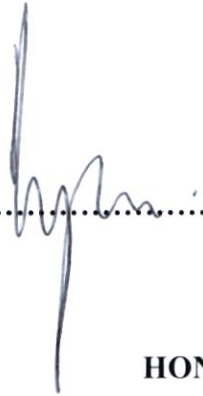
2) Specific Recommendations

8. The Committee recommends that **Kshs. 370 million** be reallocated from ICT integration in Secondary Schools and be distributed as follows: -

ITEM	AMOUNT (Kshs. Mln)	JUSTIFICATION
Construction of NACOSTI Building under the State DEPARTEMENT for University Education	250	Amount is required to complete all the pending payments to the contractor before the building is handed over for use
Kenya National Commission for UNESCO (KNATCOM)	50	to enable it to recruit requisite technical and administrative staff for the Commission to fulfill its mandate and also enable it to adequately prepare for the upcoming 39 th UNESCO General conference in France.
Purchase of Sanitary Towels for school going girls	70	To expand the coverage of the programme and to reach more school going girls.

9. The Committee recommends that the purchase of sanitary towel be under the State Department for Basic Education be channeled through National Government Affirmative Action Fund for effective monitoring and evaluation. The total amount to be channeled is **Kshs. 470 million**.
10. The Committee recommends that the new projects across various universities and university colleges be halted to allow the incomplete projects in respective institutions to be completed. In view of this, Committee recommends that the budgetary allocation of **Kshs 2.5 Billion** for all new projects funded by the exchequer in public universities and university colleges be reallocated to ongoing projects in the respective universities and university colleges. This will ensure that the ongoing projects are completed in time to serve their intended purpose.
11. The Committee observed that the TSC signed a Collective Bargaining Agreement signed with the teachers' unions which will cost the government Kshs 13.7 Billion. However, the TSC budgetary allocation has no provision to cater for this agreement. The Committee recommends that **Kshs. 13.7 billion** be made available to avert any industrial unrest.
12. The Committee further recommends that National Treasury considers allocating an additional amount of **Kshs. 2.5 billion** and **Kshs. 1.69 billion** to recruit more teachers (primary and secondary levels) and Technical Training Institute teachers respectively, to bridge the current shortage and cater for the expansion of Technical Training Institute infrastructure in the country.
13. The Committee requests that funds amounting to **Kshs. 700 million** for the Capacity building component under Digital Literacy Programme in the Ministry of ICT be channeled through TSC to be able to carry out the function.

SIGNED:



HON. SABINA CHEGE, M.P

CHAIRPERSON

DEPARTMENTAL COMMITTEE ON EDUCATION, RESEARCH AND TECHNOLOGY

DATE: 20/3/17

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

ELEVENTH PARLIAMENT – FIFTH SESSION

THE DEPARTMENTAL COMMITTEE
ON
FINANCE, PLANNING & TRADE

REPORT ON THE 2017/18 BUDGET ESTIMATES SCRUTINY FOR THE FOLLOWING SPENDING
AGENCIES:

The National Treasury
State Department for Planning & Statistics
State Department for Devolution
State Department for Tourism
State Department for Industry & Investment
State Department for Trade
Salaries and Remuneration Commission
Commission on Revenue Allocation
Controller of Budget
DIRECTORATE OF COMMITTEE SERVICES
CLERKS CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

MARCH, 2017

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ABBREVIATIONS

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

1.0 INTRODUCTION

1.1 Mandate

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

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

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

1. The National Treasury
2. State Department for Planning & Statistics
3. State Department for Devolution
4. State Department for Tourism
5. State Department for Industry & Investment
6. State Department for Trade
7. The Commission on Revenue Allocation
8. The Salaries and Remuneration Commission
9. The Controller of Budget

1.2 Membership

Hon. Benjamin Langat, MP - **Chairman**

Hon. Nelson Gaichuhie, MP - **Vice Chairman**

Members

Hon. Dr. Oburu Oginga, MP
Hon. Jimmy Nuru Angwenyi, MP
Hon. Eng. Shadrack Manga, MP
Hon. Ahmed Shakeel Shabbir Ahmed, MP
Hon. Sammy Koech, MP
Hon. Sammy Mwaita, MP
Hon. Tiras N. Ngahu, MP
Hon. Abdikadir Ore Ahmed, MP
Hon. Abdullswamad Sheriff, MP
Hon. Abdul Rahim Dawood, MP
Hon. Alfred W. Sambu, MP
Hon. Anyanga Andrew Toboso, MP
Hon. Daniel E. Nanok, MP
Hon. Dennis Waweru, MP
Hon. Joash Olum, MP
Hon. Iringo Cyprian Kubai, MP
Hon. Jones M Mlolwa, MP
Hon. Joseph Limo, MP
Hon. Kirwa Stephen Bitok, MP
Hon. Lati Lelelit, MP
Hon. Mary Emase, MP
Hon. Ogendo Rose Nyamunga, MP
Hon. Patrick Makau King'ola, MP
Hon. Ronald Tonui, MP
Hon. Sakaja Johnson, MP
Hon. Sakwa John Bunyasi, MP
Hon. Sumra Irshadali, MP

1.3 Committee Secretariat

First Clerk Assistant	Evans Oanda
Third Clerk Assistant	Nicodemus Maluki
Fiscal Analyst III	Thomas Ogwel
Fiscal Analyst III	Omar Abdirahim
Research Officer III	Eric Ososi
Research Officer III	Sharon Rotino

1.4 Tabling of Budget of the Budget Estimates

The 2017/18 Budget Estimates were tabled on the floor of the House by the Leader of the Majority Party On 15th February 2017 and committed to the Budget and Appropriations Committee for consideration in consultation with the relevant departmental Committees.

1.5 Committee proceedings

Upon receipt of the Budget estimates, the Departmental Committee on Finance, Planning & Trade invited the line ministries for briefing sessions. The Committee held four (4) sittings during the consideration of the 2017 budget estimates.

2.0 CONSIDERATION OF THE BUDGET ESTIMATES

2.1 BRIEFING FROM THE PARLIAMENTARY BUDGET OFFICE (PBO)

On 7th March 2017, the Parliamentary Budget Office made a submission of its analytical brief to the Committee on the 2017/18 Budget estimates under the purview of the Committee. In their presentation, they highlighted the following key salient issues:

- i. **Revenue projections:** The FY 2017/18 budget targets revenue collection including Appropriation in Aid (AIA) of Ksh.1, 704.5 billion (20.6 percent of GDP) from Ksh.1, 515.5 billion (20.4%) in the FY 2016/17. Ordinary revenue (majorly tax collection) are projected at Ksh.1, 549.4 billion (18.7 percent of GDP) which is in excess of Ksh. 177.9 billion of the current FY projections.

This projection is overambitious if the trend of the KRA performance is to be considered; given the perennial underperformance of revenue. Besides, this could call for proposals to increase taxes through this year's Finance Bill. The Committee in this consideration may wish to propose reductions in other non-key priority areas (without necessarily re-allocating subsequent funds) with the aim of alleviating the need for more taxation and also to reduce the budget deficit.

- ii. **Non- Compliance with House Resolutions on BPS Ceilings:** In contravention to PFM Act Section 25(8), some agencies have their proposed allocations exceeding the house resolutions on ceilings (Table 3). These include National Treasury (Ksh.20.4 billion in excess), Devolution (Ksh 1.1 billion), Industry and Investment (Ksh.403 Million), Tourism (Ksh241 Million) and Trade (Ksh.149 Million). These positive deviations from BPS need justifications since during the BPS processing a lot of considerations (projected fiscal framework) were made during the Committee meetings to set the ceilings. The National Treasury has habitually been disregarding the BPS ceilings. The Committee may wish to engage the National Treasury so that this is not encouraged.
- iii. **Pending Bills Issue:** By taking first charge in the succeeding financial year, the pending bills often derail planned development and recurrent activities hence compromising service delivery. It therefore means that the levels of pending bills in every MDA should be critically evaluated to inform the Committee's resolutions on the proposed allocations. The State department of Devolution has been grappling with huge pending bills (Ksh.7.7 billion), Planning and Statistics

at Ksh.1.7 billion, The National Treasury at Ksh.1 billion. Table 1 indicates that levels of pending bills with a random trajectory. However, in totality, there is significant rise in the level of pending bills for the MDAs under the purview of the Committee.

Table 1: Levels of pending bills for period 2013/14-2015/16(Amount in Ksh. Million)

MDA	2013/14	2014/15	2015/16
National Treasury	43	1,053	1,053
Planning and statistics	711	5,706	1,724
Devolution	154	90	7,704
Industry and investment	104	2,870	493
Tourism	41	92	183
Trade	0	0	64
Controller of Budget	0	0	0
Salaries and Remuneration commission	0	10	0
Commission of Revenue Allocation	5	19	1
TOTAL	1,058	9,840	11,222

Source: Various Sector reports

- iv. **Low Absorption rates:** Low absorption rate is an indication that some of the planned targets and outputs of projects and programs don't get achieved. This compromises the needed service delivery to the citizenry. An examination of the absorption rates for the spending agencies for periods 2013/14, 2014/15 and 2015/16 reveal low absorptions in some of the agencies. This is contained in table. Over this period, the National Treasury which has the lowest average rate at 75 percent has always persistently and successfully advocated for incremental allocations. SRC at 80 % and COB at 89%.
- v. **Significant rise on the proposed Allocation to the National Treasury:** Using this FY 2016/17 as the baseline, there is a huge increase on the proposed allocation of Ksh.42.2 billion (58% increase). The increase comprises of Ksh.40.4 billion and Ksh.1.8 billion for recurrent and development respectively. These increases are majorly under the headquarters administration services for compensation of employees which has a proposed increase of Ksh. 22.6B. Pensions department has a proposed rise of Ksh.17.9 billion under Financial Services for compensation of employees. This water down the national agenda of curbing the wage bill. The committee may wish to be apprised on the sustainability of this rise in wage bill as there have been concerted efforts and interventional policies to arrest the spiraling out of the public wage bill.
- vi. **Industrialization and Tourism Support:** Manufacturing (industry and investment) and tourism which are crucial sectors that directly leads to job creation under the purview of this Committee are proposed to have their allocations reduced. Despite having high average absorption rates and several incomplete projects (Tourism at absorption rate 96% and Industry and investment at 94%), these state departments have been having their approved allocations reduced further through various supplementary budgets. The Committee may wish to find out why this is the case for a viable remedial action (more funding to these sectors for results). Tourism's proposed allocation has a reduction of Ksh.465 Million under the programme of Tourism promotion and marketing. Under industry and investment, there is a proposed reduction of Ksh.545 million in

the programme of Promotion of industrial development and investments. The Committee may wish to interrogate the departments so as to find the challenges that could be prompting these perennial reductions.

vii. **Sluggish pace in completion of projects:**

- i. **Industrialization:** This department seems to be having grandiose plans and projects but vague in implementing the plans. The strategic projects that this state department intends to achieve have remained the same for quite some time. This could be tying up substantial public funds without the benefit of the intended service delivery. Some of the projects under the projects that have been deliberated on by this Committee repeatedly and still keep coming up include: Development of Athi River textile hub, modernization of Rivertex (EA) Ltd, modernization of Kicomi and Leather Industrial Park in Kenaine. The Committee may wish to demand the progress report of these with the aim of fast tracking these projects.
- ii. **Modernization of KICOMI Textile Plant (Kisumu):** In this FY 2017/18, an estimate of Ksh.10M has been proposed up from Ksh.50 M in the current FY 2016/17. This is a modest allocation to a project of this nature given that it targets to achieve 10% of the modernization. It therefore behooves the Committee to be apprised on what actually this is intended for. The Committee also needs to be updated on the ownership status of KICOMI so to prevent any chance of allocating funds to a privately owned enterprise.
- iii. The Committee may also wish to task the respective state departments to update it on the compendium of projects.
- iv. **Kenanie Leather Industrial Park:** This project is planned to be undertaken in period 2014-2018 at Ksh.4 billion. However, so far actual expenditure is reported Ksh.600 Million (a paltry 15%). On timeliness, the project is obviously off track. Given that it has a proposed a location of Ksh.1 billion under development vote in 2017/18, assuming 100% absorption, this will be 40% of completion (which is below the targeted 60% completion).
- v. **Viii. Current Transfers to Government Agencies:** There are significant increases on the proposed allocations in this area. For example, State departments for Planning and Statistics, Devolution and Trade have Ksh.671M, Ksh.298 M and Ksh.87 M increase respectively. Besides, the proportions channeled to these agencies are large, eg in Tourism under the recurrent votes, this constitutes 72%. The Committee may wish to enhance its oversight role over these agencies (parastatals) to ensure that value for money is upheld. The roles and mandates of these agencies should also be interrogated so that the ones that are closely related can be merged for benefits of economy of scope.

2.2 CONSIDERATION OF THE BUDGET ESTIMATES FOR STATE DEPARTMENT FOR TOURISM

On 7th March 2017, the Permanent Secretary for the State department for Tourism, MS. Fatuma Hersi appeared before the Committee and briefed it on the 2017/18 Budget estimates for the Ministry as follows:-

Submission of the FY 2017/2018 budget requirement shortfall for the ministry of tourism {Kshs. million (13,822)}

During its submission, the department made cases for the following underfunded areas for possible additional allocations in the 2017/18 budget as hereunder indicated:

A) RECURRENT BUDGET SHORTFALL {KShs. Million (3,330)}

1. Kenya Tourism Board: KShs. Million (1,243)

KTB had a resource requirement of KShs. 1,776 Million but only got a proposed allocation of KShs. 533 Million for its recurrent operations. The shortfall of KShs. 1,223 Million will therefore hamper the effective marketing of Kenya as a destination; and in particular, the program to develop and stimulate growth in development & investment markets that required KShs. 270 Million, the program to maintain destination awareness in domestic, regional and international markets that required KShs. 450 Million, and the program on market support and representations that required KShs. 356 Million.

2. Kenya Utalii College: KShs. Million (635)

Kenya Utalii College required KShs. 1,489 Million but only got a proposed allocation of KShs. 854 Million. The shortfall of KShs. 635 Million will delay the implementation of the salaries of staff at the upgraded level; will constrain the payment of utilities both at the college and the hotel; will negatively affect the maintenance and replacement of tools and equipment; as well as impair the marketing efforts of the hotel.

3. Tourism Regulatory Authority: KShs. Million (431)

TRA submitted a resource requirement of KShs. 712 Million but has a proposed allocation of KShs. 281 Million resulting in a shortfall of KShs. 431 Million. The shortfall will adversely affect the intended recruitment of 104 staff of which approvals had been granted; quality assurance surveillance; and enforcement of tourism standards regulations. This in essence will make it difficult to realize the key output of improved quality and standards of tourism products and services.

4. Tourism Research Institute: KShs. Million (266)

i) Market Research and Intelligence KShs. Million (169.5)

This exercise is totally not funded. Tourism being a complex industry with stiff competition among destinations, market intelligence is aimed at shaping predictions and aid in the analysis and anticipation of consumer trends. Consumer trends are essential in devising appropriate promotional strategies to ensure that there is real impact and desired return on investment made in marketing. Alongside consumer trends, other market oriented areas that would be included in the research are: pricing of tourism products and services vis-à-vis those of competing destinations; branding of the entire destination; and destination accessibility.

ii) Operation & Maintenance KShs. Million (96.5)

- a. O&M requires a total funding of KShs. 143.5 Million, but has only been allocated KShs 47 Million, resulting into a shortfall of KShs. 96.5 Million. This funding is to facilitate

the administrative and operational concerns of the Institute, help in the establishment of the Institute's offices and recruitment of the technical staff.

5. Bomas of Kenya: KShs. Million (15)

Bomas' total recurrent resource requirement is KShs. 347 Million. This caters for Personnel Emoluments and Operation & Maintenance. The allocation they got is KShs. 332 Million, resulting in a shortfall of KShs. 15 Million. The shortfall will adversely affect the development and packaging of cultural and heritage products. In effect, the realization of the core objective of Bomas of Kenya - that of preservation, development and effective utilization of cultural heritage for niche tourism product development, would be hugely impeded.

6. General Administration, Planning & Support Services: KShs. Million (681)

The shortfall of KShs. 681 Million under General Administration, Planning & Support Services will hinder the proper implementation of the National Tourism Strategy; hamper the operationalization of Tourism Crisis Management Centre, Tourism Protection Service and Convention Bureau. The shortfall will also negatively affect the effective delivery of the top management's goodwill support to the tourism promotional efforts in tourists target markets.

7. Directorate of Tourism: KShs. Million (59)

The shortfall of KShs. 59 Million for the Directorate of Tourism will adversely affect its programs on organizing and/or participating in annual cultural festivals (KShs. 19 Million), the cataloging of cultural tourism products in Kenya (KShs. 10 Million), development of signage for tourists in all high tourist traffic areas (KShs. 20 Million), and development and diversification of tourism products in sports and adventure tourism (KShs. 10 Million).

B. DEVELOPMENT BUDGET SHORTFALL {KShs. Million (10,492)}

1. Kenya Tourism Board (KTB) – KShs. Million (650)

The project name is Sustaining New Markets & Siting Booths in Tourism Target Markets. Based on tourism performance and guided by the Destination's Brand Study conducted in 2014/15, this project aims at recovering both the lost business and the eroded Kenyan brand by capitalizing on the identified opportunities for Kenya as a destination, through increased conversion and advocacy initiatives. The project intends to implement programmes that leverage on opportunities presented by global events influencing Kenya's visibility.

The shortfall therefore is going to hinder the attainment of the envisaged successes through the employment of the above mentioned marketing efforts and may end up eroding the already realized successes in the past one year.

2. Kenya Utalii College (KUC) – KShs. Million (198)

The project name is Practical Training Block (training Kitchen, Housekeeping Lab and demonstration Restaurant). The existing Training kitchen, Housekeeping Laboratory and demonstration Restaurant is very small and overstretched. This project is aimed at decongesting the current facilities and train

more students. This will provide more skilled personnel in both hospitality and tourism industry. The implementation is to be begun this FY2016/17 and is expected to be completed in the FY2017/18. The shortfall will definitely cause delays in the project completion schedule and result in other additional costs.

3. Tourism Fund (TF) – KShs. Million (480)

The project is Ronald Ngala Utalii College which will enable the Government to offer more training opportunities to the tourism industry and create a Centre of Excellence in tourism training facilities when it is completed. It will address the existing gap in the current tourism and hospitality training by matching both the technical and conceptual skills. The project is earmarked to be completed by October 2018 but the erratic funding by the Government has resulted in delayed achievement of the construction targets that may eventually result in the overall delayed completion of the entire project. Tourism Fund finances the consultancy component of the project.

4. Tourism Research Institute (TRI) – KShs. Million (20)

The KShs. 100 Million that TRI had requested is to facilitate its operationalization. The funds are to help set up the TRI offices, buy furniture and other office equipment, buy vehicles and acquire the necessary utility services that will enable them roll-out their operations. The shortfall of the KShs. 20 Million will however force a scale down of this operationalization exercise that had been budgeted at the minimum.

5. Kenyatta International Convention Centre (KICC) – KShs. Million (825)

KICC had put forward a request of KShs. 825 Million but they did not get any allocation. With the requested fund, they were intending to undertake phase II of electrical re-wiring, rehabilitation of courtyard/driveways, put up a pre-fabricated expo center and undertake a feasibility study for the construction of a delegates hotel and exhibition facility.

6. Bomas of Kenya (BoK) – KShs. Million (5,860)

The project is Nairobi International Convention and Exhibition Centre (NICEC). Kenya lacks facilities to hold meetings, Incentives, Convention and Exhibition (MICE). NICEC will provide international facility to hold up to 15,000 delegates at any one time with all support amenities. The requested funds were to be put on the Phase I construction of the Convention Centre as an anchoring facility then the other amenities such as the resorts are to be put up by the private investors. This is a mega project and Government funding of the anchoring facility is vital for its success.

7. Tourism Regulatory Authority (TRA) – KShs. Million (10)

The two projects under TRA are the Enterprise Wide Tourism Information Management System and the Development and Review of Minimum Standards for Regulated Tourism Enterprises. The Enterprise Wide Tourism Information Management System is aimed at establishing an integrated ICT platform that provides access to real time registration, renewal and payment of license fees and levies. On the other hand, the Development and Review of Minimum Standards for Regulated Tourism Enterprises is purposed to establish a documented outline of requirements that when observed by the various tourism enterprises, will get to define basic quality that the destination and clients can identify

with. The shortfall here is minimal; however, it will definitely impact on the successful implementation of the projects.

8. Tourism Finance Corporation (TFC) – KShs. Million (1,900)

The project name is Financing of Tourism Facilities. Onward lending to the tourism industry is an economic pillar in the Vision 2030. The project offers financing for new hotels, refurbishments, SME's, Community Based Enterprises, renewable energy projects and recreational facilities. The focus will be on lending to new areas and products of untapped potential by providing development finance in line with current tourism investment to encourage local investments in the country. TFC is seeking funds for onward lending to potential investors in the industry at concessional rates. This is particularly due to the perceived high credit risk of tourism ventures by commercial banks that are not willing to finance tourism ventures.

TFC had projected to disburse a total of KShs. 2,500 Million in the FY2017/18 but got only an allocation of KShs. 600 Million thus resulting in a shortfall of KShs. 1,900 Million.

9. General Administration, Planning and Support Services – KShs. Million (403)

The Project is Tourism Recovery and it addresses challenges facing the tourism industry that has seen tourist's arrivals and bed occupancy decline in the past years, with a view to putting the sector on to recovery and ultimately transformation. In terms of sustainability, it is envisaged that once the sector recovers, earnings from tourism will increase and spur economic growth. Key recovery programmes are:

- a) Increase security in major tourism hubs
- b) Establish a tourism recovery and transformation basket funding with seed money from Government
- c) Implement aggressive tourism marketing and rebranding programmes
- d) Implement incentives to stimulate tourism recovery and attract investments
- e) Revamp the tourism product from comparative to competitive advantage, and
- f) Improve tourism institutional framework among others.

Time is of essence here, and therefore, timely realization of the project's key objectives will be hampered by the funding shortfall.

10. Directorate of Tourism (DoT) – KShs. Million (146)

The request got a nil allocation. The requested funds were to be utilized on among other programs; the Beach Management Program i.e. the cruise ship terminal and vetting of beach operators, participation in UNWTO, WTO, EAC, COMESA and NEPAD meetings and activities, sensitization and capacity building on homestays, agro-tourism and community based tourism enterprises.

Request from the state Department

The department requested that a 10 percent of its annual contribution to GDP to be earmarked for its annual budgetary allocation. This will enhance the departmental resource allocations to sufficiently

facilitate the delivery of services which will lead to job creation and boost the foreign exchange earnings.

2.2.2 Committee Observations

Having listened to the brief from the Ministry the Committee made the following observations:-

1. The Ministry of Tourism is always a victim of budget cuts in the Supplementary budgets which implies that there is a likelihood of challenges in absorbing the funds allocated to it thereby occasioning such perennial budget cuts.
2. While appreciating the important role the sector plays in job creation and as a source of significant foreign exchange, it was observed that the sector needs to do more in its marketing both locally and internationally so as to improve the performance of tourism.
3. It was noted that the department has several parastatals and yet there is a new one (Tourism Research Institute) recently established. It was felt that it is high time the mandate and roles of the parastatals be interrogated with the aim of consolidating the related ones for cost effectiveness through the resultant economy of scope.
4. It was observed that some parastatals such as KICC, Bomas of Kenya and Utalii College ought to be self-sustaining but keep getting additional allocations during the budgeting process.
5. It was noted that some of the targets set by the state department are not realistic. An example of such was on the achievement of a 90% completion of Ronald Ngala College by end of 2017/18. It was pointed out that the sluggish pace in completion of some of these projects ties up funds and delays the noble targeted service delivery.
6. A concern was raised over a conflict of responsibilities in tourism marketing (Commercial attaché's) abroad between the departments of Tourism and Foreign Affairs. The Committee was persuaded that to optimize the benefits therefrom, tourism experts need to play the greatest role in the marketing as they are well versed on tourists' products and services.

2.2.3 Committee recommendation on Tourism's Budget

- i. Arising from the concern that there are many parastatals under tourism yet there is a new one (Tourism Research Institute) recently established. It was recommended that there is need merge related ones for operational cost effectiveness and effectiveness.
- ii. It was recommended that both Bomas of Kenya and Kenyatta International Convention Centre (KICC) needs to be made self-sustainable in the sense that their Appropriations in Aid should be enhanced such that they don't get additional funding from the exchequer.

2.3 CONSIDERATION OF THE 2017/18 BUDGET ESTIMATES FOR THE MINISTRY OF TRADE, INDUSTRY AND INVESTMENT

On 7th March 2017, the Cabinet Secretary Ministry of Trade, Industry and Investment, Dr. Aden Mohammed appeared before the Committee and presented on the 2017/18 budget estimates as follows:-

1. STATE DEPARTMENT OF TRADE

Table 1: State Department for Trade Allocation by Sub-Programme and State Agency/Department (Figures in Kshs. Millions)

Sub-Programme	Department /Agency	2016/17			2017/18		
		Rec	Dev	Total	Rec	Dev	Total
S.P. 3.1: Domestic Trade Development	Department of Internal Trade	59	30	89	125.2	12.5	137.6
	Kenya National Trading Corporation	0	0	0	0.0	30.0	30.0
S.P. 3.2: Fair Trade and Consumer Protection	Anti-Counterfeit Agency	225	0	225	253.4	42.5	295.9
	Weights & Measures	96	45	141	100.0	45.0	145.0
	KECOPAC	40	0	40	40.3	0	40.3
S.P. 3.3: Exports Market Development	Export Promotion Council	305	80	385	364.9	0	364.9
S.P. 3.4: Regional Economic Integration Initiatives	Regional Trade and Export	4	70	74	6.6	97.5	104.1
S.P.3.5: Entrepreneurial and Management Training	KIBT	69	0	69	86.3	100.0	186.3
S.P. 3.6: International Trade	External Trade Promotion Services	1,628	0	1628	790.8	0	790.7
	Brand Kenya Board (BKB)**	105	20	125			
	Foreign Trade Services*				94.9	0	94.9

Sub-Programme	Department /Agency	2016/17			2017/18		
		Rec	Dev	Total	Rec	Dev	Total
S.P. 3.7 Investment Promotion	Foreign Trade Services*	95	0	95			
S.P.3.8: General Administration, Planning and Support Services	HQs Administrative Services	267	0	267	307.2	0	307.2
	Finance and Procurement Services	23	0	23	31.7	0	31.7
	Central Planning Unit	0	0	0	18.2	0	18.2
	Trade Research and Policy	0	0	0	17.8	0	17.8
S.P. 3.9 Country Branding and Marketing	Brand Kenya Board (BKB)**	-	-		177.1	0	177.1
Total		2,919	245	3,164	2,414.4	327.5	2,741.9

Table 2: State Department for Trade Performance Targets by Sub-Programme and State Agency/Department (Figures in Kshs. Millions)

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
S.P 3.1: Domestic Trade	Department of Internal Trade	Bi-annual interactive forums for SDT & CECs for Trade.	No. of forums	2	2

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
Development		E-Trade Portal	Operational portal	Operational portal	Operational portal
		E-Commerce Policy;	Draft E-Commerce Policy	Review concept note & seek financial support.	Identify expert(s) to prepare draft
		National Trade Policy	Draft National Trade Policy	Draft National Trade Policy	Commence legislative processes (Trade Development Act)
		Survey on ease of doing business in counties	No. of survey reports	10	10
		Buy Kenya Build Kenya Policy Guidelines developed	Policy Guidelines	Draft concept note	Finalize Buy Kenya Build Kenya Policy Guidelines
		Trade Data collection tool	% completion level of trade data collection tool	100%	100%
	KNTC	Improved warehouse infrastructure	No. of warehouses refurbished	1	1

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
S.P. 3.2: Fair Trade and Consumer Protection	Anti-Counterfeit Agency	Counterfeit cases investigated and prosecuted	Number of cases investigated and prosecuted	250	280
		Public awareness outreach activities on counterfeiting	No of workshops activities conducted	20	25
		Baseline Survey on the countrywide level of counterfeiting	Baseline Survey report	-	Baseline
		Purchase of seized goods holding depots	No. of seized goods holding depots	1	1
	Weights & Measures	Calibrated county standards	Certificate of Calibration	300	350
		Evaluated patterns	Type evaluation reports	10	11
		Verified equipment	Certificate of verification	120	120
		International engagements for consensus building and development of international legal metrology standards	Number of engagements/meetings held	5	7
		Modernized and equipped laboratories	No. of laboratories modernized and equipped with type approval benches for water	1	1

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
			and electricity meters		
		Review of legal metrology laws	No. of Bills	2	2
	KECOPAC	Advisory Reports	No. of reports on consumer protection surveys conducted	5	6
S.P. 3.3: Exports Market Development	Export Promotion Council	Promotional activities conducted	No. of trade promotion events conducted	9	15
		Enterprises supported in export Product development	No of enterprises supported in developing new products	10	15
		Develop National Export Strategy (NES)	NES Finalized and its legal framework enacted	NES Finalized	Develop NES Legal Framework
		Facilitate potential and existing enterprises including youth and women in export business to increase exports	No of SMEs linked to export markets	20	20
		Market surveys conducted	No. of Surveys	3	2
S.P. 3.4: Regional Economic	Regional Trade and Export	Trading Platform for Commodities Exchange established	% completion in establishing a Trading Platform	10%	50%

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
Integration Initiatives		Laws on Commodities Exchange	% completion of enactment of law on Commodities Exchange	18%	30%
S.P. 3.5: Entrepreneurial and Management Training	Kenya Institute of Business Training (KIBT)	Entrepreneurial and Management Training	Number of MSME operators, Women, Youth, Persons with Disabilities and Other Interest Groups trained	3,700	3,800
		Trained MSME operators	Number of MSME operators trained	3,860	3,900
			No. of business firms incubated	6	6
		On-site consultancy for pilot enterprises Conducted under HRD-ID project	Number of enterprises that have received consultancy services	7	6
		Modules for Retail Trade Training (RETRAK) Developed	Number of Modules developed	2	3
		Business based impact surveys conducted	No. of reports	1	2
		E resource material developed	No. of resource materials developed	2	1

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
		E resource material implemented	E resource implemented	2	-
		KIBT Parklands office complex Partitioned, fitted and furnished	% Completion rate	-	30%
S.P. 3.6: International Trade	External Trade Promotion Services	Trade negotiations forums attended	Number of trade negotiation forums	24	30
		Established export markets in foreign countries	Number of Trade Agreements/ MOUs negotiated	15	16
			Number of Trade Agreements/MOUs Concluded	10	12
	Foreign Trade Services	Kenya's export goods, Investment and business opportunities promoted	No. of Exhibitions, business/consultative forums; Trade promotional activities	10	12
		Potential export products and export markets mapped out	No. of potential export products mapped out	6	6
		Sensitization forums conducted on trade and investment opportunities created	Number of county sensitization programs conducted	5	6
	Commercial representation in target markets	No. of commercial offices opened and operationalized	8	14	

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
		Trade Partners expanded	No. of Bilateral Trade Agreements and MOUs Reviewed	8	10
		Global Investment and business forums participated in	No. of investment and business forums held	8	10
S.P. 3.8: General Administration, Planning and Support Services	HQs Administrative Services	Administrative Services	% level of automation of services	75%	80%
	Finance and Procurement	Financial Support Services	% rate of facilitation of financial and procurement services	100%	100%
	Central Planning and Project Monitoring Unit (CPPMU)	Monitoring and Evaluation of projects	No. of Monitoring and Evaluation reports (4 quarterly and 1 annual report)	5	5
	Trade Policy and Research	Framework for integration of County and National governments trade databases	No. of survey reports on the integration of County and National governments trade databases	-	1
S.P. 3.9: Country Branding	Brand Kenya	Public Service Branding	No. of institutions participating in the Public Service	10	20

Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Baseline 2016/17	Target 2017/18
P.3: Trade Development and Promotion					
Outcome: Improve business environment and facilitate growth of wholesale and retail trade					
and Marketing	Board (BKB)		branding programme		
		Enhanced competitiveness of Kenyan products	No. of firms adopting the “Mark of Identity” as a unique identifier	10	20
		County Competitive Index	No. of counties trained on guidelines for county competitiveness programme	10	12

Table : State Department for Trade Capital Projects by Sub-Programme, State Agency/Department and Outputs (Figures in Kshs. Millions)

Sub Programme	Project Name	Delivery Unit	Key Outputs	Printed 2016/17	Allocation 2017/18
S.P 3.1: Domestic Trade Development	Development of E-Trade Portal	Department of Internal Trade	E-Trade Portal	30	12.5
	Modernization of KNTC Warehouses for commodity Exchange	Kenya National Trading Corporation	Improved accessibility of agricultural products/commodities to markets	-	30.0

Sub Programme	Project Name	Delivery Unit	Key Outputs	Printed 2016/17	Allocation 2017/18
S.P 3.2: Fair Trade and Consumer Protection	Purchase of Seized Goods Holding Depots	Anti-Counterfeit Agency	Purchase of seized goods holding depots	-	42.5
	Modernization of Legal Metrology Laboratory	Weights & Measures	Modernized and equipped laboratories	45	45.0
S.P 3.3** Exports Market Development	Product Development for Export Markets	Export Promotion Council	Market surveys conducted and enterprises supported in export product development	80	-
S.P 3.4: Regional Economic Integration Initiatives	Establishment of Commodity Exchange (COMEX)	Regional Trade and Export	Trading Platform for COMEX established	70	97.5
			Develop a Legal & Regulatory Framework for COMEX		
			Warehouse infrastructure and human capacity available for COMEX mapped out and analyzed		
S.P 3.5: Entrepreneurial and Management Training	Kenya Institute of Business Training (KIBT) Parklands Building Partitioning and Fittings	Kenya Institute of Business Training (KIBT)	KIBT Parklands office complex Partitioned, fitted and furnished	-	100.0

Sub Programme	Project Name	Delivery Unit	Key Outputs	Printed 2016/17	Allocation 2017/18
S.P 3.9** Country Branding and Marketing	Road to Rio – Building Capacity of Athletes	Brand Kenya Board (BKB)	Awareness creation on public media skills	1	-
	Development of County Competitive Index		Improved County Competitiveness	5	-
	Development Mark of Identity for Kenyan Products		Adoption of the “Mark of Identity”	14	-
TOTAL				245	327.5

Table : State Department for Trade Requirement Vs Allocation by Sub-Programme and State Agency/Department (Figures in Kshs. Millions)

Sub-Programme	Department /Agency	Requirements 2017/18			Allocation 2017/18			Shortfall 2017/18		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
S.P. 3.1: Domestic Trade Development	Department of Internal Trade	128.0	210.0	338.0	125.2	12.5	137.7	2.8	197.5	200.3
	Kenya National Trading Corporation	0	40.0	40.0	0	30	30.0	0	10.0	10.0
S.P. 3.2: Fair Trade and Consumer Protection	Anti-Counterfeit Agency	481.0	250.0	731.0	253.4	42.5	295.9	227.6	207.5	435.1
	Weights & Measures	173.0	148.0	321.0	140.3	45	185.3	32.7	103.0	135.7
S.P. 3.3: Exports Market Development	Export Promotion Council	842.0	544.0	1386.0	364.9	0	364.9	477.1	544.0	1021.1

Sub-Programme	Department /Agency	Requirements 2017/18			Allocation 2017/18			Shortfall 2017/18		
		Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
S.P. 3.4: Regional Economic Integration Initiatives	Regional Trade and Export	6.0	440.0	446.0	6.6	97.5	104.1	-0.6	342.5	341.9
S.P.3.5: Entrepreneurial and Management Training	KIBT	208.0	132.0	340.0	86.3	100	186.3	121.7	32.0	153.7
S.P. 3.6: International Trade	International Trade	3534.0	0	3534.0	885.7	0	885.7	2648.3	0	2648.3
S.P. 3.8: General Administration, Planning and Support Services	HQs Administrative Services	542.0	120.0	662.0	374.9	0	374.9	167.1	120.0	287.1
S.P. 3.9: Country Branding and Marketing	Brand Kenya Board (BKB)	225.0	106.0	331.0	177.1	0	177.1	47.9	106.0	153.9
Total		6,139.0	1,990.0	8,129.0	2,414.4	327.5	2,741.9	3,724.6	1,662.5	5,387.1

Table 6: State Department for Trade Recurrent Under/Non - Funded Priority Activities

No	Project	Implementer	Amount in Kshs. Millions
1.	Continuity of the development of the E-Commerce Policy, establishment of Empretec Centre and development of Buy Kenya Build Kenya (BKBK) Policy Guidelines	Department of Internal Trade	100
2.	Completion of the baseline survey on the level of anti-counterfeiting &	Anti-Counterfeit Agency	100

No	Project	Implementer	Amount in Kshs. Millions
	operationalization of case management system		
3.	Limited export product development and new market research will be carried out	Export Promotion Council	150
4.	Payment of salaries and allowances for staff in International Trade	International Trade	150
5.	Expansion of Commercial Attaché services in Foreign Missions	International Trade	280
Total			780

Table: State Department for Trade Development under/Non - Funded Priority Projects

No	Project	Project Brief	Implementer	Amount in Kshs. Million
1.	Open Space Office Modelling and Security System Installation	Open office, installing security systems, resource centre and procurement registries	Ministry HQs	120
2.	Athi-River Tier 1 Retail Market	Completion of designs	Department of Internal Trade	80
3.	Maragua Wholesale Hub	Completion of designs	Department of Internal Trade	60
4.	Joint Loans Board (JLB) Scheme	Audit and disengagement framework	Department of Internal Trade	70
5.	Public Service Re-branding	Image and perception improvement	Brand Kenya Board	50
6.	Installation of Enforcement Case Management System	Purchase and installation of system	Anti-Counterfeit Agency	50

No	Project	Project Brief	Implementer	Amount in Kshs. Million
7.	Establishment of Warehouse in Kinshasa, DR Congo	Registration processes and piloting	Export Promotion Council	70
8.	World Exposition 2017, Astana, Kazakhstan	Showcasing progress made in the energy sector	Export Promotion Council	250
9.	Export Credit Guarantee	Underwrite credit guarantees issued by the Government	Export Promotion Council	100
10.	Transports Internationaux Routiers /International Road transport Carnet system	Internationally harmonized system of customs control	Export Promotion Council	40
Total				890

Table 8: Break Down of State Corporations' Budgets

Description	BKB	ACA	EPC	KNTC
REVENUE	177,100,000.00	253,402,000.00	364,840,000.00	512,463,000.00
Internally Generated	2,000,000.00	8,000,000.00	4,840,000.00	482,463,000.00
Government Grants	175,100,000.00	287,902,000.00	360,000,000.00	0
Of which: Current Grants	175,100,000.00	245,402,000.00	360,000,000.00	0
Capital Grants	0	42,500,000.00	0	30,000,000.00
Other Sources (Appropriation In Aid)	2,000,000.00	8,000,000.00	4,800,000.00	0
EXPENDITURES	177,100,000.00	253,402,000.00	364,840,000.00	512,463,000.00
Current Expenditures	177,100,000.00	253,402,000.00	364,840,000.00	482,463,000.00
Of which: Salaries & Wages	91,000,000.00	162,244,693.00	170,000,000.00	60,662,000.00
Other Current Expenditure	86,100,000.00	83,157,307.00	194,840,000.00	420,479,000.00
Capital Expenditure	0	42,500,000.00	0	30,000,000.00
Of which projects	0	42,500,000.00	0	30,000,000.00

2.3.3 Committee Observations on the State department of Trade

Having listened to the presentation the Committee observed as follows:-

- i. Despite the assurance by the PS that there will be no significant change in trade occasioned by the recent US elections and the Brexit (Britain exiting European Union), the Committee pointed out that there will be need for a remedial action through diversification of trade partners.
- ii. The Committee raised issue with the management of Trade attachés programs. It was pointed out that concerns have been raised on the conflict in management of the program between the State department of Foreign Affairs and that of Trade. It was unanimously agreed that this should be principally managed by the Ministry of Trade.
- iii. The adverse effect of counterfeit on trade was underscored. It was observed that counterfeit is watering down the intended benefits of scrupulous trade. It was pointed out that more needs to be done so as to control this vice of counterfeit.

- iv. It was noted that as the benefits of Special Economic Zones start to be enjoyed, care needs to be taken so that this is not only benefit few individuals. It was also pointed out that where feasible, local industries and local investors should be promoted more.
- v. It was noted that the period of AGOA (African Growth Opportunity Act) is nearing an end and the Committee was concerned on the progress.
- vi. The Committee was impressed that the number of companies under Economic Processing Zones (EPZ) has risen from less than 100 to over 145 companies. It was observed that the traders under the EPZ are largely foreigners, a fact that the PS refuted.

2.3.4 Committee recommendation on the budget estimates of the State department for Trade.

- i. Issuance of licenses for investors to operate under Economic Processing Zones (EPZ) and Special Economic Zones (SEZ) needs to give preference to local investors. It was recommended that the local participants in these zones must be kept reasonably high to prevent the benefits therefrom being repatriated.
- ii. During the Economic Partnership Agreements (EPAs) negotiations, it was recommended that a lot of considerations need to be put in place so as to ensure that such agreements are mutually beneficial.
- iii. It was recommended that the posting of Commercial Attachés be domiciled in the state department of Trade and taken away from the State department for foreign foreign affairs.
- iv. In conformity with the most recent executive order that reorganized the executive, it was recommended that the state department for foreign affairs should be prevailed upon to hand over all the international trade programmes and activities that were shelved off it.

2.4 CONSIDERATION OF THE BUDGET ESTIMATES FOR STATE DEPARTMENT FOR INDUSTRY AND INVESTMENT

The principal Secretary State Department of Industry and Investment, Mr Julius Korir, briefed the Committee on the department’s budget estimates for 2017/18 as follows:-

TABLE. BREAKDOWN OF PROPOSED ALLOCATIONS TO THE MINISTRY FOR 2017/18 FINANCIAL YEAR

AGENCY	BUDGET REQUIREMENTS AND ALLOCATION 2017/2018 FY IN MILLIONS					
	Recurrent			Development		
	Requirement	Allocation	Shortfall	Requirement	Allocation	Shortfall
Export Processing Zones Authority (EPZA)	50.8	40.8	10	1,000	800	(200)

Kenya Industrial Research Development Institute (KIRDI)- South B	684	654	30	1,257	547.5	(709.5)
Kenya Industrial Research Development Institute (KIRDI)- Kisumu				150	500	(350)
Rivatex	0	0	0	685	450	(235)
Kisumu Cotton Mills	0	0		100	10	(90)
Kenya Industrial Estates	107.6	107.6		720	500	(220)

TABLE . COMPARISON OF BUDGET ALLOCATIONS FOR 2015/2016-2016/2017-2017/2018 IN MILLIONS

AGENCY	Recurrent			Development		
	Revised 2015/2016	Revised 2016/2017	PROPOSED 2017/2018	Revised 2015/2016	Revised 2016/2017	PROPOSED 2017/2018
Export Processing Zones Authority (EPZA)	96.6	40.8	40.8	2,000	550	800

AGENCY	BUDGET ALLOCATION 2017/2018 FY IN MILLIONS					
	Recurrent			Development		
	Requirement	Allocation	Shortfall	Requirement	Allocation	Shortfall
Kenya Industrial Research and Development Institute (KIRDI)-South B and Kisumu Kenya	601.7	654	654	987.86	740	1,047.5
Kenya Industrial Property Development Institute (KIPI) (KLDC)	107.9	67.9	(40)	3,242	800	(2,442)
Rivatex	3	2.9	0	150	25	0
Micro and Small Enterprise Authority (MSEA)	0	0	0	500	450	450
Kenya Industrial Estates (KIE)	161.8	75.8	(86)	3,490	150	(3,340)
Total	116.50	115.04	115.04	20	5	20
Kenya Industrial Estates (KIE)	77.9	107.6	107.6	250	350	500
Total	779.2	805.3	802.4	3,987.6	2,725	2,807.5
Doing Business						
Kenya Investment Authority	225	225	0	104	100	(4,000)
Special Economic Zones	200	0	(200)	1,000	620	(380)
KITI	141.5	141.5	0	138.7	75	(63.7)
Headquarters	1,100	725	(375.1)	0	0	0
Numerical Machine Complex	165.9	165.9	0	148	100	(48)
Kenya Accreditation Service (KENAS)	125	115	(10)	50	20	(30)
TOTAL ALLOCATION	3,120.18	2,318.9	(801.3)	12,734.8	4,572.5	(8,132.3)

AGENCY	Recurrent			Development		
	REVISED 2015/2016	REVISED 2016/2017	PROPOSED 2017/2018	REVISED 2015/2016	REVISED 2016/2017	PROPOSED 2017/2018
Kenya Leather Development Council (KLDC)	15.8	35.6	67.9	338	533	800
Micro and Small Enterprise Authority (MSEA)	77.5	75.8	75.8	100	102.5	150
Ease of Doing Business	4.7	3.6	6	70	195	250
Kenya Investment Authority	230	230	225	0	20	100
Special Economic Zones	7.5	0	0	100	50	620
National Industrial Training Centre	401	401	401	0	0	0
KITI	122	139	141.5	37	217	75
Headquarters	1,105.7	788.9	719	0	0	0
Numerical Machine Complex	86	165.9	165.9	100	25	100

Anti-Counterfeit Authority	0	0	0	75	12.5	0
Kenya Accreditation Service (KENAS)	116	115	115	20	5	20
TOTAL ALLOCATION	2,946.5	2,646.3	2,319	4,727.9	3,285	4,922.5

TABLE: DEVELOPMENT DONOR FUNDS ALOCATION FOR FINANCIAL YEAR 2017/2018

HEAD	FINANCIAL YEAR 2017/2018 FY IN MILLIONS	
	2016/2017	2017/2018
Standards and Market Access Programme (SMAP)	272.8	0
Low Carbon Low Emission Clean Energy Technology Transfer Program	53.4	54
Kenya Petroleum Technical Assistance Programme (KEPTAP)	303.6	180
Kenya Youth Empowerment and Opportunities Project	0	574.6
Total	629.87	808.6

TABLE: RECURRENT EXCHEQUER RECEIVED & DISBURSED FOR SAGAS

FY 2016/2017

SNO	NAME	AMOUNT
1	Micro and Small Enterprises Authority (MSEA)	38
2	Kenya Industrial Research & Development Institute (KIRDI)	317.2
3	Kenya Leather Development Council (KLDC)	17.8
4	Export Processing Zones Authority (EPZA)	25.4
5	Kenya Industrial Estates (KIE)	38.5
6	Kenya Investment Authority (KIA)	115
7	Numerical Machining Complex Ltd (NMC)	95.9
9	Kenya Accreditation Services (KENAS)	57.5
10	National Industrial Training Authority (NITA)	201
12	Kenya Industrial Property Institute (KIPI)	1.4
	Total Amount	907

Table: DEVELOPMENT EXCHEQUER RECEIVED & DISBURSED FOR SAGAS

FY 2016/2017

SNO	NAME	AMOUNT
1	Export Processing Zones Authority (EPZA)	375
2	Kenya Accreditation Services (KENAS)	5
3	Kenya Industrial Property Institute (KIPI)	25
4	Micro and Small Enterprises Authority (MSEA)	25
5	Anti-Counterfeit Agency (ACA)	12.5
6	Rivatex East Africa Ltd (RIVATEX)	450
7	Kenya Investment Authority (KIA)	50
8	Kenya Industrial Research and Development Institute (KIRDI)	242
9	Kenya Leather Development Council (KLDC)	250
10	Numerical Machining Complex Ltd (NMC)	25
	Total Amount	1.460

TABLE : APPROPRIATION IN AID FY 2016/2017

SNO	NAME	BUDGETED	COLLECTED
1	Kenya Industrial Training Institute (KITI)	17.5	11
2	Kenya Investment Authority (KIA)	5	4
	Total Amount	22.5	15

TABLE: ALLOCATION TO EACH CAPITAL PROJECT UNDER THE STATE DEPARTMENT AND THE OUTPUTS FOR EACH PROJECT 2016-2017-2018

Ongoing Projects	A Amou nt allocat ed FY 2016/1 7	B Revised Allocation FY 2016/17	C Requireme nts 2017/18	D Amou nt allocat ed FY 2017/1 8	Shortfa ll for the FY 2017/20 18 (C- D)	Key Outputs For The Projects
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<p>1.1. Development of Athi River Textile Hub, Machakos-EPZA(Head: 1172100600)</p>	<p>1,500</p>	<p>550</p>	<p>1,000</p>	<p>800</p>	<p>(200)</p>	<p>Increase number of enterprises located at the Athi-River Textile Hub from 30 enterprises (December 2013) to 72 enterprises hosted by 31st June 2020. Number of enterprises located at the Athi-River Textile Hub had reached 42 by 31st June 2016 (58% of target attained),</p> <p>Increase Export Earnings by Kshs.18 billion from Kshs.44.4 Bn. (December 2013) to Kshs.75 billion by 31st June 2020. Export earnings had reached Kshs. 60 Bn. 31st June 2016 (80% of target attained),</p> <p>Increase Foreign/Domestic Direct Investments (FDI/DDI) from Kshs. 48 Bn. (December 2013) to Kshs.77 Bn. by 31st June</p>
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Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
						<p>2020.FDI/DDI had reached Kshs. 73.7 Bn. by 31st June 2016(96% of target attained),</p> <p>Increase local purchases/Raw materials (backward linkages) from Kshs. 19.3 Bn. (December 2013) to 40 Bn.by 31st June 2020. Local purchases/Raw materials had reached Kshs. 23.9 Bn. by 31st June 2016(60% of target attained),</p> <p>Increase number of jobs in EPZ program from 39,961 to 65,000 by 31st June 2020. Jobs created had reached 50,007 by 31st June 2016 (80% of target attained),</p>

<p>1.2. Development of Leather Industrial Park in Kenanie, Machakos- KLDC(Head: 1172100500)</p>	<p>1,000</p>	<p>533</p>	<p>3,242</p>	<p>800</p>	<p>(2,442)</p>	<p>Minimum of Twenty (20) new Tanneries and Fifty (50) Value addition Factories hosted at the Kinanie Leather Industrial Park.</p> <p>Transform leather industry from semi processing to finished leather products manufacturing.</p> <p>Attract post tanning investment.</p> <p>Reduce foreign exchange expenditure through import substitution.</p> <p>‘Increase Export Earnings by Kshs.10 billion.</p> <p>Increase local purchases/Raw materials (backward linking) in the Country</p> <p>Create new employment opportunities (at least 10,000 new jobs)</p>
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Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
1.3. Special Economic Zone Authority – MoITC (Head: 117210300)	200	50	1,000	620	(380)	<p>Creation of direct jobs and</p> <p>Attraction of Foreign Direct Investment into the economy in manufacturing and other services sector</p> <p>Technology transfer</p> <p>Export promotion</p> <p>Infrastructure development</p> <p>Stimulate the other service sectors</p>

Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
1.4. Ease of doing business – M0ITC(Head: 1172100800)	320	195	300	250	(50)	<p>Improvement in Kenya's overall ranking to the top 50 by the year 2020</p> <p>20% improvement in the first six indicators under the Doing Business namely: Starting a business, Getting credit, Getting Electricity, Trading across borders, Dealing with construction permits and Registering a property</p> <p>More SMEs registration/ Formalization</p> <p>Private sector expansion creating more employment opportunities</p>

<p>1.5. Equipping of Industrial Research Laboratories (food and natural products) at KIRDI Kisumu Western Kenya Centre- KIRDI (Head: 1172100900);</p>	160	160	500	150	(350)	<p>Product development and Commercialization of research findings in agro processing, energy, natural products and leather sub sectors;</p> <p>Job creation in the manufacturing sector, increased contribution of manufacturing sector to GDP,</p> <p>Increased foreign direct investments in the manufacturing sector,</p> <p>Technical skills development for the manufacturing sector and wealth creation through value addition to Kenyan agricultural produce and natural resources.</p>
<p>1.6. Develop and transfer of modern Agro Processing technologies at KIRDI South B-</p>	0	225	1,257	547.5	(709.5)	<p>Job creation in the manufacturing sector,</p> <p>Increased contribution of</p>

Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
(Head: 1172101000);						<p>manufacturing sector to GDP,</p> <p>Increased foreign direct investments in the manufacturing sector,</p> <p>Technical skills development for the manufacturing sector and wealth creation through value addition to Kenyan agricultural produce and natural resources.</p>

<p>1.7. Modernization of Textile Equipment at Rivatex East Africa Limited</p>	<p>450</p>	<p>450</p>	<p>685</p>	<p>450</p>	<p>(235)</p>	<p>Potential to benefit many people:</p> <p>Suitability for marginal areas:</p> <p>Huge potential to offer employment to women and youth:</p> <p>The high potential of the sector to generate small scale and micro-enterprises (SMEs) activity in the Kenyan economy:</p> <p>The potential to promote regional dispersion of development and reduce rural-urban migration:</p> <p>The potential to reduce insecurity in arid and semi-arid areas:</p> <p>The potential to contribute towards the expansion of the manufacturing sector:</p> <p>Improve balance of payments:</p>
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Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
						Enhance University Industry linkages
1.8. Provision of Finances to Small & Medium Enterprises (SMEs) in the Manufacturing sector - KIE (Head: 1172101300);	650	350	720	500	(220)	Creation of 1,500 new enterprises Creation new 7,500 direct jobs Creation of 37,500 indirect jobs Value addition to local raw materials Spur rural industrialization Equitable distribution of wealth Support to Youth and Women Contribution to government tax

Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
1.9. Construction of SMEs Manufacturing Centres and equipping of Constituency Industrial Development Centers under Economic Stimulus Programme-MSEA (Head: 1172101200);	50	102.5	3,490	150	(3,340)	Support SMEs in skills development and technology transfer for improved quality products, Wealth and employment creation, reduction in poverty, improved livelihood Contribution to GDP

Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
1.10. Modernization of NMC's Foundry Plant & Fabrication Workshop and Establishment of Hot Dip Galvanizing Project- NMC (Head: 1172101700);	50	25	148	100	(48)	<p>The benefit is import substitution of industrial spare parts, machinery & engineering steel nationally an example is sugar rollers & cement grinding balls that are 100% imported</p> <p>The benefit of support to local industries/ SMEs by making components locally available that enable their industries run their equipment where original suppliers no longer support the supplied equipment/ components.</p> <p>The benefit of advancing manufacturing skills in the country.</p>

<p>1.11. Development of Kisumu Textile Plant, - Jaramogi Oginga Odinga University of Science and Technology (JOOUST)(Head: 1172102200)</p>	50	10	100	10	(60)	<p>A large number of people will benefit from cotton value chain through direct and indirect jobs from the cotton sector value chain which includes cotton growing and ginning, textile processing, processing of by-products to soap and detergents, animal feeds, chemicals and fats and oils;</p> <p>Huge potential to offer employment to women and youth and reduce rural poverty through cooperatives and small and medium enterprises in the cotton-textile value chain;</p> <p>Contribution towards the expansion of Kenyan manufacturing sector base; and</p> <p>Contribute to improvement of</p>
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Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
						<p>Kenya's balance of payments through exports of textile products and domestic sales that reduce imports; and</p> <p>The modernized plant will contribute towards strengthening University-Industry linkages through the technical expertise in textile and engineering, research and extension, and skills development.</p>

1.12. One Stop Shop for investment	200	20	104	100	(4)	<p>Improved ranking of Kenya in World Bank's Ease of Doing index;</p> <p>Improved investor perception of Kenya as an investment destination;</p> <p>Enhanced investor confidence;</p> <p>Reduce cost of establishing new enterprises;</p> <p>Reduce burden of dealing with multiple agencies;</p> <p>Improve efficiency and effectiveness in granting approvals, licenses, and permits;</p> <p>Removal of excess red tape in procedures and processes;</p> <p>Improved service delivery and transparency;</p> <p>Improved data capture and recording of</p>
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Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
						investment statistics; Contribution towards culture and attitude change with regard to investor facilitation by regulatory agencies and Attraction of more investment into the country in order to reach the Kenya Vision 2030 target of at least 32% of GDP.
1.13. Kenya Industrial Training Institute	0	217	138.8	75	(63.8)	To complete stalled buildings and boreholes
1.14. Kenya National Accreditation Service	20	5	50	20	(30)	Accreditation of motor vehicle inspection bodies/centers/garages to ISO/IEC17020

Ongoing Projects	A Amount allocated FY 2016/17	B Revised Allocation FY 2016/17	C Requirements 2017/18	D Amount allocated FY 2017/18	Shortfall for the FY 2017/2018 (C-D)	Key Outputs For The Projects
1.15. Kenya Industrial Property institute (KIPI)	50	25	0	0	0	
Total	4,700	2,987.5	12,734.8	4,572.5	-8,132.3	

TABLE: Development Pending Bills as at February 2017

NO.	ACTIVITIES	AMOUNT Kshs. MILLIONS
	Consultancy services on Kenya Industrial Transformation programme	233.9
	Supply of specialized training equipment at Kenya Industrial Training Institute (KITI)	217
	Legal fees in respect of Ministry versus EAPCC	29
	Partitioning of Ministry of Industry offices at Teleposta Towers	4.3
	TOTAL	484.2

2.4.2 Committee Observations on State Department for Investment and Industry

1. Nothing significant has changed from the last-year budget, apart from drastic drop from 1.293 billion to 586.5 million in Use of goods and Services due to the one-off budgets for FY 2016/17 for TICAD and UNCTAD conferences.
2. The department budget is predominantly recurrent expenditure due to its nature of work of promoting trade and investment. This disregards the fiscal responsibility principals laid out in the PFM Act of 2012 which requires the department to at least spend 30% of its budget on development.
3. There is a significant variation of what the department had requested and what it has been allocated across all the sub-programmes.
4. The priority projects that need to be funded include
 - i. Completion of baseline survey on the level of anti-counterfeiting and operationalization of case management systems,
 - ii. Development of E-commerce policy, establishment of Empretec Centre and development of Buy Kenya Build Kenya policy guidelines,
 - iii. Limited export product development and new market research,
 - iv. Payment of salaries and allowances for staff in international trade, and
 - v. Expansion of commercial Attaché services in foreign missions.
5. The department registered a bit contraction in its budgetary estimates compared to the current FY 2016/17. The Kisumu Cotton Mills had a huge reduction with being allocated only 10 million, being informed by the fact it was in private hands, but the ministry wants to buy it back and then revive it.
6. The Ministry was a victim of budgetary allocation cut in the supplementary budget. This could be as a result of the Ministry having not crystalized its projects for the affected years.
7. Operationalizing the Special Economic Zones' might not be achieved as the recurrent allocation is zero while development allocation reads 620 million. The problem was timing as the board was fully constituted in December while the budget process had commenced much earlier.
8. Supporting KIE is critical as the impact is direct. It suffered a cut through supplementary budget and a gain it requested for Kshs. 720 million which has been slashed to Kshs. 500 million.
9. The **state department of Investment and Industry** has huge pending bills some having accumulated back from the FY 2014/15.

The State department made a case for the following underfunded projects and made a request that the Committee should consider proposing to allocate more funds. The needed additional funds amount to **Ksh 3.12 billion** as specified below:

- i. EPZ Textile Industrial Shed –Ksh.700 Million.
- ii. Leather Park- Ksh.1, 500 Million
- iii. SME Loans-Ksh 220 Million
- iv. KIRDI Laboratories- Ksh.700 Million

2.4.3 Committee recommendation on the budget estimates of the State department for Industry and Investment

- i. Taking cognizance of the fact that there are several projects that are way behind the time planned for their completion within the department, the Committee recommended that these projects should be expedited on.

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

On 8th March 2017, the Committee met with the Chairpersons and other Commissioners of the Commission on Revenue Allocation to consider it's 2017/18 Budget Estimates.

2.5.1 Presentation from the Chairperson, CRA

The Commission thanked the Committee on its vetting exercise that resulted into the selection and subsequent appointment of new commissioners. The Commission appreciated what is proposed for allocations in 2017/18 budget estimates as hereunder indicated in the table in the medium term.

Breakdown of proposed Allocation to the Commission FY 2017/18

	Baseline Estimates	Estimates	Projected Estimates	
	2016/2017	2017/2018	2018/2019	2019/2020
Economic	KShs.	KShs.	KShs.	KShs.
Current Expenditure	355,781,774	365,000,000	376,000,000	387,000,000
Compensation to	189,750,000	196,000,000	202,000,000	207,000,000
Use of Goods and	149,427,609	143,790,904	146,901,431	146,901,431
Social Benefits	-	5,110,527	2,000,000	2,000,000
Non-Financial Assets	6,604,165	6,598,569	6,598,569	6,598,569

Financial Assets	10,000,000	13,500,000	18,500,000	24,500,000
Total Expenditure	355,781,774	365,000,000	376,000.00	387,000.00

Key deliverables for the next Financial Year 2017/18

The Commission submitted a request of additional Kshs.315 Million. This is to cater for various activities as below:

- a) **Additional Ksh. 75 Million:** Under the function of recommendations on the sharing of revenue between national and county governments and among county governments the Commission reported its plans to undertake more activities in addition to its existing ones over the next 12 months which requires additional funds. These activities include:
 - i. Engage stakeholders to develop a scientific approach to sharing revenues raised nationally between National and County governments.
 - ii. Engage stakeholders on conditional grants to county governments.
 - iii. Engage county governments on modalities of working with various agencies both public and private on natural resources exploration and exploitation together with the investments policies and guidelines for optimal resources utilization.
 - iv. Increase the Commissions grassroots activities and fully engage local communities with a view to building a comprehensive understanding and appreciation of their holistic communal needs in a way that has not been undertaken before.
- b) **Additional Ksh.50 Million:** This is to facilitate the establishment of Data bases for third basis Revenue Sharing among County governments. The Commission plans to commence the development of tools and instruments for County data collection in wider geographical areas. CRA will carry out in depth review and analysis, to be able to build a scientific model formulation.
- c) **Additional Ksh.75 Million:** This is to enhance Revenue and Debt management policy framework for National and County Governments. The Commission plans to develop a tool on Public Expenditure and Financial Accountability. Besides, CRA plans to provide more technical support to the county governments to operationalize the borrowing framework.
- d) **Additional Ksh.115 Million:** This is to facilitate a review and development of the second policy defining marginalized areas. In this regard, CRA plans to define and identify marginalized communities and their elements of marginalization.

2.5.2 Committee Observations on CRA Budget Estimate

1. The Commission had requested a budget allocation of Kshs526 million, but was significantly cut to Ksh 365 million.

2. The Commission requests an additional Kshs 315 million that will increase the CRA budget to Kshs. 680million which is higher than their initial request of Kshs. 526million.
3. The additional request is premised on its four core functions that CRA wants to implement and they are:
 - Annual development of recommendations on sharing of revenue between national and county governments and among county governments,
 - Establishment of data bases in counties for the third basis for revenue sharing among county governments,
 - Revenue enhancement and debt management policy framework for national and county governments, and
 - Review and development of second policy defining marginalized areas
4. Development of marginalization policy has taken too long. In-depth work still ought to be done to address it, a number feel t.
5. The CRA ought to be adequately facilitated to ensure there are proper policy frameworks for national and county governments before transition to the next governments.

2.5.3 Committee recommendation on CRA's Budget

- i. Instead of developing new database, it was the Committees recommendation that the new commissioners build from where the old database. This was noted is both cost effective.

2.6 CONSIDERATION OF THE MINISTRY OF PLANNING AND STATISTICS

On 7th March 2017, the Committee met with the Principal Secretary for the State department for Planning and Statistics to consider the 2017/18 Budget Estimates.

2.6.1 Presentation from the PS

The PS highlighted on the six programmes being implemented under this department namely; Economic policy and National Planning, National Statistical Information Services, Monitoring and Evaluation Services, Integrated Regional Development, and General administration, planning and support services.

The breakdown of the proposed estimates was represented as hereunder shown in the table below:

RECURRENT	Printed Estimates 2016/17(Ksh.Millions)	Proposed Estimates 2017/18(Ksh.Millions)
Gross	4,717	5,610
Appropriation in Aid	326	326
Total Net	4,391	5,284
PE	391	400
Allocation to SAGAs	3,452	4,123

RECURRENT	Printed Estimates 2016/17(Ksh.Millions)	Proposed Estimates 2017/18(Ksh.Millions)
O & M	548	761
DEVELOPMENT		
Gross	41,506	36,448
Donor	1,656	1,147
Total Net	39,850	35,301
Allocation to SAGAs	38,845	35,006
other devt	1,005	295
Grand TOTAL	46,223	42,059

The PS took members through the proposed allocations to State Corporations under this state depart as contained in the table below.

State Corporation	Recurrent (Ksh.Million)	Development (Ksh.Million)	Total (Ksh. Million).
NG CDF	0	30,958	30,958
KNBS	2,333	1,455	3,788
National Council for Population m Development(NCPD)	236	267	503
New Partnership for African Development(NEPAD)	0	0	205
KIPPRA	239	52	291
Regional Development Authority	1,362	2,817	4,179
TOTAL	4,375	35,549	39,924

It was pointed out that the 2017/18 proposed estimates have remained the same as the approved 2016/17 estimates except for KNBS that is proposed to get additional Ksh.500 million for mapping exercise in preparation for the 2019 Census.

Absorption Rate

The Ps gave the breakdown on the funds utilization per programme as below. The figures are in Ksh. Millions.

Programme	Printed Estimates	Approved estimates	Actual Expenditure	Absorption Rate
Economic Policy and National Planning	38161	26944	25852	96
National Statistical Information Services	3298	3265	2391	73

Monitoring And Evaluation Services	165	176.2	48.4	27
Integrated Regional Development	3862	3570.3	1564.5	43
General Administration and Support Services	613	498.1	219.1	44

It was pointed out that the Programme Monitoring and Evaluation Services' slow absorption so far is attributed to consultancy fee for the M& E dashboard which has been committed but not yet paid.

General administration has been facing the problem of delayed exchequer releases hence the low absorption rate.

Underfunding in the Budget

A comparison between resource requirement and the proposed estimates indicated various level of shortfalls as presented in a tabular form as here below:

Programme	Printed Estimates	Approved estimates	Actual Expenditure
Economic Policy and National Planning	38161	26944	25852
National Statistical Information Services	3298	3265	2391
Monitoring And Evaluation Services	165	176.2	48.4
Integrated Regional Development	3862	3570.3	1564.5
General Administration and Support Services	613	498.1	219.1

Programme	Resource Requirement	Proposed Estimates	Shortfall
Economic Policy and National Planning			
Economic planning Coordination Services	1,136	243	893
Community development	43,028	31,447	11,581
Macroeconomic policy planning and regional Integration	810	519	291
Policy research	483	291	192
Infrastructure ,Science ,Technology and Innovation	1,827	738	1,089
National Statistical , Information Services			
Census	2,243	1,349	894
Surveys	2,439	2,439	0
Monitoring and Evaluation Services			

Programme	Printed Estimates	Approved estimates	Actual Expenditure
National Integrated monitoring and Evaluation	372	326	46
General Administration Planning and Support Services			
Human Resources and Support services	679	423	256
Financial Management Services	156	78	78
Information Communication Services	89	24	65
Integrated Regional Development			
Integrated Based development	20,155	4,180	15,975
TOTAL UNDERFUNDING			31,360

2.6.2 Committee Observations on the State department of Planning and Statistics

- i. The committee observed that there were serious inconsistencies and errors in the population census of 2009 and therefore the committee felt that it the proposed additional funding of Kshs 500 million is appropriate for Kenya National Bureau of Statistics to undertake mapping of the Kenya population household survey in preparation for the 2019 census in order for the government to come up with accurate and verifiable data on the country's population.
- ii. The committee was concerned about the increasing Pending bills especially in the State department of Devolution which has been grappling with huge pending bills (over 7.7 billion in FY 2015/16 as was the department's submission during 2017 BPS processing), and the state department of planning and statistics has also inherited the Regional Development Authorities (RDAs) which have huge pending bills accumulated over the years.
- iii. The committee was also concerned about the lack of government interventions and mitigating measures for the floods that emanate from Nyando River as well as lack of adequate measures to address the prevailing drought in the Nyando belt.
- iv. The Committee noted that the absorption rates as reported are very low as the financial year 2016/17 is soon coming to an end. The Committee urged the State department to expedite funds utilization so that service delivery can be enhanced through the projects under implementation.

2.6.3 Committee recommendation on the budget estimates of the State department for Planning and Statistics

2.7 CONSIDERATION OF THE STATE DEPARTMENT FOR DEVOLUTION'S BUDGET

On 7th March 2017, the Committee met the PS for State department for Devolution to consider the 2017/18 budget estimates.

2.7.1 Presentation from the PS

The PS took members through the department's budget as here below broken down in the table.

	Printed Estimates 2016/17(Ksh.Million)	Proposed Estimates 2017/18(Ksh.Million)
RECURRENT		
Gross	649	1,108
AIA	0	0
<i>Net Total</i>	<i>649</i>	<i>1,108</i>
PE	126	152
Allocation to SAGAs	408	708
O & M	115	248
DEVELOPMENT		
Gross	2,424	3,539
Donor	1,834	2,664
<i>Net Total</i>	<i>590</i>	<i>875</i>
Allocation to SAGAs	234	114
Other Development	356	761
Grand TOTAL	3,073	4,647

The Statement has only two SAGAs under it namely: Inter-governmental Relations Technical Committee (IGTRC) and Council of Governors (CoG). The proposed 2017/18 estimates (in Ksh. Millions) for the two are as shown below

Name	Recurrent	Development	Total
Inter-Governmental Relations Technical Committee	599	0	599
Council of governors	107	114	221
TOTAL	706	114	820

In the Medium term, the PS took members through estimates highlighting various changes when 2016/17 estimates are used as baseline.

Economic Classification	Baseline Estimates	Estimates	Projected Estimates	
	2016/2017	2017/2018	2018/2019	2019/2020
	KShs.	KShs.	KShs.	KShs.

Current Expenditure	649 451 492	1 107 800 000	817 800 00	827 800 0
2100000 Compensation to	126,397,273	145,000,000	153,000,00	162,000,0
2200000 Use of Goods and	111,927,969	242,150,000	255,950,0	256,950,0
2600000 Current				
Transfers to Govt	410 356 250	708 000 00	408 000 0	408 000 0
2700000 Social Benefits	-	11,800,000	-	-
3100000 Non Financial Assets	770,000	850,000	850,00	850,00
Capital Expenditure	2.424.000.00	3.539.300.0	2.709.000.	3.009.000.
2200000 Use of Goods and	809,700,000	1,925,000,000	1,094,700,0	1,509,000,0
2600000 Capital				
Transfers to Govt	1 614 300 000	1 614 300 000	1 614 300 00	1 500 000 0
Total Expenditure	3.073.451.492	4.647.100.00	3.526.800.	3.836.800.

In terms of programmes, the PS explained how the proposed estimates will be utilized. It was pointed out that the department's mandate is to coordinate the implementation of the devolution programmes. It is tasked with implementing two main programmes namely; devolution services – 3.3 billion, as well as general administration, planning and support services – 1.3 billion.

1. Devolution Services – 3.3 billion

The programme has three sub-programmes namely; management of devolution affairs –Kshs 88.4 million, intergovernmental relations – Kshs 717.8 million, capacity building and civic education – Kshs 2.5 billion. It should be noted that the allocation for the programme has been increased from 2.82 billion in the FY 2016/17 to Kshs 3.3 billion largely on account of increase in budgetary allocation in both the recurrent and development votes.

The key outputs of programme include; devolution governance policies, regulations, and legislations reviewed and implemented, collaborations framework between national and county gov't developed, 8 economic blocks established and operationalized, conflict resolution services, 72 intergovernmental forums and committee meetings held, capacity building and technical assistance to counties in implementing the IEC Strategy, implementing county civic education guidelines, developing integrated urban development plans, and holding county investment forums.

2. General Administration, Planning and Support Services – 1.3 billion

The programme has three sub-programmes namely; human resource and support services –Kshs 220.3 million, financial management services – Kshs 1.1 billion, and information, communication and technology – Kshs 25 million.

The programme's budgetary allocation tremendously grown from Kshs 252 million to Kshs 1.3 billion representing a growth of 414% and the increase is as a result of a grant of Kshs 1 billion

secured by the department under the programme of IDEAS – instrument for devolution advice and support.

The key outputs of the programme includes; undertaking employee and customer satisfaction, preparing and publishing audit reports of the assets and liabilities of the defunct local authorities, enhancing investment activities at the counties.

2.7.2 Committee Observations on Devolution

- i. The Committee took cognizance of the challenges the department has with huge pending bills, some of which are due to legal challenges. The Committee was concerned that if these pending bills are not promptly settled, then the implementation of programmes will be significantly impaired.
- ii. The Committee pointed out that the state department needs to do more in capacity building and technical assistance under the programme of Devolution management Services. It was felt that counties still lack the prerequisite technical skills to be effective and efficient.
- iii. It was noted that the absorption rate during the current FY 2016/17 is relatively low at 45%. The department was urged to fast track the implementation of its programmes so as to optimize its resources utilization.

2.7.3 Committee recommendation on the budget estimates of the State department for Planning and Statistics

- i. It was recommended that the first charge policy on pending bills should be implemented so that pending bills do not remain unsettled for long.

2.8 CONSIDERATION OF THE STATE DEPARTMENT THE NATIONAL TREASURY

2.8.1 Presentation from the CS

The Principal Secretary for the National Treasury, made a presentation of its submission on the 2017/18 budget estimates on the 8th March 2017 as indicated below:

The Budget

The proposed National Treasury's budget proposals for the 2017/2018 financial year are ksh.77, 192.3million for the recurrent and ksh.45, 602.0 million for development .These funds will be applied on the following priority areas:

Expenditure by Programme

The National Treasury has five (5) major programmes to be implemented in the FY 2017/2018 outlined below:

Programme 1: 071700: General Administration, Planning and Support Services

This Programme is charged with the responsibility of rendering general administrative and support services to the technical units of the ministry.

The programme has a total gross provision of KES.76, 342.9 million in the 2017/2018 Financial Year, comprising the following of which Recurrent - KES. 71,240.6 million and Development - KES. 5,102.3 million.

Programme 2:071800: Public Financial Management

The Public Financial Management Programme involves formulation and implementation of policies relating to mobilization, allocation and management of public financial resources and also serves as a coordination hub for the preparation of the annual budget in liaison with other Ministries, Departments and Agencies.

The programme has a total gross provision of KES. 43,549.8 million in the financial year 2017/2018, comprising the following: Recurrent - KES. 4,456.7 million and Development - KES. 39,093.1 million

Programme 3:071900: Economic and Financial Policy Formulation and Management

This Programme involves the development of a strong and stable financial sector to facilitate economic development. This will entail supervision and regulation of the capital markets and banking, retirement benefits and insurance sectors.

The programme has a total gross provision of KES. 2,428.2 million for the financial year 2017/2018, comprising the following: Recurrent - Kshs. 1,076.6 million and Development - Kshs. 1,351.6 million.

Programme 4: 072000: Market Competition and Creation of Enabling Business Environment:

This Programme aims to promote sustained high productivity in all sectors through the restriction of market concentration among producers of goods and services as a means not only protecting consumers from unfair trade practices but also removing barriers of trade and investment.

The programme has a total gross provision of KES. 395.0million during the 2017/2018 Financial Year, comprising the following: Recurrent - Kshs. 340.0 million and Development- Ksh.55.0 million.

Programme 5: 0740000: Government Clearing Services ksh78million

The programmes aim at reducing number of days taken to clear good at our ports of entry. The Agency mainly facilitates the clearance of goods imported by the MDAs. The number of

days taken to clear goods has drastically been making the Port of Mombasa to be preferred by the Regional Member States.

ALLOCATIONS to SEMI-AUTONOMOUS GOVERNMENT AGENCY (SAGAS)

There are ten Semi-Autonomous Government Agency (SAGAs) under the National Treasury. The total gross allocation to these Semi-Autonomous Government Agencies is Kshs 17,379 million and ksh. 1,131million for recurrent and development respectively for the Financial Year 2017/18.

EXPENDITURE BY NATURE

The National Treasury has a gross total provision of Kshs. 77,192.3 million to finance its recurrent activities and Kshs. 45,602.0 million to finance its development activities.

Recurrent

Out of the total amount of Kshs. 77,192.3 million under the Recurrent Vote of the National Treasury, only ksh.6, 486.2 million for operations & maintenance and Kshs. 2,588 million for personnel emoluments relates to National Treasury's specific activities while the remaining balance is being held to finance the following targeted Government interventions. The total cost for the below four Strategic interventions amount to ksh. 68.118.1 as hereunder broken down:

- i. *Salary adjustments for Civil servants at Kshs.22, 400.0 million.* This is to implement Job evaluation recommendations by Salary Remuneration Commission in July.
- ii. *Employer Contributions to Pension Scheme -Ksh.17, 947.0 million.* This will meet the cost of the Employer contribution when contributory Pension Scheme is implemented in July.
- iii. *Grants and other transfers -Kshs.18, 171.1 million.* These are grants to finance operations of SAGAs under The National Treasury.
- iv. *Teachers' Pensions-Kshs. 1,500.0 million.* This is an allocation for pensions to teachers who took the government to court.
- v. *Leasing of Security Vehicles-Kshs 8,100.0 million.* Currently ,there are 3,280 vehicles under the Leasing programme for various Government Security Agencies e.g. National Police Service and National Transport and Safety Authority

Development

Under the development budget, The National Treasury has a gross total provision of Kshs. 45,602.0 million to undertake the planned development activities for the 2017/2018 financial year as detailed:-GOK -Ksh.25, 235million, Loans-Ksh.1, 938.1million and Grants-Ksh. 18,428.9 million. The total development allocations amount to Kshs. 45,602 million.

The National Treasury is carrying a number of strategic interventions' projects under its development vote that include: Equalization Fund at Kshs. 7,716 million, Contingency Fund at Kshs. 5,000 million and Response to Public Initiatives Kshs.1, 669 million.

PENDING BILLS

The National Treasury had Pending bills amounting KSh.1, 400 million as at 30th June 2016 mainly for security leased vehicles. The 2015/16 bills were entirely recurrent in nature and all have been settled.

UTILIZATION OF FUNDS

The National Treasury like other Government MDAs experienced some challenges in utilizing the total budgeted funds. The absorption rate ranged between 89% in 2013/14 and 92% in financial year 2015/16 with rate of the current financial year being at 60% as at 3rd March, 2017. The absorption rate for financial year 2016/2017 is expected to increase by the end of fourth quarter.

UNFUNDED PRIORITIES

The National Treasury brought to the attention of the members of the Committee that the National Treasury just like other ministries did not get full funding for its programmes and projects, some of which are critical for the overall operation of the government. Some of these are as highlighted below:

- i. ***Data Centre phase III at Naivasha ksh.2, 300 million:*** Phases i and ii are already complete and equipment to make it operational are required under phase iii.
- ii. ***County Offices for PPRA Ksh. 765million:*** These are offices for Public Procurement Regulatory Authority in the Counties.
- iii. ***Border Points Offices for KRA ksh.875million:*** These are offices needed by KRA at Border entry points.
- iv. ***Replacement of forty four (44) old vehicles for the National Treasury ksh. 352 million.*** Treasury has a vehicle inventory of 76 Vehicles out of which, 44 vehicles are more than 12 years old.

2.8.2 Committee Observations on the National Treasury

1. It was observed that National Treasury habitually disregards the House BPS ceilings by exceeding the set ceilings. Besides being illegal, the Committee was concerned that this water down the fiscal framework considerations made during BPS ceilings processing.
2. It was observed that National Treasury holds so much resources in its budget and that this is hardly fully utilized whereas other Agencies are starved of resources hence cannot implement crucial programmes.

3. It was observed that the projected revenue is overambitious (additional Ksh.177 billion of ordinary revenue in 2017/18) as KRA never meets its revenue target. Despite this, the National Treasury perennially over projects this revenue and later scale down allocations through supplementary budgets.
4. The Committee observed that non-accounting for internally raised funds by counties is rampant. The Committee was concerned that the National Treasury is not doing enough to prevent the poor management of public funds utilized at the source.
5. A concern was raised that the National Treasury has never presented any cost-benefit analysis of the Leasing of Police Vehicles. It was felt that leasing is costly given that there is a proposal to allocate Ksh.8.1 billion whereas only 3280 vehicles are leased (This translates to Ksh.2.5 million per vehicle annually. It was also noted that the National Treasury is seeking for additional funds to purchase 44 vehicles instead of not pursuing leasing which they advocate is cost-effective.
6. Pension management was noted to be inefficient and takes relatively long before the beneficiaries can be paid their dues. A classic example was given of teachers who even went to court for this delay. The National Treasury was urged to fast track this process so that the retirees are alleviated from the hardship most of them face after retiring.
7. It was observed that the National Treasury is relenting on national agenda of controlling public wage bill by proposing huge funds (over Ksh.20 billion) for salary adjustments. The long term sustainability of the same was questioned and the Committee wondered whether SRC is really committed to its mandate.
8. The Committee observed that IFMIS continues to be blamed for the ineffective cash flow management thereby stifling the operations of County governments. The National Treasury was urged to have a special IFMIS audit to evaluate its effectiveness, efficiency and its security in matters of detecting and preventing any fraud.
9. Members of the Committee observed that the level of public debt is rising at a high rate. Despite the assurance by the National Treasury that the debt was way below the internationally set Debt Sustainability thresh-holds, the National Treasury was urged to device policies that could release pressure on the need to borrow more.
10. It was observed that most MDAs are quick to lay blame on delays in exchequer releases by the National Treasury as majorly contributing to their low absorption rate. The Committee urged the department to fast track the implementation of the Single Treasury Account that is aimed to improve the efficiency and effectiveness of public cash flow management.

2.8.3 Committee recommendation on the budget estimates of the National Treasury

- i. The National Treasury was urged to always adhere to BPS ceilings as it was noted that it habitually disregards the house resolutions on BPS as indicated by the budget estimates that largely exceeds the ceilings.

- ii. The Committee recommended that Cash flow management to be improved so that cases of exchequer delays are minimized. The Committee urged National Treasury to expedite on the operationalization of Treasury Single Account.
- iii. Arising from the long time it takes before retirees get payments of their salaries, National Treasury was urged to come up with a definite short time frame under which the pensions processing is to take.
- iv. The National Treasury was instructed to do and submit to the Committee a cost- benefit analysis of the Leasing of police vehicles. Based on the analysis, the leasing of vehicles should therefore be rolled out beyond the police service and if found out to be costly should be shelved.
- v. The National Treasury was instructed to come up with strict accounting policies and procedures for internally generated revenue at the counties so as to avoid the likelihood of misappropriation and unnecessary use of resources at source.
- vi. Noting that IFMIS suffers from bad public image, the National Treasury was advised to educate and train the IFMIS users adequately so that they understand and appreciate its advantages.

2.9 CONSIDERATION OF THE SALARIES AND REMUNERATION COMMISSION'S BUDGET (SRC)

Having gone through the budget estimates for SRC, the Committee was convinced that there was no need to invite commission to appear before it because the budget items were straight forward and did not need any more clarifications.

2.9.1 Committee Observations

- i. The Committee was concerned that SRC recommendations after the job evaluation in the public sector will lead to an increase in public wage bill. The Committee questioned the sustainability of the Salaries upward adjustments in the long run.
- ii. The Committee noted that the expectations the public had on SRC is fast getting frustrated and doubted whether SRC have really achieved any tangible targets in line with its mandate.

2.9.2 Committee recommendation on the budget estimates of the SRC

- i. The Committee observed that given the prevailing budgetary constraint, the Commission can rationalize its expenditure and make do with the proposed estimates to achieve its mandate.

2.10 CONSIDERATION OF THE CONTROLLER OF BUDGET'S OFFICE BUDGET ESTIMATES

Having gone through the budget estimates for COB, the Committee was convinced that there was no need to invite COB to appear before it because the budget items were straight forward and did not need any more clarifications.

2.10.1 Committee Observation

- i. The Committee observed that there is non-accounting for revenue raised at the county levels and CoB should come up with a sanction policy to act as deterrence.

2.10.2 Committee recommendation on the budget estimates of the Controller of Budget's Office

- i. The Committee observed that given the prevailing budgetary constraint, the CoB can rationalize its expenditure and make do with the proposed estimates to achieve its mandate.

2.11 RECOMMENDED AREAS FOR CHANGES IN THE PROPOSED ESTIMATES

A.The Proposed Areas for Reductions:

Arising from the observation that National Treasury has a significant rise in the proposed estimates some of which will not be utilized as historically manifested with the low absorption rate trend, a reduction of **Kshs.1.397 billion** was proposed for reallocations to other more needy areas. The reductions are from the areas highlighted below:

1. Under the Strategic Interventions (arising from SRC job evaluation) on basic wages-Temporary Employees, a reduction is proposed of **Ksh 350 Million** from the *Ksh.22, 350.3 Million*.

Justification: The national agenda has always been to check on the upsurge of the public wage bill. This was even underscored during the recent State of the Nation address by the President that proposed a pay cut to the incoming members of Parliament after the August general elections. The Committee was even concerned about the long term sustainability of the adjustment when at present a whooping over 50% of public revenue is gobbled by the public wages.

Besides, the salary adjustment has been phased out into four years according to the submission of the National Treasury and therefore a modest reduction like this will have insignificant impact and can still be incorporated in future budgets.

2. Under Leasing of police vehicles captured as other operating expenses, a reduction of **Ksh.100 Million** is proposed from the proposed estimates of Ksh.8.1 billion.

Justifications: The Cost- benefit analysis (CBA) for the leasing arrangement has not been availed. A concern was raised by the Committee that without the CBA, it is not easy to assess the cost effectiveness of the leasing.

With a modest scale down by 100 Million, it was felt that the remaining Ksh.8 Billion can still satisfactorily meet the acquisition of adequate vehicles under this.

3. under pension department-headquarters (Employers to Compulsory Contributions National Social Security Schemes), a reduction of **Ksh.947** million is proposed from the proposed estimates of Ksh.17.947 Million.

Justifications: Given that this is the first time this is going to be implemented and cognizant of the fact that this expenditure is by nature not accurately specific given the inherent fluctuations of the composition of the public servants. The remaining proposed estimates of Ksh.17 Billion can there be used to kick start this if it successfully gets implemented.

B.The Proposed Areas for Additional allocations

The proposed reduction totaling to **Ksh.1.397** is to be reallocated as below:

- i. Additional **Kshs.340 Million** to be reallocated to Kenya Industrial Estate (KIE) under the for on lending to Small and Medium Enterprises. State department for Investment and Industry.
Justification: This is an important institution that directly creates employment to the youth. The most recent supplementary budget reduced KIE's budget whereas there are so many loan applications already processed and awaiting disbursement.
- ii. Additional **Kshs.200 Million** to be reallocated to the Commission on Revenue Allocation.
Justification: This is meant to finance; review and development of the second policy defining marginalized areas; establishment of databases in counties for the third basis for revenue sharing among county governments.
- iii. Additional **Ksh.400 Million** to be reallocated to Kerio Valley Development Authority under state department for Planning and Statistics.
Justification: This is for staff rationalization including offers for voluntary early retirement
- iv. Additional **Ksh.57 Million** to be reallocated to the National Council for Population and development under State department for the state department for Planning and Statistics.
Justification: This is to implement salary and house allowances in line with SRC recommendations.
- v. Additional **Ksh.400 Million** to be reallocated to KIRDI (Kenya Industrial Research and Development Institute) State department for Investment and Industry.
Justification: This is meant to finance the completion of the construction and equipping of Industrial Research Laboratories at KIRDI Nairobi South B Centre. This is a crucial Vision 2030 flagship project that is at risk of stalling and is already attracting penalties.

Signed:  Date: 21-03-2017

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

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON FINANCE, PLANNING & TRADE



REPUBLIC OF KENYA

THE NATIONAL ASSEMBLY
ELEVENTH PARLIAMENT – FIFTH SESSION - 2017

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

.....

REPORT ON THE REVIEW OF 2016/2017 BUDGET ESTIMATES:

THE STATE DEPARTMENT OF AGRICULTURE VOTE 1161;
STATE DEPARTMENT OF LIVESTOCK VOTE 1162;
STATE DEPARTMENT OF FISHERIES AND BLUE ECONOMY VOTE 1163;
STATE DEPARTMENT OF IRRIGATION VOTE 1102
AND
STATE DEPARTMENT OF COOPERATIVES DEVELOPMENT VOTE 1171

DIRECTORATE OF COMMITTEE SERVICES
CLERKS CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI

MARCH, 2017

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APPENDICES

Annex 1 List of Completed Projects in the Expanded National Irrigation Programme

Annex 1 List of On Going Projects in the Expanded National Irrigation Programme

Chairman's Foreword

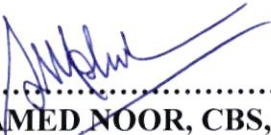
The Cabinet Secretary, National Treasury, submitted to the House the 2017/2018 Budget Estimates on Wednesday 15th February , 2017. The Departmental Committee on Agriculture, Livestock and Cooperatives commenced the process of scrutinizing the 2017/2018 estimates by inviting the relevant Ministries and Departments which fall under the Committee's mandate, requesting them to present their Estimates before the Committee for consideration.

Thereafter, the Committee held meetings with the State Department for Cooperatives the State Department Irrigation, on Tuesday 7th March, 2017; the State Department of Agriculture on Wednesday 8th March , 2017; and State Department of Fisheries and State Department of Livestock on Thursday 9th March , 2017. The Committee looked into the following areas of interest:

- Report on the performance of the 2016/2017 budget performance indicating absorption capacity.
- The total net requested from the Exchequer for the Ministries/Departments and comparison of the 2015/16 FY and current year's allocations.
- Detailed Explanatory statement on the 2017/2018 Estimates.
- Proposed allocation vis-a-vis the achievements of the Ministries/Departments Strategic Plans.

The Committee takes this opportunity to thank the offices of the Speaker and Clerk of the National Assembly for logistical support. The Committee is also grateful to the Ministry of Agriculture, Livestock and Fisheries, the Ministry of Water and Irrigation and Ministry of Industry Trade and Cooperative Development for availing and presenting information and documents as requested by the Committee.

On behalf of the Committee, and pursuant to Standing Order 199(6), it is my pleasant duty to present the Report of the Departmental Committee on Agriculture, Livestock and Cooperatives on its examination of the 2016/2017 Budget Estimates of the relevant Ministry and Departments, for deliberation and adoption.


.....
THE HON. ADAN MOHAMED NOOR, CBS, MBS, MP
CHAIRPERSON DEPARTMENTAL COMMITTEE ON AGRICULTURE, LIVESTOCK
AND COOPERATIVES

1.0 PREFACE

On Wednesday 15th February, 2017 the Cabinet Secretary National Treasury, submitted to the House the 2017/2018 Budget Estimates;

Article 221(4) of the Constitution provides that, ***“a Committee of the Assembly shall discuss and review estimates and make recommendations to the Assembly.”*** The Committee is required to submit a report within twenty one (21) calendar days, thereafter, the House pursuant to Standing Order 235(3) referred the Estimates to the relevant Departmental Committees for examination; and

The Departmental Committee on Agriculture, Livestock and Cooperatives received the Budget Estimates on Thursday 2nd March, 2017 and set out a procedure for the examination of the Estimates and presentation of a report within twenty one (21) calendar days as set out in Standing Order 235(4).

Thereafter, the Committee held meetings with the State Department for Cooperatives the State Department Irrigation, on Tuesday 7th March, 2017; the State Department of Agriculture on Wednesday 8th March , 2017; and State Department of Fisheries and State Department of Livestock on Thursday 9th March , 2017.

1.1 MANDATE OF THE COMMITTEE

The Departmental Committee on Agriculture, Livestock and Cooperatives is established under Standing Order No. 216. Its mandate pursuant to Standing Order 216(5) shall be to-

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

1.2 OVERSIGHT

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

- i) The State Department of Agriculture
- ii) The State Department of Livestock
- iii) The State Department of Fisheries and Blue Economy
- iv) The State Department of Irrigation,
- v) The State Department of Cooperatives Development

1.2.0 Committee Subjects

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

- i) Agriculture
- ii) Irrigation
- iii) Livestock development
- iv) Fisheries development and Blue economy
- v) Co-operatives development

1.3 MEMBERS OF THE COMMITTEE

The Committee comprises the following Members:-

Chairperson The Hon. Adan Mohamed Nooru, MBS, M.P.

Vice Chair The Hon. Japhet M. Kareke Mbiuki, M.P.

Members The Hon. Kabando Wa Kabando, M.P.

The Hon. Raphael Letimalo, M.P.

The Hon. Mary Wambui Munene, M.P.

The Hon. Francis Munyua Waititu, M.P.

The Hon. Peter Njuguna Gitau, M.P.

The Hon. Maison Leshoomo, M.P.

The Hon. Anthony Kimani Ichung'wah, M.P.

The Hon. Alfred Kiptoo Keter, M.P.

The Hon. Ayub Savula Angatia, M.P.

The Hon. Justice Kemei, M.P.

The Hon. Benjamin Andayi, M.P.

The Hon. Korei Ole Lemein, M.P.

The Hon. Silas Tiren, M.P.

The Hon. Benjamin Jomo Washiali, M.P.

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

The Hon. John Bomett Serut, M.P.

The Hon. Millie Odhiambo, M.P.

The Hon. Fredrick Outa, M.P.

The Hon. Maanzo, Daniel Kitonga, M.P.

The Hon. Jude Njomo, M.P.

The Hon. Patrick Wangamiti, M.P.

The Hon. Ferdinand Kevin Wanyonyi, M.P.

The Hon. Paul Simba Arati, M.P.

The Hon. Florence Mwikali Mutua, M.P.

The Hon. John Kobado, M.P.

The Hon. Andrew Anyanga Toboso, M.P.

The Hon. Aisha Jumwa, M.P.

1.4 COMMITTEE SECRETARIAT

First Clerk Assistant (Lead Clerk)	Mr. Benjamin Magut
Third Clerk Assistant	Mr. Ahmad Guliye
Third Clerk Assistant	Ms. Naserian Lotuai
Legal Counsel	Ms. Brighita Mate
Research & Policy Analyst	Mr. David Ngeno
Fiscal Analyst	Mr. Moge Abdinasir
Sergeant at Arms	Ms. Zainabu Wario
Media Relations Officer	Mr. Sammy Macharia

1.6 RECOMMENDATIONS

1.6.1 Recommendation on Funds Allocation

Vote.1161: State Department of Agriculture

That, the Budget and Appropriations Committee approves the 2017/2018 budget estimates of **Ksh. 17,491 million** for the State Department of Agriculture that comprise **Kshs 6,289 million** for recurrent and **11,202 million** for development as proposed with the following amendment.

That, Kshs 900 Million from the Fertilizer Subsidy in the Crop Development and Management program, Food Security Initiatives Sub-program and be reallocated as follows

- I. **Ksh 400 million** to the Kenya Veterinary Vaccine Production Institute(KEVAVAPI) under the Livestock Resources Management and Development(Livestock Disease Management and Control sub-program) in the State Department of Livestock to modernize the and upscale the production of vaccines which is so critical given the obsolete nature of machines in the institution and strategic nature of KEVAVAPI*
- II. **Ksh 500 million** to Kenya Meat Commission under Livestock Resources Management and Development, Livestock Products Value Addition and Marketing in the State Department of Livestock to cater for the Modernization and Rehabilitation of the abattoir. The tender has already been awarded and therefore its prudent if the process is completed*

Vote .1162: State Department of Livestock

That, the Budget and Appropriations Committee approves the 2017/2018 budget estimates of **Ksh. 9,650 million** comprise of **Ksh 5,051 million** recurrent and **Ksh 4,599 million** development for the State Department of Livestock as proposed with the following amendments

- I. **Kshs 60 million** be reallocated from Farm development at Sheep & Goat Breeding Farms under Livestock Production and Management sub-program to Kenya Veterinary Board under the Livestock Policy Development and Capacity Building Programme; This is because the breeding of livestock is*

done in the livestock research farms under Farm development at Livestock Breeding & Research Farms sub programs hence its duplication. Kenya Veterinary Board is a critical regulatory institution that licenses the Vets in the country and yet they receive no funding from the exchequer.

- II. **Kshs 40 million** be reallocated from Disease Free Zones Program (DFZ)-Bachuma under Livestock Disease Management and Control sub-program and **Kshs 48 million** from Construction of Nakuru Milk analysis lab, refurbishment and equipping of 6 regional labs sub-program and be allocated to Kenya Dairy Board under Livestock Policy Development and Capacity Building Programme for consumer education and control of informal marketing. The Dairy Board is currently building a central laboratory at the National Level and are better placed to under milk analysis than the State Department.

Vote 1163: State Department of Fisheries and Blue Economy

That, Budget and Appropriations Committee approves the propose estimates of Ksh. **2,910** million for the financial year 2017/2018 for the State Department of Fisheries and Blue Economy as proposed without amendments

R1163 Recurrent Vote KES 2,050,000,000

D1163 Development Vote KES 854,000,000

Vote 1102: State Department of Irrigation

That, Budget and Appropriations Committee approves the propose estimates of Ksh. **13,163** million for the financial year 2017/2018 for the State Department of Irrigation as proposed without amendments

R1102 Recurrent Vote KES 955,000,000

D1102 Development Vote KES 12,208,000,000

Vote 1171: State Department of Cooperatives Development

That, Budget and Appropriations Committee approves the propose estimates of Ksh. **936** million for the financial year 2017/2018 for the State Department of Cooperatives Development as proposed without amendments

R1102 Recurrent Vote KES 446,000,000

D1102 Development Vote KES 490,000,000

1.6.2 Recommendations on Policy Review

1. The National government through the intergovernmental institution should coordinate the various functions that are being concurrently being undertaken by the two level of government for instance funding of extensions services, fertilizer subsidy programs and marketing of produce as stipulated in the fourth schedule. .
2. The National governments should coordinate with County governments on the future donor support programmes related to the functions under the purview of the County governments by establishing a structured mechanism to implement these projects for instance the State department of Livestock modernization programme of dairy sector in the country valued at **KES 6.57 Billion** through loan from Polish Government.
3. The National Government must provide the Counterpart Funding for donor support projects to ensure that these projects are completed and achieve its intended goals.

2.0 INTRODUCTION

2.1 Role of MDAs under the Purview of the Committee in National Economic Development

The mandate of the MDAs as articulated in Executive Order No. 2/2013 of May 2013 is to ensure sustainable development of agriculture, livestock and fisheries for food security and economic development these includes;

Agricultural Policy and Services, National Food Security Policy, National Irrigation Policy, Agricultural Land Resources Inventory and Management, Fisheries Policy, Phytosanitary services, Cotton Development, Livestock Policy Management, Livestock Research and Development, Crop Research and Development, Fishing Licensing, Development of Fisheries, Fisheries Marketing, Fish quality Assurance and Value Addition, Protection of Fisheries in Exclusive Economic Zones (EEZ), Protection and Regulation of Marine Ecosystems, Development of Livestock Industry, Livestock Marketing, Range Development and Management, Veterinary Services and Disease Control Policy, Livestock Branding, Promotion of bee keeping industry, Agricultural Machinery Services Management, Agricultural Farmers Training, Agricultural Training Colleges, Promotion tannery Industry, Promotion of Dairy.

2.2 Linking the Budget to the National Development Agenda

Agriculture is believed to be the backbone of Kenya's economy contributing approximately 24% of the Country's GDP and being a pivotal employment hub. This has made it identified as one of the critical sectors under the Economic Pillar of the Vision 2030. The ministry is mandated to ensure sustainable development of agriculture, livestock and fisheries for food security and economic development.

For the 2017/17 budget and the medium term, the National Government's strategy of achieving economic transformation through shared prosperity in the Budget Policy Statement (BPS) identified agriculture transformation and food security as one of its 5 pillars. The priority

projects identified in the BPS closely resemble the activities the Ministry had identified in its Strategic plan.

The Ministries strategic programmes include:

1. Increasing production and productivity
2. Increased market access
3. Enhancing National Food Security
4. Sector and Institutional Reforms

3.0 EXAMINATION OF 2017/2018 BUDGET ESTIMATES

3.1.0 Examination of 2017/18 Estimates of Vote 1161 : State Department of Agriculture

Examination of the Programme Based Budget of the National Government of Kenya

3.1.1.0 Introduction

The State Department Agriculture was established through Executive Order No. 2 of 2013 of May 2013 is to ensure sustainable development of agriculture by developing and cause implementation of Agricultural Policy and Services and National Food Security Policy

The State Department focuses on the following areas to execute its Mandates in the MTEF period of 2016/17 – 2018/19; increasing Agricultural production and Productivity, increasing Agricultural Market access, enhancing national food security, reforming agriculture sector institutions, promoting crop diversification, researching on Miraa agronomy, variety improvement, value addition and identification of new markets.

3.1.1.1 2017/18 Budget Estimates

- i) In the 2017/18 financial year the State Department for Agriculture has been allocated KES.17.491 billion which was reduction from KES.21.6 billion in the 2016/17 financial year.
- ii) The State department of Agriculture is tasked to implement four Key programmes, namely, General Administration, Planning and support Services, Crop Development and Management, Agribusiness and Information Management.

Table 1 .Analysis of the Programmes and Estimates under the State Department for Agriculture

Table2. Summary of allocation to the programmes (million)				
PROGRAMME	2016/17 Baseline	2017/2018	Resource Requirement	Resource Gap
General Administration, Planning and Support services	3,222	3,991	9,117	(4,915)
Crop development and Management	14,612	12,222	29,481	(17,259)
Agribusiness and Information Management	414	1,277	2,564	(1304)
Total	18,248	17,490	41,162	(23,478)

Source: printed estimates 2016/17, and estimates 2017/18

- iii) The highest allocation goes to Crop Development and Management Programme with KES.12.2 billion. The Programme has four sub-programmes namely; land and crops development, food security initiative, quality assurance and monitoring of outreach services and Agricultural Research sub-programmes.
- iv) The state department has been allocated **Kshs.17.49** billion comprising of Kshs.6.28 billion for recurrent expenditure and Kshs.11.20 billion for development. The recurrent expenditure has reduced from the Kshs.8.58 billion allocated in 2016/17 while development has increased by KSh 527 million being an increased allocation for fertilizer subsidy. The reduction in recurrent is mainly on account of the transfer KALRO function to the state department for livestock.

3.1.1.3 Committee Observations

3.1.1.4 Committee Resolution

After examination of the Vote 1161 , the Committee is agreeable to the Proposals by the State Department that the amounts requested under the vote be approved for allocation for expenditures proposed in the items under the various programmes without any amendment but to consider:

Giving tangible evidence to Projects that are being implemented by the Ministry for example the Kenya Adaptation to Climate Change in Arid & semi Lands (KACCAL) that has just ended. Its main target was come up with the concept on how to manage climate change. I t was noted that the Ministry should consider starting new projects after implementing the achievements of the old ones.

It was noted that the Ministry on Agriculture, Livestock and Fisheries, County Governments and Private Sectors should come up with ways on how to handle and distribute fertilizer to the farmers to avoid duplication of roles.

3.2 Examination of 2017/18 Estimates of Vote 1162 : State Department of Livestock

Examination of the Programme Based Budget of the National Government of Kenya

3.2.2.0 Introduction

The State Department Livestock was established through Executive Order No. 2 of 2013 of May 2013 is to ensure sustainable development through development of Livestock Industry, Livestock Marketing, Range Development and Management, Veterinary Services and Disease Control Policy, Livestock Branding, Promotion of bee keeping industry, Agricultural Machinery Services Management, Agricultural Farmers Training, Agricultural Training Colleges, Promotion tannery Industry, Promotion of Dairy

3.2.2.1 2017/18 Budget Estimates

- i) The State Department of Livestock has been allocated **KES 9.650** billion in the FY 2017/18 a decrease by KES 5.413 billion allocations in the revised estimates for FY 2016/17. The drastic reduction in the development budget is due to the polish funded project that was captured in FY 16/17.
- ii) The State Department implements only one Programme named Livestock Resources Management and Development.
- iii) The Programme has six sub-programmes namely ;
 - Agricultural services
 - Livestock production and management
 - Livestock products value addition and marketing
 - Food safety and animal products development and
 - Livestock Disease Management Control.
 - Livestock policy development and capacity building programme
- iv) A review of the projects under the State Department reveals a number of projects that have been under funded should be considered for additional funds and reallocations These projects include;
 - The Kenya veterinary Board (KVB) regulates the veterinary profession. The board funding level is very low at **Ksh.10.5 million** for FY 17/18 against requirement of **Ksh.40 million**.
 - Consideration should be made to fund the Kenya Meat Commission for completion of Modernization and rehabilitation of the abattoir, the tenders had been awarded. The re-allocation of **Ksh.550 million**
 - Disease free zones program –Bachuma project should be suspended and a fund of **Ksh. 140 million** for FY 17/18 should be reallocated to other projects.

3.2.2.3 Committee Observation

3.2.2.4 Committee Resolution

After examination of the Vote 1162 , the Committee is agreeable to the Proposals by the State Department that the amounts requested under the vote be approved for allocation for expenditures proposed in the items under the various programmes.

3.3 Examination of 2016/17 Estimates of Vote 1163 : State Department of Fisheries and Blue Economy

Examination of the Programme Based Budget of the National Government of Kenya

3.3.1 Introduction

The State Department Fisheries and Blue Economy was established through Executive Order No. 2 of 2013 in May 2013 is to ensure sustainable development through Fishing Licensing, Development of Fisheries, Fisheries Marketing, Fish quality Assurance and Value Addition, Protection of Fisheries in Exclusive Economic Zones (EEZ), Protection and Regulation of Marine Ecosystems.

In the MTEF 2016/17- 2018/19, the State Department shall undertake the following;

- a) Finalize the construction of Monitoring, Control and Surveillance (MCS) centre
- b) Finalize the procurement of the Offshore Patrol Vessel (OPV)
- c) Train technical officers on navigation and MCS to deter illegal unreported and unregulated fishing in the EEZ,
- d) Establish referral fish quality control laboratory in Nairobi with branches in Kisumu and Mombasa,
- e) Implement a residue monitoring plan for farmed fish to tap the European Union market,
- f) Establish border inspection points,
- g) Participate in regional and international trade negotiations and standard setting forums,
- h) Develop and transfer aquaculture and Mari-culture technologies,

- i) Promote uptake of appropriate technologies for value addition and reduction of post-harvest losses and
- j) Implement the Fisheries Management and Development Bill 2014.

3.3.2 2016/17 Budget Estimates

The State Department for Fisheries and the Blue Economy resource requirement in the FY 2017/18 was **Kshs. 6,392.9 million**. However, only **Kshs. 2,910.3 million** has been provided. This creates a resource gap of Kshs. 3,122.6million. This will considerably affect the activities of the State Department considering that the State Department was added a new mandate of Coordination of the Blue Economy during the reorganization of the National Government in May, 2016 through Executive Order No. 1/201.

The reduction to **Ksh.2, 910.3 million** has been partly been occasioned by completion of 2 Sub – programme that the Kenya Coastal Development Project and Offshore Patrol vessel.

- i) The Fisheries development and Management Programme has eleven sub-programmes namely;

- Fisheries policy, strategy and Capacity building,

- Aquaculture development,

- Management and development of capture fisheries,

- Assurance of fish safety value addition and marketing and Marine and fisheries.

- Maritime Spatial Planning and Coastal Zone Management

- Protection and Regulation of Marine Ecosystem and EEZ

- Development and Management of Fishing Ports and its Infrastructure

- Blue Economy Policy, Strategy and Coordination

- Promotion of Kenya as a Centre for agro based blue economy

- General Administration, Planning and Support Services

ii) There is an ongoing project, named, Construction of Quality Laboratories in Nairobi, Mombasa and Kisumu which commenced in 2012/13 and was planned to be completed by 2016/17 at a total cost of Kshs.700 million. The project had an allocation of Kshs.30 million in 2014/15, Kshs.1.0 billion in 2015/16 and 2016/17 Ksh 599.7 million. The project has been allocated FY 2017/2018 a GOK funding of Ksh.67.8 million.

The project resource requirement is Ksh 200 million and has a shortfall Ksh.132 million.

iii) **Committee Resolution**

After examination of the Vote 1163 , the Committee is agreeable to the Proposals by the State Department that the amounts requested under the vote be approved for allocation for expenditures proposed in the items under the various programmes.

3.4 Examination of 2016/17 Estimates of Vote 1171 : State Department of Cooperative Development

Examination of the Programme Based Budget of the National Government of Kenya

3.4.1 Introduction

The State Department Cooperatives Development was established through Executive Order No. 5 of 2016 in May 2016 is to ensure sustainable development through to improvement of governance, marketing and investments by cooperative societies.

3.4.2 2016/17 Budget Estimates

i) This Programme is implemented by the Ministry Industry, Trade and Cooperatives Development. The objective of the Programme is to improve governance, marketing and investments through cooperative societies.

ii) There are three sub-programmes under the Programme, namely;

- Governance and accountability,
- Cooperative advisory services
- Marketing, value addition and research.

iii) The proposed allocation to the Cooperatives and Development Programme for the FY 2016/17 is Kshs.2.82 billion which is an increase from Kshs.267 million in 2015/16 FY. This allocation is also above the BPS 2016 ceiling by Kshs.2.423 billion on account of Coffee debt waiver. It is important to note that the budget for the Programme was reviewed during the First supplementary for 2015/16 with an increase by Kshs.478 million on the same account of Coffee Debt Waiver.

iv) The table 4 below shows analysis of budgetary allocations for the Cooperatives Development and Management.

Programme	2015/16 Estimates	BPS 2016	2016/17 Estimates	Deviation
Cooperative Development and Management	267	397	2,820	2,423
Total	267	397	2,820	2,423

Source: *Estimates 2015/16, 2016/17 and BPS 2016*

3.4.3 Committee Resolution

After examination of the Vote 1171 , the Committee is agreeable to the Proposals by the State Department that the amounts requested under the vote be approved for allocation for expenditures proposed in the items under the various programmes.

3.5 EXAMINATION OF 2016/17 ESTIMATES OF VOTE 1102 : STATE DEPARTMENT OF IRRIGATION

Examination of the Programme Based Budget of the National Government of Kenya

3.5.1 Introduction

The State Department Irrigation was established through Executive Order No. 4 of 2015 of May 2015 is to ensure sustainable development through an increased utilization of land through Irrigation and Drainage with an outcome of increasing Agricultural Production.

3.5.2 2016/17 Budget Estimates

- i) The State Department of Irrigation proposed allocation in 2016/17 financial year is **KES 4.854 billion** being reduction by over 63% from the 2015/16 allocation of **KES 16.4 billion**.
- ii) The proposed Development expenditure allocation in the 2016/17 estimates is **KES 4 billion** while recurrent vote is **KES 854 million**
- iii) The resource requirement in the State department to undertake and complete the ongoing projects is **KES 14 billion**. Currently there are signed contracts countrywide as well as Operations & Maintenance for 7 operational schemes all costing **KES 13.3 billion (See Annex 1)**
- iv) There are four key projects that are funded through donor support and require **KES 2.27 billion** in counter-part funding and have not received any allocations in the estimates which may spell doom for the projects

PROJECT	Cost of the Project in Millions	GOK funds required (Counter-Part Funds)	Allocations in the 2016/17 Estimates in Millions	Shortfall in the Budget Estimates in Millions	Remarks
Galana/Kulalu Model Farm	7,294	1,387	615	772	16% VAT & 3% Withholding
		10	-	10	Flights airtickets for trainees to Israel
Mwea Irrigation Scheme	17,350	800	300	500	
Rwabura Irrigation Scheme	800	30	30	-	
TOTALS	32,800	2,227	945	1,282	

3.5.3 Committee Resolution

After examination of the Vote 1102 , the Committee is agreeable to the Proposals by the State Department that the amounts requested under the vote be approved for allocation for expenditures proposed in the items under the various programmes.

4.0 OBSERVATION AND POLICY OPTIONS

The Committee having reviewed the Budget Estimates for the 2016/2017 Financial Year made the following observations:-

MINISTRY OF AGRICULTURE ,LIVESTOCK AND FISHERIES

1. Despite the devolving a number of functions of Agriculture as per fourth schedule- Part 2 of the Constitution of Kenya 2010. The Ministry continues to substantially fund and implement projects that fall under the functions of county government such as extensions services, fertilizer subsidy programs and marketing of produce.
2. The National governments continues to receive donor supports for activities under the purview of the County governments without establishing a structured mechanism to implement these projects for instance the Ministry is receiving a **KES 6.57 Billion** loan from Polish Government for modernization of dairy sector in the country and currently there is structured mechanism on how this project will be roll out in the counties.
3. State departments of Agriculture and Livestock have a number of projects involving construction and refurbishment that have been incomplete for a long period and there are no provision of funds to complete them in 2016/17 estimates resulting of them being white elephant as much government has already spend enormous funds on them.
4. The Government of Kenya in 2012 initiated the Economic Stimulus projects for aquaculture in every constituency and this projects were handed over to the county governments in the wake of the new Constitution when they were incomplete. However most of this projects are incomplete and require urgent funding if they are to serve the goals tapping into aquaculture potential.
5. Despite the provision of **KES 6.57 billion** by the national government through the Polish government for the modernization of the Dairy sector in the country by acquiring specialized equipments e.g. milk coolers, little is being done by the both levels of governments to improve the breeds of dairy animals in the country.

6. It is noted that, despite the transfer of Irrigation Programme to the Ministry of Water and Irrigation, the State Department for Agriculture is implementing irrigation functions under small scale irrigation and value addition project whose key performance indicator is the number of hectare under irrigation with a target of 1110 hectars in 2016/17, 822 hectares in 2017/18 and 1172 hectares in 2018/19. Similarly, Drought resilience and sustainable livelihood Programme under the State Department for Agriculture also has irrigation component whose performance indicator is the numbers of hectares under irrigation with a Target of 300 hectares in 2016/17, 1080 in 2017/18 and 2018/19.
7. A review of the Programme performance indicator and targets depicts a mismatch between the BPS 2016 and as presented with the estimates. Notable ones include; commissioning of 300 milk coolers which was not presented at the BPS stage, the number of quality cattle available to stake holders is reduced from 200 to 150 all through the Medium Term period and provision for powdered milk amounting 22000 MTs to Strategic Food Reserves which was also not in the BPS 2016.
8. An analysis of BPS 2016 House resolution and allocations in the Budget estimates reveals that the FY 2016/17 estimates did not adhere to the House resolutions on the BPS ceiling. The highest deviation is recorded under the State Department for Livestock with a deviation of 94% above the Ceiling which is a violation of section 25(8) and 27(4) of the PFM act and Regulations respectively
9. That there are many projects that have been started by the National government within the Ministry of Agriculture, Livestock and Fisheries though the donor support and have been not completed over a long period of time despite much of public money being used to start them.

MINISTRY OF INDUSTRY TRADE AND COOPERATIVE

During the Financial Year 2016/17, the total allocation to the Department is **Kshs. 3,796** of which **Kshs. 3,266M** is for Recurrent and **Kshs. 530M** is for Development.

For the FY 2017/18, the State department has been allocated **Kshs. 936M** of which **Kshs. 446M** is Recurrent and **Kshs. 490M** is for Development. This sharp decrease in the budgetary allocation is occasioned by the fact Ksh. 2,900 million was on the account of debt waiver of coffee and KCC dairy farmers in the FY 2016/2017.

MINISTRY OF WATER AND IRRIGATION

STATE DEPARTMENT OF IRRIGATION

The State Department for Irrigation has been allocated **KES 13.163 billion** of which **KES 12.208 billion** is earmarked for Development Expenditure and **KES 955 million** for Recurrent Expenditure.

under Development Expenditure, the State Department of Irrigation has a Gross Allocation of **KES 12.208 billion** of which **KES 8.972 billion** is the Net GOK Allocation.

Summary of Expenditures by Programmes

Sector /Vote /Programme details	2016/17 Estimates (in KES millions)			2017/18 Estimates (in KES millions)		
	Current	Capital	Total	Current	Capital	Total
ENVIRONMENT PROTECTION, WATER AND NATURAL RESOURCES						
1104 State Department for Irrigation	533	9,840	10,373	955	12,208	13,163
P.1 Irrigation and Land Reclamation	461	5,510	5,971	893	6,378	7,271
P.2 Water Storage and Flood Control	-	4,330	4,330		5,830	5,830
P.3 General Administration and Support Services	72		72.0	62	0.0	62

Under Recurrent Expenditure, the State Department of Irrigation has a Gross Allocation of **KES 955 million** of which **KES 555 million** is Net Allocation and **KES 400 million** is AIA under NIB. During 2016/17 Financial Year, Development funding of **KES 9.840 billion** is composed of **KES 8.135 million** GOK component and **KES 1.705 billion** donor component. In 2017/18

Financial Year, Development funding of **KES 12.208 billion** will be composed of **KES 8.175 billion** GOK component and KSHS 4.033 billion donor component.

Budget Provisions for the State Department of Irrigation (GoK)

2016/2017 Estimates (GoK)		2017/2018 Estimates (Gok)	
Recurrent	Development	Recurrent	Development
533	8,135	555	8,175

The Irrigation Department had a resource development requirement of **KES 48.809 billion** for F/Y 2017-2018. This would have put 45,000 acres under irrigation to benefit 60,000 farmers; complete land compensation for Thwake Dam; construct 140 water pans and provide water to 65 schools through drilling of boreholes. However, the State Department was allocated **KES 13.163 billion** leaving a deficit of **KES 35.646 billion**. This translates to 27% allocation of the requirement.

5.0 RECOMMENDATIONS

5.1 RECOMMENDATIONS

5.1.2 Recommendation on Funds Allocation

Vote.1161: State Department of Agriculture

That, the Budget and Appropriations Committee approves the 2017/2018 budget estimates of **Ksh. 17,491 million** for the State Department of Agriculture that comprise **Kshs 6,289 million** for recurrent and **11,202 million** for development as proposed with the following amendment.

That, Kshs 900 Million from the Fertilizer Subsidy in the Crop Development and Management program, Food Security Initiatives Sub-program and be reallocated as follows

- III. Ksh 400 million to the Kenya Veterinary Vaccine Production Institute(KEVAVAPI) under the Livestock Resources Management and Development(Livestock Disease Management and Control sub-program) in the State Department of Livestock to modernize the and upscale the production of vaccines which is so critical given the obsolete nature of machines in the institution and strategic nature of KEVAVAPI*
- IV. Ksh 500 million to Kenya Meat Commission under Livestock Resources Management and Development, Livestock Products Value Addition and Marketing in the State Department of Livestock to cater for the Modernization and Rehabilitation of the abattoir. The tender has already been awarded and therefore its prudent if the process is completed*

Vote .1162: State Department of Livestock

That, the Budget and Appropriations Committee approves the 2017/2018 budget estimates of **Ksh. 9,650 million** comprise of **Ksh 5,051 million** recurrent and **Ksh 4,599 million** development for the State Department of Livestock as proposed with the following amendments

- V. Kshs 60 million be reallocated from Farm development at Sheep & Goat Breeding Farms under Livestock Production and Management sub-program*

to Kenya Veterinary Board under the Livestock Policy Development and Capacity Building Programme; This is because the breeding of livestock is done in the livestock research farms under Farm development at Livestock Breeding & Research Farms sub programs hence its duplication. Kenya Veterinary Board is a critical regulatory institution that licenses the Vets in the country and yet they receive no funding from the exchequer.

- VI. **Kshs 40 million** be reallocated from Disease Free Zones Program (DFZ)-Bachuma under Livestock Disease Management and Control sub-program and **Kshs 48 million** from Construction of Nakuru Milk analysis lab, refurbishment and equipping of 6 regional labs sub-program and be allocated to Kenya Dairy Board under Livestock Policy Development and Capacity Building Programme for consumer education and control of informal marketing. The Dairy Board is currently building a central laboratory at the National Level and are better placed to under milk analysis than the State Department.

Vote 1163: State Department of Fisheries and Blue Economy

That, Budget and Appropriations Committee approves the propose estimates of Ksh. **2,910** million for the financial year 2017/2018 for the State Department of Fisheries and Blue Economy as proposed without amendments

R1163 Recurrent Vote KES 2,050,000,000

D1163 Development Vote KES 854,000,000

Vote 1102: State Department of Irrigation

That, Budget and Appropriations Committee approves the propose estimates of Ksh. **13,163** million for the financial year 2017/2018 for the State Department of Irrigation as proposed without amendments

R1102 Recurrent Vote KES 955,000,000

D1102 Development Vote KES 12,208,000,000

Vote 1171: State Department of Cooperatives Development

That, Budget and Appropriations Committee approves the propose estimates of Ksh. **936** million for the financial year 2017/2018 for the State Department of Cooperatives Development as proposed without amendments

R1102 Recurrent Vote KES 446,000,000

D1102 Development Vote KES 490,000,000

5.1.3 **Recommendations on Policy Review**

4. The National government through the intergovernmental institution should coordinate the various functions that are being concurrently being undertaken by the two level of government for instance funding of extensions services, fertilizer subsidy programs and marketing of produce as stipulated in the fourth schedule. .
5. The National governments should coordinate with County governments on the future donor support programmes related to the functions under the purview of the County governments by establishing a structured mechanism to implement these projects for instance the State department of Livestock modernization programme of dairy sector in the country valued at **KES 6.57 Billion** through loan from Polish Government.
6. The National Government must provide the Counterpart Funding for donor support projects to ensure that these projects are completed and achieve its intended goals.

SIGNED.....

The Hon. Adan Mohamed Nooru, CBS, MBS, M.P.

Chairperson

(Departmental Committee on Agriculture, Livestock and Cooperatives)

DATE.....*20.3.2017*.....