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ANNEX II

CONSOLIDATED DEPARTMENTAL COMMITTEE REPORTS ON THE FY 2019/20 BUDGET ESTIMATES

THE NATIONAL ASSEMBLY
PAPERS LAID
DATE: 04 JUN 2019
DAY. TUESDAY
TABLED BY: HON. KIMANI ICHUNGWA CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE
CLERK-AT THE-TABLE:

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

12TH PARLIAMENT – THIRD SESSION - 2019

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

REPORT ON THE CONSIDERATION OF THE ANNUAL BUDGET ESTIMATES FOR THE FY 2019/20 FOR THE FOLLOWING SPENDING AGENCIES:

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

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

MAY, 2019

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PART ONE

1 PREFACE

Mr. Chairman,

1. On behalf of the Departmental Committee on Finance and National Planning and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the annual estimates for the FY 2019/20 and the medium term.

1.1 ESTABLISHMENT OF THE COMMITTEE

2. The Departmental Committee on Finance & National Planning is one of the fifteen Departmental Committees of the National Assembly established under ***Standing Order 216*** whose mandates pursuant to the ***Standing Order 216 (5)*** are as follows:

    1. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
    2. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
    3. To study and review all the legislation referred to it;
    4. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
    5. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
    6. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
    7. To examine treaties, agreements and conventions;

8. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
9. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
10. To examine any questions raised by Members on a matter within its mandate.

1.2 MANDATE OF THE COMMITTEE

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

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

1.3 COMMITTEE MEMBERSHIP

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

1. The Hon. Joseph K. Limo, MP **(Chairperson)** – Kipkelion East Constituency – JP
2. The Hon. Isaac W. Ndirangu **(Vice-Chairperson)** – Roysambu Constituency – JP
3. The Hon. Jimmy O. Angwenyi, MP – Kitutu Chache North Constituency – JP
4. The Hon. Christopher Omulele, MP – Luanda Constituency – ODM
5. The Hon. Dr. Enoch Kibunguchy, MP – Likuyani Constituency – FORD-K
6. The Hon. Shakeel Shabbir Ahmed, MP – Kisumu Town East – Independent

7. The Hon. Abdul Rahim Dawood, MP – North Imenti Constituency – JP
8. The Hon. Daniel E. Nanok, MP – Turkana West Constituency – JP
9. The Hon. Andrew A. Okuome, MP – Karachuonyo Constituency – ODM
10. The Hon. David M. Mboni, MP – Kitui Rural Constituency – CCU
11. The Hon. Francis K. Kimani, MP – Molo Constituency – JP
12. The Hon. Joseph M. Oyula, MP – Butula Constituency – ODM
13. The Hon. Joshua C. Kandie, MP – Baringo Central Constituency – MCC
14. The Hon. Lydia H. Mizighi, MP – Taita Taveta County – JP
15. The Hon. Mohamed A. Mohamed, MP – Nyali Constituency – Independent
16. The Hon. Purity W. Ngirici, MP – Kirinyaga County – JP
17. The Hon. Samuel Atandi, MP – Alego Usonga Constituency – ODM
18. The Hon. Stanley M. Muthama, MP – Lamu West Constituency – MCC
19. The Hon. Edith Nyenze, MP – Kitui West Constituency – WDM-K

1.4 COMMITTEE SECRETARIAT

6. The Committee is facilitated by the following staff:-

1. Ms. Leah W. Mwaura - **Senior Clerk Assistant/Lead Clerk**
2. Ms. Jennifer Ndeto - **Principal Legal Counsel I**
3. Ms. Laureen Wesonga - **Clerk Assistant III**
4. Mr. Josephat Motonu - **Fiscal Analyst I**
5. Mr. Chelang'a Maiyo - **Research & Policy Analyst III**

1.5 OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

6. The Budget Estimates for the FY 2019/20 were tabled in the House on **Tuesday, 30th April, 2019** and thereafter referred to Departmental Committees for consideration.

7. The Committee held a total of fourteen (14) sittings to examine the Estimates of the Ministries and Commissions under its purview. Upon a brief by the Parliamentary Budget office on the Annual Budget Estimates for the FY 2019/20 and Estimates of Revenue for the FY 2019/20, the Committee held meetings with the Commission on Revenue Allocation, Office of the Controller of Budget, Salaries and Remuneration Commission, State Department for Devolution, State

Department for Planning and the National Treasury.

1.6 ACKNOWLEDGEMENTS

8. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its functions in considering the Budget estimates for the FY 2019/20.

9. I also wish to express my appreciation to the Honorable Members of the Committee, the National Treasury, State Department for Planning, State Department for Devolution, Office of the Controller of Budget, Commission on Revenue Allocation and Salaries and Remuneration Commission for the useful contributions they made towards the preparation and production of this report.

SIGNED: ---------- **DATE:** 30/8/19

THE HON. JOSEPH K. LIMO, MP
CHAIRPERSON

DEPARTMENTAL COMMITTEE ON FINANCE AND NATIONAL PLANNING

PART TWO

2 BROAD OVERVIEW OF THE EXAMINATION OF THE ESTIMATES

10. The 2019 Budget estimates for the fiscal year 2019/20 is processed at a time when the government is focused on the implementation of the "Big Four" economic plan which entails reorienting resources towards the implementation of the main priority areas. So far, some progress has been registered in the implementation of these policies.

11. The 2019/20 budget and the medium term come at a time when the global economy is showing signs of deceleration from 3.8% in 2017 to 3.6% in 2018 and eventually 3.3% in 2019 because of growing trade tension between the United States of America and China, prolonged stalemate in the impending exit of Britain from the European Union, weakening industrial output among others.

12. However, economic growth in Sub-Saharan Africa (SSA) is projected to expand to 3.5% in 2019 and 3.7% in 2020 up from 3% in 2018 and 2.9% in 2017. This is anticipated to be buttressed by the enhanced access to capital markets as well as improved commodity prices. The East African Community (EAC) is expected to grow by 6.1% in 2019 up from 5.9% in 2018 on account of sustained investment in infrastructure, favourable weather and stability in the macroeconomic environment among other reasons.

13. The Kenyan economy is projected to decelerate to 6.2% in 2019 down from 6.3% in 2018 before rising to 7.0% in the medium term. This growth prospect will be supported by investment in the "Big Four" economic plan, sustained investment in infrastructure development, favourable weather conditions and stabilized macroeconomic environment.

2.1 OVERALL FISCAL FRAMEWORK FOR 2019/20

14. The total revenue in 2019/20 is projected at Kshs. 2,115.9 billion (19.7% of the GDP) whereas the BPS 2019 projected Kshs. 2,080.9 billion (18.3% of the GDP). Ordinary Revenue is estimated at Kshs. 1,877.2 billion same as the BPS but A-i-A is estimated at Kshs. 238.7 billion up from the Kshs. 203 billion approved in the BPS. The overall revenue is projected to rise to Kshs. 2,553.7 billion in the medium term. It has been proposed that this will be achieved through the on-going measures on tax policy as well as enhancement of tax administration and compliance.

15. The total expenditure and net lending has been projected at Kshs. 2,762.5 billion up from Kshs. 2,710.8 billion approved in the BPS. It is composed of Kshs. 1,194.3 billion ministerial recurrent, Kshs. 638.6 billion ministerial development, Kshs. 371.8 billion county transfers and Kshs. 5 billion Contingencies Fund.

16. This leaves an overall deficit of Kshs. 607.8 billion to be financed through domestic borrowing of Kshs. 289.2 billion, and foreign financing of Kshs. 213.1 billion and other domestic financing of Kshs. 5.7 billion. The deficit financing is projected to reduce to Kshs. 582.5 billion in the medium term.

2.2 COMMITTEE REVIEW OF THE MDAS' PROPOSED BUDGET ESTIMATES

17. The Departmental Committee on Finance and National Planning is mandated to scrutinize Budget estimates for the following votes: -

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

2.2.1 The National Treasury

18. The Principal Secretary, National Treasury informed the meeting that as they continue to implement the Big Four Agenda they are aware of the country's limited fiscal space and will therefore continue to leverage on public private partnership arrangements. The resource allocation has been realigned to the Big Four Plan and therefore the targeted expenditure will prioritize employment creation, youth empowerment, supporting manufacturing activities, enhancing health coverage, improving food security and enhancing living conditions through affordable housing.

19. He stated that the economy has remained strong and resilient even under emerging global challenges and is expected to expand by 6.2% in 2019 and rise gradually to 7% over the medium term. He further stated that inflation remains low, stable and within the government range of 5+/-2.5. The exchange rate remained broadly stable and competitive against major international currencies. The interest rates have also remained fairly low and stable due to ample liquidity in the money market.

20. The National Treasury has a proposed allocation of **Kshs. 108,811.6 million** for the FY 2019/20 of which **Kshs. 75,441.1 million** is allocated to the recurrent vote while **Kshs. 33,370.6 million** is allocated under the development. The National Treasury had an allocation of **Kshs. 101,323,876,758** in the approved Estimates for the FY 2018/19.

21. The allocation will fund the following four (4) programmes:-
    i. Programme 071700: General administration, planning and support services Kshs. 71,446.7 million;
    ii. Programme 071800: Public financial management Kshs. 35,007 million;
    iii. Programme 071900: Economic and financial policy formulation and management Kshs. 1,996.8 million;
    iv. Programme 07200: Market completion Kshs. 361.1 million;

2.2.2 The State Department for Planning

22. The State Department has a proposed allocation of **Kshs. 52.823 billion** for the FY 2019/20 of which **Kshs. 11.902 billion** is allocated in the recurrent vote while **Kshs. 40.921 billion** is allocated under the development. The State Department had an allocation of **Kshs. 12.983 billion** in the approved Estimates for the FY 2018/19.

23. Out of the total allocation, **Kshs. 51.573 billion** has been allocated to Semi-Autonomous Government Agencies (SAGAs) of which the National Government Constituencies Development Fund (NG-CDF) has been allocated **Kshs. 38.7 billion** while **Kshs. 7.3 billion** has been allocated for the Kenya Population and Housing Census (KPHC) scheduled for August 2019.

24. The State Department requires additional funding of **Kshs. 6,835 million** to fund the following areas: -

    i. NG-CDF requires additional Kshs. 5,263 million. Kshs. 4,977 million being prior years arrears and Kshs. 285.6 million being the difference in allocation against 2.5% of ordinary revenue as stipulated in the CDF Act.

    ii. Kenya Housing Population and Housing Census requires additional Kshs. 1,200 million being part of the preparatory and actual activities for the census.

    iii. Operationalization of county development planning offices requires additional Kshs. 141 million so as to assist the National Government collect statistics for planning purposes in the counties.

    iv. Cascading African Peer Review Mechanism (APRM) in Counties requires a total of Kshs. 111 million - New Partnership for African Development (NEPAD). The activity is expected to be piloted in selected counties.

    v. National Council for Population and Development (NCPD) requires additional Kshs. 40 million to cater for the shortfall in SRC recommendations.

vi. Development of Kenya National Human Development Report requires additional funding of Kshs. 80 million. This report is an annual publication.

2.2.3 State Department for Devolution

25. The PS, Devolution, Mr. Charles Sunkuli informed the meeting that there was a reduction in both the Recurrent and Development Budget for 2019/2020 FY of the State Department, due to transfer of functions as contained in the Presidential Executive Order No.1/2018 (Revised), which moved the allocation of Strategic Food Reserve (SFR) to the State Department for Crop Development under Ministry of Agriculture and the National Constituency Development Fund (NG-CDF) to the State Department of Planning.

26. The National Treasury proposed an allocation of **Kshs. 8,392,499,933** for the FY 2019/20 a variance of **Kshs. 8.481 billion** from the State Department's request of **Kshs. 16,831,653,975**. The State Department had an allocation of **Kshs. 38,304,536,464** in the approved Estimates for the FY 2018/19.

27. The State Department was seeking for additional **Kshs. 8,480 million** to fund the following unfunded areas:-

i. Kshs. 99 million to cater for inadequate funding for programmes.
ii. Kshs. 200 million for the finalisation of transfer of assets and liabilities of the defunct Local Authorities.
iii. Kshs. 75 million to fund the Devolution Conference
iv. Kshs. 130 million for the acquisition of office space, rent and equipment.
v. Kshs. 300 million for the development and co-ordination of Devolution Policies, Legal and Regulatory Frameworks.
vi. Kshs. 589 million to cater for legal charges (pending bills)
vii. Kshs. 7,087 million to cater for relief food distribution in ASAL Counties.

2.2.4 Commission on Revenue Allocation

28. The National Treasury proposed an allocation of **Kshs. 456 million** for the FY 2019/20 a variance of **Kshs. 92 million** from the Commission's request of **Kshs. 548 million**. The Commission had an allocation of **Kshs. 413 million** in the approved Estimates for the FY 2018/19.

29. The proposed allocation will fund the following programmes:-
    i. Equitable sharing of revenue Kshs. 24 million
    ii. Public financial management Kshs. 16 million
    iii. Transitional equalization and stakeholder engagement Kshs. 18 million
    iv. General administration and support services Kshs. 399 million

30. The Commission requested for additional funding of **Kshs. 17,363,101 million** to fund the following items:-
    i. Item 2210201: Telephone, telex, facsmile Kshs. 414,878
    ii. Item 2210202: Internet connections Kshs. 1,500,000
    iii. Item 2210301: Domestic travel Kshs. 1,000,000
    iv. Item 2210302/3: Travel subsistence and other related costs Kshs. 4,840,519
    v. Item 2210401: Foreign travel and subsistence and other transportation cost Kshs. 1,000,000
    vi. Item 2210403: Foreign travel, subsistence and other related costs Kshs. 3,567,100
    vii. Item 2210701: Training travel expenses Kshs. 500,000
    viii. Item 2210710: Training accommodation Kshs. 4,384,202
    ix. Item 2210800: Board committees and conferences Kshs. 156,402

2.2.5 Office of the Controller of Budget

31. The Office is mandated to oversee implementation of budgets of the national and county governments by authorizing withdrawals from public funds. The Controller of Budget informed the meeting that her office had a deficit in the

budgetary allocation but she was not seeking for additional funding because she understood the budgetary constraints that the country is facing.

32. The National Treasury proposed an allocation of **Kshs. 703,000,000** for the FY 2019/20 a variance of **Kshs. 47,551,982** from the Office's request of **Kshs. 750,551,982**. The Office had an allocation of **Kshs. 618,470,000** in the approved Estimates for the FY 2018/19.

2.2.6 Salaries and Remuneration Commission

33. The National Treasury has proposed an allocation of **Kshs. 650,000,000** for the FY 2019/20, a variance of **Kshs. 498,082,770** from SRC's request of **Kshs. 1,148,082,770**. SRC had an allocation of **Kshs. 549,896,637** in the approved Estimates for the FY 2018/19.

34. The Commission requested for additional funding of **Kshs. 518,122,771** to cater for the following items:-
    i. Compensation to employees Kshs. 57,063,147
    ii. Domestic travel and subsistence and other transportation costs Kshs. 5,498,128
    iii. Foreign travel and subsistence and other transportation costs Kshs. 20,061,496
    iv. Refurbishment of buildings Kshs. 230,000,000
    v. Purchase of office furniture and general equipment Kshs. 1,500,000
    vi. House and car loans for staff Kshs. 50,000,000
    vii. Institutional strengthening programmes Kshs. 154,000,000

2.3 OBSERVATIONS

35. Following the submissions from the State Departments and Commissions and the briefing by the Parliamentary Budget Office on the proposed Budget Estimates for the FY 2019/20, the Committee made the following observations:-

2.3.1 The National Treasury

The Committee made the following observations, THAT:-

36. There is a total of thirty six (36) ongoing projects in the National Treasury at a cost of over Kshs. 30 billion for example, the Herufi data centre which started in 2014 and is expected to be completed in 2022 at a cost of Kshs. 3.5 billion has so far been allocated Kshs. 850 million and has an allocation of Kshs. 70 million in each year through the medium term.

37. The Kenya Revenue Authority was allocated additional funding of Kshs. 3 billion to implement Revenue Enhancement Initiatives (REIs) that was projected to realize additional revenue of Kshs. 141 billion.

38. The Kenya Revenue Authority has not been declaring appropriations in aid (agency fees) of close to Kshs. 3 billion each financial year which it has used without being appropriated by National Assembly.

39. The 2019/20 forecasted revenue seems ambitious and therefore a more realistic revenue estimate needs to be approved since it forms a key component of the resource envelope.

2.3.2 State Department for Planning

The Committee observed that: -

40. The Kenya Population and Housing Census for 2019 is slated for the night of 24th/25th August.

41. Other than the Census, the other major allocation is to the National Government Constituencies Development Fund.

42. There is no legislation on monitoring and evaluation and this has affected projects implementation due to lack of continuous monitoring. This has resulted to some projects being implemented within the timelines and eventual escalation of costs.

2.3.3 State Department for Devolution

The Committee made the following observations, THAT:-

43. The identification and verification of the assets and liabilities of the defunct local authorities has been ongoing for quite some time.

44. The State Department was still training and capacity building counties six (6) years after implementing devolution.

45. Funds for relief food are contained in the contingency fund which is managed by the National Treasury. The executive Order has assigned the mandate in the Ministry of Devolution and ASAL. Some counties have to rely on relief food throughout the year hence these programme ought not to be treated as an emergency to be funded through the contingency fund.

2.3.4 Commission on Revenue Allocation

The Committee observed that:-

46. There is need for review and analysis of the Division of Revenue Bill, County Allocation of Revenue Bill, County Finance Bills, Annual Development Plans and the County Fiscal Strategy Paper to guide Counties in their budget process.

47. The Commission is in the process of publicizing the third generation of Revenue Sharing Formula for allocating resources among the county governments.

48. The Commission is also in the process of developing a masterplan on marginalization.

2.3.5 Controller of Budget

The Committee observed that:-

49. The Office of Controller of Budget only reports on the financial performance in the quarterly budget implementation reports.

2.3.6 Salaries and Remuneration Commission

The Committee observed that:-

50. The Commission is planning to develop legal framework for managing remuneration and benefits through the proposed drafting of the Remuneration and Benefits Bill which is a policy issue that is domiciled under the National Treasury.

51. The public wage bill has been on an upward trajectory since the inception of the Commission despite the fact that the Commission has carried out numerous job evaluations and harmonization of benefits to employees.

PART THREE

3 RECOMMENDATIONS

The Committee made the following recommendations:-

3.1 POLICY RECOMMENDATIONS

The Committee made the following policy recommendations, THAT:-

52. A decision needs to be made on the feasibility of implementing the 36 ongoing projects under the National Treasury considering the quality, efficiency and risks associated with time extension.

53. The planned drafting of the Monitoring and Evaluation Bill together with the pending process of approving the attendant policy should be expedited so as to facilitate effective monitoring and evaluation of the government policies, projects and programmes. This will go a long way in institutionalizing the professional process of following up of implementation to aid effectual oversight by the legislature.

54. Capacity building activities for county governments should be down-scaled substantially in order to channel resources to other more deserving programmes.

55. Funds earmarked for relief food should be budgeted under the Ministry of Devolution. This will enable the Ministry to plan for the money and provide relief food in time whenever it is required and to ensure that Kenyans who depend on relief food throughout are catered for.

56. The Commission on Revenue Allocation should carry out reviews of Division of Revenue and County Allocation of Revenue Bills, county finance bills, Annual Development Plans and County Fiscal Strategy Paper to ensure that Counties are given proper guidance and advice in the management of public finances.

57. The Office of the Controller of Budget should also report on the non-financial performance in the quarterly budget implementation reports for proper oversight by Parliament and the county assemblies.

3.2 FINANCIAL RECOMMENDATIONS

Proposed Reductions

58. The Committee proposed a total reduction of **Ksh. 4.3 billion** from the National Treasury's allocation to the following programmes:-
    i. Kenya Revenue Authority reduced by **Kshs. 1.8 billion** in the sub-programme Financial Services under the programme General Administration, Planning and Support Services; and
    ii. Strategic investments in public enterprises reduced by **Kshs. 2.5 billion** in the sub-programme Government Investment and Assets under the programme General Administration, Planning and Support Services.

59. The Committee also proposed a total reduction of **Kshs. 104.6 million** in the allocation to the Salaries and Remuneration Commission under the programme Remuneration and Benefits Management under the following items:-
    i. Domestic travel and subsistence and other transportation costs **Kshs. 22.08 million**
    ii. Printing, advertising and information supplies and services **Kshs. 2.5 million** broken into:-
        a. Publishing and printing services **Kshs. 2 million**
        b. Subscriptions to newspapers, magazines and periodicals **Kshs. 0.5 million**
        c. Rentals of produced assets **Kshs. 27.2 million**
        d. Training expenses **Kshs. 9.87 million**
        e. Hospitality supplies and services **Kshs. 16.29 million**
    iii. Other operating expenses **Kshs. 17.09 million** broken down into:-
        a. Contracted guards and cleaning service **Kshs. 2.1 million**;
        b. Membership fees, dues and subscriptions to professional and trade bodies **Kshs. 3.42 million**; and
        c. Legal dues/fees, arbitration and compensation payments **Kshs. 1.57 million**
        d. Contracted professional services **Kshs. 10 million**
    iv. Routine maintenance of other assets **Kshs. 9.57 million**

Proposed Increases

60. The Committee proposed a total increase of **Kshs. 3.04 billion** to the State Department of Planning's budget to be allocated to the following areas:-
    i. National Government Constituency Development Fund Kshs. 3 billion;
    ii. National Council for Population and Development Kshs. 40 million to cater for the shortfall in SRC recommendations;

61. The Committte also proposed an allocation of **Kshs. 852 million** for relief food in the State Department of Devolution's budget.

62. The Committee proposed an allocation of **Kshs. 500 million** to fund Monitoring and strengthening budgetary implementation under the National Treasury.

63. The Committee proposed a total increase of **Kshs. 12.522 million** to the Commission on Revenue Allocation's budget under the programme Intergovernmental Revenue and Financial Matters broken down in the following sub-programmes:-
    i. SP1: Equitable sharing of revenues **Kshs. 5 million**
    ii. SP3: Transitional equalisation and stakeholder angagement **Kshs. 2 million**
    iii. SP4: General administration and support services **Kshs. 5.52 million**

64. The Committee proposes additional allocation of **Kshs. 1 billion** for Monitoring and strengthening budgetary implementation under the National Treasury.

ANNEX I: SUMMARY OF ALLOCATIONS

1071: NATIONAL TREASURY	108,812	(3,800)	105,012	1. Reduction of KSh. 1.8 billion from KRA. 2. A reduction of KSh. 2.5 billion from Strategic Investment in Public Enterprises. 3. a proposed allocation of KSh. 500 million for Monitoring & Strengthening Budget Implementation
1072: STATE DEPARTMENT FOR PLANNING	52,823	3,040	55,863	1. Increase of KSh. 3 billion for NG-CDF. 2. Increase of KSh. 40 million for NCPD
1032: STATE DEPARTMENT FOR DEVOLUTION	8,392	852	9,244	Increase of KSh. 852 million for relief food
2061: COMMISSION ON REVENUE ALLOCATION	457	13	469	Increase of KSh. 12.52 million under the sub-programmes: 1 Equitable Sharing of Revenue KSh. 5 million. 2. Transitional Equalization & Stakeholder Engagement KSh. 2 million. 3. General Admin & Support Services KSh. 5.52 million
2081: SALARIES AND REMUNERATIONS COMMISSIONS	650	(105)	545	Reduction of KSh. 104.6 million
2121: CONTROLLER OF BUDGET	703	-	703	

ANNEX II

SUMMARY OF UNFUNDED REQUESTS

1. **State Department for Planning**

The State Department requires additional funding of **Kshs. 6,835 million** to fund the following areas:-

i. National Government Constituency Development Fund requires additional Kshs. 5,263 million. Kshs. 4,977 million being prior years' arrears and Kshs. 285.6 million being the difference in allocation against 2.5% of ordinary revenue as stipulated in the Constituencies Development Fund Act.

ii. Kenya Housing Population and Housing Census requires additional Kshs. 1,200 million.

iii. Operationalization of county development planning offices requires additional Kshs. 141 million

iv. Cascading African Peer Review Mechanism (APRM) in Counties – National Council for Population and Development (NCPD) requires additional Kshs. 40 million.

v. Development of Kenya National Human Development Report requires additional funding of Kshs. 80 million.

2. **State Department for Devolution**

The State Department was seeking for additional **Kshs. 8,480 million** to fund the following unfunded areas:-

i Kshs. 99 million to cater for inadequate funding for programmes (as per the attached appendix I);

ii. Kshs. 200 million for the finalization of transfer of assets and liabilities of the defunct Local Authorities. This is to facilitate the complete transfer and the final stages of conveyancing of the assets to County Governments which is scheduled to take place in the FY 2019/20;

iii. Kshs. 75 million to fund the Devolution Conference and Summit. The devolution conference is established in the Intergovernmental Relations Act, 2012 to provide a platform for stakeholder's dialogue in the Management of Devolution Affairs;

iv. Kshs. 130 million for the acquisition of office space, rent and equipment. This will be used to acquire additional office space, pay for rent, partitioning and purchase of equipment;

v. Kshs 300 million for the development and co-ordination of Devolution Policies, Legal and Regulatory Frameworks in order to address policy and regulatory frameworks;

vi. Kshs. 589 million to cater for legal charges (pending bills). This will pay for outstanding legal fees and arbitration cases (as per the attached appendix II); and

vii. Kshs. 7,087 million to cater for relief food distribution in ASAL Counties.

3. Commission on Revenue Allocation

The Commission requested for additional funding of **Kshs. 17,363,101 million** to fund the following items:-

i. Item 2210201: Telephone, telex, facsmile Kshs. 414,878

ii. Item 2210202: Internet connections Kshs. 1,500,000

iii. Item 2210301: Domestic travel Kshs. 1,000,000

iv. Item 2210302/3: Travel subsistence and other related costs Kshs. 4,840,519

v. Item 2210401: Foreign travel and subsistence and other transportation cost Kshs. 1,000,000

vi. Item 2210403: Foreign travel, subsistence and other related costs Kshs. 3,567,100

vii. Item 2210701: Training travel expenses Kshs. 500,000

viii. Item 2210710: Training accommodation Kshs. 4,384,202

ix. Item 2210800: Board committees and conferences Kshs. 156,402

4. Salaries and Remuneration Commission

The Commission requested for additional funding of **Kshs. 518,122,771** to cater for the following items:-

i. Compensation to employees Kshs. 57,063,147

ii. Domestic travel and subsistence and other transportation costs Kshs. 5,498,128

iii. Foreign travel and subsistence and other transportation costs Kshs. 20,061,496

iv. Refurbishment of buildings Kshs. 230,000,000

v. Purchase of office furniture and general equipment Kshs. 1,500,000

vi. House and car loans for staff Kshs. 50,000,000

vii. Institutional strengthening programmes Kshs. 154,000,000

Appendix I

RECURRENT BUDGET SHORTFALL 2019/2020 FY- Detailed Requirements

These is Meant mostly to Cover the following Mandatory Programs/ activities in the forthcoming Performance Contract 2019/2020 FY, as follows:

- ISO Certification Preparation Costs-**Kshs. 10,342,870**
- Monitoring and Evaluation of Ministerial Projects -**Kshs. 6,400,000**
- ASK Trade Fair Exhibitions [Nairobi, Mombasa & Counties]- **Kshs. 8,000,000**
- Capability Training for Anti-Corruption Committee-**Kshs. 3,500,000**
- Sensitization on HIV/Aids /Policy Development –**Kshs. 2,622,400**
- Disability Mainstreaming in the State Department-**Kshs. 2,500,000**
- Citizen Service Delivery Charter Review-**Kshs. 1,780,000**
- Sensitization of Staff on Performance Management & Appraisal-**Kshs. 3,700,000**
- Drugs and Substance Abuse Programmes-**Khs. 3,300,000**
- Mandatory Survey [Employees and Customer] -**Kshs. 4,500,000**
- Gender Mainstreaming activities-**Kshs. 2,400,000**
- Contracted Cleaning/Fumigation [Teleposta Towers]-**Kshs. 7,269,286**
- Training for Promotional Courses [SLDP, Senior Management, Proficiency etc]-**Kshs. 7,234,768.00**
- Domestic Travel -**Kshs 10,245,678**
- International Travel-**Kshs. 1,000,000**
- Maintenance of Buildings-**Kshs. 2,819,498**
- Work Environment Survey-**Kshs 3,980,600**
- Donor Co-ordination and Concept Development for Financing the 'BIG FOUR PLAN'- **Kshs. 5,000,000**
- G.O.K Counterpart Funding- **Kshs. 6,000,000**
- Ministerial Strategic Plan [Printing and Distribution] -**Kshs. 5,000,000**

TOTAL DEFICIT – (Kshs. 98,995,000.00)

Appendix II:

Pending Bills [Legal Cases] 2018/2019 FY

Details/Case Number	Name of Litigant	Amount[Kshs]	Justification for the Pending bills/Reasons
1. Mombasa HCJR No. 158/2006 (Original Nairobi HC Misc. A No.94/2006); Mombasa Civil Appeal No.107/2006	Taib A Taib – VS- Minister of Local Government & 3 Others	11,265,235.50	Arbitration complete waiting settlement
2.Richard Kwoba Nabibia – VS- Hon.Musalia Mudavadi, Deputy Prime Minister &Minister for Local Government &The Hon. Attorney General	Richard Kwoba Nabibia	114,000.00	Arbitration complete waiting settlement
3.NRB ELRC NO. 1149/2012 Rex Simiyu Eseli-VS-Attorney General &PS, Min of Local Government	Simiyu Eseli	1,128,496.00	Court verdict given waiting for National Treasury Allocation
4. Kenya Railways Staff Retirement Pension Scheme & the Ministry of Local Government	Kenya Railways Staff Retirement Pension Scheme	105,000,000.00	Court verdict given waiting for National treasury Allocation
5.Nrb Civil Suit No.149/2014 Piulva Engineering & Technology Limited –VS-Permanent Secretary, Min. For Special Programmes & The Hon. Attorney General	Piulva Engineering & Technology Limited	4,950,000.00	Court verdict given waiting for National treasury Allocation
6.Nrb E & LRC No. 212/2010 David Omwanza Mongare - Vs- The AG	David Omwanza Mongare	493,992.00	Court verdict given waiting for National treasury Allocation
7. HCC NO.597 &598 of 2010	Spencon (K) Ltd	456,000,000.00	Court verdict given waiting for National treasury Allocation

Spencon (K) Ltd –vs- Ministry of Devolution & Planning & 2 others			
NBI CMCC No. 3919 of 2012 David Mereka Vs John Ngaruiya, Ministry of Local Government & others	David Mereka	8,115,834.49	Court verdict given waiting for National treasury Allocation
COST -Kshs	**TOTAL**	**589,067,558.00**	

ANNEX III

PARLIAMENT OF KENYA

Parliamentary Budget Office

ANALYSIS OF THE BUDGET ETIMATES FOR 2019/20 ANF THE MEDIUM TERM FOR THE DEPARTMENTAL COMMITTEE ON FINANCE & NATIONAL PLANNING

May, 2019

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1. INTRODUCTION

Preamble

The annual budget is a planning, control and management tools the government uses to organize resources with the aim of providing public goods and services to the citizenry, in an efficient and effective fashion It facilitates the forward planning while learning from the past, implementing control mechanisms to ensure the plans are adhered to and decision are made in a manner that the populace derives the optimum benefits Since the resources are, in most cases, derived from the citizens through taxation, it therefore behooves the government, through the elected representatives of the people, to process the budget in a transparent and accountable manner

Basis of processing the annual budget estimates

The annual budget estimats is prepared in accordance with Article 220 of the Constitution which stipulates that budgets for both levels of government should contain estimates of revenue and expenditure as well as the proposals with regard to the financing any expected fiscal deficit for a particular financial year. Further, Article 221 of the Constitution does elaborate on the timing and manner of tabling and processing the budget estimates in the National Assembly including the requirement for public consultations

Consequently, the Public Finance Management Ac, 2012 provides under Sections 38 and 39, for the submission, content and processing of the budget estimates in the National Assembly Specifically, the annual budget estimates should contain, among other things

i) A budget summary which comprises of revenue, expenditure, debt and deficit financing policies; explanation on adherence to the fiscal responsibility principles as set out in Article 201 of the Constitution and also a memorandum detailing the compliance with the House resolutions on the Budget Policy Statement approved for the financial year.

ii.) The format of the budget estimates which must contain the Votes expected to receive allocation; funding under the Equalization Fund, Vertical sharing of revenue, details of revenue sources, expenditure by programmes as well as projected budget deficit or surplus and means of addressing it.

Further, the National Assembly Standing Order Numbers 235 – 240 details the procedure of tabling, commital of the budget estimates to the departmental committees as well as the Budget & Appropriations Committee for scrutiny and processing in the normal manner for ultimate approval by the National Assembly

Indeed, the National Assembly Standing Orders assigns the Departmental Committee on Finance and National Planning the mandate to consider matters in relation to *public finance, monitary policies, public debt, financial institutions (excluding those in security exchange), investment and divestiture policies, pricing policies, banking, insurance, population, revenue policies,national planning, and development.*

In that regard, the Committee is mandated to analyze, discuss, scrutinize and approve the budget estimates for the following Votes under its purview.

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

2. HIGHLIGHTS OF THE BUDGET ESTIMATES FOR 2019/20 AND THE MEDIUM TERM

2.1 Policy overview

The 2019 Budget estimates for the fiscal year 2019/20 is processed at a time when the government is focused on the implementation of the "Big Four" economic plan which entails reorienting resources towards the implementation of the main priority areas So far, some progress has been registered in the implementation of these policies.

For instance, to support the domestic manufacturing sector, the government has increased surveillance on illicit trade as well as the proliferation of counterfeit and contraband goods into the country. The food security policy focus has been boosted by the alignment of agriculture policies towards improved productivity and reduction of food prices. On the Universal Healthcare front, so far, the piloting of the universal health programme is underway in Machakos, Kisumu, Nyeri and Isiolo counties. For the provision of affordable and

decent housing, the National Housing Development Fund and the Kenya Mortgage Refinance Company have been said to have been established to mobilize resources and guarantee funding of the housing programme and also avail affordable mortgage loans to citizens

The Departmental Committee on Finance and National Planning will play pivotal role in carrying out oversight in two of the six key enablers of the "Big Four" economic plan. The first one is the creation of a conducive, business environment for investment and job creation which would entail maintaining macroeconomic stability to spur private sector investment. Specifically, inflation will be maintained at 2.5% on both sides of 5%; fiscal consolidation that will be aimed at reducing the fiscal deficit from the current 6.3% of the Gross Domestic Product (GDP) to 3 8% of the GDP. It should be noted the BPS 2019 projected a deficit of 3.1% of the GDP in the medium term The East African Monetary Union protocol target is 3% This will, is expected to occasion a reduction of public debt from about 51 5% of the GDP to about 44% of the GDP.

The second one is the use of devolution for enhancement of service delivery This will be done through the Kenya Urban Support Programme (KUSP) whose focus will be to provide incentives and support for the establishment and strengthening of urban institutions in line with the Urban Areas and Cities Act, 2011. The support for preparation of urban development plans and initiation of urban infrastructure investment is anticipated to invigorate economic development in counties. Also, there are initiatives towards strengthening the legal and policy framework for the counties Own Source Revenue (OSR) Further, in order to boost partnership between the two levels of government, County Development Implementation Committees (CDICs) have been established in all counties to provide the interface between in the implementation of the "Big Four" plan which is already prioritized in the Third Medium Term Plan.

The other enablers to be oversighted by other Departmental Committees are· continued investment in infrastructure to spur growth (road, rail, marine, air, energy and ICT); sectoral transformation for broad sustained growth (tourism, environment, sports, arts etc); investing in the citizens for a shared prosperity (education, social safety net, empowerment of the vulnerable) and structural reforms (fight against corruption, financial management reforms – zero based budgeting and financial sector reforms such as the fast-tracking strengthening of NIFC, FRC etc.

2.2 Policy underpinning the budget

The 2019/20 budget and the medium term come at a time when the global economy is showing signs of deceleration from 3.8% in 2017 to 3 6% in 2018 and eventually 3.3% in 2019 The main reasons are growing trade tension between the United States and China, prolonged stalemate in the impending exit of Britain from the European Union, weakening industrial output among others

However, economic growth in Sub-Saharan Africa (SSA) is projected to expand to 3 5% in 2019 and 3.7% in 2020 up from 3.0% in 2018 and 2 9% in 2017. This is anticipated to be buttressed by the enhanced access to capital markets as well as improved commodity prices The East African Community (EAC) is expected to grow by 6.1% in 2019 up from 5 9% in 2018 on account of sustained investment in infrastructure, favourable weather and stability in the macroeconomic environment among other reasons

The Kenyan economy is projected to decelerate to 6.2% in 2019 down from 6 3% in 2018 before rising to 7.0% in the medium term. This growth prospect will be supported by investment in the "Big Four" economic plan, sustained investment in infrastructure development, favourable weather conditions and stabilized macroeconomic environment

The extent to which the "Big Four" economic plan will contribute to growth may need to assessed critically, given that time is already ticking and some of the key components such as progress towards affordable housing, achievement of food security and nutrition as well as investment in manufacturing for value addition and jobs creation do not seem to present a paradigm shift in terms of deliberate reorientation of resources towards the policy. Other external risks also exist which look likely to affect the domestic economy. They are such as the financial markets volatility as well as political tensions and geopolitical issues between some Sub-Saharan African countries and the Middle East among others

2.3 Overall Fiscal Framework for 2019/20

The total revenue in 2019/20 is projected at KSh. 2,115.9 billion (19 7% of the GDP) whereas the BPS 2019 projected KSh 2,080.9 billion (18 3% of the GDP). Ordinary Revenue is estimates at KSh 1,877.2 billion same as the BPS but A-i-A is estimated at KSh. 238.7 billion up from the KSh. 203 billion approved in the BPS The overall revenue is projected to rise to KSh 2,553.7 billion in the medium term. It has been proposed that this will be achieved through the on-going measures on tax policy as well as enhancement of tax administration and compliance.

The total expenditure and net lending has been projected at KSh. 2,762.5 billion up from KSh. 2,710.8 billion approved in the BPS. It is composed of KSh. 1,194.3 billion ministerial recurrent, KSh. 638.6 billion ministerial development, 371.8 billion county transfers and KSh. 5 billion Contingencies Fund.

This leaves the overall deficit of KSh. 607.8 billion to be financed through domestic borrowing of KSh. 289.2 billion, and foreign financing of KSh. 213.1 billion and other domestic financing of KSh. 5.7 billion. The deficit financing is projected to reduce to KSh. 582.5 billion in the medium term.

It is a considered view that this level of deficit will only be attained through concrete revenue enhancement measures coupled with prudence and efficient utilization of resources. Else, the projected fiscal deficit convergence target in the East African Community Monetary Union protocol may potentially be at risk of not being achieved.

Table 1: Baseline and proposed budget allocation for 2019/20 and the Medium Term

Medium Term Fiscal Framework (KSh. Billion)				
FY	**2018/19**	**2019/20**	**2020/21**	**2021/22**
Total Revenue	**1852.5**	**2115.9**	**2241.5**	**2553.6**
Ordinary Revenue	1,672.6	1,877.2	2,019.1	2,305.9
Ministerial A-i-A	179.9	238.7	222.4	247.7
Grants	48.5	38.8	52.4	54.4
AMISOM receipts	8.5	5	3.5	3
Project Grants	40	33.8	48.9	51.4
Total Expenditure	**2,509.1**	**2,762.5**	**2,869.6**	**3,190.6**
Ministerial Recurrent	1,050.4	1,194.3	1,212.1	1,375.4
Ministerial Development	593.2	638.6	683.4	778.7
CFS	490.6	551	593	646.7
CF	5	5	5	5
Net Lending	2.5	1.7	1.1	1.1
County Allocation	367.4	371.8	375	383.8
o/w Equitable Share	305	310	317.8	325.7
Judiciary	14.5	16.9	17.9	18.4
Parliament	35.1	43.6	43.8	44.1
Deficit	**-608.0**	**-607.8**	**-575.7**	**-582.5**
Deficit Financing	608.0	607.8	575.7	582.5
Domestic Borrowing	321.0	283.5	282.1	320.7
Foreign Borrowing	286.9	324.3	293.6	261.8

Source: National Treasury

2.4 Observations

It is observed that the overall fiscal deficit of KSh. 607.8 billion excludes the allocations to Parliament and Judiciary respectively which is KSh 60 5 billion. This implies that the final fiscal deficit is KSh 668.3 billion when allocations to the arms of government are included

3. PERFORMANCE AND PROPOSED ALLOCATIONS TO PROGRAMMES

3.1 The National Treasury

The National Treasury is mandated to among other things, to formulate, implement and monitor the macroeconomic policies on the budget; mobilize resources to finance the budget and carry out public debt management; formulate, evaluate and promote economic and financial policies.

In the MTEF period 2015/16 – 2017/18, the Ministry spent a total of KSh. 195.4 billion and managed to make the following achievements· mobilized external resources of about 20% of the budget, inflation was maintained at 6 6% which was within the target of 2 5% on both ends of 5%, thereby maintaining the macroeconomic stability; facilitated the implementation of the global fund by facilitating medical supplies for HIV/AIDS to 3.3 million beneficiaries and malaria treatment to 19.5 million beneficiaries both through the Ministry of Health, and leasing of 3,468 security vehicles which a program run under strategic interventions.

A few challenges are reported to have been experienced in the same MTF period. For instance, reduction of budget allocation through supplementary budget, thereby affecting achievements of some targets; shortage of staff, low absorption of the budgeted resources due to litigations, disruption of economic activities, slow operationalization of pension contribution schemes, and down time of the Integrated Financial Management Information System (IFMIS) as well as Pensions management Information System (PMIS), among others

To address some of these challenges in the MTEF period 2019/20 – 2021/22, new servers are anticipated to be procured and new data centres created; promotion to fill vacant positions; strengthening of the monitoring and evaluation framework; operationalization of the public Servants Superannuation Scheme (PSSS) and procurement of a new pension system.

3.1.1 Allocation to programmes (2019/20)

The following as the key programmes and objectives and allocation for the MTEF period 2019/20 – 2020/21 as shown in the succeeding table

Table 2: Programme Objectives and proposed Allocation

Vote	Programmes	Objectives	2018/19 (KSh. Millions)	2019/20 (KSh. Millions)	2020/21 (KSh. Millions)
The National Treasury	1. General Administration, Planning and Support Services-National Treasury	To enhance institutional and human resource capacity for quality delivery of services	65,773	71,446	85,122
	2. Public Financial Management	To increase the reliability, stability and soundness of the financial sector	32,370	35,007	35,868
	3. Economic and Financial Policy Formulation and Management	To ensure stable macroeconomic environment	2,156	1,996	1,650
	4. Market Competition	To promote and sustain competition.	387	361	361
Total			**100,758**	**108,812**	**123,001**

Source: National Treasury (Budget Estimates)

The proposed budget estimates for the National Treasury for the fiscal year 2019/20 is KSh. 108.8 billion up from KSh. 100.8 billion in 2018/19. The proposed allocation comprises of KSh. 75.4 billion recurrent and KSh. 33.4 billion development.

The General Administration programme is proposed to be allocated KSh. 71.4 billion out of which, KSh. 38.3 billion will be allocated to administrative services such as quality management system, customer and employee satisfaction survey, equity and subscription to international financial institutions, other maintenance activities such as the installation of 4 lifts at Bima House, rehabilitation of plumbing works as well as installation of CCTV in Treasury and Bima House. KSh. 32.9 billion of the remainder is proposed to be allocated to financial services which comprises of funding to the Kenya Revenue Authority at KSh. 21.5 billion (up from KSh. 15.2 billion approved for 2018/19)

The programme on Public Financial Management has been proposed to be allocated KSh. 35 billion. Out of this, the sub-programme on resource mobilization is allocated KSh. 13.4 billion (where KSh. 11.4 billion is the global fund disbursement) and KSh. 11.2 billion is the allocation towards the national budget processing and including 10.7 billion allocated to the Civil Contingencies Fund and the Equalization Fund.

3.1.2 Key targets for 2019/20

Target	Allocation (KSh. Mns)	Remarks
1. Quality management system, customer and employee satisfaction survey, equity and subscription to international financial institutions, other maintenance activities such as the installation of 4 lifts at Bima House, rehabilitation of plumbing works as well as installation of CCTV in Treasury and Bima House	38,308	Some of the projects have been in the government books for long and a decision should be made whether it is prudent to retain the status quo or prioritize, pick a few and implement. The others may be suspended till the first batch is completed.
Reviewing 5 schemes of service	73	This may be approved if it is Ministry's priority.
Achieve revenue collection of 22% of GDP (KRA); upgrading date recovery centre; construction of 10 border points and installation of security surveillance equipment; reduce days taken to process pension payments to 21.	32,951	KRA is proposed to be allocated KSH. 21.5 billion up from KSh. 15.2 billion in the current budget. The additional funding is for REIs
Achieve 20% completion of Herufi Data Centre; rehabilitation of other two data centres at 33% completion	114	The allocation to the data centres has always featured in the budget. The projects may be visited to ascertain the status.
2. Global fund disbursement at 100%; development of PIM guidelines under PPP secretariat; training 40 staff under Infrastructure Finance & PPP; support to approval of 20 PPP projects under Infrastructure Finance & PPP phase II; national budget processing at 100%; Contingencies and Equalization Funds at 100%; carrying out 10 special audits; government	35,001	It is noted that about KSh. 24.5 billion is meant for Contingencies Fund, Equalization Fund and Global Fund disbursements.

	accounting services; provide 100% national sub-county Treasury services as well as construction of 26 sub county treasuries and internal audit offices; achieve 100% support on IFMIS through capacity and system support to counties; establishment of 2 PPOA regional offices; operationalization of PIMU and PFM reforms by utilizing KSh. 1.4 billion for capacity building; restructuring of 2 government parastatals; 15% reunification of funds remitted to UFAA; train 8 PPP Secretariat staff; achieve 10% operationalization of the National Assets and Liability Management Department, inject KSh. 200 million into AFC.		
3.	Settling 100% of due debt; produce 3 guidelines and manuals to improve project design, appraisal and selection under DMO; achieve debt target of 50% of the GDP; disburse 90% of funds through vendor financial institutions to MSMEs; timely submission of the national budget, GDP growth of 5.9% capacity building for regional integration with COMESA and EAC	1,996	The guidelines and manuals on project design, appraisal and selection should be done by the PIMU.
4.	Conduct 3 market inquiries/studies and achieve 100% building of data for information on sectors and cross border mergers.	361	This is an allocation to Competition Authority of Kenya. The efficacy of this body should be scrutinized.
	Total	**108,812**	

3.1.3 Projects analysis

1. Stalled projects - there are three (3) stalled projects under the National Treasury A decision may need to be made as to their fate considering the resource constraints and risks associated to such operations. It is also likely that there could be other projects which depict characteristics of stalling but have not been indicated as such. The projects reported to have stalled are

    a) The upgrading and integration of pension's management whose software and hardware budget is said to have been moved to the Ministry of Information and Communication Technology. Total expenditure by June, 2018 was KSh 170 million whereas the total project cost KSh 1 09 billion. No allocation has been done this financial year

    b) Installation of security system at Treasury, Bima and Herufi House. The project is to be implemented in phases and so far, KSh. 315.95 million has been utilized out of the total project cost of KSh. 984 million. The project is meant to be completed end of June, 2020 and so far, the work that is pending is the installation of CCTV and fire system in Treasury, Bima and Herufi House However, it is noted that this project has been revived by the proposed allocation of KSh 100 million from GoK.

    c) Infrastructure finance and Public Private Partnership phase 1 and 2 was reported as having stalled where out of the total project cost of KSh 9 097 billion, only KSh. 2.287 billion has been spend It is reported that the new arrangement on the project was signed when the budget process had already been completed. In this financial year, there is a total allocation of KSh. 766 million which is foreign financing.

2. New projects a mid so many ongoing – it is noted that out of a total of 36 projects, five of them are new. They are: Infrastructure Finance & Public Private partnership Project Phase 1 and 2 at the external financing of about KSh 766 million, Regional Integration Implementation Program at an external financing of KSh 250 million, replacement of 4 lifts at Bima House at KSh. 50 million and Treasury-Bima-Herufi Security system (car scanners, fire system and CCTV) with an allocation of KSh. 100 million both of which are from GoK.

These projects have been on and off in the budget for so many years and it is imperative to ensure adequate oversight is effected to ensure projects are completed at once to pave way for others to commence as opposed to the imprudent manner of implementing so many as the same time Further, a decision should be made as to whether it is feasible for the National Treasury to implement all the 36 projects at the same time without compromising on the quality, efficiency and risk of cost escalation associated with time extensions on account of insufficient resources and technical capacity to complete then as scheduled.

3.1.4 Discussion

Projects: there a total of 36 projects currently ongoing in the National Treasury out of which, 5 are new projects. Therefore, a decision ought to be made whether maintaining over 30 projects in a financial year is prudent, given the risks on implementation as well as availability of funds to effectively carry them out. Some projects with huge allocations that may need to be reviewed include water reticulation works at Treasury, Bima & Herufi House at KSh. 280 million; single window support project at KSh 300 million; establishment of PPOA regional Offices at KSh 240 million, IFMIS solutions for counties at KSh 200 million, procure to pay system integrator for parastatals at KSh 300 million among others.

KRA: the Kenya Revenue Allocation has been proposed to be allocated a total budget of KSh. 21.5 billion which over KSh. 6 billion above the previous year allocation. The additional funding is meant to facilitate the implementation of the Revenue Enhancement Initiatives (REIs) which are aimed at enhancing revenue yield to the government. The current budget has already been enhanced in the Second Supplementary Budget for 2018/19 by KSh 3.3 billion for the implementation of REIs

Data Centres: he Herufi data centre and two others have been proposed to be allocated KSh. 114 million. However, it is noted that these projects have been a constant feature in the budget and it is imperative to evaluate the exact status to ensure resources are utilized prudently.

The Competition Authority of Kenya: the Authority was established by the Competition Act, 2010 and it mandated to promote and protect effective competition in the market as well as preventing misleading market conduct. In the fiscal year 2019/20, it is proposed to be allocated KSh. 361 million However, the efficacy and performance of this body may be assessed to ensure it lives up to its mandate.

3.2 State Department for Planning

In order to achieve the mission of providing effective leadership and coordination in planning, policy formulation, tracking of results for a globally competitive and prosperous Kenya, the State Department for Planning is mandated to formulate and coordinate the implementation of economic policies as well as various interventions to facilitate the achievement of the country's economic and development objectives

During the 2015/16 – 2017/18 MTEF period, it is noted that the State Department reported actual expenditure of KSh 78 billion and the following achievements were realized: completed the medium term review of MTP II, conducted county consultations on MTP III and consequently finalized the said MTP as well as 28 sector plans; provided counties with support on the finalization of the development plans and M&E policies, developed indicators for the second generation of CIDPs; domesticated SDGs into the planning framework and developed census instruments for the 2019 Kenya Population and Housing Census as well as census mapping and sensitization in 33 counties.

Some challenges reported during this period were such as insufficient funding; human resource capacity gaps and lack of elaborate collaboration mechanisms among the levels of government on the planning function.

In the 2019/20 – 2021/22 MTEF period, the State Department plans to achieve the following: undertaking the Kenya Population and Housing Census, carry out the medium term review of the MTP III and sector plans; coordinate the implementation of the SDGs; development of the handbook for MTP III indicators, and enhanced socioeconomic development through the NG-CDF.

3.2.1 Allocation to programmes (2019/20)

Vote		Programmes	Objectives	2018/19 (KSh. Millions)	2019/20 (KSh. Millions)	2020/21 (KSh. Millions)
Economic policy and national planning	1	Economic policy and national planning	To strengthen the linkage between planning, policy formulation and budgeting at all levels of government	2,289	40,876	42,890

	2. National Statistical Information Services	to enhance evidence based decision making for socioeconomic development	9,609	11,329	4,071
	3. Monitoring and Evaluation Systems	To improve tracking of implementation of development policies, strategies, and programmes and projects	225	215	270
	4. Integrated Regional Development	To promote equitable and sustainable basin based development and land utilization	-	-	-
	5. General Administration, Planning and Support Services - Planning	To enhance efficient and effective service delivery in programmes implementation	360	402	426
Total			**12,697**	**52,823**	**47,660**

The State Department is proposed to be allocated KSh. 52.82 billion in the fiscal year 2019/20 up from KSh. 12.7 billion in the current financial year. The programme under economic policy and national planning has an allocation of KSh. 40.8 billion out of which KSh. 38.9 billion is the proposed allocation to the NG-CDF. The allocation to the programme on the National Statistical Information Services takes up an allocation of KSh. 11.2 billion which is meant for census and surveys.

3.2.2 Key Targets for 2019/20

Target	Allocation (KSh. Mns)	Remarks
1. Establishment and operationalization of 47 county planning offices; provision of technical assistance on development planning to 47 counties under devolution support programme for results	196	The State Department had field offices prior to the advent of devolution. Therefore, this is an attempt to re-establish the national government field presence in Counties.

	Disbursement of funds to fund projects in the 290 constituencies	38,700	This is the proposed allocation to the National Government Constituency Development Fund.
	Production of 3 MTP III progress reports; capacity building of 35 officers on Modeling (T21); organizing and facilitation of NEPAD activities and reporting; 2nd APRM county review report and acceding 13 county governments in the review mechanism; acceleration of 30 Vision 2030 flagship projects and one report.	633	These targets appear more of reporting and logistics. The proposed allocation may be reviewed accordingly to ensure prudence in the use of resources.
	Policy research activities by KIPPRA	486	This is a transfer to the Kenya Institute for public Policy Research and Analysis (KIPPRA)
	Produce 22 policy briefs on population issues; conduct 40 advocacy and sensitization fora on population and development issues; training 200 county government teams and media personnel on population projections and reporting respectively	546	This is transfer to the National Council for population and Development (NCPD). Targets do not appear commensurate with the allocation. Either the targets or the allocation ought to be reviewed.
2.	Conduct the Kenya Population and Housing Census; development of 16 sector statistical plans; among others. Produce 38 various publications on surveys;	8,890 2,439	The total allocation of KSh. 11.3 billion for the Kenya National Bureau of Statistics for the census and surveys.
3.	Holding 1 M&E conference; facilitate 15 counties to use online M&E system; training 47 counties and 100% of MDA staff on the use of e-NIMES; develop an M&E Bill and a national indicators handbook as well as APR on MTP III.	216	This is a proposed allocation to Monitoring & Evaluation Department under the state department for M&E activities.
4.	Human resource support services.	401	Compensation to employees among other services.
	Total	**52,823**	

3.2.3 Project Analysis

The State Department has a total of 18 projects out of which, 15 are ongoing and have been allocated KSh. 42 8 billion which comprises of KSh. 38.7 billion NG-CDF.

3.2.4 Discussion

1. The State Department seems to be planning to establish the County Planning Offices. This a key policy decision that needs to be scrutinized considering the Fourth Schedule with regard to the planning and statistics functions at both levels and also the need for collaboration so as to eliminate duplication.

2. The planned drafting of the Monitoring and Evaluation Bill together with the pending process of approving the attendant policy may require to be expedited so as to facilitate effective monitoring and evaluation of the government policies, projects and programmes. This will go a long way in institutionalizing the professional process of following up of implementation to aid effectual oversight by the legislature.

3 The Kenya Population and Housing Census is slated for the night of 24/25 August, 2019 All planning and preliminary work is on course and the exercise is expected to be conducted as scheduled. The huge junk of the KSh. 11.3 billion allocated to the programme on National Statistical System will be utilized to conduct the Census.

4 The proposed allocation to the National Council for Population and Development (NCPD) of KSh 546 million may need to be reviewed bearing in mind that the targets for 2019/20 such as releasing policy briefs, organizing fora on population issues and trainings on population projections; look like they can easily be achieved with a lower allocation.

3.3 State Department for Devolution

The mandate of the State Department of the Devolution include, devolution policy, intergovernmental relations, capacity building and technical assistance to County Governments, management, monitoring and evaluation of devolution affairs, special programmes, and food relief management and humanitarian emergency response.

In the 2015/16 – 2017/18 MTEF period, the State Department spent a cumulative amount of KSh 8.098 billion and some of the key achievements during the period were signing conditional financing grants for

local economic development projects with 15 counties targeting Big 4, developing policy on establishment of Regional Economic Blocs (REBs); reviewing County Government Act 2012 and Intergovernmental Relations Act 2012 (1st draft), conducting Annual Capacity and Performance Assessment (ACPA) in all 47 counties, reviewing the National Capacity Building Framework (NCBF) (1st draft); finalized verification and documentation of Assets and liabilities for defunct local authorities in all 47 counties which awaiting valuation, registration and transfer; providing relief food to 1 million people in food insecure ASAL counties; and developing framework for establishment of intergovernmental units in both National and County governments.

Some of the challenges encountered during the period include; inadequate funding leading to below target performance and pending bills, inadequate capacity to monitor and evaluate programme activities; uncertainty associated with election periods which negatively impact on programme implementation; high insecurity in some parts of the country which affects the implementation of some projects, high expectation from citizenry with regards to devolution; and low compliance to ethics and integrity standards.

In the FY 2019/20 – 2021/22, the following are the expected outputs; capacity building interventions and technical support to County Governments, support and implementation of investment projects and Local Economic Development projects funded under KDSP and EU respectively, review of devolution laws (County Government Act 2012 and Intergovernmental Relations Act 2012), development of attendant regulations; develop legal and regulations framework for establishment and operationalization of Regional Economic Blocs (REBs), provision of civic education on devolution and development of related frameworks and guidelines, strengthening of intergovernmental relations by institutionalizing Intergovernmental Alternative Dispute Resolution Mechanism, tracking of implementation of the devolved system of government, undertake identification and verification of Assets and Liabilities of parastatals and those of devolved functions undertaken, and provision of relief food to food insecure persons in 29 ASAL Counties

3.3.1 Allocation to programmes (2019/20)

Vote	Programme	Objective	2018/19 (KSh. Millions)	2019/20 (KSh. Millions)	2020/21 (KSh. Millions)
State Dept for Devolution	1. Devolution support services	To effective implementation of the devolved system of government	35,110	7,452	7,554
	2 Management of Intergovernmental Relations	To ensure harmonious intergovernmental relations at national and county levels	-	-	-
	3 General Administration, Planning and Support Services-Devolution	To provide efficient administrative services that would ensure effective execution of technical mandates of the state department	1,498	887	630
	4. Special initiatives	To provide relief and rehabilitation	1,695	54	54
Total			**38,304**	**8,392**	**8,238**

Source: National Treasury (Budget Estimates)

The proposed budget estimates for the State Department for Devolution for the fiscal year 2019/20 is KSh. 8,392 million down from KSh. 38,304 million in 2018/19 indicating a reduction of 78% The proposed allocation comprises of KSh 992 million recurrent expenditure and KSh. 7,400 million development expenditure

The Devolution support services programme is proposed to be allocated KSh. 7,452 million out of which Ksh 6,800 million will be allotted to capacity building and civic education This includes activities such as development and implementation of a devolution performance management system, implementation of a devolution knowledge management framework, annual capacity and performance assessment for KDSP, training on self-assessment and capacity building interventions to counties provided (KDSP) among others.

The General administration, planning and support services programme is proposed to be allocated KSh. 887 million Out of which, KSh. 321.2 million has been allotted to human resource and support services such as the carrying out of work environment, customer service and employee satisfaction surveys. KSh. 562 9 million has been apportioned to finance management services such as the implementation of devolution tracker, the MTEP budget and Agro-processing projects under Instrument for Devolution Advice (IDEAS) among others.

3.3.2 Key targets for 2019/20

Target	Allocation (KSh. Mns)	Remarks
1. Development of a policy/legal framework submitted to cabinet for Regional Economic Blocs (REBs) and the monitoring and evaluation of devolution programmes.	128	The development of policy or legal framework on the Regional Economic Blocs need not take such amount of resources. May be reviewed.
Intergovernmental relations through development of consultative sectoral forums regulations, facilitation of annual devolution conference, facilitation of inter-ministerial coordination forums and the intergovernmental consultative sectoral forums for 14 sectors.	426	These targets appear not commensurate with the proposed allocation and may need to be reviewed.
Development and implementation of a devolution performance management system, implementation of a devolution knowledge management framework, annual capacity and performance assessment for KDSP, training on self-assessment and capacity building interventions to counties provided (KDSP)	6,832	a significant amount of this allocation is donor funded for the implementation of the devolution related projects.
Kenya symbiocity programme in order to establish and developed urban structures and plans The UNDP support to devolution programme aims to create a legislation to facilitate transfer of functions and powers and conduct devolution studies and implement recommendation from the research.	47	KSh. 20.3 million to Kenya symbiocity programme and KSh. 27 million UNDP on the support to devolution programme.
2. Work environment, customer service and employee satisfaction survey conducted.	321	
Implementation of devolution tracker and the MTEP budget.	41	
Agro-processing projects. IDEAS – Instrument for Devolution Advice and support through agro-processing projects	522	
Development, installation and roll out of a web-enabled devolution MIS database as well as installation/ upgrade of LAN and WAN	3	

Target	Allocation (KSh. Mns)	Remarks
3. Provision of food to food insecure populations in ASALs counties and examination and appraisal as well as rehabilitation activities in 23 ASAL counties.	54	
Total	**8,392**	

3.3.3 Discussion

i) The identification and verification of the assets and liabilities exercise should be expedited considering that it ought to have been done immediately before devolution so as each level of government start with full knowledge of which assets and liabilities are accorded.

ii) The core function of this State Department still seems to be training and capacity building of counties Six (6) years of implementing devolution should be enough time those activities as capacity building should be down-scaled substantially in order to channel resources to other more deserving programmes

3.4 Commissions and Independent Office

3.4.1 The Controller of Budget

The office is mandated to authorize Exchequer releases for National and County Governments, and report on the budget implementation

In the previous MTEF period (2015/16 – 2017/18) the office of the Controller of Budget published the statutory budget implementation reports; approved Exchequer releases to national government and county governments; sensitized the public on the mandate of the office; analyzed and provided advice on the need to reduce unrealistic revenue projections among others.

Some constraints experienced during this period included: delays in submission of expenditure returns by some MDAs; lack of public awareness on their rights and role in the budget making process, lack of clear guidelines on public participation forums and delays in publishing and publicizing the Quarterly Budget Implementation Review Reports due to incomplete submission of financial reports by some MDAs.

The Office intends to conduct monitoring and evaluation of projects in 47 counties and conduct research on budget implementation in additional to the usual functions of approving exchequer releases and budget implementation reporting

3.4.2 The Salaries and Remuneration Commission

The Commission is mandated to set and regularly review the remuneration and benefits of State Officers, and also to advice the National and County Governments, on the remuneration and benefits to all other public officers.

The Commission spent a total of KSh. 1.818 billion in the MTEF period 2015/16 – 2017/18 and achieved the following: the Job Evaluation for the entire public service was completed; 466 advisories on remuneration and benefits were issued, reviewed remuneration and benefit structure for the State Officers as well as reviewing allowances in the public service, developed wage bill forecasting model, conducted compliance checks and developed compliance register and harmonized collective bargaining agreements.

Some challenges experienced in this period comprised of: non-compliance with the advisory on the collective bargaining agreements management, litigations and industrial unrest; increased number of employees in the public service. The challenges will addressed through capacity building and stakeholder engagements

In the MTEF period 2019/20 -2021/22, the Commission plans to issue Collective Bargaining Agreement advisories as well as Remuneration and Benefits advisories and circulars having completed the salary structure for state officers, carrying out compliance audits in 344 counties and MDAs, conducting quarterly wage bill forecasts and drafting remuneration and benefits Bill, develop framework for rewarding productivity, rationalize allowances in the public service, implementation of Job Evaluation and reviewing the remuneration and benefits structure for state officers.

3.4.3 The Commission on Revenue Allocation

The Commission is established by Article 215 of the Constitution and Article 216 provides for the functions, as also expounded in the Commission on Revenue Allocation Act.

In the 2015/16 – 2017/18 MTEF period, the Commission spent KSh. 992 million and achieved the following: recommendations on revenue sharing between the two levels of government; developed the second policy of identifying marginalized areas; reviewed 37 County Finance Bills and 11 annual development plans (ADPs) as well as County Fiscal Strategy papers (CFSPs) among others.

The Commission intends to produce one marginalization master plan in 2019/20, annual recommendation of recurrent ceiling, inducting of County Budget and Economic Forum, one framework for financing urban areas and cities, a recommendation for sharing of natural resources revenue and a recommendation of sharing of revenue between the National and County Governments.

3.4.4 Allocation to programmes

Votes	Programmes	Objectives	2018/19 (KSh. Millions)	2019/20 (KSh. Millions)	2020/21 (KSh. Millions)
Commission on Revenue Allocation	Inter government revenue and financial matters	To ensure equitable vertical and horizontal sharing of resources; promote good financial management; enhance revenue collection by both levels of government governments; and narrow marginalization gap	421	457	490
Salaries and Remuneration Commission	Salaries and Benefits Management in the Public Service	To ensure a dynamic and harmonized competitive remuneration structure in the public service that rewards productivity, attract and retains required skills; is transparent and also fiscally sustainable	549	649	604
Controller of Budget	Control and Management of Public finances.	To promote prudent public financial management by authorizing withdrawals from Public Funds and reporting on budget	602	703	745

		implementation to National and County Governments to Parliament			

3.4.5 Key Targets

Target	Allocation (KSh. Mns)	Remarks
1. Controller of Budget	**703**	
Timely approval of Exchequer requisitions (within a day) and processing and approving 10 files; Processing and approving 100 public debt files each within 5 days; Processing 600 pensions and gratuity files within 5 days	219	These targets appear more of desk work and logistics. Therefore, this allocation may need to be adjusted accordingly.
Produce 8 reports on budget implementation and hold 2 forums on sensitization regarding budget implementation	47	The budget implementation report will be more useful for oversight if they contain achievement of the targets. That is, both financial and non-financial performance.
Human resource services	414	This is the allocation for compensation to employees as well as other operating expenses.
Produce one report on survey regarding budget implementation and produce 24 M&E reports	21	
2. Salaries and Remuneration Commission	**650**	
Issue 1 advisory and circular on remuneration and benefits; issue 1 CBA advisory, conduct 47 compliance audits in counties, 110 in state	650	Some of the targets appear may need to be reviewed. For instance, • the drafting of the Remuneration and Benefits Bill is a policy

corporations, 21 in state departments, 16 in independent offices and Commissions, and build capacity in 150 institutions; Draft 1 Remuneration and Benefits Bill; Incorporate 2 public institutions into the public service wage bill database; Conduct 4 (quarterly) wage bill forecasts, process 20 job evaluation appeals and carry out 10 new job evaluations; and Develop a curriculum on remuneration and benefits management and use it to train 68 institutions.		function of the National Treasury. • the wage bill forecasting does not seem to be in a position to address the mandate of the Commission.
3. The Commission on Revenue Allocation	**456**	
Administrative services	399	
Provide a recommendation on revenue sharing formula; disseminate the 3rd Generation Revenue Sharing Formula; produce a framework on financing cities and urban areas as well as 2 recommendations on natural resources sharing	23	
Recommendation on recurrent ceiling for counties; make 47 recommendations on CIDPS, ADPs, CFSPs and county budgets and induct 47 CBEFs	16	
Disseminate the 2nd policy on marginalized areas, complete 80% marginalization master plan & report on the impact of marginalization policy.	18	

4. SUMMARY OF KEY ISSUES

4.1 Assets and Liabilities register by the State Department for Devolution

The exercise of identification and verification of the assets and liabilities that is slated to be undertaken by the State Department should be expedited considering that it ought to have been done immediately before devolution to enable each level of government to know their assets and liabilities before hand for better planning, budgeting and proper management of public affairs This important exercise is still pending 6 years into devolution and therefore, ought to be accelerated.

4.2 Stalled Projects versus the total number of project portfolio especially under the National Treasury & Planning

It has been reported that on overall, there are a total of 545 stalled projects whose total estimated cost is KSh. 365.9 billion (KSh 286 9 GoK and KSh 78 9 billion foreign financing) and some of them are as old as 10 years to date The longest was expected to be completed in around 2022, three years away. However, only KSh. 72.5 billion has been spent by June, 2018 leaving a balance of a whooping KSh 293.4 billion. The total project portfolio is more than 1,000 which are at different stages of implementation.

There is a possibility that there could be more projects which seem to be ongoing but exhibiting characteristics of stalling and they have not been documented as yet. Therefore, a decision may need to be made on the fate of these 545 projects and other potential ones which may be at the verge of stalling, bearing in mind the attendant risks associated with keeping the contact active but not the work itself.

The National Treasury has a total of 36 projects (KSh. 33.6 billion) and Planning 16 projects (KSh. 40.9 billion) on 2019/20 It is noted that most of these projects have been in the ongoing for so many years which is likely to occasion cost escalation risks Prioritization will also help to reorient resources towards fewer projects to their logical conclusion before commencing the next batch. It is noted that the project list submitted together with the estimates lacks basic details such as the total cost of projects and implementation status

It may also be imperative to explore the possibility of remodeling county governments to be the real economic development centres as opposed to be replicating the national government. For instance, an amendment to Section 15 of the Public Finance Management Act, 2012 on capital expenditure cap

4.3 Salaries and Remuneration Commission (SRC) on Wage Bill

The Commission intends to, among other things, develop a wage bill forecasting model, enhance compliance checks on the Commission's advisory, develop legal framework for managing remuneration and benefits These roles appear to be misplaced considering the Commission's mandate

The public wage bill has been on an upward trajectory since 2013 to-date. The mandate of SRC revolves around containing the public wage bill through the job evaluations among other measures. However, it is clear that job evaluations and harmonization of benefits to employees may not be the solution to the run-away wage bill both at the national and near-unsustainably at county levels. This may be due to the fact that the Commission does not have control on the number of employees in various government organizations.

A policy direction may be explored whether the proposed activities and targets such as development of legal framework for the Management of the remuneration and benefits (Remuneration and Benefits Bill) as well as the investment in developing and maintaining a wage bill forecasting model among other targets for 2019/19 are in line with the Commission's mandate.

4.4 Mandate of the Commission on Revenue Allocation (CRA)

In the previous Medium Term Expenditure Framework, that is 2015/16 – 2017/18, some of the activities reported to have been carried out by the Commission included reviews of Division of Revenue and County Allocation of Revenue Bills, reviewing 37 county finance Bills, 11 Annual Development Plans, and County Fiscal Strategy paper, which are off course in line with the Commission's mandate. These are very important activities that ought to be done to ensure that Counties are given proper guidance and advice in the management of public finances.

4.5 Budget implementation reporting by the Controller of Budget (CoB)

The Controller of Budget is required, by law, to report to Parliament and the legislative assemblies in county governments, the budget implementation. Nevertheless, it has been noted that the reporting only contains the financial performance leaving out the non-financial performance Therefore, it is imperative for the office to start analysing and reporting on the quarterly achievement of targets and key performance indicators This will facilitate effective oversight by the legislature

5. POLICY OPTIONS

In view of the summary of analysis of the BPS 2019, the following policy options may be considered by the Committee.

1 Approve the budget estimates for the Votes as presented This can be done if the 2019/20 budget estimates are fully in line with the Committees views including that of stakeholders The National Assembly has power to review, scrutinize and make amendments where it is deemed necessary (Option2)

2. Propose adjustments to the proposed allocations to the programmes and projects: this process will be a culmination of analysis and engagement of the relevant agencies and stakeholders by the Committee and proposing requisite amendments to the 2019/20 budget estimates.

6. CONCLUSION

The 2019 budget estimates for 2019/20 has presented a means of re-orienting budgetary resources towards the implementation of the "Big Four" economic plan together with the six enablers, which are the main focus in the flagship projects prioritized in the Third Medium Term Plan of the Kenya Vision 2030. Therefore, the success of this year's budget and by extension that of the Vision will be anchored on meticulous implementation of the planned projects and programmes through partnership and collaboration between the two levels of government and also among the county governments.

ANNEX VI
LIST OF RECONCILABLE DEVELOPMENT PROJECTS

Name of the project	Source	Start Date	Expected of Completion	Status	Budget Allocation (2018/19)	Budget Allocation (2019/20)	Budget Allocation (2020/21)	Total Cost (Estimated) KSh. M
The National Treasury								
D1071/1 Construction and Refurbishment of Sub-County Treasuries	GoK	2015	2022	Ongoing	85	54	54	1,860
D1071/2 Establishment of Secure & Coordinated Border Control Point	GoK	2015	2021	Ongoing	150	250	250	1,102
D1071/3 Construction of Alternate Data Recovery Centre	GoK	2015	2023	Ongoing	150	250	250	1,236
D1071/4 Infrastructure Finance & PPP Projects	Foreign			Ongoing	323	189	189	
D1071/5 Professional capacity building program for policy analyst	GoK	2016	2022	Ongoing	50	50	50	880
D1071/6 Enterprise resource planning and customer relations mgt systems	GoK	2016	2022	Ongoing	150	250	250	1,045
D1071/7 Treasury-Bima-Herufi Security System: Car Scanners, Fire Systems, CCTV	G0K			Ongoing	100	100	100	
D1071/8 Rehabilitation & Expansion of Herufi Data Centre	GoK	2014	2022	Ongoing	70	70	70	3,550
D1071/9 Regional Integration Implementation Programme	Foreign			Ongoing	250	250	250	
D1071/10 Replacement of four lifts at BIMA	GoK	2018	2019	Ongoing	50	-	-	70
D1071/11 Development, & Implementation of IFMIS Academy & Oracle SOA Suite	GoK	2014	2023	Ongoing	415	425	425	1,546
D1071/12 Procurement of County point to point connectivity for IFMIS system	GoK	2016	2022	Ongoing	200	200	200	900

D1071/13 Provision of Procure to Pay - System Integrator for Parastatals	GoK	2017	2022	Ongoing	300	300	300	1,479
D1071/14 Dev't of integrated unclaimed financial assets reporting systems	GoK	2015	2022	Ongoing	50	50	50	250
D1071/15 Establishment of regional offices – PPOA	GoK	2015	2022	Ongoing	240	300	300	1,328
D1071/16 Single Window Support Project	GoK	2014	2022	Ongoing	300	300	300	3,000
D1071/17 Study and capacity building III	GoK	2017	2021	Ongoing	10	10	10	38
D1071/18 Technical support programme ERD	Foreign	2017	2020	Ongoing	20	20	20	150
D1071/19 Support to PFMR	GoK/Foreign	2014	2022	Ongoing	1,233	1,233	1,233	7,269
D1071/20 Financial Sector Support Project – FSSP	Foreign	2015	2023	Ongoing	866	584	584	2,705
D1071/21 Equity acquisition and maintenance in TEAMS	GoK	2016	2022	Ongoing	80	80	80	400
D1071/22 Infrastructure Finance & PPP Project 2	Foreign			Ongoing	443	310	310	
D1071/23 Strategic Investments in Public Enterprises	GoK	2014	2025	Ongoing	3,700	3,000	700	77,675
D1071/24 Development of market openness gauge system	GoK	2016	2022	Ongoing	55	55	55	375
D1071/25 micro-finance sector support PROFIT	GoK/Foreign	2016	2021	Ongoing	355	-	-	3,364
D1071/26 Special Global fund - Malaria grant Ken-M	GoK/Donor	2021	2120	New	2,237	927	-	3,901
D1071/27 Special Global fund - HIV/AIDS grant Ken-H	GoK/Donor	2017	2021	New	8,201	9,361	5,602	23,157
D1071/28 Special Global fund - TB grant Ken-T	GoK/Donor	2017	2021	New	1,014	1,014	524	2,552
D1071/29 Document management system	GoK	2017	2020	Ongoing	50	50	50	268
D1071/30 Renewal of oracle licenses and provision of IFMIS support on application and hardware	GoK	2014	2023	Ongoing	50	50	50	3,800

D1071/31 Civil contingency fund transfers	GoK	2018	2019	Ongoing	5,000	5,000	5,000	30,000
D1071/32 Regional Integration Implementation Programme	GoK	2016	2019	Ongoing	200	200	200	1,157
D1071/33 Equalization fund transfers	GoK	2017	2022	Ongoing	5,765	8,601	9,470	42
D1071/34 Equity and subscription in international financial institutions	GoK	2016	2023	Ongoing	1,120	1,120	1,120	20,988
D1071/35 Replacement of 4 lifts in Bima House	GoK			Ongoing	50	-	-	
D1071/36 Water Reticulation Works at Treasury, Bima and Herufi Houses	GoK	2016	2022	Ongoing	280	280	140	900
Total for D1071					**33,612**	**34,933**	**28,185**	**196,988**
State Department for Planning								
D1072/1 Devolution Support Programme for Results	GoK	2017	2022	Ongoing	60	91	54	420
D1072/2 Community Empowerment and Institutional Support Project	GoK	2009	2017	Ongoing	33	35	35	212
D1072/3 NGCDF	GoK	2003	-	Ongoing	38,750	40,750	40,750	900,000
D1072/4 Macroeconomic Planning & Integration Relations	GoK/Foreign	2015	2021	Ongoing	52	53	67	1,400
D1072/5 ACBF Support to KIPPRA	GoK	2011	2019	ongoing	53	53	76	579
D1072/6 Economic Empowerment Project	GoK	2013	2021	Ongoing	4	4	4	582
D1072/7 Social Policy & Research HQ	Foreign	2006	2020	Ongoing	12	12	12	200
D1072/8 Integration & Coordination ICPD POA-NCAPD	GoK/Foreign	2011	2019	Ongoing	215	159	159	2,699
D1072/9 Data collection and Data Base Development	Foreign	2012	2022	Ongoing	67	6	6	277
D1072/10 Social Policy & Statistics KNBS	Foreign	2110	2020	ongoing	13	13	13	135

D1072/11 KNBS - Census	GoK	2010	2021	ongoing	20	29	59	550
D1072/12 Kenya Statistics Programme for Results	GoK	2015	2021	Ongoing	1,389	1,389	1,389	8,334
D1072/13 NIMES HQ	Foreign	2011	2021	Ongoing	95	115	136	1,331
D1072/14 M&E Durectorate HQ	Foreign	2009	2019	Ongoing	7	9	9	100
D1072/15 Social Policy MED HQ	Foreign	2009	2019	Ongoing	2	6	6	213
D1072/16 National Food & Nutrition Project – KNBS	Foreign				90	90	90	
D1072/17 Making Every Woman and Child Count	Foreign				5	5	5	
D1072/18 Child Sensitivity Budget Analysis	Foreign				53	-	-	
Total for D1072					**40,921**	**42,819**	**42,870**	**917,031**

MINISTRY OF DEVOLUTION AND ASAL

STATE DEPARTMENT OF DEVOLUTION

Capital Projects/Program Budget Allocations 2019/2020 FY

Development Vote

Program Details	Component Type	Approved 2018/19 FY [Kshs]	Draft Estimates 2019/20 FY [Kshs]	Status	Linkages with BIG Four plan
Kenya Symbiocity Programme	Donor	114,300,000	20,300,000	On-going	Housing providing technical support urban planning to seven counties
Kenya Devolution Support Program(Pfo R) [KDSP]	County Transfers	6,300,000,000	6,000,000,000	On-going	Supports the big four under food secutity, health and manufacturing
	G O.K	833.597,126	832,000,000	On- going	
UNDP-Support to Devolution Programme	Donor	50,000,000	-	Phase I Ended the second phased to be launched with 2019/20FY	Supports policy issues
	G O K	27,000,000	27,000,000		
Instruments for Devolution Advice and Support [IDEAS] Program	Donor	173,000,000	521,699,933	On-going	Funding from European Union
MT ASAL Programme[MTAP 111]	Donor	3,072,874	-	Ended was to pay refund for balances	
National Constituency Development Fund	G.O K	33,286,162,000	-	Transferred to State Department for planning	
TOTAL EXPENDITURE D.1032 [Kshs]		**40,787,132,000**	**7,400,999,933.00**		

ANNEX VII

REPUBLIC OF KENYA

NATIONAL ASSEMBLY
DEPARTMENTAL COMMITTEE ON FINANCE & NATIONAL PLANNING
ADOPTION SCHEDULE

ADOPTION SCHEDULE FOR THE REPORT ON THE CONSIDERATION OF ANNUAL BUDGET ESTIMATES FOR THE FY 2019/20

DATE: 29TH MAY, 2019

NAME	SIGNATURE
1. HON. JOSEPH K. LIMO, MP – CHAIRMAN	
2. HON. ISAAC W. NDIRANGU – VICE-CHAIRMAN	
3. HON. JIMMY O. ANGWENYI, MP	
4. HON. CHRISTOPHER OMULELE, MP	
5. HON. SHAKEEL SHABBIR AHMED, MP	
6. HON. DR. ENOCH KIBUNGUCHY, MP	
7. HON. ABDUL RAHIM DAWOOD, MP	
8. HON. DANIEL E. NANOK, MP	
9. HON. ANDREW A. OKUOME, MP	
10. HON. DAVID M. MBONI, MP	
11. HON. KURIA KIMANI, MP	
12. HON. JOSEPH M. OYULA, MP	
13. HON. JOSHUA KANDIE, MP	
14. HON. LYDIA H. MIZIGHI, MP	
15. HON. MOHAMED ALI, MP	
16. HON. PURITY NGIRICI, MP	
17. HON. SAMUEL ATANDI, MP	
18. HON. STANLEY M. MUTHAMA, MP	
19. HON EDITH NYENZE, MP	

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

THE DEPARTMENTAL COMMITTEE
ON
LABOUR AND SOCIAL WELFARE

REPORT ON THE SCRUTINY OF THE 2019/20 BUDGET ESTIMATES FOR THE FOLLOWING SPENDING AGENCIES:

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

Directorate of Committee Services
Clerks Chambers
Parliament Buildings
Nairobi

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PART I

1.0 PREFACE

Mr. Chairman,

On behalf of the Departmental Committee on Labour and Social Welfare and pursuant to provisions of standing order number 207 (6), it is my pleasant privilege and honor to present to the Budget and appropriations Committee the report of the Committee on its Considerations of the annual estimates of 2018/19 and the medium term.

1.1 Mandate of the Committee and Membership

The Committee on Labour and Social Welfare is one of the Departmental Committees of the National Assembly established under Standing Order 216 and mandated:

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

Committee Membership

The Committee comprises the following Members:-

Chairperson: **The Hon. Ali Wario, MP**

Vice Chairperson: **The Hon. Joyce Korir, MP**

Members:

The Hon. Gladys Wanga, MP

The Hon. Janet Marania Teyiaa, MP

The Hon. Janet Nangabo Wanyama, MP

The Hon. Ronald Kiprotich Tunoi, MP

The Hon. James Onyango Koyoo, MP

The Hon. Rose Museo, MP

The Hon. Alfred Kiptoo Keter, M.P

The Hon. Charles Kanyi Njagua, MP

The Hon. Catherine Wambilyanga, MP

The Hon. Fabian Kyule Muli, MP

The Hon. Ole Sankok David, MP

The Hon. Abdi Mude Ibrahim, MP

The Hon. Michael Mwangi Muchira, MP

The Hon. Safia Sheikh Adan, MP

The Hon. Tom Odege, MP

The Hon. Wilson Sossion, MP

The Hon. Omboko Milemba, MP

Committee Secretariat

1. First Clerk Assistant	Mr. Adan Gindicha
2. Third Clerk Assistant	Mr. John Mugoma
3. Legal Counsel	Ms. Doreen Karani
4. Research Officer	Mr. Said Osman
5. Fiscal Analyst	Ms. Amran Mursal.

1.1 Overview of the examination of the Estimates

The Budget estimates were submitted to the National Assembly pursuant to Article 221 of the Constitution of Kenya and Standing Order 235 and subsequently tabled on the floor of the House on 30th April 2019. The Committee held a total of seven consultative meetings; these were preceded by a briefing by the Parliamentary Budget Office. The Committee held meetings with the spending agencies under its purview. The agencies include the State Department for Labour- Vote 1184, State Department for Social Protection- Vote 1185, State Department for Youth Affairs- Vote 1211, State Department for Gender – Vote 1212, State Department for ASAL – Vote 1035 and National Gender and Equality Commission – Vote 2141.

Committee Recommendations

In its consultations and deliberations, the Committee made the following Recommendations, THAT:

A. Policy and Structural Recommendations

I. State Department for Labour

1) The Public Service Commission should review the freeze on employment by State Departments, especially of technical cadres of staff. The succession crisis in the public service will worsen in the next few years with the retirement of thousands of workers without replacement.
2) The State Department for Labour should prioritize the issue of labour export to Saudi Arabia, Qatar and United Arab Emirates to help combat the challenge of youth unemployment. The Ministry should also fast track the signing of the agreements with Bahrain and Kuwait which it reported to be at an advanced stage.

II. State Department for Social Protection

1) The contracts between the State Department for Social Protection and the Multiple Payment Service Providers (MPSPs) for the consolidated cash transfer programme (InuaJamii) should be reviewed with a view to ensure that the

Government does not lose any money through the contracts and that the service is efficient and effective.

2) The State Department for Social Protection should fast track the amendments to the Social Assistance Act in order to operationalize the same.

III. State Department for Public Service and Youth

1) Stringent measures be put in place as the NYS engages in commercial ventures to ensure that whatever ventures are established are viable and make economic sense.

2) The budgetary allocation for the National Youth Council (NYC) should be enhanced so that it can have a national outreach through presence in each county. It was particularly noted the current allocation can hardly meet even the operational expenses at the headquarters.

IV. State Department for Gender

1) The merger of the various affirmative action funds should proceed provided that that it does not miss out on the affirmative aspect. The Committee recommends that WEF be merged with Uwezo Fund, but the Youth Fund be retained as it is currently, but with an enhanced allocation to reach more youth.

2) The management of the provision of the sanitary towels project be transferred to the National Government Affirmative Action Fund (NGAAF) to ensure that it reaches the grassroots. This will ensure more accountability.

V. State Department for ASAL

The process of developing the single registry for the National Safety Net Program should be fast tracked to enhance its efficiency.

B. Financial Recommendations:

The committee recommended the approval of allocation as indicated;

1.State Department for ASAlKshs 4,919,812,570

2.State department for youth Kshs 17,395,362,000

3.State Department for Gender Kshs 4,343,382,764

4.State department for labourKsh 6,233,470,000

5.State Department for social protection and Pensions & Senior Citizens AffairsKshs 33,712,629,200

6. National Gender and Equality Commission Kshs 492,930,000

Details of changes recommended by the committee

	Proposed Reduction				
	Vote	**Programme**	**2019/20 Estimates**	**DC's Proposed Reduction**	**Justification**
1	State Department for Youth	Youth Empowerment programme	6,454,640,000 (Development)	600,000,000	Reduction in the Ksh. 3.405 Billion allocation for NYS Youth Empowerment in 69 informal settlements sub-programme
2	State Department for Gender	Gender Empowerment Programme	1,178,079,125 (Recurrent)	100,000,000	Reduction from the operations and maintenance of Women Enterprises Fund.The department will use the resources that they will collect as AIA.(Kshs 135 million is projected to be collected from receipts and Administration fees and Charges)
	Total Reductions			**700,000,000**	
	Proposed Increments				
	Vote	**Programme**	**2019/20 Estimates**	**DC's Proposed Increments**	**Justification**

1	State Department of Labour	Manpower development, employment and productivity management Programme.	1,487,118,434 (Recurrent)	176,000,000	Ksh. 46 Million for staff recruitment. There are low staff levels at 243 in post out of 1182 authorized; the department is grossly understaffed especially in the technical cadre which hinders realization of the state department's strategic objectives. More staffs in technical and administrative areas are required in order to bridge the gap and to ensure smooth succession.
					Ksh. 50 Million the National Employment Authority. The increase meant for streamlining foreign employment with the intention of enhanced exploration of new countries for Kenyans to seek employment such as Middle East and Canada among others.
					Ksh 30 million for strengthening Institutions of social dialogue in the promotion of the best labour practice programme and Kshs 50 million for productivity improvement and enhancing skills to actualize the big four
4	State Department for Social Protection, Pensions & Senior Citizens Affairs	Social Development and Children Services Programme	1,083,100,000 (Development)	8,750,000	Increase by Ksh. 4.25 Million for completion of construction of Garissa county's children office; Ksh. 4.5 Million for construction of Perimeter wall for Kisumu children remand home
			3,292,345,918 (Recurrent)	300,000,000	Ksh. 250 Million for Child Welfare Society of Kenya to implement the Moratorium on resident and inter-country adoption by developing policy and legal framework to guide in the implementation of the Moratorium's. 50 Million for the National Council for Children Services owing to its new status as a parastatal. Its allocation stands at only 46 million in the printed estimates
7	State Department for Youth	Youth Empowerment Programme	6,454,640,000 (Development)	105,250,000	Ongoing projects on construction of youth empowerment centres
			11,405,472,000 (Recurrent)	30,000,000	For the operationalization of the National Youth Council
9	State Department	Gender Empowerment	1,178,079,125 (Recurrent)	20,000,000	Additional allocation for sanitary towels

	for Gender	Programme			
10	National Gender and Equality Commission	Promotion of Gender Equality and Freedom from Discrimination programme	428,930,000 (Recurrent)	60,000,000	To enable the Commission to effectively carry out its mandate specifically to audit investments on conservation of the environment and uptake of green energy by vulnerable population. The intention is to increase the number of Special Interest Groups (SIG) access and utilize green energy through advisories to relevant government institutions
	Total Increments			**700,000,000**	

1.2 Acknowledgements

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2019/2020 Budget Estimates.

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

It is my pleasant duty and privilege, on behalf of the Departmental Committee on Labour and Social Welfare to submit its report on the scrutiny of the 2019/2020 Budget Estimate.

Signature: ..... **Date:** 28/05/2019

THE HON. ALI WARIO, M.P.

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

PART II

2.0 HIGHLIGHTS OF 2019/20 BUDGET ESTIMATE AND OVERVIEW OF THE SECTOR.

a) The total budget for the three arms of Government including the County Equitable allocation and the Consolidated Fund Services (CFS) during the FY 2019/2020 is estimated at Ksh.3.03 trillion. This is a 2.3% reduction from the 2018/19 budget; mainly due to reduced allocation to CFS. As a share of GDP, the overall budget has reduced from 32% to 28% in nominal terms.

b) It is worth noting that the ministerial recurrent budget has increased significantly. The bulk of recurrent spending (57.7% total MDAs recurrent budget) is under the State Department of Interior (policing services programme), the Ministry of Defence (Defenceprogramme), the State Department of Early Learning and Basic education (secondary education programme), the National Treasury (general administration and support services programme) as well as the Teachers Services Commission (Teachers resource management programme).

c) On the other hand, the bulk of development expenditure (45% of total MDAs capital budget) is accounted for by the State Department of Infrastructure under the program of road transport, the State Department of Transport under the program of rail transport, the Ministry of Water and Sanitation under the program of water and sewerage infrastructure development, State Department of Energy under the program of power transmission and distribution as well as the state department for housing and urban development.

d) In the 2019/20-2021/22 Medium Term Expenditure Framework (MTEF) period, the Sector's main focus will be to implement policies, Programmes and projects outlined in the Third Medium Term Plan 2018-2022 of the Kenyan Vision 2030 and the identified "Big Four" initiatives.

e) According to the Kenya Integrated Household Budget Survey 2015/16, poverty levels in Kenya fell by 10% from 46% in 2005 to 36% in 2015. Majority of the poor are however found in the ASAL areas and informal settlements in the urban areas.

f) Other segments of population who need social protection include; the Elderly, Orphans and Vulnerable Children (OVC) and Persons with Disabilities (PWDs). The population which is 70 Years and above is estimated to be 1.3 million, which is 2.6 % of the total population; the estimated number of OVC in Kenya is about 706,014 which is 1.4 % of population; and the PWDs. According to the World Health Organization (WHO), there are 4 million persons living with disabilities, which is 10% of the population. All these categories of vulnerable persons require special interventions by the Government for sustainable livelihood.

g) Despite the critical role played by the Social Protection sub-sector in national development, it faces various challenges which include: weak legal and policy framework to regulate the sector; increased demand for social protection among the vulnerable groups; increased backlog of labour-related disputes at the Employment and Labour Relations Court due to lack of Alternative Dispute Resolution Mechanism.

h) The State Department for Social Protection was implementing the Kenya Social Economic inclusion programme whose objective is to upscale the ongoing cash transfer programme. The Department has secured a donor funding to the tune of 2.154 billion Kshs and requires counterpart funding to unlock the same. The project aims at strengthening social protection delivery systems, increasing access to social and economic inclusion interventions and improving shock responsiveness of the safety net system. The donor component includes 2.154billion in the 2019/2020 Financial Year, 1.456 billion in 2020/2021 and 1.105 billion in 2021/2022.

i) The sector remains underfunded with all the MDAs under the purview of the Committee reporting huge gaps in their budgetary allocations. In some cases, allocations are only enough for salaries rendering the agencies ineffective.

j) There is a clear challenge on succession across the board with all the MDAs reporting cases of aging staff and inadequate technical personnel.

k) The National Safety Net Program is being implemented across two State Departments. The cash transfer for the elderly, Orphans and vulnerable Children and Severely Disabled is implemented by the State Department for Social Protection, while the Hunger Safety Net is being run by the State Department for ASAL. This could lead to duplication of effort.

l) Under the new Act, the National Youth Service (NYS) is allowed to engage in commercial activities. The agency is considering taking up the Rapid Bus Transit Program (RBT) and Provision of Security Service to Government Institutions and Buildings on Commercial basis. However, there is need to develop strict guidelines to safeguard the envisaged projects from possible abuse of public funds.

m) The total Sector Pending Bill is **Kshs. 10,529, 654, 869.00** of which State Department for Gender is **Kshs. 776, 600**; State Department for Labour is **Kshs. 12, 671, 030** and State Department for Youth **Kshs. 10, 516, 207, 239.**

2.1 Vote by Vote Review

2.1.1 State Department for Labour

The budgetary allocation for the State Department over 2015/16-2017/18 MTEF period was **Kshs. 1.99billion**, **Kshs.2.25 billion** and **Kshs.2.29 billion** for the FY 2015/16, 2016/17 and 2017/18 respectively. Over the same period of time, actual expenditure was **Kshs.1.71**

billion,Kshs.1.73 billion and **Kshs. 2.00 billion** representing absorption rate of 87%, 77% and 87% of the budgeted funds respectively.

Programme and project performance for the first half FY 2018/2019

1. The State Department for Labour had an approved allocation of **Kshs. 4,086.56 million** in the 2018/19 Financial Year, which includes: **Kshs.2,537.16 million** for recurrent expenditure and **Kshs. 1,549.40 million** development expenditure.

2. Out of the recurrent budget allocation, **Kshs. 190 Million** was allocated to National Employment Authority (NEA) and **Kshs. 748 Million** to the National Industrial Training Authority (NITA).

3. Out of **Kshs. 1,549.40 Million** under Development **Kshs. 890 million** was allocation towards World Bank Funded Project - Kenya Youth Employment and Opportunity, **Kshs. 267.40 million** for the establishment of National Labour Market Information System (LMIS) and **Kshs.145.50 Million** for the construction of occupational safety & health institute Phase I.

Proposed Budget Estimates for the FY 2019/2020

a) The State Department has a total proposed allocation of **Kshs. 6.06 billion** out of which **Kshs. 3.29 billion** is development expenditure while **Kshs. 2.77 billion** is recurrent expenditure. This is an increase of **Kshs. 1.97 billion** when compared to the **Kshs. 4.09billion** allocation in the FY 2018/2019.

b) The increase in the budget is majorly in development expenditure in which it is as a result of budget increment under the Kenya youth empowerment and opportunities project which has increased from **Kshs. 890 million** to proposed allocation of **Kshs. 2.37 billion**. The Project aims at addressing skills mismatches amongst the youth through involving and

engaging training providers and private sector employers to offer training and work experience

Recurrent Expenditure

i. Total proposed recurrent expenditure for the FY 2019/2020 is **Kshs. 2.77 billion** in which **Kshs. 1.25 billion** (45%) is allocation towards current transfers to government agencies, **Kshs. 780.29 million** is use of goods and services and **Kshs. 712.83 million** is compensation to employees.

ii. The National Employment Authority has a proposed allocation of **Kshs. 200 million** of which **Kshs. 20 million** is A-I-A, National Industrial Training Authority has a proposed allocation of **Kshs. 1.04 billion** o/w **Kshs. 723.31 million is A-I-A.A-IA is mainly from the fees they charge.**

Development Expenditure

i. Total proposed development expenditure for the state department in the FY 2019/2020 is **Kshs. 3.29 billion** in which **Kshs. 2.37 billion** (72%) is allocation towards the donor funded Kenya Youth Empowerment and Opportunities project. **Kshs.685.43 million** is allocated towards acquisition of non-financial assetswhich includes construction of buildings, purchase of vehicles, specialized plant, equipment and machinery.

ii. The following are some of the Proposed Programmes and the targets the State Department plans to undertake in the FY 2019/2020. Under the promotion of best labour practices Programme, the State Department has an allocation of **Kshs. 779.08 million** out of which **Kshs. 730.76 million** is recurrent expenditure while **Kshs. 48.32 million** is development expenditure.

iii. Under Manpower Development, Employment and Productivity Management Programme, the state department has an allocation of **Kshs. 4,728.89 million** out of which **Kshs. 1,487.12 million** is recurrent expenditure while **Kshs. 3,241.78 million** is for development expenditure.

Stalled projects under the State Department for Labour

According to Treasury Circular No. 9/2018. The Ministry has the following 5 stalled projects;

a) Reconstruction of county labour offices (Molo, Kakamega, Embu, Homabay and Voi): The projects started in 2012, actual expenditure as June 2018 is **Kshs. 42 million** and the outstanding project costs is at **Kshs.6.82 million**. The project has however been allocated **Kshs. 6.82 million** for the FY 2019/2020 which is the outstanding amount for the project.

b) Surveillance equipment for work environment and worker's health started 2012 and has cumulative expenditure of **Kshs. 139 million** and outstanding cost of **Kshs. 161 million.** The project further entailed procurement of equipment for the Counties to effectively undertake the surveillance of work environment at workplaces. The project was last allocated funds in 2014/15 FY.

c) Rehabilitation of safety house in Nairobi: The project started in 2012 and has a cumulative expenditure of **Kshs. 25.9 million** and the outstanding cost is **Kshs. 21.1 million.** The project was however allocated **Kshs. 21.1 million** in the FY 2018/2019 which was to complete the project. It is important to note that the project has been allocated a further **Kshs. 21.1 million** for the FY 2019/2020.

d) Upgrading of Kenya Textile Training Institute- Nairobi started in 2012 actual cumulative expenditure is **Kshs. 123.9 million** and outstanding cost of **Kshs. 331.1 million.** The project involves upgrading, expansion and rehabilitation works of existing facilities.

e) Upgrading of National Industrial and Vocational Training Center- Nairobi- The project started in 2012 and has a cumulative expenditure of **Kshs. 141.5 million** and the outstanding cost is **Kshs. 351.5 million**.

f) Upgrading of Mombasa Industrial Training Centre (MITC); Project has various components which include upgrading, expansion and rehabilitation works of existing facilities. The project has an allocation of **Kshs. 30.77 million** in the FY 2018/2019. However, the project has not been allocated funds in the FY 2019/2020.

g) Establishment of Occupational Safety and Health (OSH) Institute – Phase II – Equipping to be funded once institute is completed. Equipping of the OSH institute with specialized equipment for testing and analysis of industrial plant, materials and equipment will enhance safety in workplaces.

h) Construction of a modern Employment Office in Eldoret; Works on-going where Phase I and Phase II are at 95% complete. Works for Phase III (internal works for first floor) under procurement. The project was allocated **Kshs. 24.20 million** in the FY 2018/2019 and there is no provision in the FY 2019/2020.

i) Construction of Kasarani Employment Office HQs of NEA offices. Works under procurement include electrical, sewerage works, paving, securing and construction of public ablution block. This is an ongoing project. No funds have been allocated for the FY 2019/2020.

2.1.2 State Department for Social Protection

The budgetary allocation for the State Department over 2015/16-2017/18 MTEF period was **Kshs. 22.61billion**, **Kshs.22.47 billion** and **Kshs.28.08 billion** for the FY 2015/16, 2016/17 and 2017/18 respectively. Over the same period of time, actual expenditure was **Kshs. 19.09**

billion,Kshs. 22.06 billion and **Kshs. 22.19 billion** representing absorption rate of 84%, 98% and 79% of budgeted funds respectively.

Programme and project performance for the FY 2015/16-2017/18

The State Department for Social Protection performs its functions through 3 Programmes namely:

i) **Social Development and Children Services Programme:**

The objective of the programme is to empower communities and provide protection and care to children. The approved expenditure for the programme was **Kshs. 3.82billion**, **Kshs. 3.83billion**, and **Kshs. 3.80billion** for financial years 2015/16, 2016/17 and 2017/18 respectively. The actual expenditures were **Kshs. 2.85billion**, **Kshs. 3.73billion** and **Kshs. 2.82billion** during the review period. The absorption rates during the review period were 75%, 97% and 74% of the budgeted funds respectively.

ii) **National Social Safety Net**:

The Programmes mandate is to cushion vulnerable groups to meet basic human. The approved expenditure for the programme was **Kshs. 18.79billion**, **Kshs. 18.51billion**, and **Kshs. 24.07billion** for financial years 2015/16, 2016/17 and 2017/18 respectively. The actual expenditures were **Kshs. 16.24billion**, **Kshs. 18.20billion** and **Kshs. 19.17billion** during the review period. The absorption rates during the review period were 75%, 97% and 74% of budgeted funds respectively.

Programme and project performance for the first half FY 2018/2019

1) The Gross approved Estimates for the State Department for social protection in the Financial Year 2018/2019 amounts to **Kshs. 31.30billion** out of which **Kshs. 18.81 billion** is recurrent expenditure while **Kshs. 12.49 billion** is development expenditure.

2) This was revised downwards after the first supplementary to **Kshs. 31.06 billion**, however the changes in allocation was only under recurrent expenditure which was decreased by **Kshs. 247.08 million** resulting to revised recurrent estimates of **Kshs. 18.56 billion.**

3) The Gross expenditure for this State Department stood at **Kshs 7.57 Billion** which represents budget utilization of 24%. The budget utilization for recurrent expenditure was at 28% while the budget utilization for development expenditure was at 19%.

Proposed Budget Estimates for the FY 2019/2020

The State Department has a total proposed allocation of **Kshs. 33.40 billion** out of which **Kshs. 14.48 billion** is development expenditure while **Kshs. 18.93 billion** is recurrent expenditure. This is an increase of **Kshs. 2.35 billion** when compared to **Kshs. 31.06billion** allocated in the FY 2018/2019.

Recurrent Expenditure

a) Total proposed recurrent expenditure for the FY 2019/2020 is **Kshs. 18.93 billion** in which **Kshs. 16.01 billion** (85%) is allocation towards current transfers to government agencies, **Kshs. 1.55billion** is use of goods and services and **Kshs. 1.36billion** is compensation to employees.

b) The cash transfer to older persons and OVC field services has a proposed allocation of **Kshs. 12.07billion (Kshs. 298.67 million** is operating expenses i.e bank charges and **Kshs. 118.85 million** for field services), cash transfer to orphans and vulnerable children **Kshs. 1.76 billion,** cash transfer to persons with disability **Kshs. 1.19 billion,** social development field services have proposed allocations of **Kshs. 527 million** and street families rehabilitation trust fund has an allocation of **Kshs. 245 million.**

c) National Council for persons with disabilities has an allocation of **Kshs. 269.78 million,** child welfare society of Kenya has a proposed recurrent budget of **Kshs. 468.80 million,** presidential bursary (scholarships and other educational benefits) **Kshs. 400 million**

Development Expenditure

a) Total proposed development expenditure for the State Department in the FY 2019/2020 is **Kshs. 14.48 billion** in which **Kshs. 12.18 billion** (84%) is allocation towards capital transfers to government agencies **Kshs. 1.39 billion** is use of goods and services

b) Out of the total development expenditure **Kshs. 6.17 billion** is allocated towards cash transfer for orphans and vulnerable children, **Kshs. 5.07 billion** cash transfer to older persons, **Kshs. 259 million** for National Development Fund for persons with disabilities. In the FY 2019/2020 there is an allocation of **Kshs. 2.15 billion** for Kenya Social and Economic Inclusion Project.

c) The following are some of the projects the State Department plans to undertake in the FY 2019/2020.

- National Development Fund for Persons with Disabilities (PWDs) allocated **Kshs. 259 million**
- Integrated Protective Services allocated **Kshs. 80 million**
- Cash transfer for orphans and vulnerable children allocated **Kshs. 6.17 billion**
- Cash transfer to older persons allocated **Kshs. 5.07 billion**
- Kenya Social Economic Inclusion Project allocated **Kshs. 2.15 billion** which is World Bank Funded

Stalled projects under the State Department for Social Protection

1) According to treasury circular no. 9/2018. The state department has the following stalled projects.
   a) Foster care centers in CWSK Kisii, Embu, Bomet, Nyahururu Turkana and Baringo which were started in March 2014, have stalled due to lack of budgetary allocation. The cumulative expenditure for the projects as at June 2018 is **Kshs. 97.5 million** and the outstanding project cost is **Kshs. 1,214 million**
   b) Construction of Garissa County Children's office- This was started in the FY2015/2016, actual cumulative expenditure is **Kshs. 4.25 million** and the outstanding project cost is **Kshs. 4.25 million.**
   c) Improving housing for OVC families including child-headed families. 5,000 units of 2 bedroomed houses- a minimum of 20,000 OVC to be reached. This was started in 2014 and actual cumulative expenditure is **Kshs. 20 million** and the outstanding project cost is **Kshs. 2.48 billion.**

2) The stalled projects have not been allocated funds in the FY 2019/2020. It has also been noted that there are several projects which were in the FY 2018/2019 budget however, they have no provision in the FY 2019/2020 budget. These include; construction of Embakasi sub-county social development office, construction of Buuri social development office, construction of foster care centre in CWSK Isiolo, Muranga, Nanyuki, Joska, Kisumu and Bungoma.

3) In the FY 2019/2020 there is an allocation of **Kshs. 2.15 billion** for Kenya Social and Economic Inclusion Project. The project aims to fight poverty and promote equitable growth, social inclusion and respond to emergencies in natural disaster. The project status reported during the Budget Policy Statement was that the project was negotiated between the World Bank and the Ministry of Labour and Social Protection and the financial Agreement between National Treasury and the world Bank was signed

2.1.3 State Department for Gender

The State Department's total expenditure for the period under review was **Kshs 800 Million**, **Kshs.2.00 billion** and **Kshs. 1.61 billion**, against an allocation of **Kshs. 816 million**, **Kshs. 2.07 billion** and **Kshs. 1.71 billion** in 2015/16, 2016/17 and 2017/18 Financial years respectively. This translates to absorption level of 98%, 97% and 94% over the same period.

Programme and project performance for the FY 2015/16-2017/18

The State Department for gender performs its functions through 3 Programmes namely:

i) Gender Empowerment

The Programme objective is to mainstream gender in Government and the Private sector and promote equitable socio-economic development between men and women, boys and girls. The approved expenditure for the programme was **Kshs. 816 million**, **Kshs. 2.08 billion**, and **Kshs. 1.71 billion** for financial years 2015/16, 2016/17 and 2017/18 respectively. The actual expenditures were **Kshs. 800million**, **Kshs. 2 billion** and **Kshs. 1.61 billion** during the review period. The budget utilization during the review period were 98%, 96% and 94% respectively.

ii) Community development

The Programme objective is to promote socio economic empowerment of vulnerable groups including Youth, Women and Persons with Disabilities. The approved expenditure for the programme was **Kshs. 2.13 billion**, **Kshs. 2.13 billion**, and **Kshs. 2.13 billion** for financial years 2015/16, 2016/17 and 2017/18 respectively. The actual expenditures were **Kshs. 2.12 billion**, **Kshs. 2.13 billion** and **Kshs. 2.13 billion** during the review period.The budget utilization during the review period were 99.5%, 100% and 100% of the budgeted funds respectively.

Programme and project performance for the first half FY 2018/2019

i. The Gross approved Estimates for the State Department for Gender in the Financial Year 2018/2019 amounts to **Kshs. 4.97billion** out of which **Kshs. 1.56 billion** is recurrent expenditure while **Kshs. 3.41 billion** is development expenditure.

ii. This was revised downwards after the first supplementary to **Kshs. 4.32 billion** which is a decrease of **Kshs. 650 million.** Recurrent expenditure was decreased by **Kshs. 49 million** while development expenditure was decreased by **Kshs. 600 Million** which was under the National Government Affirmative Action Fund which decreased from the approved estimates of **Kshs. 2,675 million** to **Kshs. 2,075 million** after the supplementary.

iii. The **community development Programme** utilized 64% of the monies allocated. Some of the achievements of the first half of the FY include;

- Disbursement budget schedules released to all the 47 counties to guide expenditures and **Kshs. 1,309,223,942.35** disbursed
- 16,200 vulnerable students sponsored through bursaries and scholarships
- Disbursed Kshs. 186,606,875 to poor school children through cheques to schools
- Disbursed 93,303437 for civic education by the county committees
- Disbursed 466,517,188 for county/ constituency projects

iv. The **Gender Empowerment Programme** in which the Women Enterprise Fund, Uwezo fund and Anti-FGM board are domiciled has expenditure utilization of 57%. Some of the achievements of the first half of the FY include;

a) **Women Enterprise Fund**

- Kshs. 1.85 million disbursed to Constituency Women Enterprise Scheme, LPO and SACCO
- 125,175 beneficiaries trained on business skills

- 7,842 beneficiaries sensitized on market access: online marketing, business clubs, KEBS certifications, ASK shows,
- 2,992 women beneficiaries trained on value chain,
- 27,431 women have been sensitized on SACCO formation and as a result 157 women owned SACCOs have been registered countrywide

b) UWEZO Fund

- Funded 434 groups in 29 constituencies amounting to Kshs 36,265,000
- Trained Constituency Uwezo Fund Management Committees (CUFMC) secretariats in 71 constituencies
- Sensitized the public through HudumaMashinani in 30 constituencies
- Inducted CUFMCs in 5 constituencies
- Loan repayment campaigns in 38 constituencies
- Audited operations in 20 constituencies

iii) Anti FGM

- Created awareness on dangers of FGM and prohibition of FGM Act, 2011 to 650 persons drawn from nyumbakumi, youth, men, and women in Migori
- Trained youth, men and women on the effects of FGM and Anti FGM act in Laikipia, Isiolo, Marsabit
- The board in collaboration with other partners held the first National Youth conference on ending FGM and child marriage in Migori county
- Conducted a roadshow in Isiolo county on illegality of FGM
- Capacity building of 429 duty bearers in Nandi county

Proposed Budget Estimates for the FY 2019/2020

The State department has a total proposed allocation of **Kshs. 4.42 billion** out of which **Kshs. 2.83 billion** is development expenditure while **Kshs. 1.59 billion** is recurrent expenditure.

Recurrent Expenditure

a) Total proposed recurrent expenditure for the FY 2019/2020 is **Kshs. 1.59 billion** in which **Kshs. 737.38 million** is use of goods and services **Kshs. 486.50 million** is allocation towards current transfers to government agencies and **Kshs. 350.48million** is compensation to employees.

b) Out of the total allocations, Anti-FGM Board has a proposed allocation of **Kshs. 120.4 million**, UWEZO fund has **Kshs. 155.90 million**, Women Enterprise Fund has **Kshs. 210.20 million.**

c) In the FY 2019/2020 there is allocation of **Kshs. 50 million** for the 12th Commonwealth Women's Affairs Meeting and **Kshs. 125.90 million** for gender field services.

Development Expenditure

a) Total proposed development expenditure for the state department in the FY 2019/2020 is **Kshs. 2.83 billion** in which **Kshs. 2.48 billion** (87%) is allocation towards capital transfers to government agencies **Kshs. 300million** is acquisition of financial assets (domestic loans to financial institutions under the Women Enterprises Fund)

b) The affirmative action social development fund has a proposed allocation of **Kshs. 2.13 billion**, Women Enterprise Fund with an allocation of **Kshs. 400 million** and the UWEZO Fund has an allocation of **Kshs. 247.60 million**

c) In the FY 2019/2020 the State Department has allocation of **Kshs. 37.65 million** for enhancing gender mainstreaming & Women empowerment, **Kshs. 14.40 million** for gender-based violence & reproductive health rights and **Kshs. 2 million** for child protection, legal and policy reforms.

d) The Department does not have capital projects in the FY 2019/2020.

2.1.4 State Department for Development of the ASAL

The State Department for Development of ASAL is composed of two directorates namely: Arid and Semi-Arid Lands (ASAL) and Administration and Support Services. The State Department has one Semi-Autonomous organization the National Drought Management Authority (NDMA).

Programme and project performance for the FY 2015/16-2017/18

i. The State Department undertakes 1 programme which is the Accelerated ASAL development whose objective is to ensure accelerated and sustained socio-economic development in the ASALs, build community resilience and end drought emergencies in Kenya

ii. The Programmes total expenditure for the FYS 2015/16, 2016/17 and 2017/18 was **Kshs 5.74 billion**, **Kshs.7.81 billion** and **Kshs. 4.64 billion**, against an allocation of **Kshs. 6.07 billion**, **Kshs. 8.31 billion** and **Kshs. 4.15 billion** respectively. This translates to budget utilization of 95%, 94% and 112% over the same period. In the FY 2017/2018 the State Department reported expenditure more than the budget allocated.

iii. Major achievements during the period under review include: distribution 20,032.4 metric tonnes of relief food; implemented 311 community micro projects aimed at reducing effects of flooding in Western Kenya; supported 250,089 poor households under the Hunger Safety Net Programme; ensured regular monthly drought early warning information was accessible to enable both the National and County Governments respond timely to drought threats; invested in 1,600 community based drought resilience micro projects benefiting 1.1 million people some of which include water harvesting techniques, water supply, small- scale irrigation, livestock production and marketing, fodder/pasture production, bee keeping, agro processing as well as soil and water conservation; the National Policy For Development of Arid and Semi-Arid Lands is at the Cabinet level

Programme and project performance for the first half FY 2018/2019

a) The Gross approved Estimates for the State Department for Development of the ASAL in the Financial Year 2018/2019 amounts to **Kshs. 6.39 billion** out of which **Kshs. 1.03 billion** is recurrent expenditure while **Kshs. 5.36 billion** is development expenditure.

b) This was revised downwards after the first supplementary to **Kshs. 6.35 billion**, however the changes in allocation was only under recurrent expenditure which was decreased by **Kshs. 47.42 million** resulting to revised recurrent estimates of **Kshs. 987.11 million.**

c) The State Department undertook 1 Programme which is the Accelerated ASAL development and its objective is to ensure accelerated and sustained socio-economic development in the ASALs, build community resilience and end drought emergencies in Kenya.

d) The expenditure as at first half for this State Department stood at **Kshs 3.02 Billion** which represents an absorption rate of 48%. The absorption rate for recurrent expenditure was at 48% (expenditure of **Kshs. 474.73 million**) while the absorption rate for development expenditure was at 48% (expenditure of **Kshs. 2.55 billion**). This budget utilization level tracks with targeted level such that by the time the FY 2018/19 closes the State department would have virtually absorbed all the funds allocated to it

Proposed Budget Estimates for the FY 2019/2020

The identified Programme for implementation under the State Department for Development of the ASAL for the FY 2019/2020 are:

i. **Accelerated ASAL development:** The Programme has a proposed allocation of **Kshs. 5.84 billion** of which **Kshs. 1.06 billion** is recurrent expenditure while **Kshs. 4.78 billion** is for development expenditure. Some of the outputs for the Programme include; 5 counties adopting apiculture and aquaculture, 18 resource based conflicts resolved, 25 counties supported to mitigate effects of drought (NDMA), 15 drought preparedness projects implemented through the National Drought Emergency Fund (NDEF) and other initiatives,

130,000 beneficiary households under regular cash transfers Programme, and 700 drought resilience / micro projects implemented

2.1.5 State Department for Youth

The State Department for youth was created as per Executive Order No.2 of June 2018 in which the youth empowerment Programme was moved to. The executive order had come after the passing of the FY 2018/2019 budget for youth.

Programme and project performance for the FY 2015/16-2017/18

a) The objective of the Programme is to enhance empowerment and participation of youth and other vulnerable groups in all aspects of national development. The Programmes total expenditure for the FYS 2015/16, 2016/17 and 2017/18 was **Kshs 16.18 billion**, **Kshs.17.39 billion** and **Kshs. 16.69 billion**, against an allocation of **Kshs. 19.23 billion**, **Kshs. 21.11 billion** and **Kshs. 17.60 billion** respectively. This translates to absorption level of 84%, 82% and 95% over the same period.

b) The major achievements for the FY 2015/16-2017/18 include recruitment of58,104youths in paramilitary, 58,104 youths engaged in National Service, 107,600 youths mentored and outreached which includes training on entrepreneurship and AGPO, Kshs. 1,365.1 billion disbursed to youths in as entrepreneurial and financial support, 182,438 youths trained on business development skills and 11,600 youths engaged in leadership and governance.

Programme and project performance for the first half FY 2018/2019

a) The State Department for youth was created as per Executive Order No.2 of June 2018. The executive order had Come after the passing of the FY 2018/2019 budget for youth which was still under the state department for public service and youth affairs.

b) The State Department has total allocation of**Kshs. 10,112 million,** Recurrent **Kshs. 7,442 Million** and **development Kshs. 2,670 million**for development expenditure**.** This was revised downwards after the first supplementary to **Kshs. 10.06 billion**, however the changes in allocation was only under recurrent expenditure which was decreased by **Kshs. 49.90 million** resulting to revised recurrent estimates of **Kshs. 7.39 billion.**

c) The expenditure as at first half for this State Department stood at **Kshs 4.51 Billion** which represents budget utilization of 45%. The utilization rate for recurrent expenditure was at 36% (expenditure of **Kshs. 2.67 billion**) while utilization rate for development expenditure was at 48% (expenditure of **Kshs. 1.84 billion**).

d) The state department carries out its mandate through implementation of one Programme which is the Youth Empowerment Programme.

Proposed Budget Estimates for the FY 2019/2020

The proposed budget estimates for the State department of Youth for the Financial Year 2019/2020 amounts to **Kshs. 17.86 billion** out of which **Kshs. 11.41 billion** is recurrent expenditure while **Kshs. 6.45 billion** is development expenditure.

2.1.6 National Gender Equality Commission

1) The Commission was allocated **Kshs 309.85 million** in FY 2015/16, **Kshs 386.97 million** in FY 2016/17, and **Kshs 345.52 million** in FY 2017/18. Total expenditure for the period was Kshs 304.85 million in 2015/16, Kshs 381.20 million in 2016/17 and 324.64 million in 2017/18 respectively.

2) Major achievements during the period under review included: conducted 34 audits of public and private institutions that offer services to Special Interest Groups to check for

inclusion principles including adherence to the set standards; monitored gender mainstreaming and inclusion in 712 public institutions through the government's performance contracting process; audited affirmative action programs to establish access and uptake by the special interest groups including cash transfer programs to vulnerable children, persons with severe disability and older members of society; held forums with the youth, women and persons with disability to discuss the uptake and challenges in accessing UWEZO, AGPO and YEDF.

3) In the financial year 2018-2019, the Commission was allocated **Kshs. 375 Million**. During the first supplementary the recurrent budget was reduced by **Kshs. 11 million** reducing the annual budget allocation to **Kshs. 363.9 million**.

4) The expenditure as at first half for the Commission stood at **Kshs 178.15 Million** which represents an absorption rate of 49%.

5) The commission will undertake its mandate through 1 programme namely; **Promotion of Gender Equality and Freedom from Discrimination**: The objective of the Programme is to promote gender equality and freedom from discrimination in accordance with article 27 of the Constitution of Kenya 2010 and Vision 2030

6) In the FY 2019/2020 the commission has a proposed allocation of **Kshs. 432.93 million** out of which **Kshs. 428.93 million** is recurrent expenditure and **Kshs. 4 million** is development expenditure.

7) In the previous years the commission did not have a development budget.

3.0 COMMITTEE OBSERVATIONS

3.1 State Department for Labour

1. The country has a huge untapped potential for export of labour to the middle East especially countries where Kenya has signed Bilateral Labour agreements such as Saudi Arabia, Qatar and United Arab Emirates(UAE).

2. The Committee observed that the State Department was facing a succession crisis due to an aging workforce. The Committee was informed that 49 per cent of the workforce at the Ministry fall in the age bracket 51-60. This is attributed to the employment freeze imposed by the Public Service Commission. Furthermore, most of the in-post workers are non-technical cadres. It was reported that only 284 out of the total 1182 workers at the Ministry were technical staff. This could have adverse effects on the Ministry's capacity to deliver on its mandate.

3. The Committee was also noted that the internship programme which was initiated as a panacea to the challenge of youth unemployment was still not operational. The National Internship Policy should be finalized to provide a framework for the implementation of the programme.

4. The Committee was concerned that the Ministry had spent substantial amounts of money on various surveys. The output of the surveys was however not clear with very little evidence of any possible linkage of the surveys to the policy making process.

5. The Committee noted that State Department could not cite its success in the Labour Market information system, whose objective is to collect, collate and disseminate critical labour market data that is expected to feed into the development of the Labour related policies.

3.2 State Department for Social Protection

1) The National Safety Net Programme is still operating without a legal framework almost a decade after inception. The Social Assistance act is still not operational and the Ministry has been very slow in ensuring a legal framework is in place.

2) The agreement between the State Department of Social Protection and the Service Providers (Banks) seem to be skewed in favour of the banks.

3) The Committee noted that the function of rehabilitating street families was moved to the State Department with the establishment of a trust fund. The Committee was concerned with the possibility of duplication of the function given that a number of county governments have also set up projects on the same.

3.2 State Department for Public Service and Youth Affairs

1) Members raised concerns over the feasibility of proposed allocation of money through the National Youth Service (NYS) to Galana-Kalulu project given the issues of Misappropriation surrounding the project. It was however clarified that the participation of NYS in GalanaKulalu project was just a policy proposal that was yet to be actualized. The Committee cautioned that any such move should be guided by proper feasibility.

2) The new NYS act allows the service to engage in commercial ventures. There is need for caution to ensure that the provision is not abused.

3) The Committee raised concerns over the huge pending bill that has persisted for awhile at the National Youth Service (NYS). Members urged verification be done and those that have met the set criteria be paid. It was noted that an interagency committee had been

appointed to review the bills and the Ministry had prepared a report to the Cabinet on the same.

4) The Committee also decried the meagre allocation of resources allocated to the Youth Enterprise Development Fund (YEDF). Given the potential of the fund to create employment opportunities for the youth through entrepreneurship, the need to enhance its lending base was noted.

3.3 State Department for Gender Affairs

1) There is a misconception on the operation of Uwezo Fund, with many beneficiaries defaulting on the assumption that the Fund is a grant as opposed to a loan.

2) The proposed merger of the Women Enterprise Fund, the Youth Enterprise Development Fund and Uwezo Fund is at an advance stage. Regulation on the merger is already with the relevant Committee of Parliament.

3) It was noted that the implementation Sanitary towels project in schools has been characterized by gaps that renders it ineffective. It was noted that the total allocation for the program is only enough to supply the pads to the intended target group for a maximum period of four months.

4) The Committee observed that Uwezo Fund wasn't meeting its intended objectives. That eeffort should be made to follow-up and recover resources disbursed to ensure sustainability of the fund. Ideally, the funds should be revolving with very minimal annual allocation. The Committee further noted that the Fund was not as visible as the other affirmative action funds and questions were raised as to whether it may have outlived its usefulness.

5) The Sanitary Towel project is not effective due to very low allocation of resources. The current allocation of 460 million is not adequate. Indeed, the amount is only adequate to purchase the towels for only four (4) months for the target population.

3.4 National Gender and Equality Commission

1) The Committee noted that the low allocation to the Commission that has rendered it ineffective in implementing its mandate. The Commissions allocation has remained stagnant at Kshs. 428 million. Due to the meager allocation, the Commission is not able to audit National Economic empowerment and Enterprise Funds for women and youth, monitor the National safety Net program, the Universal health coverage and access to education with a focus on special interest groups.

2) That there was need for capacity development for its field offices both in terms of infrastructure and human resources and in particular the need to establish additional three regional offices to ensure a national presence.

3.5 State Department for Arid and Semi Arid Lands

1) The Committee noted that the State Department was implementing the Kenya Social Economic inclusion programme whose objective is to upscale the ongoing cash transfer programme. The Department has secured a donor funding to the tune of 2.154 billion Kshs and requires counterpart funding to unlock the same. The project aims at strengthening social protection delivery systems, increasing access to social and economic inclusion interventions and improving shock responsiveness of the safety net system. The donor component includes 2.154billion in the 2019/2020 Financial Year, 1.456 billion in 2020/2021 and 1.105 billion in 2021/2022.

2) The Committee observed that the strategic feed reserve that is significant in addressing livestock feed value chain has not been receiving any funding. This reserve is particularly important in building resilience among pastoralist communities during droughts.

3) The State Department is working on a paradigm shift in its efforts to support people affected by droughts in the ASAL areas. The concern is now shifting from drought emergency to building resilience.

4) The Committee further observed that the State Department is also working on a program to utilize green energy technology in ASAL areas.

4.0 COMMITTEE RECOMMENDATIONS

A. Policy and Structural Recommendations

I. State Department for Labour

1) The Public Service Commission should review the freeze on employment by State Departments, especially of technical cadres of staff. The succession crisis in the public service will worsen in the next few years with the retirement of thousands of workers without replacement.
2) The State Department for Labour should prioritize the issue of labour export to Saudi Arabia, Qatar and United Arab Emirates to help combat the challenge of youth unemployment. The Ministry should also fast track the signing of the agreements with Bahrain and Kuwait which it reported to be at an advanced stage.

II. State Department for Social Protection

1) The contracts between the State Department for Social Protection and the Multiple Payment Service Providers (MPSPs) for the consolidated cash transfer programme (Inua Jamii) should be reviewed with a view to ensure that the Government does not lose any money through the contracts and that the service is efficient and effective.

2) The State Department for Social Protection should fast track the amendments to the Social Assistance Act in order to operationalize the same.

III. State Department for Public Service and Youth

1) Stringent measures be put in place as the NYS engages in commercial ventures to ensure that whatever ventures are established are viable and make economic sense.

2) The budgetary allocation for the National Youth Council (NYC) should be enhanced so that it can have a national outreach through presence in each county. It was particularly noted the current allocation can hardly meet even the operational expenses at the headquarters.

IV. State Department for Gender

1) The merger of the various affirmative action funds should proceed provided that that it does not miss out on the affirmative aspect. The Committee recommends that WEF be merged with Uwezo Fund, but the Youth Fund be retained as it is currently, but with an enhanced allocation to reach more youth.

2) The management of the provision of the sanitary towels project be transferred to the National Government Affirmative Action Fund (NGAAF) to ensure that it reaches the grassroots. This will ensure more accountability.

V. State Department for ASAL

The process of developing the single registry for the National Safety Net Program should be fast tracked to enhance its efficiency.

B. Financial Recommendations:

The committee recommended the approval of allocation as indicated;

1.State Department for ASAlKshs 4,919,812,570

2.State department for youth Kshs 17,395,362,000

3.State Department for Gender Kshs 4,343,382,764

4.State department for labourKsh 6,233,470,000

5.State Department for social protection and Pensions & Senior Citizens AffairsKshs 33,712,629,200

6. National Gender and Equality Commission Kshs 492,930,000

Details of changes recommended by the committee

Proposed Reduction				
Vote	**Programme**	**2019/20 Estimates**	**DC's Proposed Reduction**	**Justification**
State Department for Youth	Youth Empowerment programme	6,454,640,000 (Development)	600,000,000	Reduction in the Ksh. 3.405 Billion allocation for NYS Youth Empowerment in 69 informal settlements sub-programme
State Department for Gender	Gender Empowerment Programme	1,178,079,125 (Recurrent)	100,000,000	Reduction from the operations and maintenance of Women Enterprises Fund.The department will use the resources that they will collect as AIA.(Kshs 135 million is projected to be collected from receipts and Administration fees and Charges)
Total Reductions			**700,000,000**	
Proposed Increments				
Vote	**Programme**	**2019/20 Estimates**	**DC's Proposed Increments**	**Justification**

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION, 2019

REPORT OF THE DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS AND HOUSING ON THE CONSIDERATION OF THE ESTIMATES OF REVENUE AND EXPENDITURE FOR FINANCIAL YEAR 2019/20 FOR THE FOLLOWING VOTES:

VOTE 1091 – STATE DEPARTMENT OF INFRASTRUCTURE

VOTE 1092 – STATE DEPARTMENT OF TRANSPORT

VOTE 1093 – STATE DEPARTMENT OF SHIPPING AND MARITIME AFFAIRS

VOTE 1094 – STATE DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

VOTE 1095 – STATE DEPARTMENT OF PUBLIC WORKS

CLERK'S CHAMBERS
NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI

MAY, 2019

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PART 1: INTRODUCTION

1. Preface

Mr. Chairman,

On behalf of the Departmental Committee on Transport, Public Works and Housing and Pursuant to the Standing Order 207(6), it is my Pleasant privilege and Honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the annual Estimates of 2019/20 and the Medium Term.

2. Mandate and Membership of the Committee

a) Mandate

The Second Schedule of the National Assembly Standing Orders assigns the Departmental Committee on Transport, Public Works and Housing the mandate to oversee all matters pertaining transport, roads, public works, construction and maintenance of roads, rails and buildings, air, seaports and housing. In executing its mandate, the Committee oversees the following government State Departments and their respective SAGAs:

i. The State Department for Infrastructure
ii. The State Department for Transport
iii. The State Department for Shipping and Maritime
iv. The State Department for Housing, Urban Development and Public Works

It is from this perspective that the Committee is mandated to scrutinize the Budget Estimates for the Votes under the Ministry of Transport, Infrastructure, Housing and Urban Development as well as all the SAGAs under the Ministry. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

b) Membership

No.	Members	Party	Constituency
1.	Hon. David Pkosing (Chairman)	Jubilee	Pokot South
2.	Hon. Moses Kuria (Vice Chair)	Jubilee	Gatundu South

3.	Hon. Dominic Kipkoech Koskei	Jubilee	Sotik
4.	Hon. Peris Pesi Tobiko	Jubilee	Kajiado East
5.	Hon. Kulow Maalim Hassan	EFP	Banissa
6.	Hon. Mugambi Murwithania Rindikiri	Jubilee	Buuri
7.	Hon. Samuel Arama	Jubilee	Nakuru Town West
8.	Hon. Shadrack John Mose	Jubilee	Kitutu Masaba
9.	Hon. Rigathi Gachagua	Jubilee	Mathira
10.	Hon. Rehema Dida Jaldesa	Jubilee	Isiolo
11.	Hon. Ahmed Bashane Gaal	PDP	Tarbaj
12.	Hon. David Njuguna Kiaraho	Jubilee	Ol Kalou
13.	Hon. Johnson Manya Naicca	ODM	Mumias West
14.	Hon. Tom Mboya Odege	ODM	Nyatike
15.	Hon. Suleiman Dori Ramadhani	ODM	Msambweni
16.	Hon. Ahmed Abdisalan Ibrahim	ODM	Wajir North
17.	Hon. Gideon Mutemi Mulyungi	WDP	Mwingi Central
18.	Hon. Savula Ayub Angatia	ANC	Lugari
19.	Hon. Vincent Kemosi Mogaka	Ford K	West Mugirango

Committee Secretariat

1.	Ms. Chelagat Tungo Aaron	First Clerk Assistant
2.	Mr. Ahmed Salim Abdalla	Third Clerk Assistant
3.	Ms. Mercy Wanyonyi	Legal Counsel I
4.	Mr. Abdinasir Moge Yusuf	Fiscal Analyst I
5.	Mr. James Muguna	Research Officer III
6.	Ms. Noelle Chelangat	Media Relations Officer
7.	Mr. Collins Mahamba	Audio Officer
8.	Mr. Yeziel Jillo	Sergeant At Arms

3. Overview of the Examination of the Estimates

The Departmental Committee on Transport, Public Works and Housing held 10 meetings to consider the proposed estimates for 2019/20 and the Supplementary Estimates II for the Financial Year 2018/19. Following the referral of the Estimates to the Departmental Committees, the Committee held its meetings in Hilton Garden Inn in Machakos County to scrutinize budget estimates for 2019/120 for agencies under its purview.

The Departmental Committee was briefed by the Parliamentary Budget Office on the contents of the Estimates for 2019/20 as well as the Supplementary Estimates II for 2018/19 for the Votes under the Ministry. Thereafter, the Committee met with all the State Departments as well as various Semi-Autonomous Government Agencies (SAGAs) falling under them to deliberate and interrogate the proposed Budget Estimates for the FY 2019/20. The State Departments that appeared before the Committees were as Follows;

a) Vote 1091 State Department for Infrastructure
b) Vote 1092 State Department for Transport
c) Vote 1093 State Department for Shipping and Maritime
d) Vote 1094 State Department for Housing and Urban Development
e) Vote 1095 State Department for Public Works

Committee Observations and Recommendations

General recommendation:

After consideration and scrutiny of the 2019/20 budget estimates in consultation with all the agencies, the Committee approves the gross total allocations for all the votes under its purview.

Specific recommendations and reallocations are captured under each vote as follows

a) Vote 1091 State Department for Infrastructure

i. The Committee observed that the removal of the Kshs.8.7 billion meant for emergency intervention for sections of roads damaged by the 2017/18 floods leaves the said sections still in a state of disrepair and therefore requires attention in 2019/20 Financial year. The Committee recommends that the National Treasury provide resources in the 2019/20 Financial Year to rehabilitate those sections of roads that were washed away across the country.

ii. That the annuity programme has an accumulated amount of Kshs. 39.2 billion since its inception in 2014 and that only one road of 91Km has been procured and awarded at a cost of Kshs.22 billion translating to Kshs. 241 million per Kilometer. It was further, observed that it is the cost of financing rather than the Construction cost that escalates the cost of road projects implemented through the programme. The Committee recommends that the Ministry relooks in to the annuity programme with a view of sharing lessons learnt in the cost of financing projects through this programmes versus other models of financing.

iii. The Committee notes that roads issues are always raised in public participation forums pertaining to budget but the sector faces a Net GoK underfunding of Kshs.135 billion. This results in accumulated pending bills, delayed execution of Projects and nugatory payments due to interest charges on delayed payments. The committee therefore recommends that the Kenya Roads Board floats a roads bond amounting to Kshs. 200 billion which will be securitized through the fuel levy or the annuity programme which proved to be a very expensive programme.

iv. The State Department for Infrastructure is grappling with Pending Bills amounting to Kshs. 76.33 billion relating to ongoing or recently completed road projects shared among the road agencies as follows;

- KeNHA Kshs.48.1 billion
- KeRRA Kshs. 22.6 billion
- KURA Kshs. 5.6 billion

The committee recommends the State Departments prioritizes clearing of the pending bills.

v. There are critical projects that are in the approved roads 10,000 programme under the Low Volume Sealed Roads (LVSR) that were not considered for funding or too little amounts allocated to them in the proposed 2019/20 Estimates. The State Department submitted a list of those projects that were not funded and how they would have funded within the proposed budget.

vi. The Kenya Urban Roads Authority is mandated to construct urban roads including roads in all County Headquarters however it was observed that the Agency has not done any works in the County Headquarters of Nyamira, Elgeyo-Marakwet, Narok, Kajiado and Lodwar. The committee recommends that KURRA should endeavor on executing its mandate on all County Headquarters.

vii. It is Projected 15% share of the Roads Maintenance Levy to the Counties will mount to Kshs.8.9 billion for 2019/20. It is observed the roads agencies do the audit but the county Governments do not implement recommendation from the audit reports. There is need to establish a mechanism for Parliament to have oversight role on all National Government Conditional Grants to Counties.

viii. **Financial Recommendations**

a. Proposed Increases

The Committee recommends increased allocations for the following Projects which were approved in the roads 10,000 under the Road Transport Programme in the State Department for Infrastructure as proposed by the State Department.

Code	Low Volume Seal Roads	Printed Net GoK 2019/20	Increase	Amended 2019/20 Estimates
	Manga - Ndanai - Siongirui	-	40,000,000	40,000,000
	Garbatula - Malkadaka - Merti	-	40,000,000	40,000,000
	Isinya - Konza	-	40,000,000	40,000,000
	Mumias - Musanda - Mudhiero	-	40,000,000	40,000,000
	Turbo - Sikhendu	-	40,000,000	40,000,000
	Mundoro - Gaitete	-	40,000,000	40,000,000
	Mwingi - Musukini - Mumbuni - Nzeluni	-	40,000,000	40,000,000
	A14 Mwabungo - Shimba Hills	-	40,000,000	40,000,000
	Chiracha - Banisa - Birashum	-	40,000,000	40,000,000
	Mia Moja Mkt - Kwa Muwero - Kianjogu Mkt - Kithimadisp/Kiambogo-Rugirango - Ngusichi Mkt - Kwa Nganga	-	40,000,000	40,000,000
	Nyakore - Osani	-	40,000,000	40,000,000
	Kipangawau - Kibowen Pry Access/Mwariki Sec School-PembeMbili- Eldoret Access Roads	-	20,000,000	20,000,000
	Nakuru West Sec School-Kapkus/Baruti Sewerage Roads/ Hopewell-KelenetIngobarSoilo/Rhoda Pry/Rhoda Police Station/Kapkembu	-	20,000,000	20,000,000

Code	Low Volume Seal Roads	Printed Net GoK 2019/20	Increase	Amended 2019/20 Estimates
	Manga - Motemomwamu	**40,000,000**	40,000,000	80,000,000
	Bonyunyu - Sironga - Makairo - Gianchore - Nyamira	-	40,000,000	40,000,000
	Boiman - Pacenga - Siranga - Gachwe - Kwamumbi	-	40,000,000	40,000,000
	Jambo - Kagochi - Gatondo	-	40,000,000	40,000,000
	Bute - Ajawa - Buna	-	40,000,000	40,000,000
	Abakore - Sabuli	-	40,000,000	40,000,000
	Chepkorniswo - Kachemoge-Sina	-	40,000,000	40,000,000
	Karen End - Gatiba - Pry - Karinde -Dagoreti Mkt	-	40,000,000	40,000,000
	Sub Total Additions (LVSR)	**40,000,000**	**800,000,000**	**840,000,000**
	Spot Improvement			
	Badana - Sericho - Kombola	-	15,000,000	15,000,000
	Illasit - Paranae	-	20,000,000	20,000,000
	Mutwangombe- Nyanyaa - Waita	-	20,000,000	20,000,000
	Sori - Akolomwak	-	20,000,000	20,000,000
	Ajawa - Buna	-	20,000,000	20,000,000
	Buna - Ogorji- Bute	-	20,000,000	20,000,000
	Gurar - Qarsasare	-	20,000,000	20,000,000
	Sub Total Spot Improvement Additions	**-**	**135,000,000**	**135,000,000**
	Grand Total Additions	**-**	**935,000,000**	

b. Proposed Reductions

ix. The Committee recommends reductions in the Following Projects under the Road Transport Programme in the State Department of Infrastructure

Code	Project Name	2019/20 Proposed Estimates (Net GoK)	Reductions	Amended 2019/20 Estimates
1091133830	Mugeka - Thuita - Kiriaini - Kagumoini - Gitugi - Chui - Karugia- Mataara - Gacharage	280,000,000	(30,000,000)	250,000,000

Code	Project Name	2019/20 Proposed Estimates (Net GoK)	Reductions	Amended 2019/20 Estimates
1091133931	Kadel - Alara - Pala - Kanyadhiang / Center - Kilusi - Opanga - Ramba	600,000,000	(150,000,000)	450,000,000
1091134117	Mauche – Bombo – Olenguruone - Kiptagich – Silibwet(D319) – Rwc 136	300,000,000	(75,000,000)	225,000,000
1091133930	Jn A104 (Lungalunga) - Vanga - Jego - Majoreni - Jn A109 (Ram isi) - Bodo - Shimoni	270,000,000	(50,000,000)	220,000,000
1091133828	Embu Hosp. - Kathangariri - Kianjokoma - Runyenjes - Mugui - Mbui-Njeru - Kanja - Siakago	280,000,000	(50,000,000)	230,000,000
1091133948	Nyamira - Igonga - Gesonso - Nyabioto ; 2. Nyamatutu - Mogumo – Igonga;	250,000,000	(60,000,000)	190,000,000
1091135447	Murang`a Town (Huhi Town Stn)-Karii Railway Stn-Muthingiriri-Marewa-Gakindu Bridge-Wandaka-Gikuu-Kayuy-Mirira	200,000,000	(50,000,000)	150,000,000
1091102901	Naromoru-Munyu-Karisheni	280,000,000	(80,000,000)	200,000,000
1091105301	Giakanja-Tetu Mission-Kagogi-Ihwa-Ihuru And Wandumbi-Kigogoini	240,000,000	(40,000,000)	200,000,000
1091137131	Kabarnet - Pemwai - Kabartonjo - Kipsaraman	120,000,000	(20,000,000)	100,000,000
1091104801	Mairi-Gatiani-MakombokiGituru-WanyagaKimandi	230,000,000	(30,000,000)	200,000,000
1091107001	Baricho Bridge	380,000,000	(80,000,000)	300,000,000
1091134101	Mariakani - Bamba	285,000,000	(50,000,000)	235,000,000
1091134105	Kamatira - Cheptongei	500,000,000	(50,000,000)	450,000,000
1091133826	Karima - Kianjege	220,000,000	(30,000,000)	190,000,000
1091134501	Nyaru - Iten	458,534,011	(50,000,000)	408,534,011

Code	Project Name	2019/20 Proposed Estimates (Net GoK)	Reductions	Amended 2019/20 Estimates
1091135421	GatiIguru - Ithanga - Mithini - Kirimiri - Gakungu	245,000,000	(40,000,000)	205,000,000
	Total Reductions		**(935,000,000)**	

b) Vote 1092 State Department for Transport

Observations and Recommendations

The Committee Observed;

i. That the BRT and the DMUs cut across different departments hindering smooth coordination and delivery of otherwise noble idea. The same with the shipping line which was in Transport but directly related to the shipping and maritime affairs under a different department. The Committee recommends that both BRT and DMUs are domiciled in the State Department for Transport and that the KNSL to remain in the State Department for Shipping and Maritime for ease of coordination and management.

ii. Land acquisition is major cost driver for Airstrips and Airports in the Country. The committee recommends that County Governments provide Land to KAA for Airstrips Construction and expansion.

iii. The distribution of the Proposed Airstrips and Airports were not based on need and not reflecting the face of the Country. It was further observed that some Airstrips were allocated huge amounts and the variations show unfair distribution of resources. The Committee therefore recommends that Ministry provides resources to airstrip on need basis during supplementary.

iv. Financial Recommendations

a. Proposed Increase

i. Increase **Kshs. 200 million** to the Air Accidents Investigations Department and **Kshs.50 million** for Air Transport Department both in Air Transport Programme

ii. Increase **Kshs.50 million** for Head Quarters Administrative Services in the General Planning and Support Services in the State Department for Transport

b. Proposed Reductions

i. Reduce **Kshs. 300 million** from the Air Transport Programme under the Kenya Civil

Aviation's Authority in the State Department for Transport. KCAA agreed to release Kshs. 300 million from its AIA collections to support aviation activities of Air Accident Investigation Department and stewardship of Air Transport Policy Issues in the office of the Cabinet Secretary.

c) Vote 1093 State Department for Shipping and Maritime Affairs

The Committee Observed;

i. That KMA collects substantial amount of resources as AIA and declares surplus to the National Treasury. The discussion resolved that KMA can support the State Department meet its obligations from its AIA collections and capture it as expense before declaring its surplus to the National Treasury.

ii. That the Kenya Shipping line has been moved to the State Department for Transport. This is despite the existence of a State Department in the name of Shipping and Maritime Affairs therefore the committee recommends that the KNSL to remain in the State Department for Shipping and Maritime for ease of coordination and management.

d) Vote 1094 State Department for Housing, Urban Development

i. The State Department is responsible for the delivery of the affordable housing Programme but faces challenges with enablers tasked to provide the necessary physical and social infrastructure. Specifically, the committee noted that State Department for Infrastructure which is a critical enabler gets no allocations to support the affordable Housing Programme since all its development budget is for ongoing projects. The Committee recommends that the funding for all critical enablers of the affordable housing Programme, as one of the BIG 4 agendas, be provided and managed under the State Department for Housing and Urban Development. This will ease the delivery of all infrastructural facilities alongside the housing units.

ii. The committee was also concerned with the budgeting and implementation of the Kenya Urban support Programme, who's budgeting and approval is done at the National level and implementation and oversight is at County Level. The State Department raised concerns with how the County Governments are utilizing the funds and have embarked on an annual Performance audit of the 59 municipalities. The Committee recommends that there is urgent

need to initiate the legal process of amending the County Allocation of Revenue Act, so that the Kenya Urban Support Programme is managed at the Ministry to enhance accountability and ease of oversight by Parliament.

e) Vote 1095 State Department for Public Works

i. That some footbridges were not considered for funding in the pretext that they are devolved functions. However, a look at schedule 4 of the Constitution revealed that there is no explicit mention of foot bridges as either function of National or County Governments. It was further observed that all the footbridges mentioned by the State Department were either connecting a Primary school or a Secondary school which are a National Government Function. On the same note, Article 186 (3) of the Constitution stipulates that any function that is not explicitly mentioned as either function of the two levels of government remains a national government function.

ii. The State Department also reported that it's struggling with over 44 stalled projects mainly under the Ministry of Interior and National Coordination for luck of budgetary provisions. It noted that involvement of the State Department in the implementation of projects diverts its mandate of setting standards and quality Control. The committee recommends that, in future , the State Department should concentrate on its core mandate of setting standards and quality control while project implementation are left with the line Ministries

iii. **Financial Recommendations**

a. Increases

The committee recommends an increased allocation for each of the 28 footbridges as outlined below in the Coast line Infrastructure Development and Pedestrian access programme in the State Department for Public Works as was proposed by the State Department.

	INCREASES (DEVELOPMENT)			
S/no	**Delivery Unit/Project**	**Estimates 2019/20**	**Proposed amendment**	**Amended 2019/20 allocation**
1.	Shambani footbridge (24m span) in	0	7,800,000	7,800,000
2	Sirimon-Mutethia (36m span)	0	7,800,000	7,800,000
3	Kanguo river Mathyakani/Isou river and Nguni/Masavi road (24m span)	0	7,800,000	7,800,000
4	Psirwo/Psamar footbridge – (48m span)	0	9,400,000	9,400,000
5	Kochiy – Putokowow (36m span)	0	7,800,000	7,800,000
6	Nyamakoroto-Karantini (36m span)	0	7,800,000	7,800,000
7	Bute (48m Span)	0	7,800,000	7,800,000
8	Delakale Hospital (48m Span)	0	7,800,000	7,800,000
9	Keera-West Mugirango	0	7,800,000	7,800,000
10	Buna Footbridge	0	7,800,000	7,800,000
11	Kapkures		7,800,000	7,800,000
12	Mumoni Footbridge	0	7,800,000	7,800,000
13	Kamuyu Bridge	0	7,800,000	7,800,000
14	Nyande- Michore bridge	0	7,800,000	7,800,000
15	Gura River bridge	0	7,800,000	7,800,000
16	Shauri Yako Footbridge (30m span)	0	7,800,000	7,800,000
17	Kiptabsir - Chebongi (36m span)	0	7,800,000	7,800,000
18	Butende - Ruwe (36m span)	0	7,800,000	7,800,000
19	Kalama -Mbukuni footbridge- (32m span)	0	7,800,000	7,800,000
20	Aligalo (48m Span)	0	7,800,000	7,800,000
21	Ntungi Primary School Ruguzu-Kanyuru Footbridge	0	7,800,000	7,800,000
22	Kiangonina over Sagana Foot Bridge	0	7,800,000	7,800,000
23	Maragima river	0	7,800,000	7,800,000
24	Rikenye - Embaro	0	7,800,000	7,800,000
25	Rigoma-Riamatundura	0	7,800,000	7,800,000
26	Gurar Footbridge	0	7,800,000	7,800,000
27	Itunga-Sengera	0	7,800,000	7,800,000
28	Lokongo - Buchirinya (36m span)	0	7,800,000	7,800,000
	TOTAL	0	**220,000,000**	**220,000,000**

b. Reductions

iv. Reduce Kshs. 220 million from the projects and programmes listed bellow

Decreases (Development)				
PROGRAMME	**Delivery unit/project**	**ESTIMATES 2019/2020**	**NET AMENDMENTS**	**AMENDED ESTIMATES 2019/2020**
Construction & Completion of Stalled Government Buildings	Mathare Nyayo Hospital	621,575,098.00	(150,000,000)	471,575,098
Coastline Infrastructure Development & pedestrian access	Construction of New Mokowe Jetty	163,517,829	(23,000,000)	140,517,829
General Administration, Planning And Support Services	Completion of MOW Sports Club	82,000,000	(12,000,000)	70,000,000
	Works Building Nairobi	48,336,231	(10,000,000)	38,336,231
Development & Regulation of the Construction Industry	Building and Construction Material Survey (KBRC)	40,600,000	(5,000,000)	35,600,000
	Renovation & Equipping the National Building Inspectorate	141,500,000	(20,000,000)	121,500,000
		1,097,529,158	**(220,000,000)**	**877,529,158**

Acknowledgments

May I take this opportunity to thank all Members of the Committee for their input and valuable contributions during the deliberations of the submissions by different stakeholders on the Budget Estimates for the financial year 2019/20. The Committee also takes this opportunity to thank the Offices of the Speaker and of the Clerk of the National Assembly for the logistical support accorded to it in executing the exercise within the limited time accorded.

SIGN .....**Date** 29/05/2019

HON. DAVID PKOSING, CBS, M.P
CHAIRPERSON,
DEPARTMENTAL COMMITTEE ON TRANSPORT, PUBLIC WORKS & HOUSING

PART II: BODY AND DETAILS OF THE REPORT

1. Broad over view of the Estimates

The Budget Estimates for the FY 2018/19 were tabled in the House on Tuesday 30th April, 2019 and subsequently referred to the relevant Departmental Committees for consideration pursuant to Article 221 of the Constitution and section 37 of the Public Finance Management Act, 2012.

The overall budget for the FY 2019/20 amounts to Kshs 3,080.8 billion up from the Kshs 2,836.1 billion allocated in the FY 2018/19. The allocation to the National Government amounts to Kshs 1,841.3 billion comprising of Kshs 1,157.3 Billion for Recurrent expenditure and Kshs 684 billion for development expenditure. The Judiciary presented a budget of Kshs 18.9 billion comprising of Kshs 14.5 billion for recurrent expenditure and Kshs 4.4 billion for development expenditure.

In addition, Parliament Presented a budget of Kshs 43.6 billion, out of which Kshs 40.6 billion is for recurrent expenditure and Kshs 3.1 billion is for development expenditure. The proposed allocation to CFS – Kshs 805.8 billion and County Government allocation of Kshs 371.8 billion includes conditional grants.

During the medium term period of 2015/16 - 2017/18, the State Department for Infrastructure was allocated Kshs.126.4billion, Kshs.218.3billion and Kshs, 149.4 billion in 2015/16, 2016/17 and 2017/18 FY respectively. The absorption rate stood at 86% in the FY 2015/16 and 69% in the FY 2016/17and 93% in 2017/18. In the same period the State Department for Transport recorded an absorption rate of 47%, 89% and 93% of the Kshs. 170.3 billion, 169.1 billion and Kshs.112.4 billion allocated respectively.

The State Department for Shipping and Maritime Affairs recorded absorption rate of 95% and 82% for the years it existed while the State Department for Housing and urban Development recorded 79%, 87% and 87% in the same period out of the Kshs. 19.4 billion, Kshs.17.5 billion and Kshs.18.4 billion allocated in the respective years. The State Department for Public has recorded 96%, 88% and 80% absorption of the Kshs. 2.4 billion, Kshs. 1.9 billion and Kshs. 1.5 billion allocated respectively

2. Committee Review Ministry by Ministry / Vote by Vote

a) Submission by the State Department for Infrastructure

The State Department for Infrastructure submitted its proposed budget to the committee on Tuesday, 21st May 2019. It was its submission that the gross budget for 2019/2020 for the State Department of Infrastructure was Kshs.186 billion broken down into recurrent and development as shown below;

No	Description	2018/2019 (Proposed 2nd Revised)	2019/2020	Change	% of Change
(i)	Recurrent	58,574,223,517	61,451,000,000	2,876,776,483	5%
(ii)	Development	111,981,283,838	124,965,600,000	12,984,316,162	3%
	Total	**170,555,507,355**	**186,416,600,000**	**15,861,092,645**	**9%**

Source: SDI

The Principal Secretary explained the increase from the 2018/19 budget was as a result of reduced 1st and 2nd revised budgets 2018/2019 and does not principally translate into increased funding. The additional provisions 2019/2020 when compared to the Printed Budget 2018/2019 reflect a 4% growth. Whereas The 3% growth under the development Budget is as a result of increased Development Partner financing (from **Kshs.34b** to **Kshs.42b**)

No	Description	2018/2019 Printed Budget	2019/2020 Printed Budget	Change	Percentage of Change
(i)	Recurrent	58,364,000,000	61,451,000,000	3,087,000,000	5%
(ii)	Development	121,685,380,000	124,965,600,000	3,280,220,000	3%
	Total	**180,049,380,000**	**186,416,600,000**	**6,367,220,000**	**4%**

Source: SDI

Further, the State Department gave a breakdown of the recurrent expenditure as shown in the table below;

No.	Allocation Area	Allocation (Kshs.)
1.	Fuel Levy (A.I.A.)	58,193,000,000
2.	Salaries for HQs	1,376,000,000
3.	Mechanical Fund (A.I.A)	1,000,000,000
4.	Transfers to KeRRA (Operations Support)	100,000,000
5.	Transfer to EBK (Operations Support)	84,000,000
6.	Kenya Institute of Highways (School Fees)	400,000,000
7.	Operations & Maintenance of Headquarter	298,000,000
	Total recurrent Budget	**61,451,000,000**

Source: SDI

With regards to the Development expenditure, the State Department Informed the committee that the government directed that no new Project should be started in 2019/2020 through Treasury

Circular No.4/2019 dated 11th March 2019 on Guidelines for preparation of the Budget 2019/2020. The Development Budget of **Kshs.125 billion** will be financed from the following sources: -

No.	Financier	Allocation (Kshs.)
1.	Net GoK exchequer	63,544,000,000
2.	Development Partner Support	42,941,600,000
3.	Fuel Levy Support	7,300,000,000
4.	Road Annuity Fund	11,180,000,000
	Total Development Budget	**124,965,600,000**

Source: SDI

The State Department informed the committee that the **Roads Annuity fund** has faced implementation challenges due to high tender sums and infancy challenges. The fund has so far since its inception in 2014 accumulated **Kshs.39.2 billion**. The State Department is implementing the first annuity fund financed project (Ngong-Kiserian -Isinya) in the current 2018/2019 financial year. **Another six Annuity Financed projects** will commence in the 2019/2020 Financial Year. The projects to be rolled out are as follows:

No.	Lot	Annuity Project	Length (Km)
1.	3	Modogashe-Habasweni-Samatar and Rhamu- Mandera	143
2.	15	Identified Town Roads in Nyeri, Kirinyaga, Muranga, Embu, TharakaNithi	45
3.	18	Identified Town Roads in Kakamega, Vihiga, Bungoma, Busia	35
4.	32	Illasit-Njukini-Taveta	68
5.	8	Bomas-Kiserian-Magadi (C58) (DuallingBomas-Kiserian-Corner Baridi and Bomas - Karen-Dagoret-Ruiru /Bomas - Dagoretti Market	76
6.		Kehancha-Lolgorian-Kilindoni-Emarti-Mulot -Nkoswani/Lemek-Ngoringori-B3 Junction/ Olulunga	120

Source: SDI

The State Department informed the committee that the net GoK financing faces an acute shortage of provision due to the portfolio of projects that are ongoing. The Low Volume Seal Roads component, with a portfolio of 6,500 km will have a budget shortfall of **Kshs.63 billion** in 2019/2020.

The total underfunding under net GoK including projects under contemporary construction and Low Volume Seal Roads in 2018/2019 **is Kshs.125 billion** which will rise to **Kshs.135 billion** in 2019/2020 financial year. The underfunding will result to Accumulated pending bills; Delayed execution of projects; Contract frustration; nugatory payments due to interest charges on delayed payments.

The underfunding is mainly contributed to by a variety of factors which include: -

- Inadequate allocation commensurate to the Roads 10,000 programme under the Low Volume Roads Strategy;

- High land acquisition and property compensation costs for road corridors particularly in urban areas;
- Continued Net GOK Budget reductions over the years despite the rollout of the **Roads 10,000** programme. It was expected that the net GOK allocations would increase in tandem with the policy on mass roll out and implementation of the Low Volume Seal Roads and achievement of the targeted 10,000 kilometers over a five-year period w.e.f 2016/2017 financial year.

  The pending Bills under the State Department of Infrastructure as at 31st March 2019 amount **to Kshs.76.3 billion**. All the bills are for ongoing or recently completed road projects. The pending bills per each Road Agency are as follows: -

No.	Agency	Works		Land/Property Compensation		Total Pending Bills (As at 31st March 2019) - Kshs. Billions
		FY 17/18	FY 18/19	FY 17/18	FY 18/19	
1.	KeNHA	5.3	12.4	23.2	7.2	48.1
2.	KeRRA	0.4	21.3		0.87	22.6
3.	KURA	1.2	3.8	0.6	0.02	5.6
Total		**6.9**	**37.5**	**4.4**	**8.09**	**76.3**

b) Submission by the State Department for Transport

The State Department for Transport made its submission on the proposed 2019/20 Estimates together with Supplementary Estimates II for 2018/19. The State Department took Members through the performance implementation of the 2018/19 budget and highlighted challenges in implementing some that were budgeted for due to lack of liquidity. The projects which were most affected were Airstrips.

The State Department reported impressive fund absorption of 93% as at 30th April, 2109 with a development Budget absorption of 95% and recurrent absorption of 78%. The State Department proposed recurrent budget of Kshs. 9.8 billion and Kshs.84 billion for Development for 2019/20 Financial Year. It also submitted a pending Bill of Kshs. 27.51 billion.

The Committee raised concern with the distribution of Airstrips in the Country and how the State Department ignored the resolution by the Committee during the consideration of the 2018/19 that resolved that far and less developed areas with poor road network be given a priority.

It was further noted that, despite the directive against introduction of new projects before completing ongoing projects, the State Department has introduced a new project in the name of Lanet Airstrip. The project seems not to be a priority now given its proximity to Eldoret International Airport in Eldoret and Wilson and JKIA in Nairobi.

The State Informed the Committee that the 1ST Berth of the Lamu Port will be complete in June, 2019 while the other 2 berths will be completed by June, 2020. The Committee also raised concern with practicability of the Bus Rapid Transport (BRT) without the Supporting infrastructure and how the two State Departments of Housing where BRT is domiciled and the State Department for Transport which the DMUs will coordinate to achieve the intended purpose.

c) Submission by the State Department for Shipping and Maritime Affairs

In its submission, the State Department for Shipping and Maritime informed the Committee that it has two Semi-Autonomous Government Agencies (SAGAs), namely; Kenya Maritime College and Bandari Maritime Academy. It further submitted it the status of 2018/19 budget implementation with an absorption rate 85% as 9th May, 2019.

The State Department also informed the Committee that it had a pending bill of Kshs.1.2 million relating to ICT equipment and fuel & lubricants in the FY 2017/18. It also submitted that recently gazetted Bandari Maritime College has been allocated Kshs. 200 million against a resources requirement of Kshs. 1,845 million while the overall allocation to the State Department for Shipping and Maritime has decreased from Kshs.250 million in 2018/19 to Kshs.212 million in proposed estimates for 2019/20.

From the submissions, the Committee observed that KMA collects quit substantial amount of resources as AIA and declares surplus to the National Treasury. The Committee resolved that KMA can support the State Department meet its obligations from its AIA collections and capture it as expense before declaring it surplus.

The Committee also observed that the Kenya Shipping line has been moved to the State Department for Transport. This is despite the existence of a State Department in the name of Shipping and Maritime.

d) Submission by the State Department for Housing and Urban Development

The Principal Secretary submitted the brief of State Department for Housing and Urban Development starting with Strategic Plan, 2018/19 budget performance, list of proposed new projects and their justifications, programmes and projects directly linked to the Big Four Agenda, status of stalled project among others.

From the submission, the Committee took issue with the State Department on its non-involvement of the members of Parliament and lack of Public Participation on Kenya Urban Programme. It was noted that the programme might be abused by the County Governments.

In his response, the Principal Secretary admitted that there are systemic issues in the programme whereby the National Treasury and the Ministry does the Annual Performance Auditing. He also reiterated that there are some counties who transfer the money from the Municipality account to the County accounts but this can only be revealed by the Annual Performance Audit. The PS further stated that he had a discussion with the Financiers (World Bank) and the CS on the need to change the structure of this funding.

On the Affordable Housing Programme, the State Department submitted that the progress is good so far but is facing challenges with the enablers whose budget is captured under their respective State Departments while some like the State Department for Infrastructure may not have provisions for enablers since most of its development budget is for ongoing projects.

The Committee and State Department agreed to relook in to the programme and come up with modalities on how to amend the County Allocation of Revenue Act going forward.

e) Submission by the State Department for Public Works

The Principal Secretary presented the brief from the State Department Public Works on the proposed estimates for 2019/20 and the supplementary estimates II for 2018/19. The PS submitted the proposed budget amounting to Kshs. 4,433,000,000 which is an increase from the Kshs. 3,513,331,056 allocated in the 2018/19 estimates. The recurrent budget amounted to Kshs. 2,330,000,000 while the Development budget amounted to Kshs. 2,103,000,000.

From the discussion it was noted that some footbridges were not considered for funding in the pretext that they are devolved functions. However, a look at the schedule 4 of the Constitution revealed that there is no explicit mention of foot bridges as either function of National or County Governments. It was further observed that all the footbridges mentioned by the State Department

were either connecting a Primary school or a Secondary school which are a National Government function. On the same note, Article 186 (3) of the Constitution stipulates that any function that is not explicitly mentioned as either function of the two levels of government remains a national government function.

The State Department also reported that it's struggling with over 44 stalled projects mainly under the Ministry of Interior and National Coordination for luck of budgetary provisions. It noted that involvement in the implementation diverts its mandate of setting standards and quality Control.

3. Committee Observations

a) Vote 1091 State Department for Infrastructure

i. The Committee observed that the removal of the Kshs.8.7 billion meant for emergency intervention for sections of roads damaged by the 2017/18 floods leaves the said sections still in a state of disrepair and therefore requires attention in 2019/20 Financial year.

ii. That the annuity programme had an accumulated amount of Kshs. 39.2 billion since its inception in 2014 and that only one road of 91Km had been procured and awarded at a cost of Kshs.22 billion translating to Kshs. 241 million per Kilometer. It was further, observed that it is the cost of financing rather than Construction cost that escalates the cost of road projects implemented through the programme.

iii. The Committee notes that roads issues are always raised in public participation forums pertaining to budget but the sector faces a Net GoK underfunding of Kshs.135 billion. This results in accumulated pending bills, delayed execution of Projects and nugatory payments due to interest charges on delayed payments.

iv. The State Department for Infrastructure is grappling with Pending Bills amounting to Kshs. 76.33 billion relating to ongoing or recently completed road projects shared among the road agencies as follows;

- KeNHA Kshs.48.1 billion
- KeRRA Kshs. 22.6 billion
- KURA Kshs. 5.6 billion

v. There are critical projects that are in the approved roads 10,000 programme under the Low Volume Sealed Roads (LVSR) that were not considered for funding or too little amounts allocated to them in the proposed 2019/20 Estimates. The State Department submitted a list

of those projects that were not funded and how they would have funded within the proposed budget.

vi. The Kenya Urban Roads Authority is mandated to construct urban roads including roads in all County Headquarters however it was observed that the Agency has not done any works in the County Headquarters of Nyamira, Elgeyo-Marakwet, Narok, Kajiado and Lodwar

vii. It is Projected that 15% share of the Roads Maintenance Levy to the Counties will amount to Kshs.8.9 billion for 2019/20. It is observed that the road agencies do the audit but the county Governments do not implement recommendation from the audit reports.

b) Vote 1092 State Department for Transport

Observations and Recommendations

The Committee Observed;

i. That the BRT and the DMUs cut across different departments hindering smooth coordination and delivery of otherwise noble idea. The same with the shipping line which was in Transport but directly related to the Shipping and Maritime Affairs under a different department.

ii. Land acquisition is a major cost driver for Airstrips and Airports in the Country.

iii. The distribution of the proposed Airstrips and Airports were not based on need basis and not reflecting the face of the Country. It was further observed that some Airstrips were allocated huge amounts and the variations show unfair distribution of resources.

c) Vote 1093 State Department for Shipping and Maritime Affairs

The Committee Observed;

i. That KMA collects quit a substantial amount of resources as AIA and declares surplus to the National Treasury.

ii. That the Kenya Shipping line has been moved to the State Department for Transport despite the existence of a State Department in the name of Shipping and Maritime Affairs.

d) Vote 1094 State Department for Housing, Urban Development

i. The State Department is responsible for the delivery of the affordable housing Programme but faces challenges with enablers tasked to provide the necessary physical and social infrastructure. Specifically, the committee noted that State Department for Infrastructure

which is critical enablers gets no allocations to support the affordable Housing Programme since all its development budget is for ongoing projects. The Committee recommends that the funding for all critical enablers of the affordable housing Programme as one of the BIG 4 agendas be provided and managed under the State Department for Housing and Urban Development. This will ease the delivery of all infrastructural facilities alongside the housing units.

iii. The committee was also concerned with the budgeting and implementation of the Kenya Urban support Programme, who's budgeting and approval is done at the National level and implementation and oversight is at County Level. The State Department raised concerns with how the County Governments are utilizing the funds and have embarked on an annual Performance audit of the 59 municipalities. The Committee recommends that there is urgent need to initiate the legal process of amending the County Allocation of Revenue Act, so that the Kenya Urban Support Programme is managed at the Ministry to enhance accountability and ease of oversight by Parliament.

e) Vote 1095 State Department for Public Works

i. That some footbridges were not considered for funding in the pretext that they are devolved functions. However, a look at the schedule 4 of the Constitution revealed that there is no explicit mention of foot bridges as either function of National or County Governments. It was further observed that all the footbridges mentioned by the State Department were either connecting a Primary school or a Secondary which are a National Government Function. on the same note, Article 186 (3) of the Constitution stipulates that any function that is not explicitly mention as either function of the two levels of government remains a national government function.

ii. The State Department also reported that it's struggling with over 44 stalled projects mainly under the Ministry of Interior and National Coordination for luck of budgetary provisions. It noted that involvement in the implementation diverts its mandate of setting standards and quality Control.

PART III: COMMITTEE RECOMMENDATIONS

a) State Department for Infrastructure

i. The Committee recommends that the National Treasury provide resources in the 2019/20 Financial Year to rehabilitate the section of roads that were washed away by floods across the country.

ii. The Committee recommends that the Ministry relooks at the annuity programme with a view of sharing lessons learnt in the cost of financing projects through this programmes versus other models of financing.

iii. The Committee further recommends that the Kenya Roads Board floats a roads bond amounting to Kshs. 200 billion that will be securitized through the fuel levy or the annuity programme which proved to be a very expensive programme.

iv. The committee recommends that the State Departments prioritizes clearing of the pending bills.

v. The committee recommends that KURRA to endeavor in executing its mandate on all County Headquarters.

vi. There is need to establish a mechanism for Parliament to have oversight role on all National Government Conditional Grants to Counties.

viii. Proposed Increases

The Committee recommends increased allocations for the following Projects which were approved in the roads 10,000 under the Road Transport Programme in the State Department for Infrastructure as proposed by the State Department.

Code	Low Volume Seal Roads	Printed Net GoK 2019/20	Increase	Amended 2019/20 Estimates
	Manga - Ndanai - Siongirui	-	40,000,000	40,000,000
	Garbatula - Malkadaka - Merti	-	40,000,000	40,000,000
	Isinya - Konza	-	40,000,000	40,000,000
	Mumias - Musanda - Mudhiero	-	40,000,000	40,000,000
	Turbo - Sikhendu	-	40,000,000	40,000,000
	Mundoro - Gaitete	-	40,000,000	40,000,000
	Mwingi - Musukini - Mumbuni - Nzeluni	-	40,000,000	40,000,000

Code	Low Volume Seal Roads	Printed Net GoK 2019/20	Increase	Amended 2019/20 Estimates
	A14 Mwabungo - Shimba Hills	-	40,000,000	40,000,000
	Chiracha - Banisa - Birashum	-	40,000,000	40,000,000
	Mia Moja Mkt - Kwa Muwero - Kianjogu Mkt - Kithimadisp/Kiambogo-Rugirango - Ngusichi Mkt - Kwa Nganga	-	40,000,000	40,000,000
	Nyakore - Osani	-	40,000,000	40,000,000
	Kipangawau - Kibowen Pry Access/Mwariki Sec School-PembeMbili- Eldoret Access Roads	-	20,000,000	20,000,000
	Nakuru West Sec School-Kapkus/Baruti Sewerage Roads/ Hopewell-KelenetIngobarSoilo/Rhoda Pry/Rhoda Police Station/Kapkembu	-	20,000,000	20,000,000
	Manga - Motemomwamu	40,000,000	40,000,000	80,000,000
	Bonyunyu - Sironga - Makairo - Gianchore - Nyamira	-	40,000,000	40,000,000
	Boiman - Pacenga - Siranga - Gachwe - Kwamumbi	-	40,000,000	40,000,000
	Jambo - Kagochi - Gatondo	-	40,000,000	40,000,000
	Bute - Ajawa - Buna	-	40,000,000	40,000,000
	Abakore - Sabuli	-	40,000,000	40,000,000
	Chepkorniswo - Kachemoge-Sina	-	40,000,000	40,000,000
	Karen End - Gatiba - Pry - Karinde -Dagoreti Mkt	-	40,000,000	40,000,000
	Sub Total Additions (LVSR)	**40,000,000**	**800,000,000**	**840,000,000**
	Spot Improvement			
	Badana - Sericho - Kombola	-	15,000,000	15,000,000
	Illasit - Paranae	-	20,000,000	20,000,000
	Mutwangombe- Nyanyaa - Waita	-	20,000,000	20,000,000
	Sori - Akolomwak	-	20,000,000	20,000,000
	Ajawa - Buna	-	20,000,000	20,000,000
	Buna - Ogorji- Bute	-	20,000,000	20,000,000

Code	Low Volume Seal Roads	Printed Net GoK 2019/20	Increase	Amended 2019/20 Estimates
	Gurar - Qarsasare	-	20,000,000	20,000,000
	Sub Total Spot Improvement Additions	**-**	**135,000,000**	**135,000,000**
	Grand Total Additions	**-**	**935,000,000**	

ix. Proposed Reductions

The Committee recommends reductions in the Following Projects under the Road Transport Programme in the State Department of Infrastructure as proposed by the State Department.

Code	Project Name	2019/20 Proposed Estimates (Net GoK)	Reductions	Amended 2019/20 Estimates
1091133830	Mugeka - Thuita - Kiriaini - Kagumoini - Gitugi - Chui - Karugia- Mataara - Gacharage	280,000,000	(30,000,000)	250,000,000
1091133931	Kadel - Alara - Pala - Kanyadhiang / Center - Kilusi - Opanga - Ramba	600,000,000	(150,000,000)	450,000,000
1091134117	Mauche – Bombo – Olenguruone - Kiptagich – Silibwet(D319) – Rwc 136	300,000,000	(75,000,000)	225,000,000
1091133930	Jn A104 (Lungalunga) - Vanga - Jego - Majoreni - Jn A109 (Ram isi) - Bodo - Shimoni	270,000,000	(50,000,000)	220,000,000
1091133828	Embu Hosp. - Kathangariri - Kianjokoma - Runyenjes - Mugui - Mbui-Njeru - Kanja - Siakago	280,000,000	(50,000,000)	230,000,000
1091133948	Nyamira - Igonga - Gesonso - Nyabioto ; 2. Nyamatutu - Mogumo – Igonga;	250,000,000	(60,000,000)	190,000,000
1091135447	Murang`a Town (Huhi Town Stn)-Karii Railway Stn-Muthingiriri-Marewa-Gakindu Bridge-Wandaka-Gikuu-Kayuy-Mirira	200,000,000	(50,000,000)	150,000,000
1091102901	Naromoru-Munyu-Karisheni	280,000,000	(80,000,000)	200,000,000

Code	Project Name	2019/20 Proposed Estimates (Net GoK)	Reductions	Amended 2019/20 Estimates
1091105301	Giakanja-Tetu Mission-Kagogi-Ihwa-Ihuru And Wandumbi-Kigogoini	240,000,000	(40,000,000)	200,000,000
1091137131	Kabarnet - Pemwai - Kabartonjo - Kipsaraman	120,000,000	(20,000,000)	100,000,000
1091104801	Mairi-Gatiani-MakombokiGituru-WanyagaKimandi	230,000,000	(30,000,000)	200,000,000
1091107001	Baricho Bridge	380,000,000	(80,000,000)	300,000,000
1091134101	Mariakani - Bamba	285,000,000	(50,000,000)	235,000,000
1091134105	Kamatira - Cheptongei	500,000,000	(50,000,000)	450,000,000
1091133826	Karima - Kianjege	220,000,000	(30,000,000)	190,000,000
1091134501	Nyaru - Iten	458,534,011	(50,000,000)	408,534,011
1091135421	GatiIguru - Ithanga - Mithini - Kirimiri - Gakungu	245,000,000	(40,000,000)	205,000,000
	Total Reductions		**(935,000,000)**	

b) Vote 1092 State Department for Transport

i. The Committee recommends that both BRT and DMUs are domiciled in the State Department for Transport and that the KNSL to remain in the State Department for Shipping and Maritime Affairs for ease of coordination and management.

ii. The committee recommends that County Governments provide Land to KAA for Airstrips Construction and expansion.

iii. The Committee further recommends that Ministry provides resources to airstrip on need basis during supplementary.

iv. Financial Recommendations

Proposed Increase

v. Increase **Kshs. 200 million** to the Air Accidents Investigations Department and **Kshs.50 million** for Air Transport Department both in Air Transport Programme

vi. Increase **Kshs.50 million** for Head Quarters Administrative Services in the General Planning and Support Services in the State Department for Transport

Proposed Reductions

vii. Reduce **Kshs. 300 million** from the Air Transport Programme under the Kenya Civil Aviation's Authority in the State Department for Transport. KCAA agreed to release Kshs. 300 million from its AIA collections to support aviation activities of Air Accident Investigation Department and stewardship of Air Transport Policy Issues in the office of the Cabinet Secretary.

c) State Department for Shipping and Maritime Affairs

i. The discussion resolved that KMA can support the State Department meet its obligations from its AIA collections and capture it as expense before declaring its surplus to the National Treasury.

iii. Therefore the committee recommends that the KNSL to remain in the State Department for Shipping and Maritime Affairs for ease of coordination and management.

d) Vote 1094 State Department for Housing, Urban Development

i. The Committee recommends that the funding for all critical enablers of the affordable housing Programme, as one of the BIG 4 agendas, be provided and managed under the State Department for Housing and Urban Development. This will ease the delivery of all infrastructural facilities alongside the housing units.

ii. The Committee recommends that there is urgent need to initiate the legal process of amending the County Allocation of Revenue Act, so that the Kenya Urban Support Programme is managed at the Ministry to enhance accountability and ease of oversight by Parliament.

e) Vote 1095 State Department for Public Works

i. The State Department should concentrate on its core mandate of setting standards and quality assurance and leave construction works to relevant Ministries and agencies.

ii. The State Department should continue building footbridges especially those leading to access to schools.

iii. **Financial Recommendations**

a) Increases

The committee recommends an increased allocation for each of the 28 footbridges as outlined below in the Coast line Infrastructure Development and Pedestrian access programme in the State Department for Public Works as was proposed by the State Department.

	INCREASES (DEVELOPMENT)			
S/no,	**Delivery Unit/Project**	**Estimates 2019/20**	**Proposed amendment**	**Amended 2019/20 allocation**
1.	Shambani footbridge (24m span) in	0	7,800,000	7,800,000
2.	Sirimon-Mutethia (36m span)	0	7,800,000	7,800,000
3.	Kanguo river Mathyakani/Isou river and Nguni/Masavi road (24m span)	0	7,800,000	7,800,000
4.	Psirwo/Psamar footbridge – (48m span)	0	9,400,000	9,400,000
5.	Kochiy – Putokowow (36m span)	0	7,800,000	7,800,000
6.	Nyamakoroto-Karantini (36m span)	0	7,800,000	7,800,000
7.	Bute (48m Span)	0	7,800,000	7,800,000
8.	Delakale Hospital (48m Span)	0	7,800,000	7,800,000
9.	Keera-West Mugirango	0	7,800,000	7,800,000
10.	Buna Footbridge	0	7,800,000	7,800,000
11.	Kapkures		7,800,000	7,800,000
12.	Mumoni Footbridge	0	7,800,000	7,800,000
13.	Kamuyu Bridge	0	7,800,000	7,800,000
14.	Nyande- Michore bridge	0	7,800,000	7,800,000
15.	Gura River bridge	0	7,800,000	7,800,000
16.	Shauri Yako Footbridge (30m span)	0	7,800,000	7,800,000
17.	Kiptabsir - Chebongi (36m span)	0	7,800,000	7,800,000
18.	Butende - Ruwe (36m span)	0	7,800,000	7,800,000
19.	Kalama -Mbukuni footbridge- (32m span)	0	7,800,000	7,800,000
20.	Aligalo (48m Span)	0	7,800,000	7,800,000
21.	Ntungi Primary School Ruguzu-Kanyuru Footbridge	0	7,800,000	7,800,000
22.	Kiangonina over Sagana Foot Bridge	0	7,800,000	7,800,000
23.	Maragima river	0	7,800,000	7,800,000
24.	Rikenye - Embaro	0	7,800,000	7,800,000

	INCREASES (DEVELOPMENT)			
S/no,	**Delivery Unit/Project**	**Estimates 2019/20**	**Proposed amendment**	**Amended 2019/20 allocation**
25.	Rigoma-Riamatundura	0	7,800,000	7,800,000
26.	Gurar Footbridge	0	7,800,000	7,800,000
27.	Itunga-Sengera	0	7,800,000	7,800,000
28.	Lokongo - Buchirinya (36m span)	0	7,800,000	7,800,000
	TOTAL	0	**220,000,000**	**220,000,000**

b) Reductions

Reduce Kshs. 220 million from the projects and programmes identified in the table below

Decreases (Development)				
PROGRAMME	**Delivery unit/project**	**ESTIMATES 2019/2020**	**NET AMENDMENTS**	**AMENDED ESTIMATES 2019/2020**
Construction & Completion of Stalled Government Buildings	Mathare Nyayo Hospital	621,575,098.00	(150,000,000)	471,575,098
Coastline Infrastructure Development & pedestrian access	Construction of New Mokowe Jetty	163,517,829	(23,000,000)	140,517,829
General Administration, Planning And Support Services	Completion of MOW Sports Club	82,000,000	(12,000,000)	70,000,000
	Works Building Nairobi	48,336,231	(10,000,000)	38,336,231
Development & Regulation of the Construction Industry	Building and Construction Material Survey (KBRC)	40,600,000	(5,000,000)	35,600,000
	Renovation & Equipping the National Building Inspectorate	141,500,000	(20,000,000)	121,500,000
		1,097,529,158	**(220,000,000)**	**877,529,158**

PART IV: ANNEXES

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELVETH PARLIAMENT – THIRD SESSION

THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT & NATURAL RESOURCES

REPORT ON THE BUDGET ESTIMATES FOR THE FY 2019/20 AND MEDIUM TERM FOR THE:-

VOTE 1107: MINISTRY OF WATER AND SANITATION

VOTE 1108: MINISTRY OF ENVIRONMENT AND FORESTRY

VOTE 1192: STATE DEPARTMENT FOR MINING

VOTE 1204: STATE DEPARTMENT FOR WILDLIFE

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

MAY 2019

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1.0 PREFACE

Mr. Chairman,

On behalf of the Departmental Committee on Environment and Natural Resources and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honour to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the 2019/20 and the medium term budget estimates for the Ministry of Water and Sanitation, Ministry of Environment and Forestry, the State Department for Mining and the State Department for Wildlife.

1.1 Committee Mandate

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

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 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 No.204 (Committee on appointments);
(fa) To examine treaties, agreements and conventions;
g) To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
h) To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
i) To examine any questions raised by Members on a matter within its mandate.

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

1.2 Oversight

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

i. The Ministry of Environment and Forestry;
ii. The State department for Water and Sanitation;
iii. The State Department for Mining; and
iv. The State Department for Wildlife

1.3 Members of the Committee

The Committee comprises the following Members:

No.	Name	Constituency	Party
1.	**The Hon. Kareke Mbiuki, M.P.,** Chairperson	Maara	Jubilee Party
2.	**The Hon. Sophia Abdi Noor, M.P.** Vice Chairperson	Ijaara	PDR
3.	The Hon. Benjamin JomoWashiali, M.P., CBS	Mumias East	Jubilee Party
4.	The Hon. David Kangogo Bowen, M.P.	Marakwet East	Jubilee Party
5.	The Hon. Francis Chachu Ganya, M.P.	North Horr	FAP
6.	The Hon. Ali Wario Guyo, M.P.	Garsen	Wiper Party
7.	The Hon. Beatrice Cherono Kones, M.P.	Bomet East	Jubilee Party
8.	The Hon. Charity Kathambi Chepkwony, M.P	Njoro	Jubilee Party
9.	The Hon. Hilary Kiplang'at Kosgei, M.P.	Kipkelion West	Jubilee Party
10.	The Hon. Peter Kimari Kihara, M.P	Mathioya	Jubilee Party
11.	The Hon. Benjamin Dalu Tayari, MP.	Kinango	ODM
12.	The Hon. Charles Ong'ondo Were, M.P.	Kasipul	ODM
13.	The Hon. Nasri Sahal Ibrahim, M.P.	Nominated	FORD K
14.	The Hon. Rozaah Buyu. M.P.	Kisumu County	ODM
15.	The Hon. Said Hiribae, M.P.	Galole	FORD K
16.	The Hon. Hassan Oda Hulufo, M.P.	Isiolo North	KPP
17.	The Hon. Amin Deddy Mohamed Ali, M.P.	Laikipia East	Jubilee Party
18.	The Hon. Rehema Hassan, M.P.	Tana River County	MCC
19.	The Hon. (Eng.) Paul Musyimi Nzengu, M.P.	Mwingi North	Wiper Party

1.4 Secretariat

The Committee is serviced by the following Members of Staff:

Ms. Esther Nginyo	**Clerk Assistant II**
Mr. Dennis Mogare	**Clerk Assistant III**
Ms. Amran Mursal	**Fiscal Analyst III**
Mr. Sydney Lugaga	**Legal Counsel II**
Ms. Winnie Kulei	**Research Officer III**

1.5 Overview of the examination of the Estimates

The 2019/20 Budget Estimates were submitted and tabled to the National Assembly pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act 2012. The Constitution 2010 and the Public Finance Management Act 2012 gives National Assembly the mandate to review the budget estimates and make recommendations before the budget is approved.

Standing Order No. 235(3) provides that after being tabled, the Budget Estimates are committed to each Departmental Committee to consider according to their respective mandates. The Standing Orders provide that Departmental Committees of the National Assembly will consider the budget estimates for the various spending agencies within their purview and make recommendations to the Budget and Appropriation Committee.

In the exercise of its mandate of reviewing the budget estimates, the Committee scheduled a total of seven (7) Sittings. The process started by a briefing on 19th May, 2019 from the Parliamentary Budget Office, represented by Ms. Amran Yunis. This was in an effort to unpack for Members the estimates and equip them with the information needed to effectively scrutinize the estimates. The Committee then engaged the Ministries and the State Departments during its retreat in Kiambu from 19th to 23rd May, 2019.

1.6 Summary of Committee Recommendations

The Committee having scrutinized and reviewed the 2019/20 Budget Estimates for the Environment and Natural Resources Sector observes that the sector being an enabler to the achievement of the 'Big Four Agenda', it is not adequately funded. The Committee makes the following recommendations:

a) Policy Recommendations

Ministry of Environment and Forestry

1. The Committee recommends that for the National Tree Planting Campaign Project to succeed, the National Treasury should ensure that exchequer is released as required to avoid missed targets especially during the rainy season

2. The Ministry of Environment and Forestry Headquarters is implementing projects that are meant to be carried out by various institutions as per their mandates. It is the Committees view that the Headquarters should only coordinate and not implement any projects.

3. Kenya Forest Service is a major stakeholder in the conservation effort that are adding a lot of value to the water sector and hydro-electric generation for the country. However, despite all the efforts, the Service is not benefitting from the levies collected by the water sector. There is therefore need to have some of the levies to be shared with the Kenya Forest Service to form part of its Appropriation in Aid.

4. The International recommended ratio of Forest Ranger to forest area is 1:400 ha. However, in Kenya due to various reasons such as retirement, natural attrition, staff movements, the ratio has reduced to 1:1000 ha, making it difficult for effective forest protection. There is therefore need to recruit 1,500 Forest Rangers and replace 419 rangers being part of the staff who have exited the service.

5. The Committee recommends that the Ministry needs to consider lifting the ban on forest logging to increase the Kenya Forest A-I-A and to collect the funds to restore degraded forest areas as well as carry out other operations within the Service rather than fully relying on the exchequer.

6. That the National Tree Planting Campaign Project should not be undertaken by the Ministry Headquarters since there are other institutions who have the technical know-how and the resources to ensure that the objective is achieved. The activity should be an intra-sectoral and undertaken by Kenya Forest Service through community forest associations, Kenya Water Towers Agency and Kenya Forestry Research Institute.

7. The Kenya Forestry Research Institute is carrying out seven projects which are all inadequately financed. There is need to enhance the allocation of the Institute to complete the projects which are currently ongoing. In future, the Institute should undertake fewer projects with substantive allocations to ensure that outputs and targets are achieved. The committee in addition noted the vital role that KEFRI would play in the national tree planting campaign in production and research on seeds and therefore recommends the allocation of 75 million out of the 1 billion earmarked for the campaign.

8. The National Treasury should approve NEMAs request to increase its A-I-A collection in the FY 2019/2020 from **Kshs. 90 million** to **Kshs. 130 million** through charges of effluent discharge to enable the Authority increase its revenues to support its expenditures.

9. The government should further reinstate the Environmental Impact Assessment fees to allow NEMA to collect A-I-A and to enable the Authority become financially

sustainable. The Committee further acknowledges that the EIA fee is not just a license fee but a processing and monitoring fee. The practice worldwide is that the EIA fee is paid by the developers with the main goal of ensuring sustainable development and in line with polluter pay principles.

State Department for Wildlife

1. The State Department should ensure that they file their expenditure returns with the National Treasury on the donor funded projects to avoid cases in which the National Treasury rationalizes budgets which have already been expended

2. The Kenya Wildlife Service needs to restructure the service to take care of the huge workforce that are creating colossal operating costs and address the issue of the permanent casual workers through the planned reforms.

3. The Committee commends the Kenya Wildlife Service for improving the revenue collection and recommends further GOK counterpart funding towards the Wildlife Conservation Management Project to further enhance revenue collection, Wildlife Management Information System and the monitoring system for reporting and analyzing human-wildlife conflict and poaching incidents and wildlife movements.

4. 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 Programme Based Budgeting framework.

Ministry of Water and Sanitation

1. The Kenya towns Sustainable water supply and sanitation programme across 28 towns under the Rift Valley and TANA water works development Agency had a reduction in allocation of funds under the Supplementary II estimates. The donor funded projects have a budgetary shortfall and pending certificates of Kshs. 2,298 17 million o/w **Kshs. 803.15 million** is under Rift Valley and **Kshs. 1,495.02 million** is under TANA Water Works Development Agency.
2. In addition, the FY 2019/2020 proposed budget for the project under the Rift Valley Water Works Authority is **Kshs. 1,500 million** against a pending bill of **Kshs. 803.15 million** while the Tana water works Authority has a proposed allocation of **Kshs. 1,700 million** against pending bill of **Kshs. 1,495.02 million**. The funds proposed for the FY 2019/2020 will therefore be used to cater for the pending bills as the pending bills form a first charge.

3. The Committee therefore recommends additional allocation of **Kshs. 2,298.17 million (Kshs. 803.15 million** for Rift Valley Water works Agency and **Kshs. 1,495.02 million)** in the FY 2019/2020 to cater for the pending bills incurred in the FY 2018/2019.

4. The Cross-County Bulk Water and Sanitation Project which aims at ensuring security of water supply to all areas of this country and promote equitable distribution of the water resources in order to meet the increasing water demand over the medium term **should not be implemented** under Maragua B in Muranga County, Karameno in Nyeri and Laikipia, Wiyumiririe in Laikipia and Nyandarua Counties as proposed in the FY 2019/2020 budget, but rather it should be spread across the country.

5. That the Coast Water Service Board covers six counties which are; Mombasa, Kwale, Kilifi, Taita-Taveta, Lamu and Tana River. However, the Committee observed that the projects being undertaken under the Board are majorly covering just 3 counties. It has therefore been noted that there is no equity in the distribution of projects in the region

6. In as much as the donors require the engagement of international consultants, there is need to ensure that GOK funded projects engage the available technical resource within the government to conduct consultancy-project supervisions.

7. The Committee recommends that the Water Sector Trust Fund should carry out research to ensure that resource mobilization is done from an informed position and to ensure that the Trust Fund mobilizes funds to cater for all the regions in the country.

8. The National Treasury should ensure that tax exemptions are cleared to improve project implementation and to avoid interests accrued as a result of delayed payments.

9. The Committee recommends that each Water Works Development Agency (formerly Water Services Boards) should carry out projects within their jurisdiction since each agency has its own autonomy and all the Water Works Development Agencies should be enabled to undertake their mandate.

10. The Committee noted that there are over 80 water projects which are ongoing. There is therefore need to put more resources in the sector to focus on completing projects which are almost complete.

11. The Committee recommends the need to develop well defined legal or institutional mechanisms to facilitate inter-sector coordination especially in regards to the levies imposed by KENHA, KFS during the construction of dams and the last mile water connectivity

b) Financial Recommendations

The Committee having received submissions from the various State Departments and further deliberated, scrutinized and examined the submissions and content of the FY 2019/2020 Budget Estimates, recommends the following:

I. That, under the Ministry of Environment and Forestry, the proposed allocation of **Kshs. 10.18 billion** for Recurrent and **Kshs. 7.20 billion** for Development outlays

be approved, and in-line with the various proposed allocation per each Programme under the Ministry.

II. That, under the Ministry of water and sanitation, the proposed allocation of **Kshs. 5.53 billion** for Recurrent and **Kshs. 55.65 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the Ministry.

III. That, under the State Department for Mining, the proposed allocations of **Kshs. 632.33 million** for Recurrent and **Kshs. 574 million** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.

IV. That, under the State Department for Wildlife, the proposed allocation of **Kshs. 7.79 billion** for Recurrent and **Kshs. 1.37 billion** for Development outlays be approved and in-line with the various proposed allocation per each Programme under the State Department

- **Reductions**

The Committee recommends reduction of **Kshs. 3,791 million** from the projects under the Ministry of Environment and Forestry and Ministry of Water and Sanitation as shown;

Item	2019/20 GOK Allocation	D.Cs Proposed reduction	Justification
	Kshs. Millions		
MINISTRY OF ENVIRONMENT AND FORESTRY			
Imarisha Lake Naivasha catchment Project	140	(140)	Activities being implemented in this programme are unclear and are majorly a duplication of activities being undertaken in other Agencies (KFS) in the Ministry.
Nairobi Rivers rehabilitation project	110	(110)	To avoid funding duplication of activities- The same exercise is being undertaken by the Nairobi County Government
Urban rivers rehabilitation project	70	(70)	As observed under Committee observations
Suswa-lake Magadi Environment restoration Programme	71	(71)	The project is allocated **Kshs. 71 million** which is not sufficient to make any impact on the project target as shown under the Committee observations
Implementation of the National Climate Change Action Plan	245	(100)	The Climate Change Council is not yet constituted and the implementation of the action plan needs the approval of the Climate Change Council. Reduction in the allocation for the FY 2019/2020 as the funds will not be absorbed until the climate change council is in place.
Forest Plantations- KFS	200	(200)	KFS has been allocated funds to undertake the National tree planting campaign. The planned

			activities under this include restoration of forest degraded areas and restocking of plantation areas. There is therefore no need of double allocation for the same activities.
National Tree Planting Campaign- Ministry Headquarters	1,000	(900)	The Headquarters should only coordinate and not implement any projects. The remaining amount at the headquarters is to finalize the national strategy on the Constitutional target of 10% tree cover by 2022 and coordinate the tree planting campaigns.
Total Deductions Ministry of Environment and Forestry	**1,836**	**1,591**	
MINISTRY OF WATER AND SANITATION			
Karimenu II dam water supply project	2,200	(1,200)	Total requirement for RAP under Karimenu project phase I is Kshs. 1.3 billion. The National Land Commission has already been paid Kshs. 650 million and the project has an allocation of Kshs. 681 million under supplementary II. This is sufficient for finalizing the Phase I of the Project. In the FY 2019/2020 proposed allocation of Kshs. 1 billion is adequate to start on the RAP for phase II which is the reservoir area
Cross-County bulk water and sanitation services improvement programme	3,000	(1,000)	Transfer to the National Water Harvesting and Ground Water Exploitation which has experienced reduction of Kshs. 900 million under the FY 2018/2019 Supplementary II Budget which will result in pending bills since the funds had been committed. The additional Kshs. 1,000 million will enable the Ministry complete ongoing water projects and to implement the FY 2019/2020 targeted activities
Total Deductions Ministry of Water and Sanitation	**5,200**	**(2,200)**	
TOTAL REDUCTIONS		**(3,791)**	

Proposed Additions

The committee Recommends the following additions based on the **Kshs. 3,791 million** savings made above

Item	2019/20 GOK Allocation	D.Cs Proposed Additions	Justification
	Kshs. Millions		
MINISTRY OF ENVIRONMENT AND FORESTRY			
Construction of National Environment Laboratory- NEMA	**20**	**50**	To complete the purchase and equipment of the mobile laboratory for air quality and water pollution monitoring, and the enhanced equipping of the National Environment Laboratory.
National Tree planting campaign-Kenya Forest Service	-	**775**	It is the core mandate of the KFS to increase the tree cover-KFS to give Support to CFAs, Women, Youth and special groups.
National Tree Planting Campaign in Kenya Forestry Research Institute	-	**75**	To improve tree seed production capacity at KEFRI for the FY 2019/2020 to support the national tree planting campaign and to further contribute towards meeting the 10% tree cover by 2022.
National Tree Planting Campaign-Kenya Water Towers Agency	-	**50**	Production of indigenous and fruit tree nurseries in collaboration with other government institutions. Rehabilitation of water towers through Contracting (site clearance, pitting, planting of trees).
STATE DEPARTMENT FOR WILDLIFE			
Human Wildlife Conflict Mitigation Programme (Fences)- Kenya Wildlife Service	**250**	**150**	The human wildlife conflict mitigation programme has a proposed allocation of Kshs. 250 million in the FY 2019/2020 for the construction and maintenance of Meru park southern boundary, Kakamega, Tsavo West and East Park, Lake Nakuru, Mt. Elgon, Shimba Hills, Laikipia and Mwea. The committee notes that the allocation is insufficient to undertake these works.
Maintenance of Access roads and airstrips in Parks- Kenya Wildlife Service	**250**	**50**	To improve accessibility to and mobility within the parks and also improve visitor experience and enabling movement within national parks and reserves
Wildlife Conservation and Compensation Committees-Headquarters	**0**	**50**	For Operationalization and facilitation of the Wildlife Conservation and Compensation Committees (CWCCC) to verify the cases of Human Wildlife Conflict.
STATE DEPARTMENT FOR MINING			
Granite processing plant in Vihiga	**30**	**130**	The centre will be a processing hub to convert granite boulders into polished granite dimension stones to cater to the growing construction industry in the region.
Geological Mapping and Mineral Exploration	**43**	**131**	To cater for the mining component of the inter-Ministerial implementation team for the National Airborne geophysical survey that is to be carried out by the Ministry of Interior. The mining component includes getting information from the multiagency and introducing it to the other stakeholders

			through engagements and meetings with the scientific community.
MINISTRY OF WATER AND SANITATION			
National Water Harvesting and Ground Water Exploitation- Headquarters	**900**	**1,000**	To increase water storage for domestic Use through construction of water pans and small dams.
Tana-River Water Projects- Coast Water Service Board	-	**100**	To carry out water harvesting projects in Tana River to improve access to safe water in the region, and to address some of the challenges of equitable distribution of water projects.
Badasa Dam- National Water Harvesting and Storage Authority	-	**71**	In line with starting the process of completing the stalled projects under the Ministry, the Committee recommends allocation of **Kshs. 71 million** to Badasa dam to pay for the consultancy and complete the design review.
Umaa Dam-National Water Harvesting and Storage Authority	-	**81**	In line with starting the process of completing the stalled projects under the Ministry, the committee recommends addition of **Kshs. 81 million** to pay the consultant and complete the design review for Umaa dam.
Rehabilitation of water supplies Ijara Water Works- Northern Water Works Authority	-	**50**	To expand and rehabilitate Ijara Water Supplies
SOIN-KORU- National Water Harvesting and Storage Authority	-	**30**	To pay the consultant for the completed design review of the Soin Koru project, initiation of the tender preparation to acquire contractors and supervising consultants
Mwache Dam-Headquarters	**650**	**300**	To construct an upper check dam in the community land for distribution of water to makamini, Kasameni and Mwavumbo for the residents in Kinango who will not benefit from the mega Mwache Dam.
Kenya towns sustainable water supply and sanitation programme- Tana- Tana Water Works Development Agency	**400**	**500**	To cater for GOK counterpart requirement for land/wayleave acquisition to expedite implementation of the resettlement action plan delaying the implementation of the project, and water storage due to rivers over extractions
Flood Control Works- National Water Harvesting and Storage Authority	**240**	**198**	Additional funds for flood control works to address critical sections of flood prone areas in Nyando, Turkana, Narok, Isiolo, Migori, Homabay and Trans Nzoia.
TOTAL ADDITIONS		**3,791**	

1.7 Acknowledgements

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

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

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

Mr. Chairman,

Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Environment and Natural Resources, to present this Report to the Budget and Appropriation Committee pursuant to the provisions of section 37 of the Public Finance Management Act (PFM Act) and Standing Order 207 (6).

SIGNED .....

HON. KAREKE MBIUKI, MP
(CHAIRPERSON)
DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES
DATE..... 29/05/2019 .....

2.0 BROAD OVERVIEW OF THE BUDGET ESTIMATES FOR FY 2019/2020

1. The proposed budget estimates of revenues and expenditures for the national government for the FY 2019/2020 and the medium term was submitted to the National Assembly in line with Article 221 of the Constitution and Section 37(2) of the Public Finance Management Act, 2012. Consequently, the Estimates were subsequently tabled to the National Assembly on Tuesday on the 30th April 2019 and committed to the relevant Departmental Committees for consideration pursuant to Standing Order 235(4).
2. The Constitution of Kenya Article 221 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.
3. 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)

2.1 Mandate and Spending Agencies Under the Purview of the Committee

4. The Second Schedule of the Standing Orders for the National Assembly assigns the Departmental Committee on Environment and Natural Resources the mandate to consider matters related to climate Change, environment management and conservation, forestry, water resource management, wildlife, mining and natural resources, pollution and waste management.
5. The following spending agencies are therefore under the purview of the Departmental Committee:
    i. Vote 1107: Ministry of Water and Sanitation
    ii. Vote 1108: Ministry of Environment and Forestry
    iii. Vote 1203: State Department for Wildlife
    iv. Vote 1192: State Department for Mining

2.2 Highlights of the 2019/2020 budget Estimates

6. The overall budget for the FY 2019/20 is estimated as Ksh.3.03 trillion. This is a 2.3% reduction from the 2018/19 budget; mainly due to reduced allocation to Consolidated Fund Services. As a share of GDP, the overall budget has reduced from 32% to 28% in nominal terms. The allocation to the national government amounts to **Kshs 1,841 billion**, Judiciary – **Kshs 18.8 billion**, Parliament – **Kshs 43.63 billion**, Consolidated Fund Services – **805.8 billion**, and county Government allocation of **Kshs 310 billion.**

7. It is worth noting that the ministerial recurrent budget has increased significantly. The bulk of recurrent spending (57.7% total MDAs recurrent budget) is under the State Department of Interior (the policing services programme), the Ministry of Defence (the Defence

programme), the State Department of Early Learning and Basic education (secondary education programme), the National Treasury (general administration and support services programme) as well as the Teachers Services Commission (Teachers resource management programme).

8. On the other hand, the bulk of development expenditure (45% of total MDAs capital budget) is accounted for by the State Department of Infrastructure under the program of road transport, the State Department of Transport under the program of rail transport, the Ministry of Water and Sanitation under the program of water and sewerage infrastructure development, State Department of Energy under the program of power transmission and distribution as well as the state department for housing and urban development.
9. The environment, water and natural resources sector plays a critical role in Kenya's economy, securing, stewarding and sustaining the environment and natural capital of the country. It contributed approximately 3.2% to Gross Domestic Product (GDP) in 2017 and supports attainment of the targeted annual GDP growth rate of 10% as envisioned in the Vision 2030

10. Investment in this sector ensures optimal, effective and seamless linkages with all other sectors of the economy thus promoting socio-economic development geared towards the realization of the Kenya Vision 2030, Sustainable Development Goals (SDGs) and various multilateral agreements relating to the sector. The sector also delivers goods and services that are critical enablers for the realization of the "Big 4" Agenda and the following projects have been earmarked as priority projects under the Big 4;

    - ✓ **Ministry of water and sanitation;** Mavoko water and sewerage project, Nairobi City Regeneration, Programme, Naivasha Industrial Park Water Supply and Sanitation Project, Dongo Kundu Water Supply
    - ✓ **Ministry of Environment and Forestry;** Development of Forest Research Technologies, forest plantation development (providing quality raw materials for constructions, manufacturing e.t.c), Construction of Tree Seed Processing Units (contribute to promoting universal healthcare, food security, industrialization and manufacturing) and Weather Radar Surveillance Project (Provision of early warning information a few hours from the occurrence of phenomena such as floods and outbreaks of certain diseases; and enhances short-term forecasting)

    - ✓ **Ministry of Mining;** Manufacturing through Promotion and regulation of production of raw materials such as gypsum, limestone, iron ore, manganese, titanium, copper, salt, phosphate, carbon dioxide etc.

11. The Environment Protection, Water and Natural Resources sector has had a role in achieving the pillar of investing in sectoral transformation to ensure broad based and sustainable economic growth. In order to ensure sustained economic transformation, and a competitive economy, the government recognized that protecting and conserving the environment, underpinned by effective climate change mitigation and adaptation measures

is fundamental to sustain access to clean water, clean environment and a healthy productive population to further ensure improved primary health care and productivity of labour.

2.3 Overview of Ministry of Water and Sanitation

12. The Ministry has a total proposed allocation of **Kshs. 61.06 billion** out of which **Kshs. 55.52 billion** is development expenditure while **Kshs. 5.53 billion** is recurrent expenditure. This is an increase of **Kshs. 8.22 billion** when compared to the **Kshs. 52.84** billion allocation in the FY 2018/2019.
13. Out of the **Kshs. 8.22 billion**, **Kshs. 1.46 billion** increase is under recurrent expenditure while **Kshs. 6.75 billion** is under development expenditure.

i. Recurrent Expenditure

14. Total proposed recurrent expenditure for the FY 2019/2020 is **Kshs. 5.53 billion** of which **Kshs 1.91 billion** is to be financed through A-I-A while **Kshs. 3.62 billion** is to be financed through the Exchequer. Out of the **Kshs. 5.53 billion**, **Kshs.552.79 million** is for compensation to employees, **Kshs. 163.05 million** for use of goods and services, **Kshs. 2.95 million** for acquisition of non-financial assets (purchase of specialized equipment, overhaul of transport equipment e.t.c) and **Kshs. 4.81 billion** towards current transfers to Government Agencies

Further analysis shows that 87% of the recurrent expenditure is going towards current transfers to government agencies which comprises mostly of the water service boards with an allocation of **Kshs. 2.46 billion**, Water Resources Management Authority with an allocation of **Kshs. 1 billion** (o/w Kshs. 600 million is A-I-A), National Water Conservation & Pipeline Corporation **Kshs. 500 million** and Kenya Water Institute with **Kshs. 420 million.**

15. The Ministry of Water and Sanitation is mandated to protect, conserve, manage and increase access to clean and safe water for socio-economic development. The functions of the Ministry are: Water Resources Management Policy, Water and Sewerage Services Management Policy, Waste Water Treatment and Disposal Policy, Water Catchment Area Conservation, Control and Protection, Water Quality and Pollution Control, Sanitation Management of Public Water Schemes and Community Water Projects

ii. Development Expenditure

16. The Ministry is majorly financed through donor funding and out of the total allocation of **Kshs. 55.52 billion** for development expenditure,
    - ***Kshs. 26.01 billion*** *is through loan A-I-A.*
    - ***Kshs.1.43 billion*** *is through grant A-I-A*
    - ***Kshs.6.18 billion*** *is through loan revenue*
    - ***Kshs. 2.42 billion*** *is through grant revenue and;*
    - **Kshs. 19.48 billion** GOK funding for development expenditure which is equivalent to 35 per cent.

2.4 Overview of Ministry of Environment and Forestry

17. The mandate of the Ministry of Environment and Forestry include; National Environmental Policy and Management; Protection and Conservation of the Natural Environment; Climate Change Policy; Pollution Control; Lake Victoria Environmental Management Programme; Restoration of Lake Naivasha Basin; Kenya Meteorological Department, Kenya Meteorological Training College, Resource Surveys and remote Sensing.
18. The Ministry has a total proposed allocation of **Kshs. 18.02 billion** out of which **Kshs. 7.84 billion** is development expenditure while **Kshs. 10.18 billion** is recurrent expenditure. This is an increase of **Kshs. 2.06 billion** when compared to the **Kshs. 15.96** billion allocation in the FY 2018/2019.

i. Recurrent Expenditure

19. Total proposed recurrent expenditure for the FY 2019/2020 is **Kshs. 10.18 billion** of which **Kshs 1.02 billion** is to be financed through A-I-A while **Kshs. 9.16 billion** is to be financed through the Exchequer. Out of the **Kshs. 10.18 billion**, **Kshs. 1.19 billion** is for compensation to employees, **Kshs. 380.90 million** for use of goods and services, **Kshs. 12.09 million** for acquisition of non-financial assets (purchase of specialized equipment, overhaul of transport equipment e.t.c) and **Kshs. 8.59 billion** towards current transfers to Government Agencies

20. Further analysis shows that 84% of the recurrent expenditure is going towards current transfers to government agencies. These are **Kshs. 1,257.80 Million (O/W Kshs. 90 million is A-I-A)** for NEMA, **Kshs. 5,113.22 Million** for Kenya Forest Service (o/w **874 million** is A-I-A), Kenya waters towers is **Kshs. 457.70 million,** KEFRI is **Kshs. 1,498 Million, Kshs. 143.10 million** for NETFUND, and National Environmental Complaint Committee with Kshs. 125 million. In addition, the Meteorological Department has a proposed allocation of **Kshs. 1,084.55 million.**

ii. Development Expenditure

21. The Ministry's total development allocation of **Kshs. 7.84 billion** for development expenditure,
    - ***Kshs. 300 million*** *is through loan A-I-A.*
    - ***Kshs.2.01 billion*** *is through grant A-I-A*
    - ***Kshs.300 million*** *is through loan revenue and;*
    - ***Kshs. 695.44 million*** *is through grant revenue*

The GOK funding for development expenditure is **Kshs. 4.53 billion** which is equivalent to 58 per cent.

2.5 Overview State Department for Mining

22. The mandate of the State Department for Mining is to develop policy on the extractive industry, conduct mineral exploration and natural resource surveys and to map and maintain inventory on geological and mineral resources.

2.5.1 Proposed Budget Estimates for the FY 2019/2020

23. The State department has a total proposed allocation of **Kshs. 945 million** out of which **Kshs. 313 million** is development expenditure while **Kshs. 632.33 million** is recurrent expenditure.

24. Out of the **Kshs. 8.22 billion**, **Kshs. 1.46 billion** increase is under recurrent expenditure while **Kshs. 6.75 billion** is under development expenditure.

i) Recurrent Expenditure

25. Total proposed recurrent expenditure for the FY 2019/2020 is **Kshs. 632.33 million** of which **Kshs 20 million** is to be financed through A-I-A. Out of the **Kshs. 632.33 million**, **Kshs.372.93 million** is for compensation to employees, **Kshs. 228.37 million** for use of goods and services

ii) Development Expenditure

26. The following are the Programmes and some of the major projects the Ministry plans to undertake in the FY 2019/2020.

- ✓ **Geological Data Centre**; Repository of Geological data allocated Kshs. 20 million
- ✓ **Online Mining Cadastre portal**; Additional modules and roll out of the cadastre to regional offices allocated Kshs. 20 million
- ✓ **Mineral Certification Laboratory**; Equipping the Mineral lab to international accredited standards allocated Kshs. 40 million
- ✓ **Gemstone Value addition Centre in Voi, Taita Taveta County**; Procurement of Lapidary and Gemmology equipment allocated Kshs. 40 million
- ✓ **Granite Processing Centre in Emuhaya, Vihiga County**; Environmental Impact assessment, Project Designs and securing project site allocated Kshs. 30 million
- ✓ **Rehabilitation of Madini House, Nairobi**; Refurbishment and Civil works at Madini House allocated Kshs. 30 million.

2.6 Overview of Vote 1203 State Department for Wildlife

27. The mandate of the state department includes; Wildlife Conservation and Policy; Protection of Wildlife Heritage; Management of National Parks, Reserves and Marine Parks; Wildlife Conservation Training and research; Wildlife Conservation and Protection Education and Awareness; Wildlife Biodiversity Management and Protection; Collaboration with Wildlife Clubs of Kenya and Management of Wildlife Dispersal Areas in collaboration with Partners.

2.6.1 Proposed Budget Estimates for the FY 2019/2020

28. Programmes for implementation under the State Department for Wildlife are Wildlife Conservation and Management with a proposed allocation of **Kshs. 8.91 billion.** Recurrent expenditure has a proposed allocation of **Kshs. 7.79 billion** while development expenditure has a proposed allocation of **Kshs. 1.12 billion.**

29. Out of the **Kshs. 7.79 billion** allocated towards recurrent expenditure, **Kshs.6.82 billion** is allocation to Kenya Wildlife Service of which the service plans to collect **Kshs. 4.18 billion** as A-I-A. The expected A-I-A to be collected by the SAGA in the FY 2018/2019 is **Kshs. 3.35 billion.**

30. The outputs/ targets for the FY 2019/20 include increasing ground security patrols, aerial security patrols, field intelligence operations, 100% reduction in poaching, 100% rate of response to HWC case, 75KM of fence constructed and 1,700 km of fence maintained, 1 water pan constructed, 30km of park road rehabilitated and 2,750 km of park road maintained, 5air strips upgraded, and 40ranger houses constructed and 30 rehabilitated

2.7 Summary of key issues - policy and budgetary

i) It has been noted that there are several projects which have been completed but have pending bills. For example, Migori water and sanitation project, Siaya/Bondo Water Supply & Sanitation, and Kisumu water supply, LTAP I. These pending bills have not been factored in the FY 2019/2020 budget. The MDAs need to inform the committee on the current status of these pending bills and any other and the planned strategies to clear the bills

ii) Under the Ministry of Water and sanitation, new projects have been factored in the FY 2019/2020 budget, however, there are some ongoing projects which have not been financed and are not in the list of projects provided by the National Treasury. These projects include; Sirisia-Chwele (Koica) phase II, Moi's Bridge-Matunda Water and Sewerage Project, Malava Gravity Scheme, Mt Elgon-Bungoma-Busia Gravity Scheme, Mt Kilimanjaro-Amboseli Namanga Water supply project, Rehabilitation of Noltresh Water Supply and Kiserian sewerage project

iii) The Drilling of Exploratory Boreholes under the Water Resources Management Authority targeted to drill boreholes in Turkana and Marsabit. This has been a continuous/ moving target under the State Department since the FY 2014/2015 with no tangible outputs. There is need for the Ministry to provide a status on the project achievements.

iv) It has been noted that there are several projects whose estimated costs are large however, the allocations provided is not in tandem with the project requirements and

targets and the minimal funds allocated can likely lead to low outputs, missed targets and misappropriation. These projects include; the Athi River Restoration Programme which started in 2015 to be completed in 2020, the Programme has a total cost estimate of **Kshs. 2.5 billion** of which expenditure as at March 2018 is **Kshs. 27 million**, Kocholia Transboundary, Kisumu LVWATSAN, and Kisii Water Supply and Sanitation Project (Bonyunyu Dam).

v) Analysis of the projects being implemented under this Ministry indicate that the Kenya Water Towers Protection and Climate Change Mitigation and adaptation (WaTER) project which involves Landscape restoration in 11 Counties in western Kenya and Bamboo planting in forest areas had its funding suspended by the donor in Feb 2018. In the FY 2019/2020 the project has a proposed allocation of **Kshs. 1.31 billion** out of which **Kshs. 1.28 billion** is foreign financed while **Kshs. 30 million** is GOK. The Ministry needs to provide further information on this project.

vi) The Ministry has pending bills of **Kshs. 974 Million** which arose mainly due to non-release of exchequer and budget cuts- these pending bills have hindered the execution of targets especially under Kenya Meteorological Department which cannot procure equipment targeted for the FY 2018/2019 until the pending bills are paid

vii) National policy changes on attainment of 10% tree cover by the year 2022 instead of 2030 has affected the target setting and outputs expected. This has also resulted in the allocation of **Kshs. 1 billion** for the National Tree planting campaign project.

viii) The state Department for mining had proposed an Increase in the recurrent AIA to **Kshs. 40,736,951** on account of increased prospecting fees (license) from miners and mining companies, regional presence of 23 regional offices which has enhanced mineral surveillance from mines to markets and appointment of a mineral audit team that is following up on pending arrears from mining companies and miners. However, the state department has recurrent A-I-A of **Kshs. 20 million** for the FY 2019/2020

ix) The sector reported low expenditure during the first half of the FY 2018/2019 especially for development expenditure which is attributed to the delays in releasing of donor funds and exchequer releases for project implementation. This creates pending bills and cost overruns in the projects under implementation.

x) There are stalled projects under the sector which have stalled due to lack of allocation. Stalled projects continue to tie up resources yet they are not yielding any economic returns. There is need to compel the various institutions to come up with a policy giving first priority to completion of stalled projects.

3.0 COMMITTEE REVIEW: MINISTRY BY MINISTRY

3.1 State Department for Wildlife

31. The Principal Secretary, State Department for Wildlife, Dr. Susan Koech appeared before the Committee on Monday,20th May, 2019 to brief it on the Budget Estimates for the FY 2019/2020 for the State Department and informed it as follows, that;

32. The State Department for Wildlife Strategic Plan had 8 key result areas which included; Policy formulation and implementation, Standards and Regulations, Resource Mobilization, Conservation and Protection of Wildlife Resources, Collaboration/Partnerships, Organizational capacity, Training and Research, and Wildlife Development. KWS Strategic Plan for 2019 to 2024 comprised of the following pillars; Conservation, Collaboration and Entreprise.

33. On the performance of the budget implementation upto the 3rd quarter, the Department had fairly absorbed its resources well and was on course. However, low absorption in some areas was occasioned by the delay in expenditure due to the split of the Ministry of Tourism and Wildlife to create new Department vote.

34. The Department had projects that were linked to the Big Four Agenda as enablers, which included; Modernization of Ant-poaching Technology (food security and universal health care), Human Wildlife Conflict Mitigation Programme – fences (Food security and universal health care), Rangers Housing Programme (housing) and Conservation of Biodiversity of Northern Kenya (food security and universal health care).

35. The Department had a proposed budgetary allocation for 2019/2020 amounting to Kshs. 7.788 billion. This was an increase by Kshs. 1.393 billion from 2018/2019 allocation.

36. There were critical areas that had not been captured in the 2019/2020 which included; funds for identified Human Wildlife Conflicts Hot Spots 2018 (Laikipia/Rumuruti, Narok/Transmara, Tsavo East/West, Lamu, Imenti South and Amboseli). Other areas not financed included; provisions for recurrent operations at the State Department's Headquarter to cater for salaries and allowances for the technical officers (382M), operationalization of Wildlife Research Institute as established in the Wildlife Conservation and Management Act, 2013 (50M), Management of Problematic Animals (200m), Human Wildlife Conflict Insurance Scheme, Establishment of Premium Parks (2.15 B), Endangered Species Restoration Programme (200M), and Securing Wildlife Corridors and Dispersal Areas (50M).

3.2 Ministry of Environment and Forestry

37. The Principal Secretary, Ministry of Environment and Forestry, Dr. Ibrahim Mohamed, appeared before the Committee on Monday, 20th May, 2019 to brief it on the Budget Estimates for the FY 2019/2020 for the Ministry and informed it as follows, that;

38. The Ministry implements the following four key programmes as detailed below

i. Environmental Management and Protection;

ii. Meteorological Services

iii. Forests and Water Towers Conservation and Management; and

iv. General Administration, Planning and Support Services.

39. The total budgetary allocation for the Ministry for FY 2019/2020 was Kshs. 18.02 billion comprising of Kshs. 10.18 billion for recurrent expenditure and Kshs. 7.84 billion for development.

40. Out of Kshs. 10.18 allocation for the Recurrent Vote, Kshs. 1.02 billion would be financed through AIA while Kshs. 9.16billion would be financed through the exchequer. Kshs. 1.19 billion would be for compensation to employees, Kshs. 8.595 billion would be for transfers to Agencies while Kshs. 394 million would be for other recurrent.

41. Out of Kshs. 7.841 billion, Kshs. 4.532 would be from the Exchequer while Kshs. 3.309 billion would be from the donor funds.

42. The Ministry had key priority areas that had not been funded in the FY 2019/2020 budget which included: Kshs. 2.5 billion for the Implementation of the Forest Taskforce and National Assembly Recommendations on Forest Sector Reforms; Kshs. 2 billion on the Implementation of Green Economy Strategy and Plan (GESIP), Kshs. 250 million on the Implementation of 2 Presidential directives(cascading environment conservation to local community level and incorporating climate change in educational curriculum), Kshs 77 million for the Maintenance of meteorological systems and equipment, Kshs. 4 billion Wetlands Conservation and Protection, and Kshs. 1 billion on the Implementation of Natural Mangroves Master Plan.

43. The Ministry was experiencing various challenges which included; low budgetary allocation for operations and maintenance – in the FY 2019/2020, the Ministry has an allocation of Kshs. 394 for O&M- the Ministry requires an additional Kshs. 56 million to clear rent arrears and cater for the Department of Forestry which was moved to the Ministry by the executive order No. 1/2018. The Ministry was facing serious succession management issues due to the exit of senior officers without any replacement. Additionally, the Ministry's requirement to participate in international conferences, convention and meetings had a deficit of Kshs. 100 million and a further, Kshs. 100 million as arrears of subscriptions to international organizations.

44. On the justification of the new projects, the Ministry was implementing 7 new projects of which 5 of them were donor funded and 2 of them were GOK funded. These included; the Implementation of the REDD+ Readiness, National Report on the Convention of Biological Diversity (CBD), Green Zones Development Support Project Phase II,, the Capacity Building for Control of Movement of Hazardous Wastes and Chemicals and Strengthening National Institutions to Enhance Minamata and SAICM. The GOK funded projects included; the National Tree Planting Campaign (a Presidential Directive) and Implementation of National Climate Change Action Plan which aimed to further Kenya's development goals by providing mechanisms and measures to achieve low carbon climate resilient development.

45. The Ministry was implementing the following projects directly linked to the 'Big Four Agenda'; Development of Forest Research Technologies, Construction of Tree Seed Processing Units, Forest Plantation Development, Weather Radar Surveillance Project, Plastic Waste Management and Pollution Control and Urban Pollution Monitoring Station Network.

46. On the pending bills, the Ministry had a total pending bills of Kshs. 529,044,420 of which Kshs. 158,983,556 had been paid, Kshs. 182,675,979 had been processed and was awaiting exchequer while bills worth Kshs. 187,384,584 were being processed.

47. The Kenya Meteorological Department had a total pending bill of Kshs. 855 million covering FY 2014/15 to 2018/19. However, the Department had so far paid pending bills worth Kshs. 141,888,446 whereas Kshs. 171,627,075.40 was awaiting exchequer release. The rest of the bills were in various stages of processing. Due to the huge pending bills, the Department was not able to procure any goods and services under the development vote which had affected provision of services. KMD had proposed to roll out some of the activities in the FY 2019/2020. The Department also required an additional Kshs. 77 million for operations and maintenance particularly to fund the activities of the County Directors of Meteorological Services.

3.3 State Department for Mining

48. The Principal Secretary, State Department for Mining, Mr. John Omenge, appeared before the Committee on Tuesday, 21st May, 2019 to brief it on the Budget Estimates for the FY 2019/2020 for the State Department and informed it as follows, that;

49. The Mining agenda is focused on the implementation of the Mining Act of 2016 which is part of the policy instruments for the realisation of the Kenya Vision 2030 and Medium Term Plan III (MTP III) 2018 - 2022.

50. The following are the **three priority programs** and their objectives:

- **General Administration, Planning and Support Services**: - to provide policy and legal framework for efficient and effective management of Mineral and Geo- Information data.
- **Geological Survey and Geo-Information Management**: - to provide Geo-scientific data to prospective investors, Research Institutions, Planners and infrastructure developers.
- **Mineral Resource Management**: - to effectively manage licensing and concessions, promote mineral value addition and marketing.

51. The State Department of Mining budget for the Financial Year 2019/2020 is Kshs 612,326,074 for recurrent expenditure, Kshs. 20 million as recurrent AIA and Kshs. 313 million for Development totalling to Kshs. 945,326,074.

52. The State Department for Mining had a total budget requirement of Kshs. 2,660,494,544 for the FY 2019/2020. However, with an allocation of Kshs. 945,326,074 thereby resulting into a Kshs. 1.715 billion deficit.

53. On the 2018/2019 budget implementation as at the 3rd quarter, the Department was at 68% budget utilization for both the recurrent and development expenditures.
54. In the 2019/2020 Budget, the Department has proposed 2 new projects, namely; Kakamega Gold Refinery at a cost of Kshs. 30 million and Kisii Soapstone Value Addition Centre at cost of Kshs. 30 million as well. The two projects are for facilitating value additions for the gold and soapstone products found in these places.
55. On the pending bills, the Department had pending bills amounting to Kshs. 126,208,420 as at June, 2018 for goods and services carried over from FY 2017/2018. A total of Kshs. 99,268,090 had been cleared as first charge of the FY 2018/19 budget. The outstanding Kshs. 26,940,330 was being subjected to the Pending Bill Authentication Committee for verification and subsequent payment.
56. On the Challenges that the Department was facing, they included; gross underfunding, under-exploration with an aim to attract investors, unavailability of up to date geological and mineral data, lack of framework for royalty sharing as well as inconsistencies, errors and omissions in the Mining Act, 2016. The Department had however, proposed various strategies and interventions to mitigate the challenges.

3.4 Ministry of Water and Sanitation

57. The Principal Secretary, Ministry of Water and Sanitation, Mr. Joseph Wairagu, CBS, appeared before the Committee on 21st and 22nd May, 2019 to brief it on the Budget Estimates for the FY 2019/2020 for the Ministry and informed it as follows, that;
58. Ministry is implementing 4 Programmes, namely; General Administration, Planning and Support Services, Water Resources Management, Water Storage and Flood Control and Water and Sewerage Infrastructure Development.
59. The total Ministry's budget for 2019/20 FY is **Ksh. 59.843 billion** comprise of **Ksh. 4.319 billion** for Recurrent Expenditure and **Ksh. 55.524 billion** for Capital Expenditure.
60. On the Budget Performance for the FY 2018/2019, the utilization capacity for the recurrent and development expenditures as the 3rd quarter was at 63% and 40% respectively.
61. The Ministry was in the process of developing various policies and strategic plan which include; the National Water Policy, the Transboundary Water Policy, National Water Resource Strategy, National Water Harvesting and Storage Strategy, the National Water and Sanitation Services Strategy and the Strategic Plan.
62. The Ministry had some of its Programmes affected as the National Treasury undertook rationalization of the budget to address the RAP. The Lake Victoria North Water Works Development was the most affected Agency.
63. The ministry was to implement new projects proposed in the FY 2019/2020 through the Water Resources Management Programme, Water Sanitation Management Programme (Through Tana and Coast Water Works Development Agencies and the Water Sector Trust Fund) at a total cost of Kshs. 46.9 billion.
64. On the pending bills, the Ministry has a pending bill totaling to Kshs. 1.108 billion resulting from the following projects: Maua Water and Drainage Project, Isiolo Water and Sanitation Project, Construction of Office Block, Small Towns and Rural WSS and Nairobi Rivers Basin Restoration Programme.

65. The Ministry was facing various challenges which included;

i. Delayed exchequer release for the implementation of various projects. Additionally, inadequate counterpart funding and VAT payment for donor funded projects delayed their implementation.
ii. Inadequate budgetary allocations for the Resettlement Action Plans (Ministry's requirement for FY 2019/20 is Kshs. 11.49 billion against an allocation of Kshs. 5.731 billion).
iii. Gaps in the Water Act, 2016 which does not provide for the remittance of AIA collected by the Water Service Providers to Water Works Development Agencies in support of their operations budget except for purposes of loan repayment on transferred assets.
iv. Trans-county water resources conflicts
v. Low last mile connectivity for water distribution and sewerage connections by the County Governments through the Water Service Providers.
vi. Restrained accessibility to water resources in KFS managed forests as a result of the prevailing moratorium by the Ministry of Environment and Forestry.
vii. Vandalism of Water and Sewerage infrastructure by the locals thereby threatening sustainability of the existing projects developed.

4.0 COMMITTEE OBSERVATIONS

Ministry of Environment and Forestry

1. The Imarisha Lake Naivasha Catchment Management in Kenya Project is being implemented by the Ministry Headquarters. The project had an allocation of **Kshs. 170 million** in the FY 2018/2019 and **Kshs. 140 million** in FY 2019/2020. However, the activities being implemented in this programme are unclear and are majorly duplication of activities being undertaken in other Agencies in the Ministry. For instance, it is engaging in tree planting activities similar to those in the Kenya Forest Service.

2. The Nairobi Rivers and Rehabilitation Project has been funded since the year 2009. The project has a total cumulative expenditure of Kshs. 1.91 billion as at June 2018. However, there are no tangible outputs. The Committee noted that the implementation of this project is not sustainable hence should not be allocated more funds. It has also been noted that the Nairobi County is carrying out river cleaning exercise hence there is no need of duplicating activities which do not provide long term solutions. In addition, the Committee also observed that the Ministry of Water and Sanitation is carrying out the Nairobi Regeneration Programme aiming at improving sewerage services which is more sustainable

3. The Urban Rivers and Rehabilitation Project has a total estimated cost of Kshs. 2 billion and its objective is to rehabilitate and protect urban river riparian zones. The project was started in January 2011 and it has an actual cumulative expenditure of Kshs. 448 million. The Committee has noted that the manner in which the activities under this project is implemented is not sustainable and the allocation of Kshs. 70 million against

the requirement of Kshs. 1.5 billion is not sufficient to make an impact, hence the need to re-allocate the funds to more competing needs

4. The Suswa-Lake Magadi Environment Restoration Project started in July 2017. The estimated cost of the project is **Kshs. 4 billion**, and the actual cumulative expenditure is Kshs. 10 million. In the FY 2019/2020, the project has been allocated **Kshs. 71 million** against the annual requirement of Kshs. 500 million. The Committee noted that the allocations provided is not in tandem with the project requirements and targets and the minimal funds allocated is likely to lead to low outputs, missed targets and misappropriation of funds.

5. The National Tree Planting Campaign is a Presidential Directive aimed at achieving the 10% forest cover by 2022. It is planned to be implemented at the Headquarters with a total resource requirement of Kshs. 2.5 billion fully from the exchequer. In the FY 2019/2020, the Campaign has a proposed allocation of Kshs. 1 billion.

6. The Kenya Forest Service is implementing various projects whose objectives is to rehabilitate degraded forest areas through tree planting. The Committee noted that there is need to consolidate the projects for effective monitoring.

7. The Committee noted that the ban on commercial plantation logging has seriously affected the A-I-A collection by the Kenya Forest Service. It was further noted that the aging trees with a life span of between 25 and 30 years are dying and wasting away in the forest rather than selling and collecting A-I-A. In addition, the National Assembly Report as well as the Taskforce Report on Forest Resources Management has not been implemented and the Kenya Forest Service Board resolution to lift the ban on aging commercial exotic trees was also not approved by the Ministry.

8. The Kenya Forestry Research Institute is the Forest Research agency under the Ministry of Environment and Forestry. It is implementing 7 projects namely; Construction of Farmers' Resource Centres – Migori, Construction of Farmers' Resource Centres – Taita Taveta, Construction of Glass Houses – Regional Centres (Green Houses), Installation of Water Hydrants in Muguga and Kitui Centres, Development of TIVA Forest as a Centre for Excellence for Dryland, Development of Forest Research Technologies and Construction of Tree Seed Processing Unit. However, the Institute has a proposed allocation of **Kshs. 178 million** thinly spread across the 7 projects.

9. The Kenya Water Towers Agency requires **Kshs. 50 million** to operationalize the 8 Regional Offices (Marsabit, Kitui, Mombasa, Narok, Eldoret, Kisumu, Kitale and Nyeri) to enhance water towers conservation. The Agency also requires an additional Kshs. 273 million for funding the approved new structure and to recruit 73 officers to strengthen the Agency mandate and Kshs. 105 million for the gazettement and securing of the first 15 water towers

10. The National Environment Management Authority (NEMA) is establishing the National Environment Laboratory with a total resource requirement of **Kshs. 145 million**. The project had received **Kshs. 75 million** from the World Bank for the equipment of the laboratory. In the FY 2019/2020, NEMA has a proposed GOK allocation of **Kshs. 20 million** for the completion of the project. However, the authority requires additional **KShs. 50 million** to purchase and equip a mobile laboratory as well as enhancing the equipment under the current laboratory.

11. The scrapping of the Environment Impact Assessment fees has led to reduction in the A-I-A collected by the National Environment Management Authority. It has further been noted that environmental crimes are increasing yet NEMA is not supported financially to run its operations. The Committee was further informed that since the scrapping of the Environmental Impact Assessment fees, the Authority has faced financial difficulties and had recorded deficits of more than Kshs. 100 million per year. The Authority has further been declared technically insolvent by the office of the Auditor General over the last year.

12. The collection of fees by NEMA is provided for in EMCA, 1999. However, the law was not amended to stop NEMA from collecting the fees and the Authority has been collecting A-I-A through charges under the regulation of discharge of all effluent into the environment. The A-I-A collection has increased from Kshs. 90 million to Kshs. 130 million. This needs to be reflected in their budget to regularize their expenditures

13. At the end of FY 2017/2018, the Kenya Meteorological Department had pending bills amounting to Kshs. 855 million and was therefore not able to implement any of its projects in the FY 2018/2019. The Department resubmitted the same projects for implementation in the FY 2019/2020

State Department for Wildlife

1. That the State Department has reported an increase in A-I-A under Kenya Wildlife Service due to stringent revenue collection measures that have been reducing revenue leakage and through developing an integrated monitoring system as well as increased tourism at the parks.

2. That there are several cases of non-disclosure of A-I-A especially under the donor funded projects to the Ministry headquarters and subsequently to the National Treasury. This gives the impression of low absorption rates to the National Treasury which in return reduces the budget allocations in the supplementary budgets

3. That the country's current policy is Sessional Paper No.3 of 1975 titled "A Statement on Future Wildlife Management Policy in Kenya". The State Department needs to develop a wildlife policy and regulatory framework to help in sustaining the current wildlife management in Kenya.

4. That the Human Wildlife Compensation Claims is a legal obligation under Wildlife Conservation and Management Act, 2013 section 24 and section 25. Delayed payments of compensation have led to litigations costing a lot of money in legal fees and it further results in escalation of animals killed through retaliation. The Ministerial Wildlife Conservation and Compensation Committee (MWCCC) approved 183 human death claims amounting to Ksh.800.6 million and Deferred 119 death claims with a potential liability of Ksh.595 million

5. The Wildlife Conservation and Management Act provides for the creation of the County Wildlife Conservation and Compensation Committee (CWCC) whose function is to develop and implement in collaboration with community wildlife associations, mechanisms for mitigation of human wildlife conflict and to review and recommend claims resulting from loss or damage caused by wildlife for payment of compensation. The committee has noted that the CWCCs have not been facilitated to conduct this function.

6. That there is need to operationalize the Wildlife Research Institute established under Section 50 of the Wildlife Conservation and Management Act, 2013. The Institute is mandated to undertake and co-ordinate wildlife research and training in the country, enhance wildlife research governance, collect and analyze wildlife data and information to support decision making and establish and maintain a comprehensive national wildlife data base

7. The State Department for Wildlife has been grossly understaffed. It has only one technical officer who had been seconded from the Kenya Wildlife Service. This greatly affected the implementation of the policy directions. The Department therefore requested the National Treasury to avail funds to fill the positions as well as the Public Service Commission to approve the revised Organizational Structure and Staff Establishment. The National Treasury has given approval for the state department to hire 13 critical technical staff.

8. That there are about 2,000 casual workers who have been working in Kenya Wildlife Service, yet their terms of employment had not changed i.e they have not been absorbed in the system neither have they been dismissed. This can have litigation issues as per the labour laws.

9. The Committee has noted that the targets under the programme based budget are not in tandem with the allocations as well as the targets/planned activities reported by the State Department. The Committee further noted 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.

10. The Kenya Wildlife Service has in the past employed different methods towards Human Wildlife Conflict Mitigation and overtime electric fences have proved not only to be effective, but also lasting solution to Human Wildlife Conflicts. The Human Wildlife Conflict Mitigation Programme has a proposed allocation of Kshs. 250 million in the FY 2019/2020 for the construction and maintenance of Meru Park Southern Boundary, Kakamega, Tsavo West and East Park, Lake Nakuru, Mt. Elgon, Shimba Hills Laikipia and Mwea. The Committee notes that the allocation is insufficient to undertake these works.

11. Maintenance of Access Roads and Airstrips in Parks has a proposed allocation of Kshs. 250 million. This is against a requirement of Kshs.665 million for Improvement of Critical Roads infrastructure in parks to Gravel standard.

State Department for Mining

1. The Mining sector is expected to contribute at least 10% of the GDP by the year 2030 (vision 2030). However, this objective may not be achieved due to the gross underfunding that the State Department for Mining has continued to have. In the FY 2018/2019 the state department had an allocation of Kshs. 1.29 billion, while in the FY 2019/2020, the proposed allocation has greatly reduced to Kshs. 945.33 million.

2. The State Department for Mining has an allocation of Kshs. 2.98 million for foreign travel in FY 2019/2020 under the recurrent budget. The Department is expected to attend various international fora and conference in which it markets the mineral resources in Kenya. The amount allocated is inadequate and therefore would need to be enhanced for the country to benefit from the international market.

3. Despite the inadequate allocation the State Department for Mining has been receiving, there has been a great improvement in the sector as the Department has embarked on the implementation of the Mining Act, 2016. Various bodies such as the Mineral Rights Board, National Mining Corporation and Artisanal Mining Committees among others. With the establishment of these institutions, the Department has enhanced its ability in collection of its AIA through prospecting licenses.

4. There is need to support the Ministry initiative on mineral promotion and value addition on granite and promoting import substitution by promoting locally produced granite against importing granite from China, Italy and Rwanda

5. That the Ministry of Mining requires Kshs. 169 million to support the multi-Agency Implementation team overseeing the implementation of the Nationwide Airborne Geophysical Survey to conduct engagements and meetings with other stakeholders and transfer information which arises from the exercise in the Ministry of Interior.

Ministry of Water and Sanitation

1. During the processing of the BPS 2019, the Committee recommended allocation of funds to roll out the Cross-County Bulk Water and Sanitation Services Improvement Programme. Its objective is to develop a robust, flexible water sources that ensures security of supply to all areas of this country and promote equitable distribution of the water resources in order to meet the increasing water demand over the medium term.

2. The Committee noted that in the implementation of the mega water projects financed through donor funding and GOK projects, the cost of consultancy is exorbitant. However, the Committee was informed that it is a requirement by the donors to engage consultancy services for the projects under foreign financing

3. The National Water Harvesting Programme had an approved allocation of **Kshs. 2 billion** to construct water pans/small dams by June 2019. However, the allocation has been reduced under supplementary II Estimates to **Kshs. 1.10 billion** representing a decrease in allocation of **Kshs. 895 million**. The Committee was informed that the reductions will result to pending bills because the Ministry had made commitments based on the approved estimates. The Committee noted that the allocation of **Kshs. 900 million** for the FY 2019/2020 will be utilized to pay for the pending bills and therefore the project requires further funding for the ongoing projects as well as the activities planned for the FY 2019/2020

4. There is under achievement of targets due to budget rationalization and non-provision of resource: This is a major challenge especially considering the huge financial outlay required in implementing the sector projects. The non-disbursement of funds further leads to accumulation of huge pending bills

5. That the Coast Water Works Agency covers six counties which are Mombasa, Kwale, Kilifi, Taita-Taveta, Lamu and Tana River. However, the Committee observed that the projects being undertaken under the board majorly covers just three counties. There is therefore no equity in the distribution of projects in the region

6. The Water Resource Authority has a pending bill of Kshs. 2.8 billion which date back to 2012-2016 and compose mainly of government bills. The Authority has been underfunded hence the bills resulting from Pay as You Earn, Kenya Revenue Authority. It was also noted that the Authority has been having difficulties in collecting revenue especially from Government institutions.

7. The Committee noted that there are several springs in the country and that the Ministry should identify them and allocate more funds to ensure that a bigger impact is realized.

8. The Water Sector Trust Fund has various donor funded projects. However, the Committee was concerned on the criteria used by the Water Sector Trust Fund to identify the projects to be implemented.

9. The Committee was informed that Badasa Dam construction works started in 2009 and the works got grounded in 2013 after contractual issues/disputes arose between Contractor (Midrock) and NWCPC. Arbitration process ended in year 2016. Total amount spent on the project was Kshs. 2,054.22 million o/w Kshs. 1.86 billion for construction works and Kshs. 194.22 million for arbitration award. The project stalled at 50% completion. A new contract was however awarded on 5th December, 2016 to Tertiary Consultants to review construction works status and soundness of constructed structures, tender documentation to ensure completion of outstanding works and supervision of the works at a contract price of KShs.178,287,800. The contract period for the new contract is 37 calendar months. Completion date is 5th February 2020.

10. The consultant mobilized his team, assessed outstanding geo-technical works and submitted inception report. Currently a total of **Kshs. 71.32 million** is required to complete the design review for partially constructed works and new tender documentation

11. The Committee was informed that the construction works for Umaa Dam started in January 2009. Works got grounded in 2010 after contractual issues/disputes arose between Contractor (Ms Draft and Development Engineers) and NWCPC. The contractual dispute culminated in stalling of the construction works and arbitration. The arbitration process ended in year 2016. The total amount spent on the project is Kshs. 1,189.46 million o/w Kshs. 650 million is paid for construction of works and Kshs. 539.46 million is paid for arbitral award. The project stalled at 41% complete

12. A new consultancy services contract to carry out Geotechnical investigations, assessment of suitability and structural soundness of constructed structures, design review and supervision of construction works of Umaa dam project was awarded to SMEC Kenya Limited on 5th December 2016 at a contract price of KShs.202.56 million. The Consultant mobilized his team, assessed outstanding geo-technical works and submitted inception report and invoiced for works done at KShs.40.88 million submitted to NWCPC but has not been paid. Therefore, no progress of review work has been made since April 2017 due to Employer default on payment. A total of **Kshs. 81,023,774** is required to complete the design review and develop new tender documents

13. The Committee was informed that the Kenya Revenue Authority is demanding Withholding Tax related to direct payments made directly by the development partners to the contractors as per the agreements made between the Government of Kenya and the development Partners. However, it has been noted that the Water Works Development Agencies do not have control over payments made directly to contractors and consultants hence are unable to withhold tax on such direct payments made.

14. The Committee was further informed that the MDAs have in several occasions requested the National Treasury to address the tax issues affecting the Water Works Agencies but the National Treasury has not responded to these requests. In addition, there is a delay by the National Treasury in granting tax exemptions whenever applications are made on such donor funded projects which further affects project implementation.

15. That the Water Works Development Agencies implement projects which are in areas outside their jurisdiction. The Committee was informed that this was due to conditionalities by financing partners on the grounds of capacity.

16. The Committee noted that, there are a lot of funds issued for the construction of mega dams across the country. However, no immediate plan is undertaken to ensure that last mile connectivity is achieved. In the case of Chemususu Dam, which was completed in the year 2014 and five years later its intended purpose has not been achieved, the project has further delayed due to delays in getting approvals from Kenya Railways, Kenya Forest Service and KENHA.

17. The Siyoi Muruny Project has two components which are: component 1 the dam component and Lot 2 which is the water supply component. The dam (lot 1) component is valued at **Kshs. 5,056.18 million** of which **Kshs. 3,007.66 million** is value for work done to date and the amount paid to date is **Kshs. 2,080.76 million** leaving a pending payment of Kshs. 926.899 million. The works are at 53% completion however, the project construction works were suspended fully from 30th March 2019 due to huge pending bill.

18. The contract amount for Lot 2 Water Supply Component which has Water treatment works, 16 Water Storage tanks and Water Transmission of 127km is Kshs. 4,149.83 million and is at 67% complete. The project has a pending bill of **Kshs. 314.78 million.** The total amount to complete Muruny (siyoi) dam project is Kshs. **5,882.77 million.**

19. Both lots are changing a combined daily idle plant personnel charge of 2.3 million and to date the total idle plant, time and personnel is just about 1 billion, bringing the total pending bill to over 3.4 billion. The committee was further informed that the project is in the verge of completely stalling which is likely to attract exorbitant arbitration expenses over and above the actual pending bills.

20. The design of Soin Koru Project has been completed, the objective of the project is to control floods on the lower reaches of Nyando River and to supply portable water to a population of persons located within Kisumu and Kericho counties. The payments to the consultant for design work is pending, and therefore the need to allocate funds for processing tender documents

21. The Nairobi Metro- area Bulk Water Sources (Karamenu II) has a requirement of Kshs.1.3 billion to carry out the resettlement action plans for phase I of the project

which is located on the downstream of the reservoir and where all the main works will be done. The National Land Commission has already been paid Kshs. 650 million and the project has an allocation of Kshs. 681 million under supplementary II. This is sufficient for finalizing the Phase I of the Project. In the FY 2019/2020 the project has a proposed GOK allocation of Kshs. 2.2 billion meant for Resettlement of Affected persons for the phase II which is the reservoir area.

22. The Kenya Towns Water Supply and Sanitation Program-TANA is financed by the African Development Bank. The project is implementing water supply and sewerage services in 5 counties. The project contracts have been awarded and the major delay is on completion of land compensation/wayleaves for the projects.

23. The Committee noted that the Kshs. 240 million allocated towards Flood Control Works under the National Water Harvesting and Storage Authority is not sufficient to undertake flood control in Nyando, Turkana, Narok, Isiolo, Migori, Homabay and Trans Nzoia.

4.1 COMMITTEE RECOMMENDATIONS

a. Policy Recommendations

c) Policy Recommendations

Ministry of Environment and Forestry

10. The Committee recommends that for the National Tree Planting Campaign Project to succeed, the National Treasury should ensure that exchequer is released as required to avoid missed targets especially during the rainy season

11. The Ministry of Environment and Forestry Headquarters is implementing projects that are meant to be carried out by various institutions as per their mandates. It is the Committees view that the Headquarters should only coordinate and not implement any projects.

12. Kenya Forest Service is a major stakeholder in the conservation effort that are adding a lot of value to the water sector and hydro-electric generation for the country. However, despite all the efforts, the Service is not benefitting from the levies collected by the water sector. There is therefore need to have some of the levies to be shared with the Kenya Forest Service to form part of its Appropriation in Aid.

13. The International recommended ratio of Forest Ranger to forest area is 1:400 ha. However, in Kenya due to various reasons such as retirement, natural attrition, staff movements, the ratio has reduced to 1:1000 ha, making it difficult for effective forest protection. There is therefore need to recruit 1,500 Forest Rangers and replace 419 rangers being part of the staff who have exited the service.

14. The Committee recommends that the Ministry needs to consider lifting the ban on forest logging to increase the Kenya Forest A-I-A and to collect the funds to restore degraded forest areas as well as carry out other operations within the Service rather than fully relying on the exchequer.

15. That the National Tree Planting Campaign Project should not be undertaken by the Ministry Headquarters since there are other institutions who have the technical know-how and the resources to ensure that the objective is achieved. The activity should be an intra-sectoral and undertaken by Kenya Forest Service through community forest associations, Kenya Water Towers Agency and Kenya Forestry Research Institute.

16. The Kenya Forestry Research Institute is carrying out seven projects which are all inadequately financed. There is need to enhance the allocation of the Institute to complete the projects which are currently ongoing. In future, the Institute should undertake fewer projects with substantive allocations to ensure that outputs and targets are achieved. The committee in addition noted the vital role that KEFRI would play in the national tree planting campaign in production and research on seeds and therefore recommends the allocation of 75 million out of the 1 billion earmarked for the campaign.

17. The National Treasury should approve NEMAs request to increase its A-I-A collection in the FY 2019/2020 from **Kshs. 90 million** to **Kshs. 130 million** through charges of effluent discharge to enable the Authority increase its revenues to support its expenditures.

18. The government should further reinstate the Environmental Impact Assessment fees to allow NEMA to collect A-I-A and to enable the Authority become financially sustainable. The Committee further acknowledges that the EIA fee is not just a license fee but a processing and monitoring fee. The practice worldwide is that the EIA fee is paid by the developers with the main goal of ensuring sustainable development and in line with polluter pay principles.

State Department for Wildlife

5. The State Department should ensure that they file their expenditure returns with the National Treasury on the donor funded projects to avoid cases in which the National Treasury rationalizes budgets which have already been expended

6. The Kenya Wildlife Service needs to restructure the service to take care of the huge workforce that are creating colossal operating costs and address the issue of the permanent casual workers through the planned reforms.

7. The Committee commends the Kenya Wildlife Service for improving the revenue collection and recommends further GOK counterpart funding towards the Wildlife Conservation Management Project to further enhance revenue collection, Wildlife Management Information System and the monitoring system for reporting and analyzing human-wildlife conflict and poaching incidents and wildlife movements.

8. 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 Programme Based Budgeting framework.

Ministry of Water and Sanitation

12. The Kenya towns Sustainable water supply and sanitation programme across 28 towns under the Rift Valley and TANA water works development Agency had a reduction in allocation of funds under the Supplementary II estimates. The donor funded projects have a budgetary shortfall and pending certificates of Kshs. 2,298.17 million o/w **Kshs. 803.15 million** is under Rift Valley and **Kshs. 1,495.02 million** is under TANA Water Works Development Agency.

13. In addition, the FY 2019/2020 proposed budget for the project under the Rift Valley Water Works Authority is **Kshs. 1,500 million** against a pending bill of **Kshs. 803.15 million** while the Tana water works Authority has a proposed allocation of **Kshs. 1,700 million** against pending bill of **Kshs. 1,495.02 million**. The funds proposed for the FY 2019/2020 will therefore be used to cater for the pending bills as the pending bills form a first charge.

14. The Committee therefore recommends additional allocation of **Kshs. 2,298.17 million (Kshs. 803.15 million** for Rift Valley Water works Agency and **Kshs. 1,495.02 million**) in the FY 2019/2020 to cater for the pending bills incurred in the FY 2018/2019.

15. The Cross-County Bulk Water and Sanitation Project which aims at ensuring security of water supply to all areas of this country and promote equitable distribution of the water resources in order to meet the increasing water demand over the medium term **should not be implemented** under Maragua B in Muranga County, Karameno in Nyeri and Laikipia, Wiyumiririe in Laikipia and Nyandarua Counties as proposed in the FY 2019/2020 budget, but rather it should be spread across the country.

16. That the Coast Water Service Board covers six counties which are; Mombasa, Kwale, Kilifi, Taita-Taveta, Lamu and Tana River. However, the Committee observed that the projects being undertaken under the Board are majorly covering just 3 counties. It has therefore been noted that there is no equity in the distribution of projects in the region

17. In as much as the donors require the engagement of international consultants, there is need to ensure that GOK funded projects engage the available technical resource within the government to conduct consultancy-project supervisions.

18. The Committee recommends that the Water Sector Trust Fund should carry out research to ensure that resource mobilization is done from an informed position and to ensure that the Trust Fund mobilizes funds to cater for all the regions in the country.

19. The National Treasury should ensure that tax exemptions are cleared to improve project implementation and to avoid interests accrued as a result of delayed payments.

20. The Committee recommends that each Water Works Development Agency (formerly Water Services Boards) should carry out projects within their jurisdiction since each agency has its own autonomy and all the Water Works Development Agencies should be enabled to undertake their mandate.

21. The Committee noted that there are over 80 water projects which are ongoing There is therefore need to put more resources in the sector to focus on completing projects which are almost complete.

22. The Committee recommends the need to develop well defined legal or institutional mechanisms to facilitate inter-sector coordination especially in regards to the levies imposed by KENHA, KFS during the construction of dams and the last mile water connectivity

d) Financial Recommendations

The Committee having received submissions from the various State Departments and further deliberated, scrutinized and examined the submissions and content of the FY 2019/2020 Budget Estimates, recommends the following

I. That, under the Ministry of Environment and Forestry, the proposed allocation of **Kshs. 10.18 billion** for Recurrent and **Kshs. 7.20 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the Ministry.

II. That, under the Ministry of water and sanitation, the proposed allocation of **Kshs. 5.53 billion** for Recurrent and **Kshs. 55.65 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the Ministry.

III That, under the State Department for Mining, the proposed allocations of **Kshs. 632.33 million** for Recurrent and **Kshs. 574 million** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.

IV. That, under the State Department for Wildlife, the proposed allocation of **Kshs. 7.79 billion** for Recurrent and **Kshs. 1.37 billion** for Development outlays be approved and in-line with the various proposed allocation per each Programme under the State Department

- **Reductions**

The Committee recommends reduction of **Kshs. 3,791 million** from the projects under the Ministry of Environment and Forestry and Ministry of Water and Sanitation as shown;

Item	2019/20 GOK Allocation	D.Cs Proposed reduction	Justification
	Kshs. Millions		
MINISTRY OF ENVIRONMENT AND FORESTRY			
Imarisha Lake Naivasha catchment Project	140	(140)	Activities being implemented in this programme are unclear and are majorly a duplication of activities being undertaken in other Agencies (KFS) in the Ministry.
Nairobi Rivers rehabilitation project	110	(110)	To avoid funding duplication of activities- The same exercise is being undertaken by the Nairobi County Government
Urban rivers rehabilitation project	70	(70)	As observed under Committee observations
Suswa-lake Magadi Environment restoration Programme	71	(71)	The project is allocated **Kshs. 71 million** which is not sufficient to make any impact on the project target as shown under the Committee observations
Implementation of the National Climate Change Action Plan	245	(100)	The Climate Change Council is not yet constituted and the implementation of the action plan needs the approval of the Climate Change Council. Reduction in the allocation for the FY 2019/2020 as the funds will not be absorbed until the climate change council is in place.
Forest Plantations- KFS	200	(200)	KFS has been allocated funds to undertake the National tree planting campaign. The planned activities under this include restoration of forest degraded areas and restocking of plantation areas. There is therefore no need of double allocation for the same activities.
National Tree Planting Campaign-Ministry Headquarters	1,000	(900)	The Headquarters should only coordinate and not implement any projects. The remaining amount at the headquarters is to finalize the national strategy on the Constitutional target of 10% tree cover by 2022 and coordinate the tree planting campaigns.
Total Deductions Ministry of Environment and Forestry	**1,836**	**1,591**	
MINISTRY OF WATER AND SANITATION			
Karimenu II dam water supply project	2,200	(1,200)	Total requirement for RAP under Karimenu project phase I is Kshs. 1.3 billion. The National Land Commission has already been paid Kshs. 650 million and the project has an allocation of Kshs. 681 million under supplementary II. This is sufficient for finalizing the Phase I of the Project. In the FY 2019/2020 proposed allocation of Kshs. 1 billion is adequate to start on the RAP for phase II which is the reservoir area

Cross-County bulk water and sanitation services improvement programme	3,000	(1,000)	Transfer to the National Water Harvesting and Ground Water Exploitation which has experienced reduction of Kshs. 900 million under the FY 2018/2019 Supplementary II Budget which will result in pending bills since the funds had been committed. The additional Kshs. 1,000 million will enable the Ministry complete ongoing water projects and to implement the FY 2019/2020 targeted activities
Total Deductions Ministry of Water and Sanitation	**5,200**	**(2,200)**	
TOTAL REDUCTIONS		**(3,791)**	

Proposed Additions

The committee Recommends the following additions based on the **Kshs. 3,791 million** savings made above

Item	2019/20 GOK Allocation	D.Cs Proposed Additions	Justification
	Kshs. Millions		
MINISTRY OF ENVIRONMENT AND FORESTRY			
Construction of National Environment Laboratory- NEMA	**20**	**50**	To complete the purchase and equipment of the mobile laboratory for air quality and water pollution monitoring, and the enhanced equipping of the National Environment Laboratory.
National Tree planting campaign-Kenya Forest Service	-	**775**	It is the core mandate of the KFS to increase the tree cover-KFS to give Support to CFAs, Women, Youth and special groups.
National Tree Planting Campaign in Kenya Forestry Research Institute	-	**75**	To improve tree seed production capacity at KEFRI for the FY 2019/2020 to support the national tree planting campaign and to further contribute towards meeting the 10% tree cover by 2022.
National Tree Planting Campaign-Kenya Water Towers Agency	-	**50**	Production of indigenous and fruit tree nurseries in collaboration with other government institutions. Rehabilitation of water towers through Contracting (site clearance, pitting, planting of trees).
STATE DEPARTMENT FOR WILDLIFE			
Human Wildlife Conflict Mitigation Programme (Fences)- Kenya Wildlife Service	**250**	**150**	The human wildlife conflict mitigation programme has a proposed allocation of Kshs. 250 million in the FY 2019/2020 for the construction and maintenance of Meru park southern boundary, Kakamega, Tsavo West and East Park, Lake Nakuru, Mt. Elgon, Shimba Hills, Laikipia and Mwea. The committee notes that the allocation is insufficient to undertake these works.
Maintenance of Access roads and airstrips in Parks- Kenya Wildlife Service	**250**	**50**	To improve accessibility to and mobility within the parks and also improve visitor experience and enabling movement within national parks and reserves

Wildlife Conservation and Compensation Committees- Headquarters	**0**	**50**	For Operationalization and facilitation of the Wildlife Conservation and Compensation Committees (CWCCC) to verify the cases of Human Wildlife Conflict.
STATE DEPARTMENT FOR MINING			
Granite processing plant in Vihiga	**30**	**130**	The centre will be a processing hub to convert granite boulders into polished granite dimension stones to cater to the growing construction industry in the region.
Geological Mapping and Mineral Exploration	**43**	**131**	To cater for the mining component of the inter-Ministerial implementation team for the National Airborne geophysical survey that is to be carried out by the Ministry of Interior. The mining component includes getting information from the multiagency and introducing it to the other stakeholders through engagements and meetings with the scientific community.
MINISTRY OF WATER AND SANITATION			
National Water Harvesting and Ground Water Exploitation- Headquarters	**900**	**1,000**	To increase water storage for domestic Use through construction of water pans and small dams.
Tana-River Water Projects- Coast Water Service Board	-	**100**	To carry out water harvesting projects in Tana River to improve access to safe water in the region, and to address some of the challenges of equitable distribution of water projects.
Badasa Dam- National Water Harvesting and Storage Authority	-	**71**	In line with starting the process of completing the stalled projects under the Ministry, the Committee recommends allocation of **Kshs. 71 million** to Badasa dam to pay for the consultancy and complete the design review.
Umaa Dam-National Water Harvesting and Storage Authority	-	**81**	In line with starting the process of completing the stalled projects under the Ministry, the committee recommends addition of **Kshs. 81 million** to pay the consultant and complete the design review for Umaa dam.
Rehabilitation of water supplies Ijara Water Works- Northern Water Works Authority	-	**50**	To expand and rehabilitate Ijara Water Supplies
SOIN-KORU- National Water Harvesting and Storage Authority	-	**30**	To pay the consultant for the completed design review of the Soin Koru project, initiation of the tender preparation to acquire contractors and supervising consultants
Mwache Dam-Headquarters	**650**	**300**	To construct an upper check dam in the community land for distribution of water to makamini, Kasameni and Mwavumbo for the residents in Kinango who will not benefit from the mega Mwache Dam.
Kenya towns sustainable water supply and sanitation programme-	**400**	**500**	To cater for GOK counterpart requirement for land/wayleave acquisition to expedite implementation of the resettlement

Tana- Tana Water Works Development Agency			action plan delaying the implementation of the project, and water storage due to rivers over extractions
Flood Control Works- National Water Harvesting and Storage Authority	**240**	**198**	Additional funds for flood control works to address critical sections of flood prone areas in Nyando, Turkana, Narok, Isiolo, Migori, Homabay and Trans Nzoia.
TOTAL ADDITIONS		**3,791**	

Annex I: Detailed Table of proposed financial recommendations				
Vote	***Program***	***Delivery Unit***	***Amount Millions***	***Recurrent / Development***
TOTAL REDUCTIONS				
Ministry of Environment and Forestry	Environment Management and Protection	Headquarters	(1,391)	Development
	Forests and Water Towers Conservations	Kenya Forest Service	(200)	Development
Total			**(1,591)**	
Ministry of Water and Sanitation	Water Storage and Flood Control	Headquarters	(1,000)	Development
	Water and Sewerage Infrastructure Development	Athi Water Service Board	(1,200)	Development
Total			**(2,200)**	
TOTAL REDUCTIONS			**(3,791)**	
TOTAL ADDITIONS				
Ministry of Environment and Forestry	Environment Management and Protection	NEMA	50	Development
	Forests and Water Towers Conservations	Kenya Forest Service	775	Development
		Kenya Forestry Research Institute	75	
		Kenya Water Towers Agency	50	
State Department for Wildlife	Wildlife Conservation and Management	Kenya Wildlife Service	200	Development
		Headquarters	50	

State Department for Mining	General Administration Planning and Support Services	Headquarters	130	Development
			131	
Ministry of Water and Sanitation	Water Storage and Flood Control	Headquarters	1,000	Development
	Water and Sewerage Infrastructure Development	Water Works Development Agency	950	Development
		National Water Harvesting 7 Storage Authority	380	
TOTAL ADDITIONS			**3,791**	

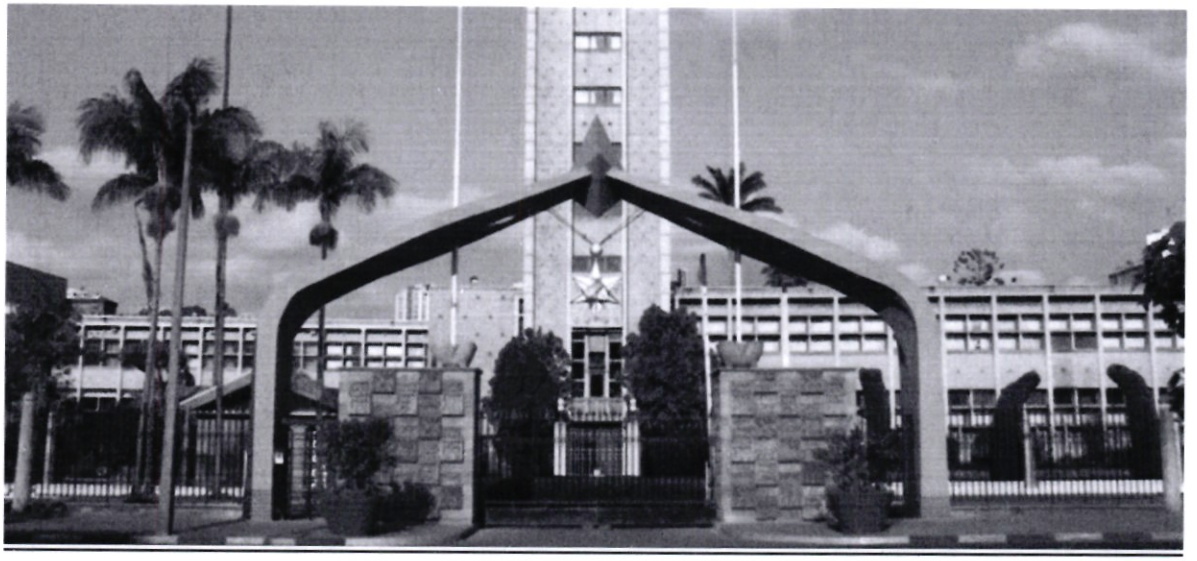
ANNEX II: Critical under/unfunded areas in 2019/20 proposed budget for Environment and Natural Resources Sector	
Funding Gaps	**Kshs. Millions**
Ministry of Environment and Forestry	
Kenya Water Towers Agency to operationalize the 8 Regional Offices (Marsabit, Kitui, Mombasa, Narok, Eldoret, Kisumu, Kitale and Nyeri) to enhance water towers conservation and **Kshs. 105 million** for the gazettement and securing of the first 15 water towers	**50**
To cater for recruitment of 1,500 forest rangers and replacement of 419 being part of the staff who have exited on retirement and natural attrition	**1,600**
Implementation of the Forest Taskforce and National Assembly recommendations on Forest Sector Reforms	**2,500**
Maintenance of meteorological systems and equipment	**77**
STATE DEPARTMENT FOR WILDLIFE	
Development of Wildlife Policy and regulatory framework. This will involve sessions with Parliamentary Committees and other Stakeholders	**20**
Human Wildlife Conflict claims- to cater for pending human death claims which have been approved by the County Wildlife Conservation and Compensation committees as the State Department is working on developing the human wildlife compensation insurance scheme	**500**
Operationalize the Wildlife Research Institute	**50**
Personnel emoluments to cater for the recruitments in the state department headquarters	**22**
STATE DEPARTMENT FOR MINING	
National Mining Corporation	**200**
National Mining Institute	**150**
MINISTRY OF WATER AND SANITATION	
Funds for Resettlement Action Plan (Mwache, Kenya Towns Sustainable water supply and sanitation Programme 28 townS, Ruiru and Northern Collector)	**9,360**

Complete the Siyoi Muruny Project and to avoid excessive cost overruns. The government is currently losing Kshs. 2.3 million daily to compensate for idle time/machinery which is as a result of suspension of the works.	**5,175**
Lake Victoria South Water Works Development Agency for the rehabilitation of Kochia and Suba South Water Supplies	**100**
National Water Harvesting and Storage Authority for the water harvesting and storage Sogei-Oldebes and Mumberes Pipeline	**100**
Drought Resilience Program-Baringo Water Harvesting and Supply Project- Rift Valley Water Works Agency	**500**

REPUBLIC OF KENYA

KENYA NATIONAL ASSEMBLY- TWELFTH PARLIAMENT

DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS



REPORT ON THE CONSIDERATION OF THE BUDGET ESTIMATES FOR FY. 2019/2020 AND THE MEDIUM TERM FOR THE MINISTRY OF DEFENCE, MINISTRY OF FOREIGN AFFAIRS, NATIONAL INTELLIGENCE SERVICE (NIS) AND THE MINISTRY OF EAST AFRICAN COMMUNITY AND REGIONAL DEVELOPMENT

Clerks Chamber
National Assembly
NAIROBI

May, 2019

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PREFACE

According to the Public Finance Management Act (2012), the Cabinet Secretary for the National Treasury is to table the Estimates of Revenue and Expenditure in the House on or before 30th of April of every year. Pursuant to the provisions of the Standing Order No 235 (4), the estimates of Revenue and Expenditure subsequently **'shall stand committed to each Departmental Committee without question put'.**

Following the tabling of the Estimates, the Departmental Committee on Defence and Foreign Relations held a briefing meeting by the Parliamentary Budget Office and subsequently held consultative meetings with the Ministries under its purview and on which it exercises oversight. The committee meetings took place on Monday 20th May 2019 and Tuesday 21st May 2019 to consider the Estimates and thereafter adopted this report on Thursday 23rd May 2019.

On behalf of the Departmental Committee on Defence and Foreign Relations and pursuant to provisions of Standing Order 235, it is my pleasant privilege and honour to present to the Budget and Appropriation Committee, the Report on its consideration of the Estimates for the Ministries and State Departments that falls under its purview.

1.1 Mandate of the Committee

1) The Departmental Committee on Defence and Foreign Relations is established under Standing Order No. 216. Its mandate pursuant to Standing Order 216(C) is:-

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 the 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) 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 Appointment); and

g) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.

1.2 Committee Membership

2) The Committee Membership is as follows:

1) The Hon. Katoo Ole Metito, EGH, MGH, MP **(Chairperson)**
2) The Hon. Richard Tong'i, MP **(Vice Chairperson)**
3) The Hon. Yusuf Hassan Abdi, MP
4) The Hon. Patrick Makau King'ola, MP
5) The Hon. Peter Mungai Mwathi, MP
6) The Hon. Nelson Koech, MP
7) The Hon. Charles Kilonzo, MP
8) The Major (Rtd.) Hon. Bashir Sheikh Abdullah, MP
9) The Hon. Martha Wangari Wanjira, MP
10) The Hon. Dido Ali Raso, MP
11) The Hon. Moses Nguchine Karima, MP
12) The Hon. Beatrice Nkatha Nyagah, HSC, MP
13) The Hon. Vincent Kipkurui Tuwei, MP
14) The Hon. John Lodepe Nakara, MP
15) The Hon. Lilian Gogo, MP
16) The Hon. Memusi Ole Kanchory, MP
17) The Hon. Ernest Ogesi Kivai, MP
18) The Hon. Caleb Amisi, MP
19) The Hon. Asha Hussein Mohamed, MP

1.3 Committee Secretariat

1.	Mr. Samuel Kalama	-	Senior Clerk Assistant
2.	Mr. Abdiaziz M. Shobay	-	Third Clerk Assistant
3.	Mr. Edison Opiyo Odhiambo	-	Fiscal Analyst II
4.	Mr. Andrew Shangarai	-	Senior Sergeant At-arms
5.	Mr. Ronald Walala	-	Legal Counsel I
6.	Ms. Grace W. Karanja	-	Research Officer
7.	Mr. Rodgers Kilungya	-	Audio Officer
8.	Mr. Yaqub Ahmed	-	Media Relations Officer III

ACKOWLEDGEMENT

The Committee wishes to thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. The Committee also appreciates the Secretariat for the preparation of this report, the Ministry of Defence, Ministry of Foreign Affairs, Ministry of East African Community and Regional Development and the National Intelligence Service (NIS) for the fruitful deliberations they held with the Committee.

Finally, I wish to express my appreciation to the Honorable Members of the Committee who gave quality contributions during the deliberations and took their time from the recess to participate in the activities of the Committee and preparation of this report. It is therefore, my pleasant duty and privilege, on behalf of the Departmental Committee on Defence & Foreign Relations, to present this report on the Budget Estimates for the Financial Year 2019/20 and the Medium Term.

Signed.....

HON. KATOO OLE METITO, EGH, MGH, M.P
CHAIRPERSON DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS

Date.....28/5/2019.....

LIST OF RECOMMENDATIONS

Structural Recommendations

1. The State Department for Regional and Northern Corridor Development should fast track the development of a Regional Development Authorities Bill to streamline their operations, functions and mandate.
2. The Government should make appropriate allocations to all regional development authorities and not leave them out to largely depend on donor funding.

Financial Recommendations

The Committee recommends that the House approves:-

1. **KSh. 121,610,082,600** for the Ministry of Defense, Vote 1041
2. **KSh. 18,246,110,000** for the Ministry of Foreign Affairs, Vote 1052
3. **KSh. 571,300,000** for the State Department for East African Community, Vote 1221
4. **KSh. 4,874,200,000** for the State Department for Regional and Northern Corridor, Development, Vote 1222
5. **KSh. 37,660,000,000** National Intelligence Service, Vote 1281

1.0 INTRODUCTION

On Tuesday, 30th April 2019, the Estimates of Revenue and Expenditure was laid on the floor of the House by the Majority Leader pursuant to Article 221 of the Constitution, Section 37 of the Public Finance Management Act (2012) and the provisions of the Standing Order No. 235 of the Kenya National Assembly.

According to Article 221 of the Constitution, the Cabinet Secretary for the National Treasury is to submit to the National Assembly Estimates of Revenue and Expenditure on or before 30th April every year. The same provision has been provided for in the Public Finance Act, Section 37. Pursuant to the provisions of the Standing Order No 235 (4), the Estimates subsequently **'shall stand committed to each Departmental Committee without question put'.**

The Standing Order No 235 (4) further provides that the Departmental Committee is to deliberate on the Estimates according to its mandate and make recommendations to the Budget and Appropriations Committee within 21 days.

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

Following the tabling of the Estimates, the Departmental Committee on Defence and Foreign Relations held a briefing meeting by the Parliamentary Budget Office and subsequently held consultative meetings with the Ministries under its purview and on which it exercises oversight. The committee meetings took place on Monday 20th May 2019 and Tuesday 21st May 2019 to consider the Estimates and thereafter adopted this report on Thursday 23rd May 2019.

The Ministries and agencies under the purview of the Committee are-

(i) Ministry of Defence
(ii) Ministry of Foreign Affairs
(iii)State Department for East African Community
(iv)State Department for Regional and Northern Corridor Development
(v) National Intelligence Service

The deliberations which proceeded during the meetings, together with the contents of the Estimates, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the programs and projects in the relevant sectors.

In MTEF Sector classifications, the Ministry of Defence and the National Intelligence Service are classified under the National Security Sector. The Ministry of Foreign Affairs is classified under the Public Administration and International Relations (PAIR), whereas the

State Department for East African Community is classified under the General Economic, Commercial Affairs (GECA). The sectors are key in the delivery of goals and objectives of the three Pillars of Vision 2030 and the Sustainable Development Goals. They are also critical enablers of "The Big Four" Plan

2.0 BRIEFING BY THE PARLIAMENTARY BUDGET OFFICE

The Committee held a briefing session with the Parliamentary Budget Office on Monday 20th May, 2019.The Office informed the Committee that: -

The National Security Sector is premised within the political pillar of the Kenya Vision 2030 and plays an important role in providing an enabling environment for social-economic development of the country as outlined in the Third Medium Term Plan (MTP III 2018-2022).

To enable the attainment of "The Big Four" plan the Government will continue to implement the various policies and programmes under the Economic Transformation Agenda to create a strong and solid foundation for economic transformation and industrialization as envisaged in Kenya Vision 2030. The National Security sector will continue to address contemporary and emerging threats to national security that undermine peace and development. These include terrorism, radicalization, human and drug trafficking, money laundering, cyber-crime and other socio-economic and political challenges.

The Ministry of Foreign Affairs will focus on expanding Kenya's diplomatic representation and footprint across the globe and strengthening Kenya's leadership role is shaping regional and global agenda at the bilateral and multilateral levels. To aid in the achievement of "The Big Four" the Ministry shall focus engagement with countries and regions which have comparative advantage to drive Kenya's agenda in "The Big Four". They will also lobby to translate the current enabling business environment to become attraction for long term and sustained investment in "The Big Four"

On the overall resource allocation, the Parliamentary Budget Office Submitted that: -
The total budget for the three arms of government including the County Equitable allocation and the Consolidated Fund Services (CFS) during the FY 2019/2020 is estimated as **Ksh.3.03 trillion.** This was a 2.3% reduction from the 2018/19 budget; mainly due to reduced allocation to CFS. As a share of GDP, the overall budget had reduced from 32% to 28% in nominal terms.

Despite this budget reduction however, there was a concern that the actual budget implementation may adjust expenditure upwards. History had shown a tendency for the government to fail to adhere to its expenditure plans in the course of the year with upward adjustments during the supplementary budget particularly for the recurrent estimates. This was compounded by revenue underperformance which often leads to budget reorganization/

rationalization mostly for the development budget. Thus, the fiscal consolidation path as well as the development plan may not fully materialize.

On Revenue, forecasted revenue collection including Appropriations in Aid was projected to increase to KSh. 2,080 billion (18.3 percent of the GDP) up from KSh. 1,831.5 billion (18.3 percent) in the FY 2018/19. The revenue performance would be underpinned by ongoing reforms in tax policy and revenue administration. However, it was imperative to note that the National Treasury has always given unrealistic revenues.

On Vote by Vote Analysis, the Parliamentary Budget Office submitted as follows: -

2.1 Ministry of Defence

The proposed allocation for the Ministry of Defence amounts to **KSh. 121,610.1 million** comprising of **KSh. 102,729 million** for recurrent and **KSh. 14,974 million** for development. While the House resolutions on the BPS should be the basis of allocation to various programmes and projects, an analysis of the same showed that the Ministry had surpassed the ceilings by 3.9 percent on account of enhancement of provision for security operations and increased donor commitment.

On the analysis of the targets, the Office submitted that the Programme Base Budgeting approach focuses tying resources to the outputs rather than inputs. An output is either a good or a service. In PBB, the targets which are Specific, Measurable, Achievable, Realistic and Time bound are set and resources are then allocated based on the magnitude of the target. There was no reason why an MDA should be allocated resources without such targets. The realism of the targets for the Ministry of Defence could not be ascertained given that their targets could not be quantitatively be measured as shown in the table below.

Table 1: Analysis of Targets

	Key output	Target	Comments
1.	Secure territorial integrity and sovereignty	Timely and Effective response to threats	The target is not measurable
2.	Enhanced regional and international peace and security	Timely deployment to PSOs	The target is not measurable
3.	Humanitarian assistance	Timely and Effective response	The target is not measurable
4.	Defence Policies and Strategies	Implement the Defence and Gender policies, Ongoing consultation on Land and Cyber Security policies, Provide administrative support services	The target is not measurable
5.	Effective administration, coordination and regulation of space related activities	Implement national space Policy. Develop data Portal system.	The target is not measurable

2.2 Ministry of Foreign Affairs

The Ministry of Foreign Affairs will be running four programmes of General Administration, Planning and Support Services, Foreign Relations and Diplomacy, Economic and Commercial Diplomacy, Foreign Policy Research, Capacity Development and Technical Cooperation with a proposed allocation of **KSh. 18, 246 Million**.

The proposed allocation marginally surpassed the House resolution on the BPS 2019 by 0.9 percent on account of enhanced allocation for operations and maintenance. The resource allocation for the Ministry was however projected to grow to KSh. **18,628 million** and **KSh. 19,281 million** in the Medium Term.

The recurrent expenditure showed that the proposed allocation for Administrative Headquarters would receive the highest allocation at KSh. 2,234 million on account of administrative services which are run from the Headquarters in Nairobi. The major component of this allocation was Foreign Travel and Subsistence by Protocol Division which was proposed to receive an allocation of **KSh. 1,103 million** up from **KSh. 1,094 million** in FY 2018/19.

Among the foreign missions, Geneva had been proposed to receive the highest allocation at **KSh 514 million** up from **KSh. 445.6 million** in 2018/19. Other missions with high proposed allocations included **New York at KSh. 431 million**, a marginal increment from **KSh. 430 million** in FY 2018/19, Washington at **KSh. 430 million**, up from **KSh. 295.5 million** in FY 2018/19, London at **KSh. 413 million** up from **KSh. 311 million**. It was however noted that Washington was projected to generate the highest AIA at **KSh. 100 million** followed by London at **KSh. 70 million.**

On Development expenditure, The Ministry would be implementing **13 projects** whose total estimated cost is **KSh 21 billion**. The total proposed allocation for all the projects amounted to **KSh 1,957 million**. The proposed allocation weighed against total estimated cost of all the projects showed they may not be completed as envisaged. The ministry therefore needed to prioritize projects which can be completed in time ahead of other to avoid cost escalations on projects which start off but get stalled along the way.

On pending bills, the Office informed the Committee that the Ministry's trend in pending bills showed a declining trend from **KSh. 1,201 million** in 2014/15 to **KSh. 181.6 million** by 2017/18. The pending bills were occasioned by lack of exchequer. However, it was emerging that in 2016/17, out of **KSh. 396 million** pending bills, **KSh. 189 million** were due to lack of provision. Similarly, in 2017/18, out of **KSh181.6 million** pending bills, **KSh. 129 million** were due to lack of provision.

It was therefore imperative to note that the Public Finance Management Act, 2012 was clear on pending bills which occur due to lack of budgetary provision. There was need to

have commitments that are budgeted for and no commitment should be made outside the approved budget. The pending bills may imply that commitments were made outside the approved budgetary framework.

2.3 State Department of East African Community

The Office submitted that proposed budgetary allocation for the State Department had been reduced from **KSh. 586.2 million** to **KSh. 571.3 million** on account of reduced donor commitment. The reduction had seen the Department's development budget reduce from **KSh. 65 million** to zero.

2.4 State Department for Regional and Northern Corridor Development

The Office submitted that the proposed allocation had reduced by 37.7 percent on account of revised of donor commitments downwards. The projects affected included the Arror and Kimwarer multi-purpose dams which were substantially funded by donors.

The RDAs are heavily dependent on exchequer for their activities. It was only Kerio Valley Development Authority with Appropriations in Aid of more than 50 percent of its proposed allocation. **This therefore called for Regional Authorities to explore alternative ways of increasing their revenues to ensure sustainability of their programmes.**

Some of the projects implemented by Regional Development Authorities were county government functions as provided for under schedule four of the constitution. There was therefore a need to fasttrack the finalization of the Regional Development Policy and RDAs bills to align the Authority functions to the Constitution and minimize the friction with counties for better implementation of programmes, projects and investments.

2.5 National Intelligence Service

The proposed allocation for the National Intelligence Service amounted to **KSh.37,660 million** that were all deemed recurrent.The proposed allocation however had surpassed the House Resolution on the BPS 2019 and the medium term on account of enhanced security operations. During the FY 2019/20 and the medium term, the Service would use the proposed resources to implement activities on counter terrorism, de-radicalisation, border security operations, modernisation of intelligence operation tools and equipment under one programme of National Intelligence.

3.0 SUBMISSIONS BY MINISTRIES AND AGENCIES

3.1 Ministry of Defence

The Committee held a meeting with the ministry of Defence led by the Cabinet Secretary **Ms. Raychelle Omamo** on Tuesday 21st May, 2019. On the Budget Performance for FY 2018/2019, the Cabinet Secretary informed the Committee that: -

The Ministry utilized the allocated funds to achieve its core mandate of defending and protecting the Republic through the following the activities: Protecting Kenya's boundaries, air space and territorial waters; Re-alignment of Kenya's defence posture through establishment of new barracks in Garissa, Narok and acquisition of land; Sustained the Military Modernization Programme through acquisition of new equipment, refurbishment and development of new infrastructure among others.

On the estimates for FY. 2019/20, the Cabinet Secretary informed the meeting that the proposed allocation shall be spent as shown in the table below.

	Item	**Approved 2018/19 in KSh. Mil**	**Proposed 2019/20 in KSh. Mil**	**% Change**
1)	Personnel Emoluments	60,499	63,847	6%
2)	Operations and Maintenance	22,718	27,720	22%
3)	Modernization	21,574	23,679	10%
4)	Personnel Emoluments; Civilian	1,031	1,127	9%
5)	Operations and Maintenance, Civilian	227	275	21%
6)	Civil Aid	200	200	0%
7)	Maintenance of major Equipment's	1,500	1,500	0%
8)	Utilities	1,300	1,300	0%
9)	Subscription to International Organizations	127	127	0%
10)	Border securitization	1,500	1,500	0%
11)	National Space Agency	200	200	0%
12)	Grants to KOFC	135	135	0%
13)	**Total Vote 1041**	**111,011**	**121,610**	10%

The Cabinet Secretary further informed the Committee that the Ministry's development budget would be financed through domestically raised resources and a loan Appropriation in-Aid of KSh. 13.2 billion from two development partners-Italy and Netherlands. The GoK funded projects amounts to KSh. 8.4 billion covering the following functional areas.

S/No.	**Function**	**Alloc. FY 2018/19 in KSh. Millions**	**Proposed Alloc. FY 2019/20 in KSh. Millions**
1)	Command and Control	4,789	163
2)	Fire Power	4,206	5,536
3)	Mobility	2,054	662
4)	Sustainment	304	0
5)	Information and Intelligence	394	2,030
6)	**Total**	**11,743**	**8,390**

Source: MoD

The Cabinet Secretary further apprised the Committee on the status of the Kenya -Somalia border securitization as shown in the table below.

S/No.		Project Cost	Allocation 18/19	Amount Paid	Allocation 19/20	Status
1)	Mandera to Arabia	395	150	105	50	ongoing
2)	Arabia to Lafey	560	185	140	375	ongoing
3)	Lafey to Elwak	555	415	347	140	ongoing
4)	El wak to El ram	375	255	248	165	ongoing
5)	El ram to Khorof Harhar	320	185	140	135	ongoing
6)	Libat to Kolbio	270	250	197	20	ongoing
7)	Klobio to Kiunga	805	365	330	440	ongoing
8)	Air strips	140	35	15	105	ongoing
9)	HCA activities	180	80	20	100	ongoing

The Cabinet Secretary reported that it was emerging that the financial gap which the Ministry suffered due to exchequer under-issue of KSh 12.6 billion in the FY 2017/18 had distorted the Ministry's budget.

Further, she reported that although the Ministry's budget may appear to be growing, it was commensurate with the increase in personnel, airframes and other platforms, infrastructure and new establishment

3.2 Ministry of Foreign Affairs

The Committee held a meeting with the Ministry of Foreign Affairs led by the Principal Secretary, **Amb. Macharia Kamau** on Tuesday 21st May, 2019.

On the budget performance review, the Principal Secretary informed the meeting that the absorption rate for recurrent expenditure for the Ministry in 2015/16, 2016/17, 2017/18 was 97 %, 99%, 95% respectively while that of development over the same period was 92%, 96% and 87% respectively.

The Key achievements over the same period included: -

1. The promotion of Nairobi as a diplomatic hub and venue for major international conferences by hosting the reputable conferences which included the Global Entrepreneurship Summit, 10th Ministerial Conference of the WTO, 14th UNCTAD, 6th TICAD, HLM2 Conference, UNEA II & III among others.
2. Expansion of Kenya's Diplomatic footprint and representation abroad by opening missions in Luanda-Angola, Algiers-Algeria, Nairobi – UNHABITAT, Mogadishu-

Somali, Havana –Cuba

3. Support of restoration of peace in the region Pursuit for Peace & Security in the Horn of Africa and the Great Lakes Region: (Somalia, South Sudan, Burundi and DRC
4. Multilateral engagement at UNGA, AU, EAC, COMESA, WTO and other forums.
5. Strengthened the status of the United Nations Office in Nairobi- Successfully lobbied for the upgrading of the United Nations Office in Nairobi (UNON)
6. Acquired (purchase and construction) properties in some Missions: Chanceries, Residences & Staff Houses in Kampala-Uganda, Abuja-Nigeria, New York,

The Principal Secretary informed the Committee of the following shortfalls; -
The Ministry HQ Operations and Maintenance base with an allocation of **KSh. 386 million** against a resource requirement of **Ksh. 3.6 billion** leaving a shortfall of **KSh. 3.1 billion**. The unfunded priorities included mandatory international activities such as UNGA (**KSh. 200 million**), IGAD (**KSh. 100 million**, AU (**KSh. 100 million),** EAC & ICGLR **(KSh. 100 million)** among others

The Committee was informed that the ministry had no stalled projects but had unfunded priorities which included ICT infrastructure development at the Headquarters and Missions abroad to the tune of **KSh. 350 million** and Technical Fund for Technical Cooperation to the tune of **KSh. 700 million**.
Acquisition and Rehabilitation of projects including missions abroad, construction of Headquarters Building at **KSh.4 billion,** acquisition of land and construction of Foreign Service Academy at **KSh. 2 billio**n, establishment of a diplomatic enclave at **KSh. 3 billion** among others.

The Committee was further informed of the role of the Ministry in the big four agenda through: -

a) Focusing engagement with countries and regions which have comparative advantage to drive Kenya's agenda in the "big four,"
b) Fostering economic cooperation through regional integration and other bilateral/multilateral cooperation frameworks,
c) Lobbying to translate the current enabling business environment to become attraction for long term and sustained investment in the "big 4,"
d) Making Kenya undisputed gateway to the East and Central Africa
e) Continuing protecting Kenya's democratic credentials,

The Principal Secretary further informed the Committee that the strategic priorities of the Ministry in 2019 and the Medium Term will be: -

1. Continuous broadening and deepening co-operation with traditional and non-traditional political partners by facilitating engagements at all levels – opening of new markets and export opportunities for Kenyan goods and services,

2. Strengthening bilateral cooperation through negotiation and signing of various cooperation frameworks in key sectors of our economy (especially in the "Big 4")– thus expanding market for Kenya's exports, increased FDI inflows and employment creation,
3. Strengthening bilateral cooperation through negotiation and signing of various cooperation frameworks in key sectors of our economy (especially in the "Big 4")– thus expanding market for Kenya's exports, increased FDI inflows and employment creation,
4. Articulating Kenya's foreign policy at the international, continental, regional forums and enhance Kenya's leadership role in environmental issues,
5. Promoting regional peace, security and stability by coordinating Kenya's participation in Peace & Security Council Summits and meetings of the: AU, EAC, IGAD, ICGLR, COMESA & the UN and its agencies,
6. Deploying the Fund for Regional Technical Cooperation, acquisition and maintaining assets.

On challenges faced by the Ministry, the Principal Secretary informed the Committee that: -

Over the years, the Ministry's O&M, has been grossly underfunded. The Ministry therefore always starts the year on a low base. During supplementary, Treasury implements austerity measures, on 'non-priority' items - foreign travel, trade exhibitions, National Days celebrations by Kenya Missions and hospitality among others.

In addition, during resource sharing at the Sector, budget cuts are part of losses that Ministries share. O&M is further reduced due to foreign exchange losses, while transmitting money to Kenyan Missions.

Operations and Maintenance is the most critical MFA budget line, since it finances programmes that form part of the MFA mandate including attendance to international meetings and holding national days in all Kenyan Missions.

3.3 Ministry of East African Community and Regional Development

The Committee held a consultative meeting with the Ministry of East African Community and Regional Development Authorities led by the Chief Administrative Secretary, **the Hon. Ken Obura** on Tuesday 21st May, 2019.

3.3.1 State Department of East African Community

The Chief Administrative Secretary informed the Committee that: -

The Budget Submission to the National Treasury indicated a request for additional funding amounting to **KSh. 1,617.4 million** against allocation of **KSh. 571.3 million**. The deficit in

resource allocation will affect the following areas: - Personnel Emoluments, Domestic and Foreign Travel, administration and operationalization of EALA(K) Chapter Members of Parliament, operations and maintenance, purchase of motor vehicles, improvement of employee work environment among others

That the request for expenditure under EALA(K) chapter which had been allocated zero budget was a presidential directive.

On Pending bills, the state department had pending bills amounting to **KSh. 231 million** relating to AGPO. All the pending bills were historical.

He further informed the Committee that the ministry shall be implementing the following priorities with the proposed resources: -

1. Re-engineering of Kenya's position in the EAC. Over time Kenya has lost her competitiveness in terms of trade performance and attraction of investment. In order to reposition, the Ministry planes to engage in comprehensive research that will inform her policies on EAC,
2. Launch of Sirare/Isebania OSBP and Taveta/Holili OSBP at the Heads of States level. This was in line with Presidential directive and that additional budget will be required to launch the two OSBPs,
3. Kenya was assuming the role of Rapporteur at the EAC regional meetings. This implies that Kenya will have to clear a minimum of two delegates per meeting.
4. The Ministry was planning to establish Jumuiya Cross Border Markets in Busia, Isebania and Taveta. The Jumuiya markets will aim to integrate the youth, women and cross border traders in the international trade chain.

However, it was a concern that some of these targets may not be achieved due to inadequate funding.

3.3.2 State Department for Regional and Northern Corridor Development

The Chief Administrative Secretary informed the Committee that the State Department had been proposed for allocation **KSh. 4.8 billion** against a budgetary requirement of **KSh. 30.4 billion**. The deficit therefore would affect recurrent expenditure whose requirement was **KSh. 853 million** and Development expenditure at **KSh. 25.2 billion**.

Critical areas that require additional funding as requested by the implementing Agencies included: -

1. Ewaso Ng'iro North Development Authority (ENNDA) Court Case Award of **Kshs.17.8 million**. The case was filed against the Authority by APA Insurance Company Limited after the Authority failed to pay the outstanding amount due to the Insurance Company. In a ruling made on 27th February 2018 in a Civil Suit No. 203 of 2016, the Court decreed that the Authority pays **KSh.15.4 million** to APA

Insurance,

2. In addition, the Authority is required to pay an additional **KSh. 2.4 million** being Auctioneers fees owed to Bealine Kenya Auctioneers. The Authority has been served with a notice to auction its mobile assets and equipment by the Auctioneer,

3. Lake Basin Development Authority – **KSh. 81.5 million** previous allocations have over the years allocated funds for development and recurrent expenditure to the LBDA without considering the critical importance of the Operation and Maintenance component of the recurrent budget to drive the operationalization of these vote heads. This has constrained the operations of the Authority in the execution of budgetary allocations resulting in accruals of recurrent pending bills. The Authority requires additional funds of **Kshs. 81.5 million** during the Financial Year 2019/2020 to cater for Rent and Rates **KSh. 9.3 million**, Domestic Travel **KSh. 20.7 million**, Repair and Maintenance **KSh. 13 million**, Utilities **KSh. 21 million**, Stationery KSh**. 3.9 million** and Insurance,

4. Pending Bills (Headquarters) – **KSh.397 million** the pending bills pertain to feasibility studies conducted on various projects under the State Department. During the discussions on finalization of the Supplementary II budget of 2018/2019 an amount of **KSh.397 million** was rationalized from the Approved Budget allocation resulting in the same having not been settled in the Financial Year 2018/2019. Various Correspondences seen indicates concerns having been raised by the contractors and their government representative as a result of non-payment of the Pending Bills. As result it important that the GOK settles this debts to mitigate International conflicts between the Kenya Government and that of Spain due to non-payment of bills owed to their contractor's .While the Kenya government has enjoyed cordial bilateral relations with the Spanish government this relationship is likely to be compromised if urgent interventions are not made to settle the bills. The State Department placed a request that the rationalized amount of Kshs.397 Million be provided for in the Financial Year 2019/2020 in order to mitigate legal suits and high interest costs,

5. Ewaso Ng'iro Leather Factory – **KSh.200 million.** The Authority requires additional funding of KSh. 200 million to operationalize the Ewaso Ng'iro Leather Factory. The projects support the Government Big four Agenda under manufacturing pillar through job creation, poverty alleviation and improving livelihood of the citizens. The funds would go towards the purchase of production inputs that is Raw materials, Chemicals at **KSh. 165 million**, and Transport/other logistics at an estimate of **KSh. 100 million.**

3.4 National Intelligence Service

The Committee held a meeting with the Service led by the Director General for the National Intelligence Services, Maj. Gen. (Rtd.) Philip Kameru on Monday 20th May, 2019. The Director General informed the Meeting that: -

The National Intelligence Service and the Ministry of Defence are classified under the National security Sector and the preparation and implementation of the Service budget is governed by the Constitution of Kenya and other legislations such as the Public Finance Management Act 2012, Public Procurement and Asset Disposal Act 2015, Public Audit Act 2015 and National Treasury circulars.

The Service would use the resources to provide a role of an enabler to the Big Four agenda through the provision of secure and protected nation which is necessary for the achievement of the Big Four. Under the Programme Based Budgeting, the Service will be implementing one program of National security Intelligence. The proposed resources will be utilized to fund service operations, projects and activities to deliver an outcome of a secure and protected nation through the provision of the following outputs

- Provision of competitive, reliable and actionable intelligence that adds value to decision making process
- Effective counter terrorism operations
- Effective counter intelligence to detect and neutralize threats to national security among others.

The Medium-Term priorities include: -Modernization of Intelligence operation tools, equipment, systems and infrastructure including surveillance systems; Capacity building; Renovation and maintenance of existing development of new facilities; Research and development and Undertaking emergency security operations

The Director General further informed the Committee that the service projects are considered for implementation only after preliminary conditions are fulfilled. Comprehensive feasibility studies are done to establish the viability of the projects while putting into account phased implementation. Necessary approvals are granted after a cost-benefit analysis has been undertaken to determine the long-term benefits that would accrue from such projects.

The Committee was informed that the Service neither had stalled project nor pending bills while the Service total budgetary requirements amounted to **KSh. 48 billion** against a proposed budgetary allocation of **KSh. 37.7 billion** resulting in a funding gap of **KSh. 10.3 billion.**

4.0 COMMITTEE OBSERVATIONS

4.1 Ministry of Defence

1) The proposed budget estimates have exceeded the ceiling set out in the BPS by **KSh. 4,574 billion** on account of increased donor commitments and enhanced security operations.
2) The trend of donor commitments was not in harmony with the Accra Accord. According to the Accra Agenda for Action (AAA), donors should provide developing countries with regular information on when they can expect to receive funding to enable them have predictability in their budgets. Funds that come after the BPS has been passed makes planning difficult.

4.2 Ministry of Foreign Affairs

1) The Ministry was grossly underfunded there unable to undertake critical activities related to its core mandate such as attending international meetings and conferences.
2) Majority of the Assets (buildings and vehicles) owned by the Ministry in the foreign mission are in dilapidated state and require renovations and replacement.
3) The Ministry of Foreign Affairs incurs huge loses through foreign exchange when transmitting funds to their foreign missions due to fluctuations of exchange rates and delayed remittances.
4) The Ministry of Foreign Affairs has no adequate protocol vehicles both locally and in the foreign missions.

4.3 Ministry for East African Community and Regional Development

4.3.1 State Department for East African Community

1) The State Department is grossly underfunded thus unable to undertake its critical activities such as participation in regional meetings within EAC.
2) The proposed allocation for the State Department was below the House Resolutions on the BPS 2019 by KSh. 50.1 million.

4.3.2 State Department for Regional and Northern Corridor Development

1) The proposed allocation was inadequate and therefore the department will not be able to implement any meaningful projects.
2) Regional Development Authorities are good enablers at the grassroots level in terms of driving the "Big 4" Agenda but they were grossly underfunded.

4.4 National Intelligence Service

Even though the Service proposed allocation was below the Resource Requirement the Committee observed the Service could deliver on its mandate despite the shortfall.

5.0 COMMITTEE RECOMENDATIONS

5.1 Structural Recommendations

1. The State Department for Regional and Northern Corridor Development should fast track the development of a Regional Development Authorities Bill to streamline their operations, functions and mandate.
2. The Government should make appropriate allocations to all regional authorities and not leave them to largely depend on donor funding

5.2 Financial Recommendations

The Committee recommends that the House approves:-

6. **KSh. 121,610,082,600** for the Ministry of Defense, Vote 1041
7. **KSh. 18,246,110,000** for the Ministry of Foreign Affairs, Vote 1052
8. **KSh. 571,300,000** for the State Department for East African Community, Vote 1221
9. **KSh. 4,874,200,000** for the State Department for Regional and Northern Corridor, Development, Vote 1222
10. **KSh. 37,660,000,000** National Intelligence Service, Vote 1281

5.3 Other Recommendations

5.3.1 Ministry of Foreign Affairs

1. **Kenya's Appearance and Commitments in International Meetings (UNGA, UNSC Membership, EAC, IGAD, AU, IORA) - Ksh 1Billion.**

Kenya, through this Ministry is required to participate in a number of international meetings that are not only critical but obligatory in advancing our strategic Foreign Policy goals and objective and national interests. Absence from these engagements would be a gross abdication of duty in articulated and fighting for Kenyan's interests, including on thorny matters of peace and security, which are at the heart of national survival. Participation in these meetings is mandatory and yet the budget for the same has been reduced over the years until the Ministry has no budget for the same in the current and ensuing Financial Years.
Furthermore, Kenya has submitted her candidature for the position of a non-Permanent Member of the UN Security Council for the period 2021/2022. This is coming at an important period when global politics within the realm of multilateralism is significant to Kenya.

While the Ministry requires Ksh 3.8 Billion towards these activities, a minimum of Ksh 1 billion will go a long way in alleviating some of the problem for the time being. The funds can be captured under the Programme General Administration and Support Services budget head 1052-000301-2210802- Meetings and Conferences **Ksh 500M**, 2211320 Temporary Committee Expenses **Ksh 500 Million**
Other Recommendations

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3. Postings / Recall of Officers in the Missions Abroad- Ksh 400 million

Due to Budgetary constraints, the Ministry has not been able to recall officers on posting and replace them leading to an accumulation of backlog of four posting to date. It is paramount that the Ministry secures a minimum of **Ksh 400 million** in the 2019/2020 Financial Year's Budget to undertake at least one recall and one posting. This additional funding will be used in meeting the cost of transport, processing of travelling documents and settlement of accrued allowances. The funds for this activity can be captured under the Programme General Administration and Support services Budget Head 1052000101- 2210401 Travel Costs- **Ksh 400Million**.

4. Replacement of Protocol Vehicles- Ksh 300Million

The Ministry's fleet of Protocol vehicles is over 10 years old with the result that some have suffered engine knocks and very high maintenance costs with embarrassing frequent break downs on the highways. Since these are the vehicles that service visiting heads of state and the VVIPs, the Ministry has been instructed to replace at least 10 Protocol vehicles at the headquarters and 10 representational cars in the missions that have suffered engine break downs at a minimum cost of **Ksh 300million**. The ministry is further required to replace the other cars in its fleet annually in a phased manner. The funds for this can be captured under the Programme General Administration and Support Services budget head 1052-000101-3110701 Purchase of Motor Vehicle

5. Duty on Vehicles for Returning Ambassadors- Ksh 100 million.

Returning Ambassadors are required to pay East African Exercise duty on Cars imported by them upon recall. Following Cabinet Approval and change of the relevant law to validate this, the ministry continues to accumulate bills relating to import duty incurred on vehicles of returning Ambassadors since the ministry has no budgetary allocation for this activity. A minimum of **Ksh 100 million** will be required to address this need. The funds availed can be captured under the Programme General Administration and Support Services Budget Head 1052-000101- 3110701 Purchase of Motor Vehicles

6. Foreign Exchange Risk Assumption Facility- Ksh 200million

The Ministry incurs Foreign Exchange Loss on its remittances to foreign mission of **Ksh 500 million** annually. This erodes the purchasing power of the funding availed to the missions thereby effectively reducing their budgets by equivalent amount. The ministry had in its budget up to 2012/13 a Forex Risk Assumption facility, but was removed by the National Treasury during the implementation of austerity cuts. The Ministry requires reinstatement of this facility in its 2019/20 FY"s Budget with a minimum provision of **Ksh 200 million** to cushion the missions. The funds availed can be captured under the Programme General Administration and Support Services budget head 1052-000301-2630101- Current Grants to other Government Institutions -**Ksh 200 Million**

From the above, the Ministry is seeking to plug the hole in the Ministry's Recurrent Budget with a minimum of **Ksh 2 Billion** total to finance the above critical but unfunded items in the 2019/20 FY's Budget.

5.3.2 Ministry of East African Community and Regional Development Authority

1. The Committee further recommends that the proposed allocation for State Department for East African Community be increased by **KSh. 500 million** towards the programme East African Affairs, Recurrent Expenditure to cater for shortfall in personnel emoluments, operations and maintenance.

2. The proposed allocation for the State Department of Regional and Northern Corridor Development be increased by **KSh. 3 billion** towards the programme Integrated Regional Development to cater for shortfalls in operations at the Headquarters and integrated water and food security projects for Regional Development Authorities.

Postings / Recall of Officers in the Missions Abroad- Ksh 400 million

Due to Budgetary constraints, the Ministry has not been able to recall officers on posting and replace them leading to an accumulation of backlog of four posting to date. It is paramount that the Ministry secures a minimum of **Ksh 400 million** in the 2019/2020 Financial Year's Budget to undertake at least one recall and one posting. This additional funding will be used in meeting the cost of transport, processing of travelling documents and settlement of accrued allowances. The funds for this activity can be captured under the Programme General Administration and Support services Budget Head 1052000101- 2210401 Travel Costs- **Ksh 400Million**.

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Signed.....

HON. KATOO OLE METITO, EGH, MGH, M.P
CHAIRPERSON DEPARTMENTAL COMMITTEE ON DEFENCE & FOREIGN RELATIONS

Date.....23/5/2019.....

ANNEX I: MINI SCHEDULE

	Draft Estimates in KSh. Millions			Committee Adjustments			Final Committee Proposal		
Programme code and Tiltle	**Gross Current**	**Gross Capital**	**Total**	**Current**	**Capital**	**Total**	**Gross Current**	**Gross Capital**	**Total**
Ministry of Defence	**104,531**	**17,079**	**121,610**	**-5,500**		**-5,500**	**99,031**	**17,079**	**116,110**
Defence	102,729	17,079	119,808	-5,500		-5,500	97,229	17,079	114,308
Civil Aid	200		200			0	200	0	200
General Admistration, Planning and Support Services	1,402		1,402			0	1,402	0	1,402
National Space Management	200		200			0	200	0	200
Ministry of Foreign Affairs	**16,288.40**	**1,957.70**	**18,246**	**2,000**		**2,000**	**18,288**	**1,958**	**20,246**
General Admistration, Planning and Support Services	1,724.80	103	1,828	1,400		1,400	3,125	103	3,228
Foreign Relation and Diplomacy	14,317	1,654.70	15,972	600		600	14,917	1,655	16,572
Economic and Commercial Diplomacy	87.8		87.8			0	87.8	0	87.8
Foreign Policy Research, Capacity Development and Technical Cooperation	158.8	200.00	358.8			0	158.8	200	358.8
State Department for East African Community	**571.3**		**571.3**	**500**		**500**	**1,071.3**	**0**	**1,071.3**
East African Affairs and Regional Integration	571.3		571.3	500		500	1,071.3	0	1,071.3
State Department for Regional Integration	**2,131.60**	**2,742.60**	**4,874.2**	**500**	**2,500**	**3,000**	**2,631.6**	**5,243**	**7,874.2**
Integrated Regional and Northern Corridor Development	2131.6	2,742.60	4,874.2	500	2,500	3,000	2,631.6	5,243	7,874.2

	Draft Estimates in KSh. Millions			Committee Adjustments			Final Committee Proposal		
Programme code and Tiltle	**Gross Current**	**Gross Capital**	**Total**	**Current**	**Capital**	**Total**	**Gross Current**	**Gross Capital**	**Total**
			0.0				0.0		0.0
			0.0				0.0		0.0
National Intelligence Service	**37,660**		**37,660.0**				**37,660.0**		**37,660.0**
National Security Intelligence	37,660		37,660.0				37,660.0		37,660.0

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

COMMITTEE ON HEALTH

REPORT ON THE CONSIDERATION OF THE 2019/2020 FY BUDGET ESTIMATES FOR THE MINISTRY OF HEALTH

Published by:-

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of Committee Services
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Parliament Buildings
Nairobi

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PART I

1.0 PREFACE

1.1 Introduction

Chairperson,

1. This is the report of the Departmental Committee on Health on its consideration of the FY2019/2020 Budget Estimates for the Health Sector. The report is as a result of deliberations between the Committee and the officials from the Ministry of Health and its Semi-autonomous Government Agencies (SAGAs).

2. The report contains the discussions, observations and recommendations of the Committee as regards the proposed 2019/2020 Budget Estimates for the Ministry of Health alongside its eight 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 and Kenyatta University Teaching, Referral & Research Hospital.

1.2 Mandate and Membership of the Committee

1. The Departmental Committee on Health is established pursuant to the provisions of Standing Order No. 216(5) of the National Assembly and in line with Article 124 of the Constitution which provides for the establishment of the Committees by Parliament. Thus, in terms of budget oversight, the Committee covers the Ministry Health and its Semi-autonomous Government Agencies (SAGAs).

2. Therefore, this report covers the proposed 2019/2020 Budget Estimates for the Health Sector which consists of the Ministry of Health and its eight 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 and Kenyatta University Teaching, Referral & Research Hospital.

1.3 Committee Membership

The Committee comprises the following Honourable Members;

	NAME	POLITICAL PARTY	CONSTITUENCY/ COUNTY
1	Hon. Sabina Chege, MP – **Chairperson**	Jubilee	Murang'a
2	Hon. Swarup Ranjan Mishra, MP – **Vice Chairperson**	Jubilee	Kesses
3	Hon. (Dr.) Eseli Simiyu, MP	Ford Kenya	Tongaren
4	Hon. (Dr.) James Nyikal, MP	ODM	Seme
5	Hon. Alfred Agoi Masadia, MP	ANC	Sabatia
6	Hon. (Dr.) James Kipkosgei Murgor, MP	Jubilee	Keiyo North
7	Hon. Muriuki Njagagua, MP	Jubilee	Mbeere North
8	Hon. (Dr.) Mohamed Dahir Duale, MP	KANU	Daadab
9	Hon. Stephen Mule, MP	Wiper Democratic Movement	Matungulu
10	Hon. Esther M. Passaris, MP	ODM	Nairobi
11	Hon. Gladwell Jesire Cheruiyot	KANU	Baringo
12	Hon. Kipsengeret Koros, MP	Independent	Sigowet-soin
13	Hon. Martin Peters Owino, MP	ODM	Ndhiwa
14	Hon. Mercy Wanjiku Gakuya, MP	Jubilee	Kasarani
15	Hon. Prof. Mohamud Sheikh Mohamed, MP	Jubilee	Wajir South
16	Hon. Patrick Munene Ntwiga, MP	Jubilee	Chuka Igamba Ng'ombe
17	Hon. Tongoyo Gabriel Koshal, MP	Chama Cha	Narok West

		Mashinani	
18	Hon. Zachary Kwenya Thuku, MP	Jubilee	Kinangop

1.4 Secretariat

1. The Committee is supported by the following members of the Secretariat;

1. Mr. Victor Weke	-	Clerk Assistant I
2. Mr. Muyodi Meldaki Emmanuel	-	Clerk Assistant III
3. Mr. Ahmed Hassan Odhowa	-	Principal Research Officer
4. Ms. Lynette Otieno	-	Legal Counsel I
5. Mr. Eric Kanyi	-	Fiscal Analyst
6. Ms. Winnie Kiziah	-	Media Officer

1.5 Overview on the Examination of the proposed 2019/2020 Budget Estimates

1. The 2019/2020 Budget Estimates were submitted and tabled in the National Assembly pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act 2012. The Constitution of Kenya and the Public Finance Management Act 2012 gives the National Assembly the mandate to review the Budget Estimates and make recommendations before the budget is approved.

2. Standing Order No. 235(3) provides that after being laid in the House, the Budget Estimates are committed to each Departmental Committee to deliberate upon according to their respective mandates. The Standing Orders also allows the Departmental Committees of the National Assembly to review and consider the Budget Estimates for the various spending agencies within their purview and make recommendations to the Budget and Appropriation Committee.

3. During the consideration of the 2019/2020 Budget Estimates for the Health Sector, the Committee was briefed by the Parliamentary Budget Officer on Tuesday 21st May, 2019 on the contents and key issues regarding the 2019/2020 Budget Estimates under the various votes in the Health Sector.

4. Afterwards, from Wednesday 22nd – Friday 24th May 2019, the held discussions with the Ministry of Health and its Semi- Autonomous Government Agencies (SAGAs). During the entire period of the budget scrutiny the Committee held eight (8) sittings.

1.6 Appreciation

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members of the Committee and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the 2019/2020 Budget Estimates.

Chairperson,

On behalf of the Departmental Committee on Health and pursuant to provisions Section 25(2) of the Public Finance Management Act, 2012 and Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the proposed 2019/2020 Budget Estimates for the Ministry of Health.

Thank You

SIGNED .....

HON. SABINA CHEGE, MP

(CHAIRPERSON)

DATE.....28/5/19.....

PART II

2.0 Broad overview of the 2019/2020 Budget Estimates for the Health Sector

Chairperson,

1. The 2019/20 the proposed budget for the Ministry of Health is Kshs 93.3 Billion out of which recurrent budget is Kshs 58.1 Billion and the development budget is Kshs 35.2 Billion. Through this budget, the Ministry will be implementing five programmes as indicated below:

Programmes	2019/20		
	Current	Capital	Total
Preventive, Promotive and RMNCAH	1,732	7,703	9,435
National Referral and specialized services	27,934	9,061	36,995
Health Research and Development	9,042	703	9,745
General Administration and Planning	7,977	980	8,957
Health Policy, Standards and Regulations	11,398	16,794	28,192
Total	**58,083**	**35,241**	**93,324**

Chairperson,

2. The proposed 2019/20 budget for the Ministry has allocation towards the specific interventions to support the Universal Health Coverage is as follows

Table 5 : Key UHC interventions (Kshs Blns)	
Program/Project	**Allocation**
Free maternity programme (Linda mama programme)	4.1
Health cover to the elderly and the vulnerable	3.2
Equipping of hospitals (Leasing of medical equipment)	6.2
Conditional grants to level 5 hospitals	4.3
Scrapping/removal of user fees	0.9
Scale up of UHC project	6.0
Vaccines and immunizations	3.3
Regional cancer centres	0.4
Transforming Health Systems for UHC	4.9
Medical supplies to support UHC (Pilot)	2.5

Chairperson

3. The following sections indicates the Ministry of Health proposed Recurrent and Development Budget and the key capital projects funded in FY 2019/20.

2.1 Recurrent Budget

1. Out of the Kshs 58.1 Billion allocation, Kshs 43.1 Billion is the net allocation whereas Kshs 15 Billion is Appropriations in Aid (AIA). A significant percentage of the recurrent budget goes to the Agencies under the MOH as Current Transfers. A review of the itemized budget indicates that the major recurrent allocations are on the following heads:

2019/20 Major Recurrent Allocations (Kshs Mlns)			
Head	**Net**	**AIA**	**Gross**
Mathare Hospital Referral Hospital	712	-	712
Spinal Injury Referral Hospital	502	-	502
Mwai Kibaki Referral Hospital	680	-	680
Kenyatta University Referral Hospital	500	-	500
International Health Exchange Programme	1,155	-	1,155
Kenya Medical Training College (KMTC)	2,911	3,832	6,743
Kenya Medical Supplies Agency (KEMSA)	390	2,712	3,102
Kenyatta National Hospital (KNH)	8,204	5,382	13,586
Moi Teaching and Referral Hospital (MTRH)	6,343	2,853	9,196
Kenya Medical Research Institute (KEMRI)	2,104	137	2,241
Rural Dispensaries and Health facilities	5,226	-	5,226
Universal Health Coverage Coordination and Management Unit	5,694	-	5,694

2.2 Development Budget

1. In 2019/20 the Ministry will be implementing a total of 42 capital projects out of which 4 are new donor supported projects. The projects are funded by both the exchequer and development partners through loans and grants. Out of the Kshs 35.2 Billion capital budget allocation, Kshs 19.9 Billion (56%) is from the exchequer whereas Kshs 15.2 Billion (44%) is donor funds from development partners.

2. The 4 new projects and their source of funding are indicated:

New projects (Kshs Mlns)						
Project	2018/19			2019/20		
	GoK	Donor	Total	GoK	Donor	Total
Upgrading maternal and new born units (W.Pokot, Marakwet &Makueni)	-	-	-	-	300	300
PHG-Case study on integrated Delivery of selected NCD	-	-	-	-	150	150
Development and implementation of National Food based dietary guidelines	-	-	-	-	14	14
Health Sector Support for UHC	-	-	-	-	500	500

Chairperson,

3. Out of the 42 projects which the Ministry will be implementing in 2019/20 financial year, the key projects are:

Project	2019/20		
	GoK	Donor	Total
East Africa Centres of Excellence for skills and tertiary education	80	900	980
Health system management (GAVI)	-	2,600	2,600
Managed Equipment service-Hire of medical equipment for 98 hospitals	6,205	-	6,205
Free maternity program (Strategic intervention)	4,098	-	4,098
Vaccines and immunization	748	-	748
Establishment of Cancer Institute	400		400
Roll out of universal health coverage	6,000		6,000
Support to universal Health care in a devolved system		1,072	1,072
Transforming Health Systems for universal care project		4,920	4,920
Construction of Labs and classrooms at KMTC	330		330

3.0 Submissions by the Ministry of Health

1. The Ministry of Health led by the Principal Secretary appeared before the Committee on 22nd, 23rd and 24th May, 2019. The Principal Secretary informed the Committee that good health was a pre-requisite for socio economic development of the country. The health sector was alive to this fact and was keen to ensure highest attainable standard of health through efficient and effective implementation of its budget.

2. As regards the 2019/20 Budget Estimates, PS together with the heads of the various Semi -Autonomous Government Agencies (SAGAs) made presentations before the Committee. The Ministry highlighted pointed some critical areas in the sector which have not been adequately funded in 2019/20 which the Committee tried to make reallocations to fund this areas.

4.0 Committee Observations

The Committee having scrutinized the 2019/20 proposed budget for the sector and also considered the various submissions during the scrutiny, made the following observations: -

1. The Committee observed that Kshs 4.3 billion has been provided for the Level 5 hospitals meant enhance service delivery in these designated hospitals. However there is no evidence on whether this fund actually reaches the respective hospitals since the services offered in this hospitals are still below standards.

2. The Committee observed Universal Health Coverage (UHC) has been piloted in four counties namely: Isiolo, Nyeri, Kisumu and Machakos. In addition to the funds requested by the Ministry to sustain UHC in the said counties, the Ministry of Health is requesting an additional Ksh 4.6 billion to roll out UHC in the remaining 43 counties. However there has been delay in the operationalization of UHC in the four piloted counties and there is no summative report on the 4 piloted counties to inform rollout to the 43 counties.

3. The funds identified and designated for health in the counties are still treated as part of county revenue due lack of legal framework to give financial autonomy to health facilities, hence these funds are appropriated for other purposes. The Ministry submitted a proposal to amend the Public Finance Management Act, 2012 to provide a legal framework for financial autonomy for health facilities at the counties.

4. The Committee observed that in addition to other pending bills, the Ministry has accumulated huge pending court awards amounting to Ksh.58.0 billion on the account of pending court awards of which there was no budgetary provision in the

FY 2019/20. This bills are accruing interest which may pose contingent liabilities to the Government in the long run.

5. The Committee observed that the Ministry has a number of stalled projects in the Ministry of Health that was mainly attributed to the advent of devolution as well as inadequate funding.

6. The Committee observes that there is no clear guideline for the proper coordination of all donor funded projects undertaken in the Ministry of Health which derails the implementation of critical projects that form part of the attainment of the Universal Health Coverage.

5.0 Committee Recommendations

The Committee having received submissions from the Ministry of Health and having lengthy deliberations, makes the following recommendations regarding the 2019/2020 Budget for the Health Sector: -

(a) Policy Recommendations of the Committee

From the foregoing, the Committee recommends as follows:

1. That no allocation should be approved on the conditional grants to level 5 hospitals in the 11 counties, until proper audit is carried out by the Ministry of Health and other relevant institutions on the utilization as well as the impact of the conditional grants for the last four financial years (FY 2014/15, 2015/16, 2016/17 and 2017/18). Further, the Committee observed that the data for bed capacity which is used to allocate this conditional grant is for 2015 which is outdated.

2. That the Ministry of Health speeds up the process of coming up with legal and regulatory framework for the purpose amending the relevant laws to give a financial autonomy to county health facilities with a view to provide that funds identified and

designated for health shall not be appropriated for other purposes by the county governments.

3. That the Ministry speeds up the constitutive instruments for Mathare Teaching and Referral hospital and the Spinal Injury referral hospital in order for this institutions to have financial autonomy by rightly being SAGAS within the Ministry.

4. Thus, the Committee recommends the handing over of sstalled projects to county governments except for Mathare – Nyayo hospital which is a key project under the Universal Health Coverage in the Ministry of Health.

5. That the Ministry to come up with clear guidelines within the next three months on the coordination and the implementation of all donor funded projects.

6. That the Ministry of Health together with the National Treasury should put a programme of payment for all pending bills and court awards to avoid accruing of interests.

(b) Financial Recommendations

From the foregoing, the Committee makes the financial recommendations:

i. Proposed Reductions

The Committee recommends the following reductions:

Programme	Sub-Programme	Project/Item/Delivery unit	2019/20 Allocation (Kshs)	Proposed reduction (Kshs)	Bal (Kshs)	Justification
Health Policy, Standards and Regulations	Health policy, planning and financing	Rollout of Universal Health care	6,000,000,000 (Development)	4,600,000,000	1,400,000,000	The summative report on the 4 pilot counties is not yet out to inform rollout to the 43 counties
Health Policy, Standards and Regulations	Social protection in Health	Rural health Centres and Dispensaries-conditional grants to level 5 hospitals	5,226,000,000 (Recurrent)	4,326,000,000	900,000,000	This conditional grant to level 5 hospitals is not benefitting this facilities. The remaining Kshs 900 million is for the user foregone fees
Total Reductions				**8,926,000,000**		

ii. **Increases**

The Committee recommends the following additions as indicated in the table below:

Programme	Sub-programme	Project/Head/Delivery unit	Proposed increases	Justification
National referral and specialized services	Forensic and diagnostics	Kenya National Blood Transfusion Service	654,000,000 (Recurrent)	Increase recurrent expenditure to cater for collection of blood from the current 170,000 units to 250,000 units
Health Research and Development	Research and innovation on Health	KEMRI-Research and Development	228,000,000 (development)	Increase in development budget to support research for non-communicable diseases and provide data for policy formulation
Preventive and Promotive Health	Communicable disease control	National Aids Control Council	290,000,000 (recurrent)	Increase recurrent to cater for Constituency Aids Control Committee (CACCS)
National referral and specialized Services	National Referral services	Mathare Teaching and Referral Hospital	75,000,000 (recurrent)	Increase in recurrent to cater for shortfall s and Personnel emoluments and food
National referral and specialized Services	National Referral services	National Spinal Injury Hospital	70,000,000 (recurrent)	To cater for Personnel emoluments shortfalls
National referral and specialized Services	National Referral services	Kenyatta National Hospital	2,259,236,341 (recurrent)	To cater for Personnel emoluments shortfalls and additional staffing

Programme	Sub-programme	Project/Head/Delivery unit	Proposed increases	Justification
National referral and specialized Services	National Referral services	Moi Teaching and Referral Hospital	576,518,000 (recurrent)	To cater for Personnel emoluments shortfalls and additional staffing
Health Policy, Standards and Regulations	Social protection in health	National Health Insurance Fund-Insurance for the Elderly	600,000,000 (recurrent)	Increase in recurrent to cater for budget shortfall for insurance to the elderly
Preventive and Promotive Health	Communicable disease control	National Public Health Laboratory Services	260,000,000 (recurrent)	Increase number of people screened for non-communicable diseases such as TB,HIV etc
Preventive and Promotive Health	Communicable disease control	Disease surveillance and response unit	250,000,000 (recurrent)	Surveillance to emerging diseases such as dengue fever, zika virus ,yellow fever, hepatitis
Preventive and Promotive Health	Reproductive Maternal Neo-natal child and Adolescent Health	None scheduled national vaccines	126,000,000 (recurrent)	To cater for the following vaccines, anti-snake venom, hepatitis B vaccine ,yellow fever and anti-rabbis
Preventive and Promotive Health	Communicable disease control	Port Health	100,000,000 (recurrent)	To man the points of entry in to the country
Preventive and Promotive Health	Communicable disease control	Tobacco control	100,000,000 (recurrent)	Policy formulation, education to public and enforcement

Programme	Sub-programme	Project/Head/Delivery unit	Proposed increases	Justification
Preventive and Promotive Health	Communicable disease control	Global fund TB programme	1,000,000,000 (development)	To cater for the gap left by the donor-purchase of drugs (Kshs 340 Million) and cartridges (Kshs 640 Million)
General Administration Services	Health standards, Quality Assurance and standards	Headquarters Technical and Administrative services	135,000,000 (recurrent)	Operationalization of Kenya Health Human Resource Advisory Council and Kenya Health Professional Oversight Authority
General Administration Services	Health standards, Quality Assurance and standards	Headquarters Technical and Administrative services	30,000,000 (recurrent)	Operationalization and implementation of Health Act
General Administration Services	Health standards, Quality Assurance and standards	Headquarters Technical and Administrative services -Mathare Nyayo Hospital Project in Nairobi	500,000,000 (development)	This is a strategic project which has stalled and needs to be completed since it will play a key role in UHC
General Administration Services	Health standards, Quality Assurance and standards	Headquarters Technical and Administrative services -Special assistance to Kigumo District Hospital	300,000,000 (development)	Presidential Directive for elevation of this hospital to level 5

Programme	Sub-programme	Project/Head/Delivery unit	Proposed increases	Justification
National referral and specialized Services	Specialized medical equipment	Specialized Medical Equipment	780,000,000 (development)	To cater for budget shortfall whose annual budget is Kshs 6.9 Billion
General Administration Services	HRM and development	Headquarters Technical and Administrative services -Renovation of Afya House	30,000,000 (recurrent)	The building has inadequate water and unserviceable lifts
General Administration Services	Health standards, Quality Assurance and standards	Headquarters Technical and Administrative services -Special assistance to Diff and ifo2 hospitals	120,000,000 (development)	To uplift the status of this two health centres through a special grant from Ministry of Health headquarters
National referral and specialized Services	Health products and technologies	Completion of storage Warehouse-KEMSA	400,000,000 (development)	This is critical for safe keeping of medical commodities
General Administration Services	Health policy, planning and financing	Headquarters Technical and Administrative services -Settlement of pending bills	42,245,659 (recurrent)	This allocation be provided at the Ministry of Health headquarters to settle pending bills and court awards. The Ministry should prioritize small and uncontestable pending bills
Totals			**8,926,000,000**	

1. In view of the adjustments, the Committee approves the 2019/20 budget estimates for the Ministry of Health as indicated below.

Programmes	2019/20 Proposed Estimates			Committee Adjustments			2019/20 Revised Estimates		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Preventive, Promotive and RMNCAH	1,732,115,000	7,702,617,647	9,434,732,647	1,126,000,000	1,000,000,000	2,126,000,000	2,858,115,000	8,702,617,647	11,560,732,647
National Referral and specialized services	27,934,472,334	9,061,227,500	36,995,699,834	3,634,754,341	1,180,000,000	4,814,754,341	31,569,226,675	10,241,227,500	41,810,454,175
Health Research and Development	9,041,829,333	702,600,000	9,744,429,333	-	228,000,000	228,000,000	9,041,829,333	930,600,000	9,972,429,333
General Administration and Planning	7,977,251,274	980,000,000	8,957,251,274	237,245,659	920,000,000	1,157,245,659	8,214,496,933	1,900,000,000	10,114,496,933
Health Policy, Standards and Regulations	11,398,288,837	16,794,234,895	28,192,523,732	(3,726,000,000)	(4,600,000,000)	(8,326,000,000)	7,672,288,837	12,194,234,895	19,866,523,732
Total	**58,083,956,778**	**35,240,680,042**	**93,324,636,820**	**1,272,000,000**	**(1,272,000,000)**	-	**59,355,956,778**	**33,968,680,042**	**93,324,636,820**

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

12TH PARLIAMENT – THIRD SESSION - 2019

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

REPORT ON THE CONSIDERATION OF THEANNUAL BUDGET ESTIMATES FOR THE FY 2019/20 FOR THE FOLLOWING SPENDING AGENCIES:

State Department for Cooperatives

State Department for Trade

State Department for Industry

DIRECTORATE OF COMMITTEE SERVICES,

CLERK'S CHAMBERS,

PARLIAMENT BUILDINGS,

NAIROBI

MAY, 2019

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PART I: INTRODUCTION

1.0 PREFACE

Mr. Chairman,

On behalf of the Departmental Committee on Trade, Industry and Cooperatives and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the annual estimates of FY 2019/20 and the medium term.

1.1 Establishment of the Committee

The Departmental Committee on Trade, Industry and Cooperatives is one of the fifteen Departmental Committees of the National Assembly established under ***Standing Order 216***whose mandates pursuant to the ***Standing Order 216 (5)*** are as follows:

1. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
2. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
3. To study and review all the legislation referred to it;
4. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
5. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
6. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
7. To examine treaties, agreements and conventions;
8. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;

9. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
10. To examine any questions raised by Members on a matter within its mandate.

1.2 Mandate of the Committee

In accordance with Second Schedule of the Standing Orders, the Committee is mandated to oversee issues related to trade, securities exchange, consumer protection, pricing policies, commerce, and industrialization including special economic zones, enterprise promotion and development including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and co-operatives development.

In executing its mandate, the Committee oversees the Ministry of Industry, Trade and Cooperatives.

1.3 Committee Membership

The Committee on Trade, Industry and Cooperatives was constituted by the House on Thursday 14th December, 2017 and comprises of the following Members:-

1. Hon. Kanini Kega, MP, **Chairperson** – Kieni Constituency – Jubilee Party
2. Hon. Cornelly Serem, MP,**Vice Chairperson** – Aldai Constituency – Jubilee Party
3. Hon. Alexander Kimutai Kigen Kosgey, MP – Emgwen Constituency- Jubilee Party
4. Hon. Alois Musa Lentoimaga, MP – Samburu North Constituency –Jubilee Party
5. Hon. Anab Mohamed Gure, MP– Garissa Constituency – Jubilee Party
6. Hon. Andrew Mwadime, MP – Mwatate Costituency – ODM Party
7. Hon. Bunyasi John Sakwa, MP–Nambale Constituency – ANC Party
8. Hon. Daniel Maanzo, MP – Makueni Constituency – ODM Party
9. Hon. Gideon Sitelu Konchela, MP – Kilgoris Constituency –Jubilee Party
10. Hon. James Mukwe, MP–Kabuchai Constituency – ODM Party
11. Hon. Jones Mlolwa, MP – Voi Constituency – ODM Party
12. Hon. Raymond Kipruto Moi, MP – Rongai Constituency - KANU
13. Hon. Jeremiah Ekamais Lomorukai, MP – Loima Constituency – ODM Party
14. Hon. Gichimu Robert, MP–Gichugu Constituency – Jubilee Party
15. Hon. Kimani Patrick Wainaina Jungle, MP – Thika town Constituency - Independent
16. Hon. Korir Generali Nixon Kiprotich, MP–Langata Constituency – Jubilee Party

17. Hon. Nduati Joseph Ngugi, MP – Gatanga Constituency – Jubilee Party
18. Hon. Wachira Rahab Mukami, MP – Nyeri County – Jubilee Party
19. Hon. (Dr.) Wilberforce Oundo, Phd, MP–Funyula Constituency – ODM Party

1.4 Committee Secretariat

The committee is facilitated by the following staff:-

1. Mr. Erick Nyambati - **Clerk Assistant II/Lead Clerk**
2. Ms. Nuri Kitel Nataan - **Clerk Assistant III**
3. Ms. Emma Essendi - **Legal Counsel I**
4. Mr. Robert Ngetich - **Fiscal Analyst III**
5. Mr. Chelang'a Maiyo - **Research & Policy Analyst III**
6. Mr. Yaqub Ahmed - **Media Relations Officer**
7. Mr. Richard Sang - **Serjeant-At-Arms**

1.5 Overview of the examination of the Estimates

The Departmental Committee on Trade, Industry and Cooperatives is mandated to scrutinize Budget estimates for the following votes under its purview:-

i.) Vote 1173 :State Department for Cooperatives
ii.) Vote 1174: State department for Trade
iii.) Vote 1175: State department for Industry

The Budget Estimates for the FY 2019/20 refers to 2018/19 period as the immediate fiscal year after the current 2019/20, and 2020/21 and 2021/22 being the three–year Medium Term Expenditure Framework (MTEF).

Parliament is required to scrutinize the Annual 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 Big Four Agenda and the Vision 2030.

The Second Schedule of the National Assembly Standing Order assigns the Departmental Committee on Trade, Industry and Cooperatives the mandate to consider matters related toTrade, securities exchange, consumer protection, pricing policies, commerce, industrialization including special economic zones, enterprise promotion and

development including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and co-operatives development.

It is from this perspective that this Committee is now mandated to scrutinize the Budget Estimates for the State Department for Cooperatives, the State Department for Trade and the State Department for Industry. The Committee is equally tasked with the responsibility of scrutinizing budget related policies, programmes and their objectives as well as the comprehensiveness and effectiveness of such programmes.

1.6 Acknowledgement

The 2019/20 Budget Estimates were tabled in the House on Tuesday, 30th April, 2019, and thereafter referred to Departmental Committees for consideration.

Upon a brief from the Parliamentary Budget office, the Committee called for a meeting with the Ministries and Government Agencies that it oversights to consider their Budget Estimates.

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its functions in considering the Budget estimates for the FY 2019/20

I also wish to express my appreciation to the Honorable Members of the Committee, the State Department for Cooperatives, the State Department for Trade and the State Department for Industry for the useful contributions they made towards the preparation and production of this report.

On behalf of the Committee and Pursuant to Standing Order 235 (4) it is now my duty to forward the Committee's report to the Budget and Appropriations Committee.

SIGNED.....**DATE**...28/05/2019....

HON. KANINI KEGA, M.P (CHAIRPERSON)

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVE

PART II

2.0 OVERVIEW OF THE OF THE ESTIMATES

In the FY 2019/20, a total of Ksh. 96.6 billion has been allocated to both drivers and enables towards achieving the agenda on manufacturing. The sector play a key role towards the achievement of the Big Four Agenda Policy and especially on raising the manufacturing share contribution to GDP to 15% by the year 2022.

The 2019/20 total allocation to the state departments under the ministry is **Kshs. 16 billion**. The allocation is a 66 percent increment from the 2018/19 total allocation of Ksh. 9.6 billion. The increment is a depiction of the effort to enhance the manufacturing sector share contribution to GDP to 15% by the year 2022.

Allocation to Cooperatives department has been increased by a whopping 441%, from an allocation of Ksh. 846 million in 2018/19 to Ksh. 4.6 billion in 2019/20. Its development allocation has been increased by 1,030 percent. Allocations to trade has been increased from Ksh. 1.8 billion in 2018/19 to Ksh. 2.2 billion in 2019/20 representing an increase of 18%. Industrialization department's allocation is increasing by 66% from Ksh. 6.9 billion in 2018/19 to Ksh. 9.3 billion in 2019/20.

2.1 REVIEW AND SUBMISSIONS BY THE MINISTRY

2.1.1 The State Department for Cooperatives

The State Department for Cooperatives has a proposed allocation of Kshs. 4,573,400,000 for the FY 2019/20 of which Kshs. 732,900,000 is allocated to the recurrent vote while Kshs. 3,840,500,000 is allocated to development. The State Department had an allocation of Kshs. 845,665,015in the approved Estimates for the FY 2018/19.

The Committee made the following observations, that:-

i. The increase by 441% in allocation in the State Department is due to the allocation of Kshs. 3,000,000,000 to the Cherry Coffee Revolving Fund.

ii. There is need for a Cherry revolving fund- regulationsto be put in place to ensure the success of the fund

iii. The State Department does not have any pending bills.

iv. The State Department does not have any stalled project.

2.1.2 State Department for Trade

The State Department proposed an allocation of Ksh. 2,152,900,000 for the FY 2019/20 of which Ksh. 1,652,900,000 is allocated to recurrent expenditure while Ksh. 500,000,000 is allocated to development expenditure. The State Department had an allocation of Ksh. 1,820,824,666 in the approved Estimates for the FY 2018/19.

The Committee made the following observations, that:-

i. The State Department has pending bills of Ksh. 23,729,795

ii. The Kenya Trade Remedies Agency through the State Department via a letter to Cabinet had requested for additional funding of Ksh. 200,000,000 of which only Ksh. 40,000,000 has been allocated to it.

iii. Export promotion Council is underfunded to effectively execute its mandate and promote exports by promoting trade activities in identified markets under the Kenya Export market programs, market surveys, and trade information that supports market entry strategy.

2.1.3 State Department for Industrialization

The State Department has a proposed allocation of Ksh. 9,280,614,000 for the FY 2019/20 of which Ksh. 3,265,614,000 is allocated to recurrent expenditure while Ksh. 6,015,000,000 is allocated to development expenditure. The State Department had an allocation of Ksh. 6,974,613,563 in the approved Estimates for the FY 2018/19.

The Committee made the following observations, that:-

(i) There is need to complete KIRDI in Kisumu to carry out Multidisciplinary research and development in industrial and allied technologies for a successful implementation of the " Big 4 Agenda.

(ii) The government has pumped a lot of money towards modernization of Rivatex. Several machines have been acquired but not secured with a fence.

(iii)Rivatex needs a fire station to deal with fire risks

(iv)Rivatex needs to construct an effluent plant in its status which is an international requirement for it to sell its products to EPZ.

(v) There is need for EPZ to complete the construction of warehouses that have stalled so that they can be used to realize the value for money already invested in the same.

(vi)There is need for funds to be allocated to MSEA towards personnel emoluments for the Authority to hire staff for it to function effectively.

(vii) There is need for EPZA to be allocated money for completion of its project that are ongoing. Key among the projects is the Effluent Treatment Plant and construction of water reservoir which is a requirement for many international companies and therefore will attract more investors in the Zone.

(viii) Cotton Development Subsidy and Extension Support program under RIVATEX needs to be allocated funds to ensure increase production of cotton to avoid importation of cotton by RIVATEX.

2.2 OBSERVATIONS

The Committee observed that the Ministry of Industry, Trade and Cooperatives plays a pivotal role in the successful implementation of the government's "Big 4" economic plan through value addition of the agricultural production, production of low cost housing materials, manufacturing of medical equipment and medicines among other things. Nevertheless, scrutiny of the Budget Estimates 2019/2020 reveals that there seems no commensurate focusing of resources towards these noble endeavors. Therefore, there is need for commensurate budget provision to the sector to ensure effective achievement of its mandate.

State Department for Cooperatives

i. There is need to allocate more resources to New KCC towards the establishment of the Nyambene Plant as this will help in the stabilization of milk prices and creation of milk reserves.

ii. There is needfor revival of Cotton Cooperatives in Western region (Luanda Union ginnery, Malaba -Malakisi Co-operative Union Ginnery, Nambale Co-operative Union Ginnery) and Nyanza region (Ndere Co-operative Union)through

Modernization of Cotton Co-operatives ginneries. This will enable them participate effectively in the textile value chain through processing better quality lint which will increase farmers earning in three counties of Vihiga, Busia and Kisumu

iii. There is need to construct Nyambene Milk factory in Meru tosupport Big 4 Agenda on food security ,nutrition by creating milk reserves through mopping up the excess milk during high periods of milk around the Meru region thus stabilizing prices in the milk sector .This will help increase farm level prices for farmer.

State Department for Trade

i. Export promotion Council is underfunded to effectively execute its mandate and promote exports by promoting trade activities in identified markets under the Kenya Export market programs, market surveys, and trade information that supports market entry strategy.

State Department for Industry

(i) There is need to complete KIRDI in Kisumu to carry out Multidisciplinary research and development in industrial and allied technologies for a successful implementation of the " Big 4 Agenda.

(ii) The government has pumped a lot of money towards modernization of Rivatex. Several machines have been acquired but not secured with a fence.

(iii)Rivatex needs a fire station to deal with fire risks

(iv)Rivatex needs to construct an effluent plant in its status which is an international requirement for it to sell its products to EPZ.

(v) There is need for EPZ to complete the construction of warehouses that have stalled so that they can be used to realize the value for money already invested in the same.

(vi)There is need for funds to be allocated to MSEA towards personnel emoluments for the Authority to hire staff for it to function effectively.

(vii) There is need for EPZA to be allocated money for completion of its project that are ongoing. Key among the projects is the Effluent Treatment Plant

and construction of water reservoir which is a requirement for many international companies and therefore will attract more investors in the Zone.

(viii) Cotton Development Subsidy and Extension Support program under RIVATEX needs to be allocated funds to ensure increase production of cotton to avoid importation of cotton by RIVATEX.

(ix) There is need to create an information center on investment to promote both domestic and foreign investment.

PART III:

3.0 RECOMMENDATIONS

The Committee made the following recommendations, that:-

3.1 Policy

A regulation on the Cherry Revolving Fund needs to be developed to ensure the success of the fund

3.2 Financial

3.2.1 State department for Cooperatives

Under the state department, the Committee made the following recommendations on the development allocations:

(i) A reduction of Ksh. 157.5 million on the allocation for Purchase of equipment and machinery for new KCC from Ksh. 407.5 million to Ksh. 250 million;

(ii) Out of the Ksh. 157.5 million, Ksh. 82.5 is allocated to development expenditure for Establishment of Nyambene NKCC plant in Meru County;

(iii) A reduction of Ksh. 30 million on the development allocation for Revitalization of Coffee Industry from Ksh. 230 million to Ksh. 200 million;

(iv) The Ksh. 30 million is provided for the Modernization of Cooperatives Cotton Ginneries- Luanda Cooperative Ginnery in Busia County.

3.2.2 State department for Trade

Under the state department, the Committee made the following recommendations on allocations:

(i) Ksh 40 million be deducted from development expenditure of Ksh 190 million for Establishment of Commodities Exchange Platform.

(ii) TheKsh 40 million is added to recurrent allocations to Export Promotion Council towards expanding export markets in the country.

3.2.3 State Department for Industrialization

Under the state department, the Committee made the following recommendations on allocations:

(i) A reduction of Ksh. 500 million in the development allocation for Provision of Finance to SMEs in the Manufacturing sector KIE, from Ksh. 1,700 million to Ksh. 1,200 million;

(ii) Ksh. 300 million is added todevelopment expenditure for Modernization of RIVATEX for construction of a Perimeter wall, Fire Fighting, and Effluent Treatment Plant;

(iii) Ksh 200 millionis allocated to Export Processing Zone Authority to bespent as follows;

- Ksh 100 million for recurrent expenditure to cater for the deficit from the water revenue due to court case related to the operation of the water line.
- Ksh 100 million for development expenditure for the completion of stalled warehouses

(iv) A reduction of Ksh 100 million in the development allocation to Infrastructure and Civil Works Development-KITI,from Ksh. 350 million to Ksh. 250 million;

(v) A reduction of Ksh 300 million in the development allocation to construction of Industrial research Laboratories-KIRDI South B;

(vi) The Ksh 400 Million be addedto development expenditure for Equipping Kenya Industrial Research Laboratories in Kisumu; (The Ksh 400 million being the summation ofKsh. 100 million reduced from KITI and the Ksh 300 million reduced from Industrial research Laboratories-KIRDI South B).

(vii) The Ksh 75 million reallocated from New KCC be allocated to MSEA's recurrent Expenditure for hiring of personnel for the Authority to be effectively functional.

(viii) Ksh. 2Billion to be allocated to EPZA to be spent as follows:-

- Ksh. 1 Billion towards the Effluent Treatment Plant
- Ksh. 1 Billion to be spent as provided under Annex IV

(ix) Ksh. 450 Million to be allocated towards Cotton Development Subsidy and Extension Support program under RIVATEX.

(x) Ksh 200 Million to be allocated to KENVEST towards establishing a one stop shop to promote domestic and foreign investments in the country.

ANNEX I

Table showing 2019/20 proposed and Amended Estimates (Ksh. Millions)

	2019/20 Proposed Est.			Committee Amendments			Amended 2019/20 Est.		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
State Dept. for Cooperatives	**732.9**	**3840.5**	**4,573**	**0**	**-75**	**-75**	**733**	**3,766**	**4,498**
Cooperative Development & Management	732.9	3840.5	4,573	0	-75	-75	**733**	**3,766**	**4,498**
State Dept. for Trade	**1,653**	**500**	**2,153**	**40**	**-40**	**0**	**1,693**	**460**	**2,153**
Trade Development & Promotion	1,653	500	2,153	40	-40	0	**1,693**	**460**	**2,153**
State Dept. for Investment & Industry	**3,266**	**6,015**	**9,281**	**175**	**-100**	**75**	**3,441**	**5,915**	**9,356**
General Admin. Planning & Support Services	463.2	230	693	0	0	0	**463**	**230**	**693**
Industrial Development & Investments	1433	1,429	2,862	100	300	400	**1,533**	**1,729**	**3,262**
Standards & Business Incubation	1,370	4,356	5,726	75	-400	-325	**1,445**	**3,956**	**5,401**
Total	**5,652**	**10,356**	**16,007**	**215**	**-215**	**0**	**5,867**	**10,141**	**16,007**

ANNEX II

ANNEX II: UNFUNDED PROGRAMS

1. State Department for Cooperatives

S.No:	Item Description	FY 2018/19 Proposed Revised II (Kshs M)	FY 2019/20 Resource Requirement (Kshs M)	FY 2019/20 Allocation (Kshs M)	FY 2019/20 Financing Gap (Kshs M)
1.	Revitalization of Coffee Industry through Coffee Cooperatives	0.00	745.68	230.00	515.68
2.	Expansion of dairy processing plants (Powdered milk)	0.00	2,000.00	0.00	2,000.00
3.	Cooperative Share Trading Platform on NSE	0.00	41.00	0.00	41.00
4.	Modernization of Cooperative Cotton Ginneries	0.00	250.00	0.00	250.00
Total					

2. State Department for Trade

No	Project	Implementer	Amount in Kshs. Millions
1.	Buy Kenya Build Kenya (BKBK) Policy Strategy	Department of Internal Trade	50.0
2.	Development of National Local Content Framework and E-trade portal	Department of Internal Trade	14.8
3.	Finalization of the Trade Development Bill	Department of Internal Trade	7.5
4.	National Public Outreach Programs awareness campaigns on counterfeit and its mitigation	Anti-Counterfeit Agency	75.0
5.	Training for specialized stakeholders on matters Counterfeiting	Anti-Counterfeit Agency	50.0
6.	Multi –Agency Outreach Programme on Anti-Illicit Trade	Anti-Counterfeit Agency	150.0

No	Project	Implementer	Amount in Kshs. Millions
7.	The World Exposition 2019, Beijing	Export Promotion Council	175.0
8.	Exporter Capacity Building & Export Products Diversification	Export Promotion Council	340.0
9.	County Export Stimulus Programmes*(Dollar Mashinani)*	Export Promotion Council	80.0
10.	e-Exports Services and International database subscriptions	Export Promotion Council	55.0
11.	Organize export promotional activities-trade fairs, mission,expos	Export Promotion Council	300.0
12.	Undertake market survey and product research	Export Promotion Council	270.0
13.	National public outreach programmes on opportunities for exports and related matters	Export Promotion Council	19.5
14.	Payment of salaries and allowances for staff in International Trade	International Trade	150.0
15.	Juakali/Nguvukazi Exhibition at Eldoret	International Trade	15.5
16.	The Africa Region E-Commerce week	International Trade	6.5
17.	Expansion of Commercial Attaché services in Foreign Missions	International Trade	280.0
18.	Establish Secretariat for the National Trade Facilitation Committee (NTFC)	International Trade	50.0
19.	Establish a National Trade Negotiations Council (NTNC)	International Trade	11.0
20.	Establishment of EMPRETEC	KIBT	57.0
21.	Establishment of Consumer Arbitration Court	KECOPAC	20.0
22.	Operations for State Department Headquarters and Departments	Headquarters	174.4
Total			**2,351.2**

State Department for Industry

No	Project	Implementer	Amount in Kshs. Millions
1.	Effluent Treatment Plant, Water Reserve and others as in Annex IV	EPZA	2,000
2.	Cotton Development Subsidy and Extension Support program	RIVATEX	450
3.	One stop shop	KENINVEST	200

ANNEX III

REPUBLIC OF KENYA



TWELFTH PARLIAMENT

AN ANALYSIS ON 2018/19 SUPPLEMENTARY II BUDGET ESTIMATES FOR THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

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MAY,

Brief on 2018/19 Supplementary II Budget Estimates

Introduction

1. The 2018/19 Supplementary II Estimates has been tabled when we only got 45 days into the next (2019/20) financial year and when the 2019/20 Budget Estimates had been tabled. After fifteen of May, government entities are not allowed to enter into new commitments and therefore, it implies that most of the budget reallocations may already have been committed.
2. Article 223 of the Constitution provides for the National Government to incur expenditure not appropriated for in the annual Appropriation Act on account of: insufficiency of amounts initially provided; when a need has arisen for expenditure to which no amounts have been allocated; or for withdrawals from the Contingencies Fund. In that regard, approvals for such expenditures must therefore be sought from Parliament through a Supplementary Budget and subsequently a Supplementary Appropriation Bill. However, the amount spent should not be more than 10 percent of total sum appropriated by Parliament unless in special circumstance Parliament has approved a higher percentage.
3. The following tables show the reallocations that have been made under each department. In overall, the total allocations to the departments is reducing by Ksh. 487million with recurrent expenditure increasing by Ksh. 510million and development allocations reducing by Ksh. 998 million.

Table showing 2018/19 Supplementary Allocations and percentage changes from 2018/19 Approved Estimates (Ksh. Millions)

	2018/19 Estimates	2018/19 Supp. II Estimates	changes	% Changes
State Dept. for Cooperatives	**845.7**	**972**	**126.3**	**14.9**
Cooperative Development & Management	845.7	972	**126.3**	**14.9**
State Dept. for Trade	**1,821**	**1,884**	**63.0**	**3.5**
Trade Development & Promotion	1820.8	1,884	**63.0**	**3.5**
State Dept. for Investment & Industry	**6,975**	**6,298**	**-676.6**	**-9.7**
General Admin. Planning & Support Services	604.9	895	**289.9**	**47.9**
Industrial Development & Investments	4012.4	3,346	**-666.5**	**-16.6**
Standards & Business Incubation	2357.2	2,057	**-300.0**	**-12.7**
Total	**9,641**	**9,154**	**-487.3**	**-5.1**

Changes as per Recurrent and Development(Ksh. Millions)						
	2018/19 Estimates		2018/19 Supplementary II Estimates		changes	
	Rec	Dev	Rec	Dev	Rec	Dev
State Dept. for Cooperatives	505.7	340	594	378	88.3	38.0
Cooperative Development & Management	505.7	340	594	378	88.3	38.0
State Dept. for Trade	1,509	312	1,612	272	103.0	-40.0
Trade Development & Promotion	1,509	312	1,612	272	103.0	-40.0
State Dept. for Investment & Industry	2,677	4,298	2,995	3,303	318.5	-995.1
General Admin. Planning & Support Services	424.9	180	709.9	185	285.0	4.9
Industrial Development & Investments	1,058	2,954	1091.9	2,254	33.5	-700.0
Standards & Business Incubation	1,193	1,164	1,193	864	0.0	-300.0
Total	**4,691**	**4,950**	**5,201**	**3,953**	**509.8**	**-997.1**

State Department for Cooperatives

4. Allocations to the department has increased by Ksh. 126 million (14.9%) from approved allocation of Ksh 845 million to Ksh. 972 million in supplementary II.The proposed allocation of Ksh. 972 million comprises of Ksh. 594 million recurrentexpenditure and Ksh. 378 million development expenditure.

5. Recurrent expenditure has increased by Ksh. 88 million from approved allocation of Ksh 505 million to Ksh. 594 million in supplementary II. The changes in allocation is as shown in the following table. The increase in allocation is mainly on: Basic Salaries;Personal Allowance; andCommunication, Supplies and Services. The increase in allocation to the Office of the Commissioner of Ksh. 41.3 include Ksh. 23.5to SASRA on account of increased receipts from Administrative Fees and Charges -Collected as AIA.

Table: Showing 2018/19 Supplementary II vs Approved estimates changes in recurrent allocations			
	Approved	Changes	Supplementary

	Estimates		II Estimates
Ethics Commission for Cooperative Societies (ECCOS)	26,096,786	29,894,452	3,797,666
AdministrativeServices	58,001,750	72,274,339	14,272,589
CooperativeRegistration Services	35,623,904	43,097,957	7,474,053
CooperativeFinance &marketing	26,285,905	32,233,780	5,947,875
Office of theCommissioner	288,803,258	330,086,884	41,283,626
HQs Cooperative Audit Services	27,522,483	34,470,428	6,947,945
CooperativeFinance Management Services	32,942,027	40,361,799	7,419,772
Central PlanningUnit	10,388,902	11,645,376	1,256,474
Net change			**88,40,000**

6. The development budget is proposed to increase from Ksh. 340mbillion to Ksh. 378 million in supplementary II increasing by Ksh. 38 million. The changes in the development allocations is a provision for the project*Support to Improvement of Added Value to Coffee*which had not been provided for. The Ksh 38 million is external funding.

State Department for Trade

7. Allocations to the department is proposed to increase by Ksh. 63 million from an allocation of Ksh. 1,821 million to Ksh. 1,884 million in supplementary II representing a growth of 3.5%. The proposed allocation of Ksh. 1,884 million is composed of Ksh. 1,612million recurrent and Ksh. 272 million development expenditure.
8. Allocation to recurrent expenditure is increasingfrom an allocation of Ksh. 1,509 million to Ksh. 1,612million, an increase of Ksh. 103 million. The following table shows the changes in the allocations. Majority of the increased allocation is on provision for salaries and travel cost. The increase to Anti-Counterfeit Agency of Ksh. 7 million is on account of increased receipts from Administrative Fees and Charges -Collected as AIA.

Table: Showing 2018/19 Supplementary II vs Approved estimates changes in Recurrent Allocations

	Approved Estimates	Supplementary II Estimates	Changes
External TradePromotion Services	129,085,763	160,263,712	31,177,949
Foreign TradeServices	97,343,752	97,343,752	0
HeadquartersAdm. Services	277,398,927	288,052,407	10,653,480
1174000400 Finance and Procurement Services	23,951,158	23,651,158	-300,000
Regional Trade and Export	5,566,269	5,566,269	0
Export Promotion Council	277,300,000	327,300,000	50,000,000
Department ofInternal Trade	83,006,824	81,028,528	-1,978,296
Kenya Institute of Business Training	62,084,388	66,556,657	4,472,269
Trade Monitoring and Research	5,845,890	5,364,970	-480,920
Weights and Measures–Headquarters Adm. Services	75,095,418	77,581,375	2,485,957
Kenya ConsumerProtection Advisory Committee (KECOPAC)	39,494,134	39,494,134	0
Anti-CounterfeitAgency	382,844,436	389,844,436	7,000,000
Central PlanningUnit	14,715,070	14,685,070	-30,000
Trade Researchand Policy	16,401,692	16,401,692	0
Net Change			**103,000,439**

9. Development expenditure allocation is reducing from an allocation of Ksh. 312 million to ksh 272 million which is a reduction of Ksh 40 million. The reduction in development expenditure is on the allocation to Establishment of Commodities Exchange Platform reducing by Ksh 40 million.

State Department for Industrialization

10. Industrialization's allocation has been reduced by Ksh. 676 million from an allocation of Ksh. 6.98 billion to Ksh. 6.3 billion in supplementary II. The proposed allocation of Ksh. 6.3 billion is composed of Ksh. 2,995 million recurrent and Ksh. 3,303 million development expenditure.
11. Recurrentexpenditure is increasing from Ksh. 2,677 million to Ksh. 2,995 million an increase of Ksh. 318 million. The changes in recurrent expenditure is as shown in the next table.
12. Under the *General Administration and Planning*item with increased allocation of Ksh. 275 million, Ksh. 233.9 million is provided for other operating expenses. There is need for the state department to provide details of these expenses.

Table: Showing 2018/19 Supplementary II vs Approved estimates changes in recurrent

allocations Item	Approved Estimates	Supplementary II Estimates	Changes
Finance and Procurement Services	52,178,667	63,178,667	11,000,000
General Administration and Planning	332,552,502	607,552,502	275,000,000
Kenya Industrial Training Institute	173,205,159	202,705,159	29,500,000
Industrialization Secretariat	402,135,884	410,135,884	8,000,000
Planning and Feasibility Studies	16,537,490	15,537,490	-1,000,000
County Industrial Support Services	107,275,082	104,275,082	-3,000,000
Manufacturing & Industrialization Services	18,821,754	17,821,754	-1,000,000
Net Change			**318,500,000**

13. Development budget is reducing from Ksh. 4.3 billion to Ksh. 3.3 billion by Ksh 995 million.The reductions are as shown the following table.The reduction in allocation to Modernization of RIVATEX,Kenya Petroleum Technical Assistance Programme,andKenya Youth Empowerment and Opportunities Project is on account of scaling down of donor commitments which is cited as because of absorption rates. Allocation to Kenya Industry and Entrepreneurship Project had not been provided for in the approved estimates.

Table: Showing 2018/19 Supplementary II vs Approved estimates changes in Development allocations Item	Approved Estimates	Supplementary II Estimates	Changes
1175100800 Ease of Doing business	50,000,000	25,022,652	-24,977,348
1175101100 Modernization of RIVATEX	1,334,000,000	784,000,000	-550,000,000
1175101500 Infrastructure and civil works Development -KITI	300,000,000	175,000,000	-125,000,000
1175102000 Kenya PetroleumTechnical AssistanceProgramme(KEPTAP)	180,000,000	60,000,000	-120,000,000
1175102500 Kenya YouthEmpowerment and OpportunitiesProject	654,000,000	354,000,000	-300,000,000
1175102900 Kenya Industry and Entrepreneurship Project		124,977,348	124,977,348
Net change			**-995,000,000**

Key issues

14. Reduction in allocation to development expenditures and increasing allocations to recurrent expenditures- The recurrent allocations have been increased while development votes are being reduced on account of budget rationalization. This is against the resolution that where there are revenue shortfalls, the recurrent expenditure should not go up and should not exceed the initial budgeted levels in order to maintain fiscal deficit.



REPUBLIC OF KENYA

PARLIAMENT OF KENYA

BRIEF ON THE 2019/20 AND MEDIUM TERM BUDGET ESTIMATES TO THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

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1.0 Introduction

1. This brief presents an analysis of the 2019/20FY and the Medium Term Budget for the spending agencies under the purview of Departmental Committee on Trade, Industry and Cooperatives.
2. The manufacturing sector being one of the pillars of the Big Four Agenda has continued to post increased activity with the Purchasing Managers' Index (PMI) averaging 53.4 index points with a minimum of 51 index points in March 2019 and a maximum of 55.4 index points in May 2018.
3. The manufacturing sector contributed 4.2 percent to the 2018 economic growth of 6.3 percent. According to the recently released Economic Survey 2019, the performance of manufacturing sector were robust in 2018 compared to the constrainedperformance in 2017. Activities that steered growth included agro-processing activities, assembly of motor vehicles, manufacture of drugs, and production of beverages among others.

1.1 Legal Underpinnings

4. The Budget Estimates were submitted and tabled in the National Assembly in accordance with Sections 37 and 38 of the Public Finance Management (PFM) Act 2012 and Article 221 of the Constitution. Article 221 of the Constitution provides for the Cabinet Secretary responsible for finance to 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.
5. The National Assembly is to consider the estimates of the national government together with the estimates submitted by the Parliamentary Service Commission and the Chief Registrar of the Judiciary.
6. Standing Order 235 of the National Assembly stipulates that the Estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committee, after which the Committee is to consider, discuss, and review the Estimates according to its mandate and make recommendations to the Budget and Appropriations Committee of the National Assembly.

1.2 Mandate and Spending Agencies under the Purview of the Committee

7. The Second Schedule of the Standing Orders for the National Assembly assigns the Departmental Committee on Trade, Industry and Cooperatives the mandate to consider

matters related to trade, including securities exchange, consumer protection, pricing policies, commerce, industrialization including special economic zones, enterprise promotion and development including small and medium-size enterprises, intellectual property, industrial standards, anti-counterfeit policies and cooperatives development.

8. The following are the Votes under the purview of the Departmental Committee:
   i. State Department for Industrialization
   ii. State department for Trade
   iii. State department for Cooperatives

9. The Semi-Autonomous Government Agencies in this sector are:
   i. Export Promotion Council (EPC)
   ii. Kenya National Trading Corporation (KNTC)
   iii. Anti-Counterfeit Agency (ACA)
   iv. Export Processing Zones Authority (EPZA)
   v. East African Portland Cement Company(EAPCC)
   vi. Industrial and Commercial Development Corporation (ICDC)
   vii. Kenya Bureau of Standards (KEBS)
   viii. Kenya Industrial Estates (KIE)
   ix. Kenya Industrial Property Institute (KIPI)
   x. Kenya Industrial Research and Development Institute (KIRDI)
   xi. Kenya Investment Authority (Ken Invest)
   xii. Kenya Leather Development Council (KLDC)
   xiii. Kenya National Accreditation Services (KENAS)
   xiv. Micro and Small Enterprises Authority (MSEA)
   xv. Numerical Machining Complex (NMC)
   xvi. Special Economic Zones Authority (SEZA)
   xvii. Industrial Development Bank Capital Limited (IDB)
   xviii. New Kenya Cooperative Creameries (NKCC)
   xix. Sacco Society Regulatory Authority (SASRA)

2.0 Highlights of the 2019/20Budget Estimates

10. The total budget for the three arms of government including the County Equitable allocation and the Consolidated Fund Services (CFS) during the FY 2019/2020 is estimated as Ksh.3.03 trillion. This is a 2.3% reduction from the 2018/19 budget; mainly

due to reduced allocation to CFS. As a share of GDP, the overall budget has reduced from 32% to 28% in nominal terms.

11. Despite this budget reduction however, there is a concern that the actual budget implementation may adjust expenditure upwards. History has shown a tendency for the government to fail to adhere to its expenditure plans in the course of the year with upward adjustments during the supplementary budget particularly for the recurrent estimates. This is compounded by revenue underperformance which leads to budget reorganization/ rationalization mostly for the development budget. Thus the fiscal consolidation path as well as the development plan may not fully materialize.

Table 1: Key Highlights of the 2019/20 proposed Budget (Ksh. Billion)

	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Preliminary Actuals	Revised Budget	Proposed Budget	Projections	
National Government	**1,418.70**	**1,621.70**	**1,764.10**	**1,841.30**	**1,821.60**	**1,810.60**
Recurrent	821.10	1,048.00	1,074.20	1,157.30	1,197.60	1,203.60
Development	597.60	573.70	689.90	684.00	624.00	607.00
Judiciary*	**15.70**	**14.90**	**16.09**	**18.88**	**18.38**	**18.28**
Recurrent	12.92	12.99	13.39	17.34	15.38	15.78
Development	2.78	1.94	2.70	1.54	3.00	2.50
Parliament**	**26.20**	**30.40**	**35.14**	**43.63**	**43.78**	**44.14**
Recurrent	24.30	28.90	32.80	40.56	40.01	40.57
Development	1.88	1.54	2.30	3.07	3.77	3.57
County Equitable Share***	**280.3**	**302.0**	**314.0**	**310.0**	**317.8**	**325.7**
Consolidated Fund Services	**526.2**	**726.8**	**962.6**	**805.8**	**927.6**	**1,014.50**
Equalization Fund	**6.00**	**0.00**	**4.70**	**5.80**	**6.50**	**7.40**
Contingency Fund	**0.00**	**0.00**	**5.00**	**5.00**	**5.00**	**5.00**
Overall Budget	**2,273.10**	**2,695.80**	**3,101.63**	**3,030.41**	**3,140.66**	**3,225.62**

**Judiciary and Judicial Service Commission*

*** Parliamentary Service Commission and National Assembly*

**** The allocation for FY 2019/20 is subject to Mediation between the Senate and National Assembly*

3.0 Ministry of Industry, Trade and Cooperatives

3.1 Overview of the Sector

12. The role of the ministry is to create an enabling environment for a globally competitive, sustainable Industrial, enterprise and Co-operative sector through appropriate policy, legal and regulatory framework.
13. The sector play a key role towards the achievement of the Big Four Agenda Policy and especially on raising the manufacturing share contribution to GDP to 15% by the year 2022. In the FY 2019/20, a total of Ksh. 96.6 billion has been allocated to both drivers and enables towards achieving the agenda on manufacturing.
14. The specific interventions to drivers is as shown in the following table.

Driver	Allocation (Ksh. Million)
Leather Industrial Park Development	100
Industrial Research Laboratories- KIRDI	1,000
Support to SMEs in Manufacturing Sector	1,700
Cotton Development (RIVATEX) Subsidy & Ext.	100
Naivasha Industrial Park Water Supply	500
Constituency Industrial Development Centers	400
Total	**3,800**

Budget performance

15. A review of the development allocation for the past three financial years indicate a low and declining trajectory in absorption rate of the capital vote of the State department of Industry and Investment as shown in the table.

Table: Trend of Absorption rate in development votes (In Ksh. Millions)

	Apr. Allocations			Act. Expenditure			Absorption Rates (%)		
State department	**2015/16**	**2016/17**	**2017/18**	**2015/16**	**2016/17**	**2017/18**	**2015/16**	**2016/17**	**2017/18**
Industrialization	5,309	5,760	6,635	4,406	5,691	2,937	83	51	44
Trade	481	126	48	355	120	43	74	34	90
Co-Operatives	335	530	555	335	520	487	100	92	88

Source: Sector Report 2018

16. On average, for the three financial years reviewed, the absorption rates for the Industrialization is 59%.This low absorption needs to be reversed to facilitate the achievement of the planned targets such as job creation and enhancing the industrial contribution to GDP. Low absorption may also lead to the reallocations or even budget cuts through supplementary budgets.

3.2 Key Outputs

17. **State Department for Cooperatives** – key outputs by the department include: Facilitation of debt waivers amounting to Kshs. 323.5 Million owed by STEGRO, Bunyala and Kipkelion cooperatives to various creditors. This enabled the cooperatives to resume operations after they were overwhelmed by debtrepayment obligations. The department disbursed 770 Million during the F/Ys 2015/16 and 2016/17 for the modernization of Eldoret, Nyahururu, Dandora, Kiganjo, Miritini and Kitale KCCs and as a result, milk processing capacity has improved from110,000Litres/day to 300,000Litres/day and farm level prices have stabilized between Kshs. 33to Kshs 38 per litre.
18. Kshs. 2.4 Billion was disbursed in the F/Y 2016/17 towards the settlement of coffee debts owed to nine (9) coffee co-operative unions, seventeen (17) rural SACCOs and Co-operative Bank of Kenya's Stabilization of Export Earnings (STABEX) fund. This is geared toward revitalizing the coffee sector by improving production, boost the income of farmers and relieve farmers the burden of loans repayment and accrued interest.
19. **State Department for Trade:** amongthe key outputs by the department include:supported 484 exporters to showcase and exposetheir products in the international market through promotional trade fairs and Expos;trained 1011 potential exporters on product development, standards and marketrequirements;Africa Continental Free Trade Area (AfCFTA) and Tripartite FTA was signed and ratified to attract Foreign Direct Investment, enhance economies of scale, increase market efficiency and provide wider export markets; reviewed the existing laws and regulations related to the Commodities Market; developed the Commodities Markets Regulations; initiated the process of registration of the Kenya Commodities Exchange; assessed available warehousing infrastructure; and developed a Funding and Capitalization Model for the KOMEX eco-system.
20. **State Department for Industrialization:** amongthe key outputs by the department include:enactment of the SEZ Act, 2015 and its SEZ Regulations 2016; the Special Economic Zones Authority (SEZA) was established; and Masterplanning and

prefeasibility study for SEZ at Dongo Kundu, Mombasa was done;Improvement in infrastructure in Athi-River textile hub, Kenanie Leather Park, KIRDI Kisumu & South B branches and Rivatex registered progress in terms of completion rates; advanced a total of Kshs.645Million to MSEs by KIE; Kshs. 1,288Milion was advanced tolarge firms by IDB Capital while 15 agro-processing projects worth 514 million were funded byICDC and 20 Constituency Industrial Development Centres (CIDCs) and 13 MSE worksiteswere refurbished by MSEA.

4.0 2019/20 Allocations to the Ministry

21. The 2019/20 total allocation to the state departments under the ministry is **Kshs. 16 billion**.The allocation is a 66percent increment from the 2018/19 total allocation of Ksh. 9.6 billion. The increment is a depiction of the effort to enhance the manufacturing sector share contribution to GDP to 15% by the year 2022.

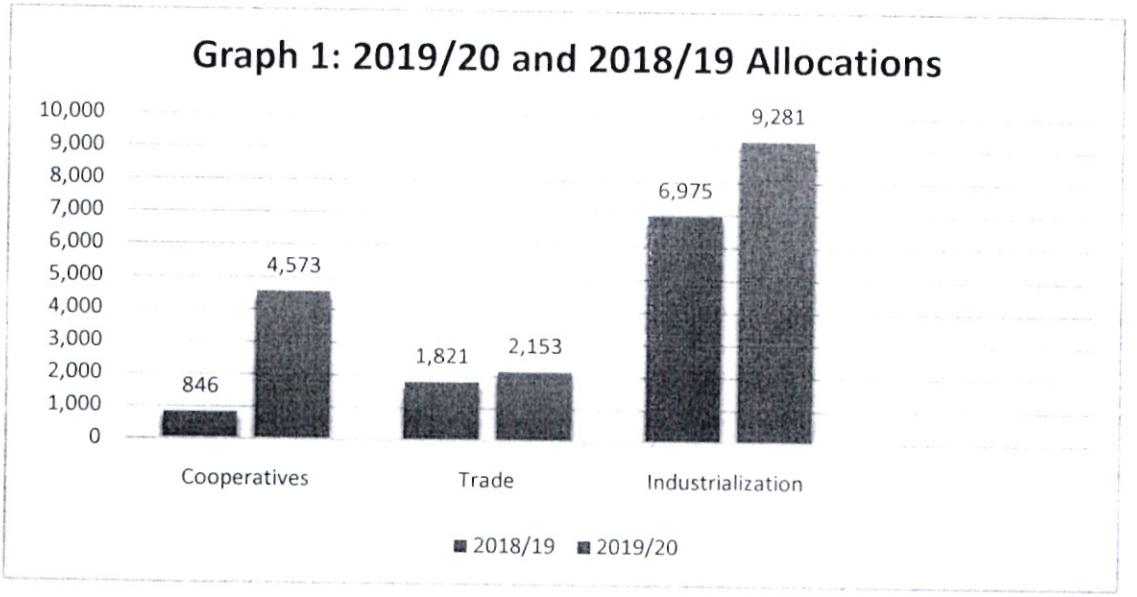
22. Allocation to Cooperatives department has been increased by a whopping 441%, from an allocation of Ksh. 846 million in 2018/19 to Ksh. 4.6 billion in 2019/20.Its development allocation has been increased by 1,030 percent. Allocations to trade has been increased from Ksh. 1.8 billion in 2018/19 to Ksh. 2.2 billion in 2019/20 representing an increase of 18%. Industrialization department's allocation is increasing by 66% from Ksh. 6.9 billion in 2018/19 to Ksh. 9.3 billion in 2019/20.

23. The allocations to the departments are portrayed in the following table and chart1 below.

Table 2: Showing 2019/20 proposed allocations and changes from 2018/19

	2018/19 Estimates (Kshs)			2019/20 Estimates (Ksh. Millions)			Changes (%)		
State Department:	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
Cooperatives	506	340	846	733	3,841	4,573	45	1,030	441
Trade	1,509	312	1,821	1,653	500	2,153	10	60	18
Industrialization	2,677	4,298	6,975	3,266	6,015	9,281	22	40	33
Totals	4,691	4,950	9,641	5,652	10,356	16,007	20	109	66

Chart 1: Allocations to various MDA's



MDA's Allocation verses BPS Ceilings

24. A comparison between the 2019 approved BPS ceilings and the 2019/20 budget allocations show non-adherence to the BPS resolutions.

Table showing 2019 Approved BPS Ceilings vs 2019/20 Allocations and % changes

Department	Approved BPS Ceilings	2019/20 Estimates	Deviation	% Change
Cooperatives	1,554	4,573	3,020	194
Trade	2,209	2,153	-56	-3
Industrialization	7,313	9,281	1,968	27
	11,075	**16,007**	**4,932**	**45**

25. State department for Cooperatives exceeded the ceilings by a whopping Ksh. 3 billion (194%). Allocation to trade is short of 2.5% approved ceilings. Allocations to industrialization department exceed the ceilings by Ksh. 2.0 billion.

26. Section 25(8) of the Public Finance Management Act, 2012 requires the Cabinet Secretary to consider and take into account BPS resolutions as passed by Parliament in finalizing the budget for a that financial year. Section 27(4) of the Public Finance Management Act, 2012 has that once the Budget Policy Statement is adopted by Parliament, it shall serve as the basis of expenditure ceilings specified in the fiscal framework.

5.0 Vote (Programme and Project Analysis)

5.1 State department for Cooperatives

27. In 2019/20, the Cooperatives department has been allocated Ksh. 4.6 billion, up from an allocation of Ksh. 846 million in 2018/19, representing 441% increase. The 2019/20 allocation comprises of Ksh. 733 million for recurrent and Ksh. 3.8 billion for development.

28. **Recurrent expenditure**allocations grew by 45% from an allocation of Ksh. 506 million in 2018/19 to Ksh. 733 million in 2019/20. The breakdown is as shown in the next table.

Composition of Recurrent Expenditure (Ksh)		
	2018/19	2019/20
Current Expenditure	**505,665,015**	**732,900,000**
2100000 Compensation to Employees	161,000,000	198,200,000
2200000 Use of Goods and Services	100,563,435	155,260,000
2600000 Current Transfers to Govt. Agencies	240,646,200	362,700,000
3100000 Non Financial Assets	3,455,380	16,740,000

29. The increase is on account of additional transfers to SASRA (Ksh 122.1) and additional provision forcompensation to employees by Ksh. 37 millionand for use of goods and services by Ksh. 55 million.

30. The **development allocation** increased by Ksh. 3.5 billion from an allocation of Ksh. 340 million to Ksh. 3.8 billion. The increase is on account of provision for Cherry Coffee Revolving Fund (Ksh. 3 billion), Coffee Industry Revitalization (Ksh. 230 million) and to provide additional funds for Co-operative Management Information System (by Ksh.90 million)from an allocation of Ksh. 70 million to Ksh. 160 million.Provision for purchasing equipment and machinery for new KCC is increased from an allocation of Ksh. 200 million to Ksh. 407.5 million an increase by Ksh. 207 million.

31. The state department implements one programme- Co-operative Development and Management. Key output under this include: registration of SACCOs; rehabilitation of Coffee cooperatives; increased coffee production; value addition technologies adopted by co-operatives; modernization of new KCC processing plant; and completion of Co-operative Management Information System (CMIS).

5.2 State department for Trade

32. Allocations to trade has been increased from Ksh. 1.8 billion in 2018/19 to Ksh. 2.2 billion in 2019/20 representing an increase of 18%. The 2019/20 allocation comprises of Ksh. 1.65 billion for recurrent and Ksh. 500 million for development.

33. **Recurrent expenditure** allocations increased by 9.6% from an allocation of Ksh. 1.5 billion in 2018/19 to Ksh. 1.6billion in 2019/20. The increase is on compensation to employees,Use of Goods and Services, and transfers to government agencies.The breakdown is as shown in the next table.

34.

Composition of Recurrent Expenditure (Ksh)		
	2018/19	2019/20
Current Expenditure	**1,508,824,666**	**1,652,900,000**
2100000 Compensation to Employees	322,000,000	368,100,000
2200000 Use of Goods and Services	448,888,925	481,944,785
2600000 Current Transfers to Govt. Agencies	727,708,570	785,600,000
2700000 Social Benefits	-	4,240,465
3100000 Non Financial Assets	10,227,171	13,014,750

35. Department's**development allocation** increased by 60.3% from Ksh. 312 million to Ksh. 500 million. The allocation is to provide for:Acquisition of regional Anti Counterfeit Agency exhibit warehouses (Ksh. 50 million); Establishment of commodities exchange platform (Ksh. 190 million); and partitioning of KIBT Parklands building (Ksh. 240 million). The increase is on account of provision of additional funds for partitioning of the KIBT Parklands Building (by Ksh. 138 million)and refurbishment of KNTC warehouse (Ksh 20 million).

36. The state department implements one programme-Trade Development and Promotion whose key targets include: to refurbish 2 warehouses (KNTC); Enactment of the Kenya Commodities Exchange Bill; achieve 80% partitioning of theKIBT Parklands Building; increased export earnings: reduced counterfeit goods; and improved competitiveness of Kenyan goods.

5.3 State Department for Industrialization

37. Industrialization department's allocation is increasing by 33.1% from Ksh. 6.9 billion in 2018/19 to Ksh. 9.3 billion in 2019/20.2019/20 allocation comprise of Ksh. 3.3 billion recurrent and Ksh. 6 billion capital allocations.

38. **Recurrent expenditure** allocations increased by 22% from an allocation of Ksh. 2.7 billion in 2018/19 to Ksh. 3.3 billion in 2019/20.The breakdown is as shown in the next table.

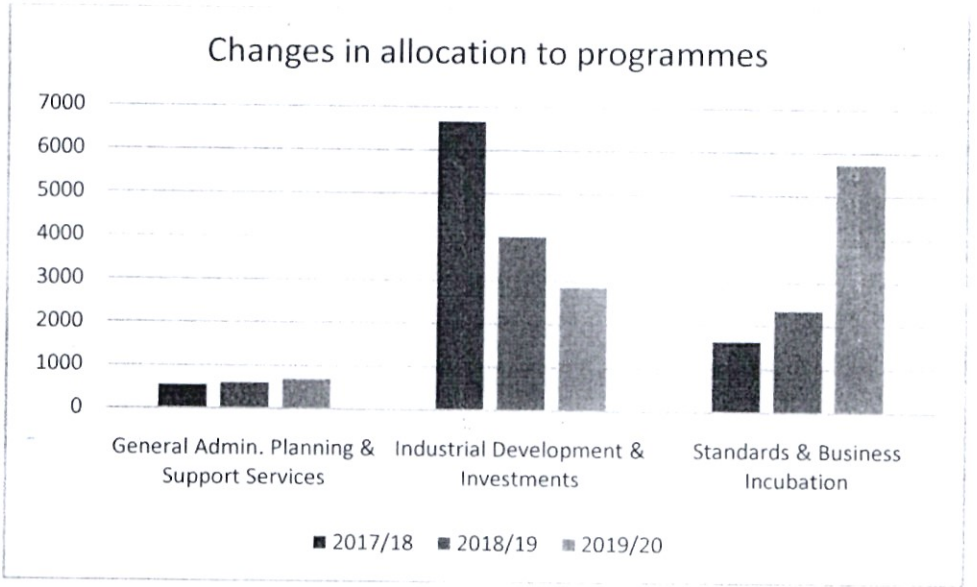
39.

Composition of Recurrent Expenditure (Ksh)		
	2018/19	2019/20
Current Expenditure	**2,676,613,563**	**3,265,614,000**
2100000 Compensation to Employees	400,000,000	433,789,400
2200000 Use of Goods and Services	382,596,717	394,690,113
2600000 Current Transfers to Govt. Agencies	1,880,472,000	2,419,014,000
2700000 Social Benefits	3,500,000	9,175,365
3100000 Non Financial Assets	10,044,846	8,945,122

40. The increase is on transfers to government agencies including: Industrialization secretariat (by Ksh. 190 million); Kenya Industrial Estates (by Ksh. 176 million); Export Processing Zone Authority (by Ksh. 471 million); and Micro & Small Enterprises Authority (by Ksh. 79 million).The breakdown of recurrent transfers to government agencies is provided in annex 2.
41. Industrialization's **development allocation** increased by Ksh. 1.7 billion (40%) from Ksh. 4.3 billion to Ksh. 6billion. The increase is on account of provision of funds to; SMEs in manufacturing sector (by Ksh. 1.7billion), contruction of Constituency Development Centers (Ksh 352 million), construction of Research Laboratories –KIRDI South B (Ksh. 990 million) and KIRDI Kisumu (Ksh. 50 million). Funding for Kenanie Leather Industrial Park has been scaled down from Ksh. 400 million to Ksh. 100 million. Funds for Development of Athi River Textile Hub, EPZA also got reduced from Ksh. 820 million in 2018/19 to Ksh. 200 million. Allocations to specific projects is provided in annex 1.
42. The department implements three programmes including: General Administration, Planning & Support Services; Industrial Development & Investments; and Standards & Business Incubation. The 2019/20 allocations and past allocations to the programmes is as shown in the following table and Chart.

Table: 2019/20 Allocations to the programmes			
	Approved Budget		Proposed Estimates
	2017/18	2018/19	2019/20
State Dept. for Industrialization	**8,856**	**6,975**	**9,281**
General Admin. Planning & Support Services	550.31	604.9	693.2
Industrial Development & Investments	6,663.31	4,012	2,862
Standards & Business Incubation	1,642.86	2,357	5,725.5

The following graph shows the trend in allocations to the programmes.



39. A look at the graph shows that the allocation towards General Administration, Planning & Support Services has been growing gently. Allocation to Industrial Development & Investments has been declining in the last three years while allocations to Standards & Business Incubation has been rising.
40. **The General Admin. Planning & Support Services:** the program is allocated Ksh. 693 million. Its key output include financial services to facilitate budget absorption at 100%,administrative services, Land acquisition for Special Economic Zones, SMEs supported through incubation and training, and ministerial administrative services.
41. **The promotion of Industrial development and investment programme:** The programme has an allocation of Ksh.2.9 billion. This programme has activities directly touching on job creation, completion of various manufacturing facilities such as Kenaine Leather Industrial Park, modernization of Rivatex, development of SEZ Textile Park in Naivasha, increase of Foreign Direct Investment among others.
42. **The Standards and business incubation programme:** The proposed allocation to the programme is Ksh. 5.7 billion. Key among the projects under this programme includes KIRDI (Kisumu and South B) infrastructural development, Construction of CIDCs, credit disbursement through KIE, and Kenya Leather Park infrastructure development.

Stalled Projects

43. According to the Treasury Circular No.9 of 2018 on stalled projects, under the State department of Trade the stalled projects need Ksh.10.1 Billion to complete. This is made up of Athi River Tier 1 retail market (Ksh.6.Billion needed for completion), Maragua

whole hub (Ksh.3.8 Billion needed for completion) and modernization of standard laboratory (Ksh.363 Million needed for completion).

44. Other projects which have dragged in implementation according to the Sector Report 2018 include:Cooperative Management Information System, partitioning of KIBT Parklands Building,Development of Kenanie Leather Industrial Park,Construction of Industrial Research Laboratories- KIRDI South B, modernization of foundry workshop at NMC, and revitalization of Cotton Production (RIVATEX).
45. The reason for stalled and slow implementation of projects is due to lack of budgetary allocation and austerity measures. Itis highly likely that there may be so many other projects which have stalled but have not yet been documented in accordance with the said circular.
46. These projects are crucial in job creation and boosting manufacturing contribution to GDP. However, the projects have been facing inadequate funding and the occasional budget cuts. There is need for prioritization of the project funding to completion as funds are already committed to these projects without service delivery yielded from the stalled projects

Pending Bills

47. According to the 2018 Sector Report, the Pending Bills for the state departments as at June 2018 are:
    i.) The State department for Industrialization: Total pending Bills was Ksh.55 Million of which 41 Million for recurrent and 14 M for development.
    ii.) The State department of Co-operatives: Total pending Bills was Ksh.375.3 Million of which 360 Million for recurrent and 15.3M for development.
    iii.) The State department for Trade: Total pending Bills was Ksh.40.9 Million of which 36.2 Million for recurrent and 4.7 M for development.
48. Pending bills forms a first charge in the following financial year and therefore, it implies that resources will have to be reallocated to pay them first. This will affect the funding of programmes and projects which may affect the attainment of target results and outcomes.

6.0 Summary of Key Issues

6.1 Stalled Projects

49. It has been reported that there are a total of 545 stalled projects whose total estimated cost is KSh. 365.9 billion (KSh. 286.9 GoK and KSh. 78.9 billion foreign financing)

and some of them are as old as 10 years to date. The longest was expected to be completed in around 2022, three years away. However, only KSh. 72.5 billion has been spent by June, 2018 leaving a balance of a whooping KSh. 293.4 billion. The Ministry has documented 4 stalled projects, 3 under the state department for industrialization and one under cooperatives. But there could be more which may not have been documented yet.

50. There is a possibility that there could be more projects which seem to be ongoing but exhibiting characteristics of stalling and they have not been documented as yet. Therefore, a decision may need to be made on the fate of these 545 projects and other potential ones which may be at the verge of stalling. The delay in completion of projects typically also leads to delayed returns on investment.

6.2 Pending Bills

51. According to the Sector report of 2018, the three State departments have pending Bills of various amounts. Pending Bills are obligations that should form first charge in the subsequent FY budgets as provided for by PFM legislation. This therefore implies that not factoring in the pending Bills into the proposed ceilings shall mean that resources shall need to be reallocated to finance the Bills therefore impairing the achievement of some programs.

6.3 Low Absorption rate of Development Expenditure

52. A review of the past three financial years indicate a low and declining trajectory in absorption rate of the capital vote of the State department of Industry and Investment as shown in the table.

Table: Trend of Absorption rate in development votes (In Ksh. Millions)

	Approved Budget Allocations			Actual Expenditure			Absorption Rates (%)		
State department	**2015/16**	**2016/17**	**2017/18**	**2015/16**	**2016/17**	**2017/18**	**2015/16**	**2016/17**	**2017/18**
Industrialization	5,309	5,760	6,635	4,406	5,691	2,937	83	51	44
Trade	481	126	48	355	120	43	74	34	90
Co-Operatives	335	530	555	335	520	487	100	92	88

Source of Information: Sector Report 2018

53. On average, for the three financial years reviewed, the absorption rates for the Industrialization is 59%.This low absorption needs to be reversed to facilitate the achievement of the planned targets such as job creation and enhancing the industrial contribution to GDP. Low absorption may also lead to the reallocations or even budget cuts through supplementary budgets.

6.4 Illicit Trade and Contrabands

54. The government continues to support the manufacturing sub -sector through programmes geared towards improving the manufacturing capacity by expanding access to credit facilities to Micro, Small and Medium Enterprises (MSMEs) and putting measures in place to reduce the high cost of production. However, there is also need to heighten and sustain the fight against illicit trade and contrabands as these lead to unfair competition that may lead to collapse of the established genuine business enterprises.

55. The National Treasury should consider engaging sectors while preparing supplementary budgets to ensure that key priority and on-going projects nearing completion are not adversely affected.

Annexures

Annex 1.

List of Projects Funded in 2019/20 and 2018/19 (Ksh. Millions)		
HEAD/PROJECT	**2018/2019**	**2019/20**
STATE DEPARTMENTAL VOTE FOR COOPERATIVES		
Acquisition of equipment and machinery New KCC	200,000,000	407,500,000
Development of SASRA Risk Supervision System	70,000,000	5,000,000
Cooperative Management Information System	70,000,000	160,000,000
Cooperative share trading platform on NSE	-	-
Dairy Processing(powdered milk)	-	-
Modernization of Cotton Ginneries &Handloom weaving	-	-
Coffee industry revitalization	-	230,000,000
Support to improvement of added value to coffee	-	38,000,000
Cherry coffee revolving fund	-	3,000,000,000
TOTAL	**340,000,000**	**3,840,500,000**
VOTED1174 State Department for Trade		
Acquisition of regional anti counterfeit agency exhibit warehouses	50,000,000	50,000,000
Modernization of standards laboratory	-	-
Establishment of commodities exchange platform	160,000,000	190,000,000
KIBT Parklands building partitioning	102,000,000	240,000,000
Warehouse Refurbishment(KNTC)	-	20,000,000
TOTAL	**312,000,000**	**500,000,000**
VOTE D1175 State Department for Industrialization		
Development of Leather Industrial Park-Kenanie	400,000,000	100,000,000
Development of Athi River Textiles Hub. EPZA	820,000,000	200,000,000
Ease of Doing Business	50,000,000	-
Construction of Industrial Research Laboratories-KIIRDI Kisumu	100,000,000	150,000,000
Construction of Industrial Research Laboratories-KIRDI South B	10,000,000	1,000,000,000
Modernization of RIVATEX	730,000,000	604,000,000
Construction of Constituency Industrial Development Centers-ESP	-	352,000,000
Provision of Finance to SMEs in the Manufacturing sector KIE	-	1,700,000,000
Infrastructure and Civics works Development-KITI	300,000,000	350,000,000
Construction of SMEs Manufacturing centers	300,000,000	-
Hot Dip Galvanizing Project-NMC	50,000,000	-
Kenya Petroleum Technical Assistance Programme	180,000,000	-

(KEPTAP)		
Modernization of NMCs Foundry Plant & Fabrication Workshop	-	75,000,000
Kenya Youth Empowerment opportunities project	654,000,000	604,000,000
Cotton Development (RIVATEX)-Subsidy and Extension support	100,000,000	100,000,000
Kenya Industry and Entrepreneurship Project	-	230,000,000
Development of various small and medium enterprises(SMEs) in Kenya	-	550,000,000
TOTAL	**3,694,000,000**	**6,015,000,000**

Annex 2.

Table Showing Recurrent Allocations to SAGAs (ksh.)						
	2018/19			2019/20		
	Gross Estimates	AIA	Net Estimates	Gross Estimates	AIA	Net Estimates
Sacco Society Regulatory Authority (SASRA)	240,646,200	199,300,000	41,346,200	362,700,000		362,700,000
Export Promotion Council (EPC)	277,300,000	4,860,000	272,440,000	278,700,000	4,900,000	273,800,000
Kenya Consumer Protection Advisory Committee (KECOPAC).	39,494,134		39,494,134	40,300,000		40,300,000
Kenya Trade Remedies Agency (KETRA)	0		0	40,000,000	0	40,000,000
Anti-Counterfeit Agency (ACA)	382,844,436	8,000,000	374,844,436	397,600,000	17,000,000	380,600,000
Export Processing Zones Authority (EPZA)	283,270,456	280,000,000	3,270,456	474,154,000	474,154,000	0
Scrap Metal Council	4,542,300	0	4,542,300	13,135,000	0	13,135,000

Kenya Industrial Estates (KIE)	377,284,200	132,000,000	245,284,200	421,735,600	142,800,000	278,935,600
Kenya Industrial Research and Development Institute (KIRDI)	561,707,396	26,000,000	535,707,396	565,040,200	26,000,000	539,040,200
Kenya Investment Authority (Ken Invest)	200,318,900	5,000,000	195,318,900	255,200,000	2,000,000	253,200,000
Kenya Leather Development Council (KLDC)	54,635,204	1,000,000	53,635,204	159,200,000	1,000,000	158,200,000
Kenya National Accreditation Services (KENAS)	141,651,816	33,000,000	108,651,816	179,900,000	69,900,000	110,000,000
Micro and Small Enterprises Authority (MSEA)	108,071,512	1,600,000	106,471,512	185,200,000	1,600,000	183,600,000
Numerical Machining Complex (NMC)	139,905,616	4,000,000	135,905,616	142,679,200	4,000,000	138,679,200
Special Economic Zones Authority (SEZA)	9,084,600	0	9,084,600	22,770,000	0	22,770,000

ANNEX IV

State Department for Co-operatives

Presentation to Departmental Committee on Trade, Industry and Co-operatives on 2019/2020 Financial Year Budget Estimates and Supplementary Budget II for FY 2018/2019

By
Mr. Ali Noor Ismail, CBS
Principal Secretary

May 2019

VISION

- A globally competitive and sustainable co-operative sector

MISSION

- Create an enabling environment for a vibrant and globally competitive co-operative sector through appropriate policy, legal and regulatory framework.

MANDATE

- The State Department for Co-operatives was established under the Ministry of Industry, Trade and Co-operatives through the Presidential Circular No. 1/2018 of June, 2018.

MANDATE Cont…

The Presidential Circular which established the State Department spells out its mandate to include the following;

i.Co-operative Policy, standards and Implementation

ii.Co-operative Financing Policy

iii.Co-operative Legislation and Support Services

iv.Co-operative Education and training

v.Co-operative Governance

vi.Co-operative Production, Marketing and Value Addition

vii.Promotion of Co-operative Ventures

viii.Co-operative Audit services

ix.Co-operative Savings, Credit and other Financial Services Policy

PROGRAMME AND SUB-PROGRAMMES

The State Department for Co-operative has one programme and five (5) sub-programmes as follows:

Programme : Co-operative Development and Management

Sub-Programme 1 : Co-operative Governance and Accountability.

This entails:

i.Mainstreaming ethics and governance in the co-operatives to safeguard members' funds

ii.Regulation and supervision of co-operative audits to enhance accountability through reporting to members, declaration of dividends and taxation

PROGRAMME AND SUB-PROGRAMMES CONT…

Sub-Programme 2 : Co-operative advisory Services.

i.Registration, supervision and oversight (inspection and inquiries)

ii.Formulation of Policy and legal framework

iii.Development of Co-operative Management Information System (CMIS) - Digitization of Co-operative Services to enhance service delivery

PROGRAMME AND SUB-PROGRAMMES CONT…

Sub-Programme 3 : Co-operative Marketing, Value Addition and Research

i.Promotion of value addition in commodity cooperatives to enhance returns to members

ii.Facilitate saving mobilization through SACCOs to promote availability of funds for affordable credit to members

i.Support housing co-operatives to effectively participate in delivery of affordable housing

PROGRAMME AND SUB-PROGRAMMES CONT…

Sub-Programme 4: Co-operative management and investment

i.To facilitate cooperative institutions to deliver on their mandate.

Sub-Programme 5: General Administration, Planning and Support Services (Headquarters)

i.To ensure compliance with government policies and Budget utilization

ii.Conduct Monitoring and Evaluation of ongoing programmes to and projects

Autonomous and Semi-Autonomous Government Agencies

The Subsector has two Semi-Autonomous Government Agencies (SAGAs) namely:

1.SACCOs Society Regulatory Authority (SASRA)

- SASRA licenses and regulates deposit taking SACCOs as per SACCO Societies Act of 2008.

- The SAGA is currently developing and implementing Risk Based Supervision Framework to enable real time supervision of SACCOs in order to protect members' deposits.

Autonomous and Semi-Autonomous Government Agencies VCont…

2. New Kenya Co-operatives Creameries (New KCC)

- The New Kenya Co-operative Creameries (New KCC) Ltd was incorporated as a limited company with 100 percent Government share-holding on 19th November 2004, thus effectively converting its status to a State Corporation.

- NKCC is involved in collection and processing of Milk.

- NKCC also plays a social role/duty of absorbing excess milk from small growers when there is a glut and turning it into powder and storing it as a strategic food reserve.

2. Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19				
S/No	**Delivery Unit**	**Target up to third quarter**	**Achievements/Non-Financial as at 31st March, 2019**	**Comments**
1.	**Co-operative Ethics and Governance**	Enforcing anti-corruption policy in cooperatives by administering 4600 DIALs to cooperative societies' officials	• Administration of declaration of income, assets and liabilities (DIALS) to 9,800 co-operative societies' officials • Reviewed code of conduct for co-operative societies • Developed a draft MoU to combat corruption in co-operative societies • Completed 3 investigations, on mismanagement in co-operative societies (Kikuyu dairy FSC, Riverside SACCO, and Rumukia FCS)	

Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont…

S/No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
2.	**Co-operative Audit Services**	Register 3000 audited accounts	• 2,400 audited accounts registered • Registration of 300 authorized audit firms • Compliance audit carried out in 44 counties • Developed guidelines on co-operative taxation and International Financial Reporting Standard (IFRS 9) • Development of reporting templates for marketing and SACCO societies	• The underperformance was due to low turnout of societies registering their accounts during the quarter. • This will be mitigated by sensitizing the societies on the need and benefits of registering their accounts to ensure that the annual target is achieved in the fourth quarter.

2. Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont...

S/No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
3.	**Co-operative Registration Services**	Complete 16 enquiries Register 1200 cooperatives Complete 2 liquidations	• Completed 19 inquiries and inspections in 18 co-operatives • Registration of 974 new co-operatives • Completed liquidations in 92 co-operative societies	All applications which met the requirements were registered.

Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont...

S/No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
4.	**Office of the Commissioner**	Develop National Cooperative development Policy. Develop Concept Paper, policy and model bylaws for transport cooperatives Develop and implement information management system for co-operatives in place	• Developed the National Co-operative Development Policy awaiting approval by Cabinet. • Developed Model By-laws and Code of Conduct for transformation of Matatu SACCOs into Transport Co-operatives • Developed and currently Implementing the Co-operative Information Management System (CMIS) • Conducted sensitization for leaders of 40 bead-based co-operatives under the Ushanga Initiative	Delayed procurement process has slowed implementation of CMIS.

Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont..

S/No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
5.	**Co-operative, Finance and Marketing**	• Facilitate savings mobilization of Kshs. 700B by cooperatives • Recover Kshs 150M outstanding remittances to SACCOS • Train 50 cooperatives officers on governance in 4 counties	• Savings amounting to Kshs. 733B mobilized by cooperatives • Enforced recovery of unremitted funds amounting Kshs. 915 million out of the reported Kshs. 2.5 billion, facilitated deposits refunds to members by co-operatives amounting to Kshs. 3.2 million from 23 reported cases • Trained 60 co-operative officers on governance in 4 counties (Nyeri, Kirinyaga, Embu, Tharaka)	

Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont'd…

S/No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
5.		• Train 30 coffee cooperatives factory managers to improve quality coffee processing • Develop a coffee revitalization • Conduct coffee co-operatives performance audit in 24 cooperatives in Nyeri County	• Trained factory managers from 40 co-operative societies to improve quality of coffee being processed • Developed a coffee revitalization reform Action Plan and cascaded to 1 county (Nyeri) • Facilitated and approved borrowing powers requests from 264 co-operative societies amounting to Kshs. 4.2 Billion • Conducted coffee co-operatives performance audit in 24 cooperatives in Nyeri County	

Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont'd....-

Semi-Autonomous Government Agencies

S/No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
6.	**Current grants to SASRA**	License 180 SACCOS to carry out front office operations Develop and implement Risk Based Supervision Framework.	• Licensed 176 SACCOS to carry out Deposit Taking Services • Developed and currently implementing Risk Based Supervision Framework to enable real time supervision of SACCOs in order to protect members' deposits	Only those SACCOS that met and adhered to the regulations were registered and licensed.

Performance Targets Vs. Achievements Up To Third Quarter FY 2018/19 Cont'd.

Semi-Autonomous Government Agencies

S/ No	Delivery Unit	Target up to third quarter	Achievements/Non-Financial as at 31st March, 2019	Comments
7.	New KCC	• Installation of one new Aseptic filling machine 500ml at Nyahururu Factory. • Installation of one Gable Top filling machine at Eldoret Factory. • Installation of a butter tub filling machine at Kitale Factory	• Tender has been awarded, contract signed awaiting delivery commissioning. The project cost is Kes 86Million. • Tender has been awarded, contract signed awaiting delivery and commissioning. The project cost is Kes 54 Million. • Tender has been awarded, contract signed awaiting delivery. The project cost is Kes 60 Million.	

3. Budget Utilization Performance Up To 17Th May, 2019

- The State Department's budgetary utilization as at 17th May, 2019 is 116.57% for the Recurrent Vote and 86.06% for the Development Vote.

- The over expenditure in recurrent vote is due to shortfall in personnel emolument amounting to Kshs. 38.5M and AIA over collection by SASRA amounting to Kshs 276.9M against a target of Kshs 199.3M.

- Under the development vote all the available balances have been committed. The analysis for Recurrent and Development is as indicated below:

3. Budget Utilization Performance Up To 17Th May, 2019 Cont...

Vote			Budget 2018/19 (Kshs M)	Expenditure and Commitments as at 17-05-19 (Kshs M)	% Utilization
Recurrent					
	Personnel Emoluments (PE)	GoK	161.00	177.20	110.06%
	Operations	GoK	94.02	87.22	92.77%
		AIA	10.00	6.80	68.00%
	Transfers SASRA	AIA	199.30	276.90	138.94%
		GoK	41.35	41.35	100%
Total Recurrent			**505.67**	**589.47**	**116.57%**

3. Budget Utilization Performance Up To 17Th May, 2019 Cont...

Vote	Budget 2018/19 (Kshs M)	Expenditure and Commitments as at 17-05-19 (Kshs M)	% Utilization
Development			
Acquisition of equipment and machinery New KCC .	200.00	200.00	100%
Development of SASRA Risk Supervision System	70.00	70.00	100%
Cooperative Management Information System	70.00	22.62	32.31%
Total Development	340.00	292.62	86.06%
Gross Total Grand Total (Recurrent and Development)	**845.67**	**882.09**	**104.31%**

4. Revised budget Estimates II FY 2018/19

Recurrent Budget

•The revised Recurrent Budget II for FY 2018/19 under the State Department has been adjusted upwards from Ksh. 505,665,015 to Ksh. 594,065,015 an increase of Ksh. 88,400,000.

•The increased amount of Ksh. 88,400,000 consists of;

4. Revised Recurrent budget Estimates II FY 2018/19 Cont'd

S.No:	Item Description		Approved Revised I Kshs	Proposed Revised II Kshs	Variation (+-) Kshs
1.	Shortfall in salaries		161,000,000	199,956,640	38,956,640
2	Other operations and maintenance costs	GoK	94,018,815	119,962,175	25,943,360
		AIA	10,000,000	10,000,000	0
3.	Trasfer to SASRA	GoK	41,346,200	41,346,200	0
		AIA	199,300,000	222,800,000	23,500,000
	Gross Expenditure		**505,665,015**	**594,065,015**	**88,400,000**
4.	Internally generated funds (AIA)		209,300,000	232,800,000	23,500,000
	Net Expenditure		**296,365,015**	**361,265,015**	**64,900,000**

4. Proposed Amendments to the Departmental Committee in Regard to Revised Recurrent budget Estimates II FY 2018/19 Cont'd

S.No:	Item Description		Approved Revised I Kshs	Proposed Changes in Revised II Kshs	Variation (+-) Kshs
1.	Shortfall in salaries		161,000,000	199,956,640	38,956,640
2	Other operations and maintenance costs	GoK	94,018,815	119,962,175	25,943,360
		AIA	10,000,000	10,000,000	0
3.	Trasfer to SASRA	GoK	41,346,200	41,346,200	0
		AIA	199,300,000	313,845,000	114,545,000
	Gross Expenditure		**505,665,015**	**685,110,015**	**179,445,000**
4.	Internally generated funds (AIA)		209,300,000	323,845,000	114,545,000
	Net Expenditure		**296,365,015**	**361,265,015**	**64,900,000**

4. Revised Development budget Estimates II FY 2018/19

The SDC has additional budget of Kshs 38M which is a grant revenue from Agence Francaise De Developpment (ADF) France to facilitate coffee value addition in Muranga County.

S.No:	Item Description	Approved Revised I (Kshs) M	Proposed Revised II Kshs (Kshs) M	Variation (+-) Kshs (Kshs) M
1	1173100100 Acquisition of equipment and machinery New KCC .	200.00	200.00	0.00
2	1173100300 Development of SASRA Risk Supervision System	70.00	70.00	0.00
3	1173100400 Cooperative Management Information System	70.00	70.00	0.00
4	1173101000 Support to Improvement of Added Value to Coffee in Muranga County	0.00	38.00	38.00
	Total	**340.00**	**378.00**	**38.00**

5. Status of pending bills indicating the Year they were incurred and the strategies to clear them

The State Department for Cooperatives does not have pending bills. However, we undertake to ensure all payments are made whenever they become due.

6. Status of affected projects and programmes in the supplementary budget indicating if the supplementary is related to pending bills or stalled projects.

The State Department for Cooperatives does not have stalled projects

FY 2019/20 Draft Budget

The focus for the State Department in the MTEF period are as follows:

a)Transformation of New KCC into a leading regional dairy processor by Modernizing New KCC equipment & machinery and Expansion of facilities to facilitate Strategic Food Reserve.

b)Operationalization of the Coffee Cherry Fund

c)Implementation of Cooperative Coffee Sector Revitalization Program

d)Development of Co-operative Management Information System (CMIS) and Digitization of Co-operative Services

e)Development and implementation of Risk Based Supervision Framework

FY 2019/20 Draft Budget Cont.....

The focus for the State Department in the MTEF period are as follows: Cont…

f)Enhancing governance and accountability within the co-operatives movement

g)Finalization of the review of Co-operative Policy and legal framework (Review of the Cooperative Societies Act, SACCO Societies Act and regulations).

h)Promote saving culture, investments and cooperative enterprises

i)Promote value addition in cooperatives

j)Transform transport SACCOs into transport cooperatives

k)Promote investment in housing through cooperatives

FY 2019/20 Draft Budget Allocation

- In the Financial Year 2019/20, The State Department is allocated Ksh. 4,573.40M against a resource requirement of Ksh. 8,385.18M resulting to a financing gap of Kshs. 3,811.78M.

- Out of the allocated amount for 2019/20 FY, the recurrent vote amounts to Ksh. 732.90M and development vote is Ksh. 3,840.50M.

- The development budget of Kshs 3,840.50M includes 3,000M Coffee cherry fund which is a presidential directive to cushion farmers across the country.

3. FY 2019/20 Recurrent Budget Allocation Against Resource Requirement...

Vote		Revised II Budget 2018/19 (Kshs M)	FY 2019/20 Resource Requirement (Kshs M)	FY 2019/20 Allocation (Kshs M)	FY 2019/20 Financing Gap (Kshs M)
Recurrent					
Personnel Emoluments (PE)	GoK	199.96	210.00	198.20	11.80
Operations	GoK	119.96	691.97	162.00	529.97
	AIA	10.00	10.00	10.00	0.00
Transfers SASRA	GoK	41.35	150.00	23.70	126.30
	AIA	222.80	419.00	339.00	80.00
Total Recurrent		**594.07**	**1,480.97**	**732.90**	**748.07**

FY 2019/20 Development Budget Allocation Against Resource Requirement..

S.No:	tem Description	FY 2018/19 Proposed Revised II (Kshs M)	FY 2019/20 Resource Requirement (Kshs M)	FY 2019/20 Allocation (Kshs M)	FY 2019/20 Financing Gap (Kshs M)
1	173100100 Acquisition of quipment and machinery New KCC and Establishment of Nyambene NKCC plant in Meru County	200.00	664.50	407.50	257.00
2	173100300 Development of SASRA Risk Supervision System	70.00	5.00	5.00	0.00
3	173100400 Cooperative Management Information System	70.00	160.00	160.00	0.00
4	173101000 Support to mprovement of Added Value o Coffee in Muranga County	38.00	38.00	38.00	0.00

FY 2019/20 Development Projects/Programme Allocation Against Resource Requirement..

S.No:	Item Description	FY 2018/19 Proposed Revised II (Kshs M)	FY 2019/20 Resource Requirement (Kshs M)	FY 2019/20 Allocation (Kshs M)	FY 2019/20 Financing Gap (Kshs M)
5	1173101100 Cherry Coffee Revolving Fund	0.00	3,000.00	3,000.00	0.00
6	Revitalization of Coffee Industry through Coffee Cooperatives	0.00	745.68	230.00	515.68
7	Expansion of dairy processing plants (Powdered milk)	0.00	2,000.00	0.00	2,000.00
8	Cooperative Share Trading Platform on NSE	0.00	41.00	0.00	41.00
9	Modernization of Cooperative Cotton Ginneries	0.00	250.00	0.00	250.00
Total		**340.00**	**6,904.68**	**3,840.50**	**3,063.68**

The budget requirement versus allocation FY 2019/20 to Sub-programmes

Vote : [illegible]	FY 2019/20 Resource Requirement Kshs. M			FY 2019/20 Resource Allocation Kshs. M		
	Recurrent	Development	Total	Recurrent	Development	Total
Sub-Programme 4.1: Governance and accountability	108.16	0.00	108.16	68.21	0.00	68.21
Sub-Programme 4.2: Co-operative advisory services	1,137.72	206.00	1,343.72	470.25	165.00	635.25
Sub-Programme 4.3: Marketing ,Value Addition & Research	44.02	4,034.18	4,078.20	35.82	3,268.00	3,303.82
Sub-Programme 4.4: Co-operative management and investment	0.00	2,664.50	2,664.50	0.00	407.50	407.50
Sub-Programme 4.5: General Administration, planning and support services	191.07	0.00	191.07	158.62	0.00	158.62
TOTAL VOTE / PROGRAMME	**1,480.97**	**6,904.68**	**8,385.65**	**732.90**	**3,840.50**	**4,573.40**

List of Projects

	Estimated Project Cost KShs M	Financing		Timeline		Status	Actual Cumulative Costs to 17th May 2019	Outstanding Project Cost as at 17th May 2019	Allocation FY 2018/2019		Projection FY 2019/20		Projection FY 2020/21		Projection FY 2021/22	
Project No. and Details		**GoK**	**Foreign**	**Start Date**	**End Date**		**Cumulative**	**Outstanding**	**GoK**	**Foreign**	**GoK**	**Foreign**	**GoK**	**Foreign**	**GoK**	**Foreign**
	Kshs M						Kshs M									
1173100100 Acquisition of equipment and machinery New KCC and Establishment of Nyambene NKCC plant in Meru County	1,822	1,822	0	2015/16	2019/20	Ongoing	1,157.5	664.5	200	0	407.5	0	0	0	0	0
Cherry Coffee Revolving Fund	3,000	3,000	0	2019/20	2022/23	New	0	0	0	0	3,000	0	0	0	0	0
Support to Improvement of Added Value to Coffee	140.00		140	2017/18	2022/23	Ongoing	43	97		38	0	38	0	21	0	

7. List of projects cont...

	Estimated Project Cost KShs M	Financing		Timeline		Status	Actual Cumulative Costs to 17th May, 2019	Outstanding Project Costs as at 17th May, 2019	Allocation FY 2018/2019		Projection FY 2019/20		Projection FY 2020/21		Projection FY 2021/22	
Project No. and Details		**GoK**	**Foreign**	**Start Date**	**End Date**				**GoK**	**Foreign**	**GoK**	**Foreign**	**GoK**	**Foreign**	**GoK**	**Foreign**
	Kshs M						**Kshs M**									
Develop and Implement Risk Based Supervision Framework - SASRA	230	230	0	2013/14	2019/20	Ongoing	225	5	70	0	5	0	0	0	0	0
Cooperative Management Information System	360	360	0	2016/17	2020/21	Ongoing	52	308	70	0	160	0	100	0	0	0
Revitalization of Coffee Industry through Coffee Cooperatives	1,135	1,135	0	2019/20	2022/23	New		1,135	0	0	230		135	0	95	0
Expansion of dairy processing plants (Powdered milk)	5,000	5,000	0	2019/20	2022/23	New	0	5,000	0	0	0	0	750	0	1,000	0

List of Projects cont...

	Estimated Project Cost KShs. M	Financing		Timeline		Status	Actual Cumulative Costs to 17th May 2019	Outstanding Project Cost as at 17th May, 2019	Allocation FY 2018/2019		Projection FY 2019/20		Projection FY 2020/21		Projection FY 2021/22	
Project No. and Details		**GoK KShs. M**	**Foreign KShs. M**	**Start Date**	**End Date**		**Cumulative KShs. M**	**Outstanding KShs. M**	**GoK KShs. M**	**Foreign KShs. M**	**GoK KShs. M**	**Foreign KShs. M**	**GoK KShs. M**	**Foreign KShs. M**	**GoK KShs. M**	**Foreign KShs. M**
Cooperative Share Trading Platform on NSE	150	150	0	2020/21	2022/23	New	0	150	0	0	0	0	20	0	30	0
Modernization of Cooperative Cotton Ginneries	500	500	0	2020/21	2022/23	New	0	500	0	0	0	0	100	0	80	0
Grand Total	**12,197**	**12,507**	**140**				**1,477.5**	**7,859**	**340**	**38**	**3,803**	**38**	**1,105**	**21**	**1,205**	**0**

Contribution of the State Department of Co-operatives to the "Big Four" Agenda

The SDC projects are linked to the Big Four Agenda as drivers or enablers.

i.Manufacturing:

•The government through the SDC is promoting ago-processing by co-operatives to enhance value addition and returns to members.

ii.Food Security and Nutrition:

•The SDC is supporting agricultural co-operatives including dairy, coffee, cotton and horticulture through good governance and infrastructural support.

•In addition, NKCC plays a strategic role/duty by absorbing excess milk from small growers when there is a glut and turning it into powder and storing it as a strategic food reserve.

Contribution of the State Department of Co-operatives to the "Big Four" Agenda Cont…

iii. Universal health coverage:

- SACCOs provide affordable credit and medical insurance to members to access health care and other social services

iv. Affordable Housing:

- The State department is strengthening Housing and Investments Co-operatives to participate in provision of decent low cost and affordable housing.
- The Co-operatives is targeting 25% of the national target of 500,000 units by 2022.

8. Status of stalled projects indicating the status of completion and any measures being taken to completing them

The State Department for Cooperatives has no stalled project.

Budget Shortfall in Core Priority Areas

S. No	Item Description	Additional Funds Recurrent F/Y 2019/20 (Kshs. M)	Justification
Recurrent			
1.	Personnel Emoluments	11.80	The amount is to cater for annual increment of 3%, annual leave and payment of interns that was budgeted but not provided due to sector ceiling.
2	Review of the Cooperative Act, SACCO Act and regulations	70.00	The State Department requires Kshs 70M to facilitate development of National Cooperative Policy and reviews of the Cooperative Act of 2004, SACCO Act of 2008 and the various enabling regulations in order to align them to the cooperative policy.
3	Enforcing compliance of cooperative acts and regulations	60.00	➢ The State Department requires additional Kshs 45M to enhance governance, supervisory and enforcement of the Cooperative Act.. ➢ Kshs 15M to Partner with EACC to detect, prevent and investigate corruption in cooperatives.
4	Headquarters Operations and Maintenance costs	200.00	The SDC requires Kshs 200M to meet its operational costs

dget Shortfall in Core Priority Areas

No	Item Description	Additional Funds Recurrent F/Y 2019/20 (Kshs. M)	Justification
ecurrent			
	SASRA-Operations and Maintenance	206.30	SASRA requires additional Kshs 206.3 for operational and maintenance of which Kshs 126.3 and Kshs 80.00M is GoK Grant and AiA
	Headquarters Operations and Maintenance costs	200.00	The SDC requires Kshs 200M to meet its operational costs
	Total Recurrent	**748.10**	
Development			
1	1173100100 Acquisition of equipment and machinery New KCC and Establishment of Nyambene NKCC plant in Meru County	257.00	The funds will be used to support Big 4 Agenda on food security and nutrition
2	Revitalization of coffee industry through Cooperatives	515.68	The State Department requires additional Kshs 515.68M to implement the coffee reform program.

. Budget Shortfall FY 2019/20 Cont…

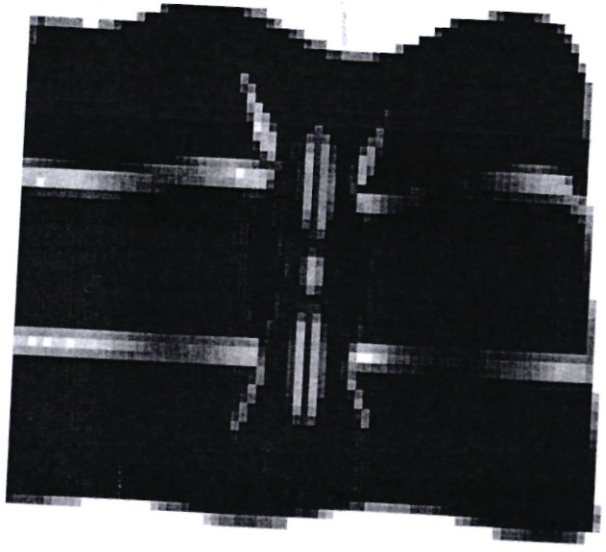
S. No	Item Description	Additional Funds Development (Kshs. M)	Justification
Development			
3	Dairy Processing (Powdered Milk)	2,000	➢ The project will increase the production capacity of the NKCC from the current 600,000 litres per day to 1,000,000 litres per day and facilitate storage of 1,250 Metric tons of milk powder. ➢ The milk powder will be reconstituted into milk during the dry season and thus cushion the country price fluctuation and the effects of drought.
4	Cooperative Share Trading Platfoam	41	➢ The State requires additional Kshs 41M to establish a cooperative share trading segment at the Nairobi Security Exchange (NSE)
5	Modernization of cotton co-operatives ginneries and cotton value addition in handloom weaving	250	modernize technologies in 12 cotton ginning co-operatives/unions and 1 handloom weaving co-operatives in Kisumu, Kilifi, Makueni, Homabay, Busia and Baringo.
	Total Development	3,063.68	
Grand Total (Recurrent and Development)		**3,811.78**	

Conclusion

Approve the revised budget for the Financial Year 2018/19 amounting to Kshs. 1,063,110,015 of which Kshs **685,110,015** is for recurrent and Kshs 378,000,000 for Development expenditures. The Recurrent vote of Kshs 685,110,015 includes SASRA amount of Kshs 313,845,000.

Approve the proposed budget of Kshs. 4,573,400,000 for the Financial Year 2019/20

Approve the additional Kshs. 3,811.78M being the budget shortfall to core priority areas for the Financial Year 2019/20 of which, Recurrent vote is Kshs 748.10M and Development vote is Kshs 3,063.68M.



THANK YOU



MINISTRY OF FINANCE, TRADE AND ECONOMIC PLANNING

AND

MINISTRY OF AGRICULTURE, LIVESTOCK, FISHERIES AND IRRIGATION

NATIONAL COTTON REVITALIZATION PROGRAMME

ACTION PLAN

2008 - 2012

Introduction

1. This Action Plan provides a roadmap towards addressing challenges that have been associated with poor performance of the coffee industry in Kenya. These includes; inadequate data and information necessary for planning low productivity, reduced area under coffee, high cost of production, inefficient processing, limited market access, low value addition, inefficient farmers' organizations and weak regulatory frameworks. The Coffee Revitalization Action Plan will be implemented for a period four years. The plan will be piloted in three Counties (of Nyeri, Kirinyaga and Meru) before being rolled out to the rest of the 31 coffee growing Counties.

Background

2. Coffee used to be the leading foreign exchange earner for the Country but has now dropped to the fourth position (Kenya Economic Outlook, 2018). The Kenya coffee sub-sector is a major employer in the Country and supports livelihoods of many families. In the year 2017, the crop accounted for 4% of the marketed agricultural produce (Kenya National Bureau of Statistics Economic Survey, 2017). It is estimated that there are over 800,000 smallholder coffee farmers who market their produce through an estimated 500 Cooperative Societies across the Country, 4,000 small to medium coffee estates with farm sizes ranging from 5 to 10 hectares and 100 large coffee estates with sizes of between 10 and over 200 hectares.

3. Coffee production increased steadily from independence to a peak of 128,926 metric tons in 1987/88 before a decline to 40,000 metric tons as in year 2016/2017. The observed decline could be attributed to various challenges. Key among these includes; reduced area under coffee, low productivity, low earnings from coffee despite its premium quality, delayed coffee payments, inefficient farmers' organizations inefficient processing, and lack of direct access to the trading floor. Inadequate data and information and, weak regulatory frameworks. The decline in production has affected farmers' earnings and their livelihoods

4. It is in the light of this background that in March 2016, His Excellency the President, appointed a National Task Force on Coffee Sub-Sector Reforms. The Task Force was mandated to review the entire coffee value chain and identify areas requiring interventions and recommend comprehensive reforms to address the bottlenecks. The Task Force concluded its work and gave recommendations on areas requiring interventions along the whole Coffee Value chain.

5. In October 2017, the President appointed a Coffee Sub- Sector Reforms Implementation Committee to be in office for one year. The committee was charged with the responsibility of giving strategic advice to the Government and stakeholder agencies implementing the recommended reforms. The reforms are spearheaded by the State Departments for Cooperatives, Crop Development and, Trade together with other relevant Agencies of Government. Identified officers

from these MDA's form a joint secretariat that has been mandated to consult and collaborate with other value chain players in the industry; including the County Governments, to come up with an agreed upon action plan and implement the reforms. The following have been identified to be relevant objectives for the Plan to be rolled out into an implementation Program.

Objectives of the Action Plan

6. The objective of the Action Plan is to revitalize the coffee industry in Kenya. The specific objectives include: -

a. To develop coffee industry data base and its management systems
b. To increase coffee production and productivity
c. To enhance coffee processing
d. To facilitate coffee marketing and market development
e. To facilitate access to affordable and sustainable credit
f. To enhance Capacity of Counties to offer extension, advisory and regulatory services
g. To strengthen legislative and regulatory frameworks
h. To conduct monitoring and evaluation of the programme

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
			weighing scales.							
	Modernize /rehabilitate coffee factories	500 coffee factories rehabilita ted	Assess existing primary processing infrastructure and priolitize needs	3	3			SDC	SDCD/CRI/ Counties	Constitute a joint technical evaluation (SDC, AFA-CD, CRI &CoG)
			Rehabilitate coffee factories		25 0	250		SDC	SDC /SDCD/CG/ CRI	Constitute a Joint technical implementation team (SDC, AFA-CD, CRI & CoG)
1.4.	Equip and refurbish cooperative growers secondary coffee mills	15 cooperati ve grower mills equipped and refurbish ed	Asses the existing processing infrastructure, cost estimates Upgrade mills		5		600	SDC	SDCD/CRI/ Counties AFA-CD /MITC – /KIRDI/KN TC	Outsource technical services. Constitute a Joint technical evaluation team (SDC, AFA-CD, CRI) Target 15 grower mills Link mill with COMEX and exchange platform.
	To establish 8 cupping centers. cupping centers.	Enhance coffee cupping capacity.	Identify and set up coffee cupping centers		30	30	20	SDCD	AFA-CD/County /CRI	Outsource technical services. Establish capacity to manage the centers. Identify optimal locations for the

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20		2020 /21	2021/ 22			
											regional cupping centers.
			Sub-total	**5**	**62 0**		**580**	**620**			
			Pillar: Marketing of Kenyan coffee and Pillar 4: Modernisation of Nairobi Coffee Exchange								
4			**Objective 4: Facilitate Coffee Marketing and Market Development**								
	Establish the Commodity Exchange	Operational exchange	Incoporation of the commodity exchange Call for expression to capitalize the exchange Consultancy Services Establish the legal framework for the exchange Set up of the infrastructure of the exchange	100					SDT	KNTC /Capital Markets Authority (CMA)	Fast track the registration of the COMEX as legal entity. Establish the legal framework for the exchange Set up of the infrastructure of the exchange
			Linking coffee cooperatives to the exchange					500	SDT	KNTC/Counties/SDCD/SDC/SDT	Procurement and installation of hardware, servers, networks, training
			Sensitize and mobilise					10	Counties	Respective County	Conduct stakeholders

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
			growers on commodity exchange							awareness of the exchange
			Develop Warehouse receipt system (WRS)			500	500	SDC	KNTC/NCPB /Counties AFA-CD	Refurbish, upgrade and digitize KNTC to offer standards warehouses services and other commercial warehouses Refurbishment and digitization of NCPB Consider existing warehouse capacity for refurbishment
			Facilitate cooperatives dry mill to upgrade warehouses to the standards of KOMEX			300	300	Countie s	Respective County	Target the existing 15 dry mill Market very sensitive on warehousing and its effects on quality issues
	Develop region coffee brands	Recognised Kenyan coffee brands	Profile regional coffee brands		15	10	15	SDCD	Brand Kenya/ Kenya Industrial Property Institute (KIPI)	By distinct geographical attributes and coffee liquor characteristics Alongside the national Coffee Mark of Origin-brand

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
									Counties AFA-CD	Kenya
			Promote Kenyan coffee brand		10	10	10	SDCD	AFA/SDT-Brand Kenya /EPC/	Target emerging markets (USA, China, South East Asia)
	Enhance governance in Nairobi Coffee Exchange (NCE)	Increased transparency in market operations	Regularize legal status for NCE		1			SDCD	SDCD/AFA-CD/MITC	The NCE to be transformed into legal entity (currently the NCE is not a body corporate) Outsource technical services
			Digitize NCE to link to warehouse and counties		0.5	25	10	SDCD	SDCD/AFA-CD/MITC	
			Upgrade NCE to a full-fledged exchange platform		12 1.5			SDCD	SDCD/AFA-CD/MITC	
			Sub-total	**0**	**14 8**	**845**	**1345**			
			Pillar 3: Establish Cherry Advance Scheme							
5			**Objective 5: Facilitate access to affordable and sustainable credit :**							
	Enhance and establish revolving funds.	Increased access to credit	Enhance funding for Commodities Funds-AFC,		500	500		SDCD	MALF&I/MITC /County Governments	CF has Ksh1.3 B available for coffee farmers which is to be

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
			Stabex fund, and the Medium & Small Enterprise Authority (MSEA).							grown to 13B for Farm inputs, working capital, developing capital. GoK to inject seed capital Engage coop bank on stabex fund to give stabex funds status. Establish status of SMEA.
	Establish a cherry advance fund	Cherry advance fund establishe d	Develop guidelines to administer the fund Sensitize stakeholders on the guidelines Operationalize the fund.		3	10 3,000		SDC	SDC/KNTC	To provide advance at minimal cost. GoK to inject seed capital.
			Sub-total		**3**	**3,500**	**0**			

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
						10				
			Pillar 1: Coffee Subsector legal reforms							
6			Objective 6: Strengthen the Legislative and Regulatory Framework.							
	Review And align the existing legal frameworks to create an enabling environment for coffee . industry development.	An enabling legal regime for the coffee sector.	Develop the national coffee policy Develop coffee development and marketingstrategy	7.3	10 20			SDCD	SDCD/SCIC State Department for Crops Development	Commence January 2019
			Amend the Crops Act:		5	10	10	SDCD		Commence January 2019
			Finalize and gazette the Coffee general Regulations	6.1	2			SDCD		Proposed regulations and trading rules handed over to AG office
			Review and finalize the NCE trading rules.	3.5	2			SDCD		
			Incorporate NCE into legal entity		2			Treaury	CMA /AFA-CD	Consider AG and the National Treasury guidance
			Develop derivative market		10	10		SDT	MOITC-SDT/CMA/ MALFI	

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
			regulations							
			Finalize the warehousing receipts system bill		5	5		SDT	MOITC-SDT/KNTC /SDCD/County Governments/NCPB	Harmonize and finalize the WRC bill
			Finalize the National Cooperatives Policy	3				SDC	SDC	Draft shared with stakeholders . activity supported IGRTC
			Review the Cooperative societies Act		40	40		SDC	SDC	Constitute a taskforce
			Make Commodities Fund a legal entity.		2			SDCD	SDCD	Fast track the CF bill in parliament.
			Support the development of county governments legal and regulatory frames		20	40	40	Counties	County Governments /SDCD/SDC	
			Sub-total	**18.53**	**108**	**105**	**50**			
			Pillar 6: Institutional Support and Pillar 8: Audit of debts and debt waivers							

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
7			Objective 7: Enhance Capacity of institutions to offer research, advisory and regulatory services							
	Train county staff.	Enhanced capacity of staff to deliver services	Undertake capacity needs assessment		10	10		SDCD	SDCD/SDC/ CRI/Counties	Review and establish appropriate organizational structures and staffing needs Include appointment of enforcement officers /inspectors.
			Develop standardized training manuals		10			SDCD	CRI /SDC/SDCD /AFA-CD	Manual on GAP, GMP, coffee standards. Governance manual, business plans, policies and procedures
			Training of Trainers (ToTs)	7.5	5	5		SDCD	CRI /SDC/SDCD /AFA-CD	Target five per county
	Strengthen Governance Structures In Cooperatives	Properly managed cooperatives	Conduct performance Audits of all Cooperative Societies.	12	50	50	50	SDC	SDC	
			Dissemination of audit reports	1.5						

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
			Capacity build the cooperative leaders and management on good governance		30	30	40	SDC		
			Offer technical support to counties on good Ethics governance		30	30	40	SDC	State Departmen t for Co-operatives	
	Enhance capacity of Institutions to offer services	Improve d Instituti onal capacity	Enhancing capacity of institutions to deliver on their mandate		10 0	50	50	SDCD	SDCD	CRI, KNTC, Commodities Funds
			Sub-total	**22.5**	**23 5**	**175**	**180**			
			Pillar 5: Youth involvement in coffee sub-sector and promotion of local coffee consumption.							
8			Objective 8: Enhance youth participation in coffee value chain							
	Develop program to support youth in coffee value addition.		Promote Local coffee consumpti on		50	50		SDCD	CRI/AFA-CD/SDT/M SEA /Respective County	Support the youth, cooperative societies and other SMEs with roasting, packaging and brewing equipment. Conduct campaign for local consumption.

	Intervention	Output (s)	Activity	Budget (KES Million				Lead agent	Actors	Remarks
				2018/19	2019/20	2020 /21	2021/ 22			
			Develop a youth strategy	3.5	8			**SDCD**	**SDCD, CRI**	It's a thematic area in the National Coffee policy. AFA 2m CSIC 1.5m
			Sub-total	**0**	**58**	**50**	**0**			
2.			Objective 9: Conduct monitoring and evaluation of the programme.							
	Back stoppingmonitoring and evaluation of activities	Effective implementation of Coffee Sector Revitalisation Program	Develop monitoring and Evaluation framework.		5			SDCD	PMCU	Constitute multi-sectoral PMCU unit Field/site visit to monitor the implementation progress
			Share M&E framework with stakeholders		5					The item facilitates purchase of vehicles offices computers.
			Coordination of the programme implementation		50	70	80	SDCD	PMCU	
			Sub-total	**0**	**60**	**70**	**80**			
			Total	**62.53**	**6,387**	**3917. 7**	**4367. 7**			

BUDGET SUMMARY

	Thematic Area	SDCD	SDC	SDT	CSIC	NT	Counties	Estimated Cost (KES Million)
1.	Coffee Industry Data Base And Its Management Systems	30	50	-	6	-	-	86
2.	Coffee Production And Productivity	5,253	-	-	7	-	-	5,260
3.	Coffee Processing	83	1,732	-	5	-	-	1,820
4.	Coffee Marketing and Market Development	228	1,000	600	-	-	610	2,438
5.	Access To Affordable and Sustainable Credit	1,000	3,013	-	-	-	-	4,013
6.	Enhance Capacity of institutions to offer research, advisory and regulatory services	61	80	30	17	2	100	290
7.	Legislative And Regulatory Frameworks	240	350	-	21	-	-	611
8.	Youth involvement in coffee sub-sector and promotion of local coffee consumption.	110	-	-	2	-	-	112
9.	Monitoring And Evaluation	100	100-	-	10-	-	-	210
	GRAND TOTAL	**7,105**	**6,325**	**630**	**68**	**2**	**710**	**14,840**

KEY

	ACRONYM	DESCRIPTION
	SDCD	State Department for Crops Development
	SDC	State Department for Co-operatives
	SDT	State Department for Trade
	CSIC	Coffee Subsector Implementation committee
	NT	National Treasury

MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES

STATE DEPARTMENT FOR COOPERATIVES

INTERNAL MEMO

SUBJECT: VOTE 1173 Development Expenditure Estimates 2019/2020

The State Department has received the development expenditure estimates 2019/2020. The following are itemised budget vote head that has been allocated to coffee reforms being spearheaded by the finance and marketing division;

1. VOTE 1173100900 Coffee Industry Revitalization Estimate KES 230,000,000
2. Vote 1173101101 Cherry Coffee Revolving Fund Estimate KES 3,000,000,000
3. Vote 1173101000 Support To Improvement Of Added Value To Coffee 38,000,000 Grant To CRI *for implantation of research activities by CRI in Muranga Cooperative Union*

1. COFFEE INDUSTRY REVITALIZATION PROGRAMME KES 230,000,000

The following are the prioritised itemised activities of the state department in line with His Excellency the President directives during the 124th session of international coffee organization (ICO) Council at KICC on 26th March 2019.(copy attached)

OBJECTIVE	INTERVENTION	**Estimate 2019/2020 (Millions)**	**Remarks /Support areas**
1. Establish of Cherry Advance Revolving Fund	Development Of Cherry Advance revolving fund framework and guidelines	10	A multi sectoral Task force in the development of framework comprising of key department and agency to be constituted to develop the framework within 30 days Support to Consultative forum to validate the framework and enactments
2. Modernize /rehabilitate coffee factories	Development of rehabilitation criteria and guideline	5	Asses the existing primary processing infrastructure, prioritize needs and evaluate the benefiting cooperatives. Support the consultative meeting with stakeholders including COG on guidelines Pre-test draft questionnaires and criteria to evaluate the benefiting cooperatives developed
	50 coffee factories rehabilitated as pilot	50	Target to rehabilitate 50 coffee factories as pilot @ 1M each
3. Facilitate Coffee Marketing And domestic consumption	Facilitate National and apex cooperatives bodies in value	15	Support Kenya cooperative coffee Exporters (KCCE) in value addition infrastructure and

	addition		marketing of cooperative coffee as a pilot.
	Support youth in coffee cooperatives in value addition and local consumption	5	Support youth and women in coffee cooperatives
4. Audit of Coffee Cooperatives of coffee debts	Carry Out Forensic Audit in Coffee Cooperatives And Coffee Unions and audit of coffee debts	50	Target to audit 50 cooperatives in the pilot counties *Term of reference to procure service provider developed
5. Develop Coffee Industry Data Base And Its Management Systems	Develop and design/ customise data collection system and Coffee data Collection in Coffee Cooperative Societies	50	A customised system will be developed Targets to harmonise data collection tools to collect data in 450 and coffee cooperatives and 3000 farmers in estate and linked to industry players
6. Enhance Capacity of institution and counties to offer advisory and regulatory services	Facilitate the development of standardized training prudential coffee standards and governance manual	2	Reproduction of Manuals and training materials
	Capacity build county extension officers on manual (ToTs) to enhance cooperative governance	10	Targets county cooperatives officer in 26 coffee growing counties. *5 counties have been trained
7. Digitize / automate coffee cooperatives	Digitize coffee cooperatives to enhance efficiency along the value chain	1	Rapid assessment /Collect baseline data on status of automation in three cooperatives doing value addition as pilot

	Support the provision of digital weighing scale, computers handware and management software and Training on ICT	10	Targets 50 coffee factories as pilot digitization to go hand in hand with rehabilitation
8. **Strengthen the Legislative and Regulatory Framework in coffee cooperative**	Finalize the policy national cooperative Policy 2019	3	The policy is at validation stage with the stakeholders and support will be to finacing consultative forum with COG , Intergovernmental , delegated committee in National Assembly and Senate for enactment
	Review the cooperative society Act and rules to be interdem with the devolution ,policy and coffee reforms	10	The support will finance the Taskforce to review the cooperative Act
9. Conduct monitoring and evaluation of the programme.	Develop monitoring and Evaluation framework.	1	Workshop to develop the framework
	Coordination of the programme implementation	10	The the M&E team will provide backstopping mechanism and generate reports as per the set targets
	TOTAL REQUIREMENTS	**230M**	

1. **PROGRAMME CHERRY COFFEE REVOLVING FUND ESTIMATE KES 3,000,000,000**

PROPOSED KEY FEATURES OF THE FRAMEWORK

- **Fund administrator:** The Cherry Advances fund will be administered by PS - state department for cooperative vote head through an established Fund scheme.
- **The purpose for cherry advances** therefore to farmers seek to finance small holder farmers with cash advances during the picking season and package it for marketing at competitively higher prices and minimize losses at farm level.
- **The basic feature** of the cherry advance aims to introduce a system whereby the farmer is paid up to a pre determined % of the anticipated market price per kilogram of cherry delivered to the society.
- **Cost Of The Fund :The cost of the fund will be 3% flat rate .no other service cost to the farmers**
- **Administration cost of the fund:** initial establishment of structure to be finance by National Treasury and maintenance
- **Implementation legal framework** will address a contractual arrangement between the National Treasury with financial institution disbursing the money , guarantee deed with specific coffee growing counties, , /licensed grower coffee millers' and appointed agent/broker .
- **Proposed Finances model** : The financial institution (lender) grower miller (Borrower) and farmers account holders(Saccos/banks/MFI)
- **The security of the fund:** Security for Cherry advanced under this financing arrangement will be;: Coffee Warrants endorsed by appointed grower Millers / to The financial institution Bank, Irrevocable Instructions from grower Millers to the appointed warehouseman endorsing all coffee warrants to financial institution.
- **Collateral Manager:** appointed by the financial institution to secure the interest of the disbursing Bank of the financed coffee
- **Guarantee**: from specific County Government through Letter of Comfort.
- **Determination Payment rates for coffee** :Mandatory payment of predetermine rate /per kg is paid to farmers for cherry delivered monthly/two month/three month and predetermined /rate per kg is advanced for society operations
- **Modalities of disbursement and recoveries:**
    - ✓ When the coffee is sold, the money is remitted to the appointed financial institution account of the grower to

recovers it's the advanced /subsequent advances, hence no outstanding loans by the farmers.

- ✓ The payment is done in respective farmers account held by financial institution including Sacco.
- ✓ The balance remitted to the farmers account and society operation account on 80: 20 formula(CCD Circular)
- ✓ Individuals Farmer's debt is deducted by the society upon preparation of payment calculation request.

- **The estate farmers:** to be included in the model upon delivery of Parchment. through private estate coffee farmers body/associations.
- **Coffee data/Statistics:** All the coffee cooperative to be obliged to submitted validated data on coffee deliveries through their Union(where applicable) for subsequent to the financial for the purpose of advance and determining the payment rate to the farmers.
- **The cherry advance model ICT System;** The financial institution to provide ICT payment platform to facilitate efficient implementation of the fund and recovery. The individual society to invest in the procurement of computers and hardware to compliment the success of the cherry advance and data collection
- **Governance:** Farmers and coffee leaders and county extension to be sensitized on the cherry advance framework and guidelines .The Directorate of Cooperatives in the County Government to be mandated to ensure total compliance to the provision of the framework and compliance with other the relevant laws.
- **Security and risks and crosscutting issues**. Reputation risk ,Political risk, Collateral risk to be addressed

REPUBLIC OF KENYA
MINISTRY OF INDUSTRY, TRADE & CO-OPERATIVES
State Department for Co-operatives

BRIEF ON CHERRY ADVANCE CASH MODEL SCHEME

1.0 Introduction

This is a brief on the cherry advance scheme piloted in Meru County. The model is premised on the Ethiopian Coffee Cash Payment model currently being implemented The brief covers the genesis of application of the model, how it is implemented and current key deliverable to date.

2.0 Background

The County Government of Meru organized Coffee Stakeholders consultative forum held on 24th November 2017 at Heritage hotel Meru County with the purpose of validating the piloting of the Ethiopian Coffee Cash model in Kenya. Over 300 stakeholders who attended the event unanimously ratified the implementation of the model in Meru coffee cooperatives. a taskforce comprising of the National and County Government was formed to oversee the process.

The task force committee was drawn from the County Government of Meru (CGM), Coffee Cooperative Unions in Meru County, Meru County Coffee Millers, Imenya (a private estate coffee grower), Meru Investment and Development Corporation (MCIDC), Meru County Microfinance Corporation(MCMC),OFC consultants and coffee expert, Agriculture and Food Authority (AFA), Cooperative Bank, Coffee Research Institute and State Department for Cooperatives.. The Meru County Executive Committee Member (CECM) in charge of cooperatives chaired the taskforce committee

SUMARY OF DRAFT FRAMEWORK ON THE REVOLVING CHERRY ADVANCE SCHEME

1. Identification of beneficiaries of the Cherry advance scheme

This is done through the following procedure

- Data Collection Tool developed and distributed to all coffee societies in the respective County. Key parameter include; cooperative profile, member's details, production for the last 3 years, level of indebtedness among others.
- Data collection in collaboration with SDC and the State Department for Crops Development all coffee societies and estates (currently in progress)
- All coffee cooperatives are obligated to submit validated data on coffee deliveries to the their union for the purpose of advance and determining the payment rate to the farmers.
- Cash Advance Fund Model not to be subjected to recovery of historical debt with individual farmers. Each society required to give instruction for repayment of the debts to respective lenders;
- All unions to coordinate data collection and ensure reliability and accuracy;

2. Implementation Legal Framework:

This activity includes securing of commitment by counties interested in implementation of the Revolving Cherry Advance Scheme (RCAS); identification of a transmitting/lending financial institution through which the fund will be administered and an institutional

arrangements for the aggregation of the cherry, milling of the parchment etc.

3. Financing model

- This step involves appointment of the lending agency to advance to the respective County Coffee Farmers participating in the Coffee Cash Model (cherry advance scheme).
- A borrowing institution will then be identified (Borrower). The borrower will maintain a warehouse where all milled coffee is kept The borrower will apply to the lending institution for cash thereby enabling the Borrower to pay coffee farmers upon receipt of their produce at the mill. This process should take less than one month.
- The Security for Loans advanced to the borrower under this financing arrangement will be (Coffee Warrants endorsed by the borrower to the lender) with Irrevocable Instructions from borrower to the appointed warehouseman endorsing all coffee warrants to the lending agency.
- The Lender will appoint a Collateral Manager to secure the interest of the lender of the financed coffee and a guarantee from the respective County Government / Letter of Comfort.
- The cost of the fund will be negotiated at rate to cover administration costs only plus such margin as approved by parliament.
- The borrower will acquire necessary approval of borrowing power from the Commissioner for Cooperatives Development.

4. Determination Payment rates for coffee deliveries

- The board will determine Mandatory monthly payment rates per kg of cherry to be paid to farmers for cherry delivered monthly and a

rate per kg paid advanced to the cooperative for society operations.

- Upon delivery of parchment by respective society to the Miller the rates will be arrived at by getting the average payment of a factory for the last three preceding years , a minimum of 80 % of the average of this is paid to the farmer and 20% paid towards factory operations.
- Cash payments being done before 10th of the month subsequent to the month of cherry delivery.
- The 80 % payment should be within sixty (60) days (e.g the coffee delivered by farmers in March, 20xx will be paid to the members before 10th May 20xx and subsequent months.
- The last payment is determined determined by the Payment Calculation Request- the tool for determining how much is paid to farmers based cost sales vis avi sales income.

5. Modalities of disbursement and recoveries

- When coffee is sold, the proceeds is remitted to the miller account and the lender recovers its loan and consequent advances, hence no outstanding loans by the farmers.
- Farmer's debt is deducted by the society upon preparation of payment schedules.
- payment is done to respective farmers account held by financial institution including SACCOS.
- If the miller makes surpluses, after deducting its expenses a bonus will be declared to the farmers after the end of the year.

6. Supporting ICT INFRASTRUCTURE

- The RCAS will be supported by a robust ICT System
- The governance authority is provide an ICT payment platform to facilitate the implementation of the model;

- Cooperative Societies shall be encouraged and supported to procure computers and hardware to compliment the success of the model.

Acknowledgement: Coffee Subsector Implementation Committee

COFFFE VALUE ADDITION SUPPORT PROJECT (CKE 1060 01 E) (CVAS)

BACKGROUND

Kenya coffee is known for its quality and appreciated in the world market. Bulk of the coffee is sold as raw green coffee with very limited value addition. In its 2030 Strategic Development Plan, Kenya set forth a priority target of increasing value for its agricultural commodities. Also envisage a considerable share of the value-added remains in Kenya and particularly in rural areas. Muranga Farmers' Cooperative Union Ltd. was identified by the Government as a Pilot for the CVAS project.

Areas of intervention

1. Strengthening Murang'a Union and helping its member co-operatives enhance their coffee's productivity and quality
2. Characterizing the quality of the coffees produced by Murang'a Union;
3. Helping co-ops improve the marketing and the pricing for their product;
4. Contributing to creating a strategy and a legal framework on quality recognition sign for Kenyan coffee.
5. Project coordination

Participating Institutions

1. AFD (Agence Française de Développement) Financing Agency
2. MU- Murang'a Farmers Cooperative Union
3. CIRAD (Centre International de Recherche en Agronomie pour le Développement)
4. KIPI - Kenya Industrial Properties Institute
5. KALRO - CRI (Coffee Research Institute) **The implementing agency**

Funding	1.4 Million Euros
Start Date	January 2017
Date of last drawdown	December 2020
Technical completion date	June 2021

Since January 2017 the project has received 100000 Euros only

IMPLEMNTATION MATRIX

Objectives	Key activités	Quater 1	Quater 2	Quater 3	Quater 4	Euros	KSH
Helping Muranga Union and cooperatives enhance their coffee's productivity and quality	Management of 50 démonstration plots					13,569	1, 451,843
	Produce agronomy / agroforestry guidelines for supporting Muranga farmers in coffee production (Produce and collect already existing documents / publication about coffee agronomy & agroforestry practices.					980	104,902
	Ten (10) Agronomy Staff from Murang'a Co-operative Union trained at Kenya Coffee College in Years					4,000	428,000
	Conduct trainings on Nursery management, Coffee establishment, Canopy management, Top working, Pest management, Nutrition management, coffee processing and waste management, climate change, Sustainability (Sustainable Agric. Land Management), Economies of coffee production.					29,321	3, 137,303
	Broad training of youth and women who are in coffee farming					35,294	3, 776,471
	Dissemination of information on best agronomical practices in coffee farming. (Publication and distribution of pamphlets on BAP and quarterly newsletter on coffee related issues.					6,863	734,314
	Technical assistance in elaboration of the strategic plan, benchmark with other unions, supporting consultations among member primary cooperatives and other stakeholders on the strategy and its validation					4,902	524,510

| | | |

	Implementation of a pest and disease survey (monitoring) for a period of two years	11,373	1, 216,863
	Historical data for the last 10 years collected and analyzed	490	52,451
	Using a GIS approach, a coffee quality map of the Muranga County is produced, including coffee growing conditions (soil, climate, topography, pests and diseases, etc.)	3,824	409,118
	One technical visit to France to familiarize with laboratory based analytical processes for GIS products	8,000	856,000
	114 coffee samples and associated data collected in 57 coffee factories every coffee season	5,000	535,000
	Sensory Evaluation of the coffee samples	2,500	267,500
	Bio-chemical evaluation of the coffee samples	10,000	1, 070,000
		53,078	5, 679,392
Empower Co-op society leaders the entire coffee value chain with emphasis on milling and marketing.	Broad training of Management Committees of all Co-ops in Muranga County on the entire coffee value chain	21,569	2, 307,843
	One (1) Study tour by the project implementing team in Europe undertaken in year 2	30,000	3, 210,000
	Promote Muranga County Coffee (Registration in AFCA	980	104,902
	Exchange visits for the Union and its members	14,706	1, 573,529
Component 3		67,255	7, 196,275

Contributing to creating a strategy and a legal framework on quality recognition signs for Kenyan coffee	Sensitization of Murang'a County Government Officials on Geographical Indications and their possible use in Murang'a for Coffee.																7,843	839,216
	First Stakeholders Workshop on the Application of Geographical Indications for Murang'a Coffee.																24,510	2, 622,549
	To Commence preparation of draft GI Rules after the first Stakeholders Workshop																7,843	839,216
Component 4																	40,196	4, 300,980
Project Coordination	Salary for researcher																21,176	2, 265,882
	Salary for assistant																3,824	409,118
	Transport logistics facilitation (Mileage, Travelling and Subsistence Allowance)																15,325	1, 639,827
	ICT and Informatics Equipment procured																2,451	262,255
	Communication undertaken and stationery procured																4,247	454,435
	Project Coordination Unit operations																3,000	321,000
	Hold Steering Committee meeting																2,500	267,500
	Monitoring and Evaluation																9,500	1,016,500
	Project publicity undertaken																1,500	160,500
Component 5																	63,524	6,797,018
																	355,572	38,046,158

MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES

STATE DEPARTMENT FOR TRADE (SDT) VOTE 1174

PRESENTATION TO THE PARLIAMENTARY DEPARTMENTAL COMMITTEE ONTRADE, INDUSTRY, AND COOPERATIVES FOR FINANCIAL YEAR 2019/20 BUDGET ESTIMATES.

Introduction

The Trade Sub-sector was created vide the Executive Order No. 1 of June 2018 with core function of development and promotion of trade. The State Department for Trade is in the wider Ministry of Industry, Trade and Cooperatives. The Sub-Sector is charged with the responsibility of development and promotion of both domestic and international trade as well as addressing issues of fair trade practices and consumer protection among others. In addition, the Sub-Sector formulates and reviews trade related policies and regulations to ensure a conducive atmosphere for businesses to thrive.

Vision

To be a leader in promoting trade and investment regionally and globally.

Mission

To facilitate trade, investment, private sector development and regional integration by championing an enabling environment for domestic and export trade to thrive.

Key Result Areas

The State Department has identified the following key result areas through which it will achieve its mission.

- Facilitate the growth in value of exports by 25% annually.
- Facilitate the growth in value of domestic trade by 20% by 2022.
- Effective Leadership and good Governance
- Strengthen institutional capacity for service delivery

Strategic Objectives

- To diversify export products for the export market.
- To deepen and diversify the export market.
- To facilitate Business and Entrepreneurship Development
- To enhance consumer protection
- To improve business environment
- To support growth and development of wholesale and retail trade
- To provide policy direction and ensure coordination for quality service delivery.
- To attract, develop and retain competent and motivated workforce.

Overview

The Sub-Sector, SDT, has one (1) Programme and seven (7) Sub-Programmes in the Programme Based Budgeting (PBB) framework. The 2019 Budget Policy Statement (BPS) recognizes the SDT as an Enabler in the theme: **Creating Jobs, Transforming Lives – The Big Four Plan.** Sitting in the General Economic and Commercial Affairs (GECA) budget sector, the SDT activities such as Buy Kenya Build Kenya (BKBK) and Commodity Exchange Programme (KOMEX) initiatives among others contributes towards:

a. Job creation,
b. Food and nutrition security, and
c. Growth in production and manufacturing.

The information that follows therefore, provides details of the budget allocation to the SDT, achievements so far, output targets, capital projects, pending bills and absorption capacity as required by the Departmental Committee on Trade, Industry and Cooperatives.

Table 1: State Department for Trade Allocation by Programme and Economic Classification (Figures in Kshs. Millions)

0307000 P3: Trade Development and Promotion

	2018/2019 Printed Estimates	2018/19 Approved Estimates (Supplementary No.1)	2018/19 Approved Estimates (Supplementary No.II)[1]	2019/20 Estimates	Percentage for 2019/20 Estimates
Current expenditure	1,596.9	1,508.8	1,611.8	1,652.9	[2]76.8%
Compensation of employees	322.0	322.0	358.0	368.1	22.5%
Use of goods & services	523.0	448.9	459.7	481.9	29.1%
Grants & other transfers	741.7	727.7	784.3	785.6	47.5%
Other Recurrent	10.2	10.2	9.8	17.3	0.9%
Capital expenditures	312.0	312.0	272.0	500.0	[3]23.2%
Use Of Goods And Services	160.0	160.0	120	100.0	20.0%
Capital Transfers to Govt. Agencies	50.0	50.0	50	70.0	14.0%
Non-Financial Assets	102.0	102.0	102	330.0	66.0%
Total	1,908.9	1,820.8	1,883.8	2,152.9	100.0%

[1] Supplementary Estimates II for FY 2018/19 is still under approval process by the National Assembly.
[2] The recurrent vote was allocated 76.8% of the Total budget allocation.
[3] Development Vote was allocated 23.2%of the Total budget allocation.

Report organization

The report is organized into two parts:

I. Part 1 that focused on Supplementary Estimates II for FY 2018/19, the performance targets and explanations thereof and the budget performance up to third quarter of FY 2018/19.

II. Part II focuses on the draft budget Estimates for FY 2019/20 with highlight on Capital Projects and Pending Bills.

This in line with the Departmental Committee for Trade, Industry and Cooperative requirements as communicated in the invitation letter Ref. NA/DCS/TRADE/2019/014.

PART I: SUPPLEMENTARY ESTIMATES II FOR FY 2018/19 (NUMBER 9 & 10)

In the Supplementary Estimates No.II of FY 2018/19, coming after austerity measures under Supplementary Estimate No. I, the SDT has experienced budgetary adjustments and cuts in some budget items where expenditures and commitments had already been made. If not addressed, the SDT will end up with over-expenditures, over-issuance of AIE`s and pending bills in the recurrent vote totaling to approximately **Kshs 30 Million.** We seek are-voteof the same amount to normalize the affected Use of Goods items that cut across various Budget Heads.

We wish to note that the Recurrent Estimates had an increase of **Kshs.96 Million** while Development Estimates had a net decrease of **Ksh.40 Million** in respect of the Supplementary Estimates No. II of FY 2018/19.

The summary of the Supplementary Estimates II is as follows **(Annex I):**

1. Recurrent increase of Kshs.96 Million

a) **Compensation to Employees:** The SDT required additional funding to cater for staff promotions and related expenditures based on its IPPD trends and projections. From the analysis, **Kshs.36 Million** has been approved for Supplementary Estimates II.

b) **Recurrent Grants:** The National Treasury had approved **Kshs.50 Million** in support of the China Expo that was held by EPC during November 2018 period. The amount has thus been captured in the Supplementary Estimates II. It is already issued and utilized by EPC as recurrent grant item.

c) **Appropriation in Aid (AIA):** ACA`s request to increase their AIA by **Kshs.7 Million** has also been approved, hence increasing the Supplementary by the same amount.

d) **Operation and Maintenance (O&M):** There were no additional funds allocated for O&M. However, the National Treasury (NT) did allow internal reallocations as advised by SDT during the Estimate Working Group meeting on the Supplementary Estimates II.

Table 2: Breakdown of the Supplementary Estimates II under Recurrent Vote by Vote Heads:

The table below analyzes the changes in recurrent vote leading to the net increase of the Kshs. 96 Million already mentioned.

Head Code	Head Description	Gross change in Expenditure	Change in Appropriation in Aid	Net change in Expenditure	Remarks
0001	External Trade Services	31,177,949	-	31,177,949	Adjustment to compensatic for employees
0003	Headquarters	10,653,480	-	10,653,480	Adjustment to travel
0004	Finance	(300,000)	-	(300,000)	Adjustment to compensatic for employees
0006	Export Promotion Council	50,000,000	-	50,000,000	In support of China Expo
0007	Department of Internal Trade	(1,978,296)	-	(1,978,296)	Adjustment to compensa for employees
0008	Kenya Institute of Business Training	4,472,269	-	4,472,269	Adjustment to compens for employees
0009	Trade Monitoring & Research	(480,920)	-	(480,920)	Adjustment to compens for employees
0010	Weights& Measures	2,485,957	-	2,485,957	Adjustment to compensat for employees
0014	Central Planning Unit	(30,000)	-	(30,000)	Adjustment to compens for employees
0013	Anti-Counterfeit Agency (ACA)	7,000,000	7,000,000	-	Increase in AIA collection
		103,000,439		96,000,439	

2. State Corporations

It is noted that Export Promotion Council was allocated additional **Kshs. 50Million**in support of China Expo held in November 2018.

We wish not that allocation to State Corporations budget is mostly to compensation to employees and non-discretionary expenditures, leaving minimal balances that compromise service delivery while addressing Agencies mandates. It caters for everything including remuneration/compensation to Board members as they transact board business and related matters. It is grossly inadequate.

3. Development decrease of Kshs. 40 Million

It is noted that KOMEX faced austerity measures of**Kshs.40 Million.** This can be attributed to the low absorption of funds in the Development Vote. Activities of KOMEX have since picked up and it has been registered as a Company. In addition, the Expression of Interest for the private sector to come in and partner with the National Government has been made. The other two projects (ACA warehouse and KIBT building partitioning) are not affected.

Table 3: Analysis of performance against targets (Number 2)

Sub-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
S. P 1.1 Domestic Trade Development	Internal Trade	Updated Kenya E-Trade Portal	4 Quarterly Reports, minutes	3 Quarterly Report on E-Trade Portal	3 Quarterly Reports	0	The E-Trade portal is operational. The department updates information on the portal regularly
		Awareness on the programs undertaken by the State Department for Trade created	Trade week/ shows Report	To participate in Trade week/ shows	Participated in the Trade week, E-commerce week, Eldoret, Nairobi & Mombasa shows.	0	Organized and participated in Trade Week/shows Eldoret, Nairobi & Mombasa
		Stakeholders sensitized on importance and usage of the E-trade portal.	1 Report on sensitization workshop	To sensitize stakeholders	Stakeholders were sensitized on E-trade portal during the Eldoret show	0	Stakeholders have been sensitized on the portal.
		Products and industries/ sectors in counties profiled for export	Survey Tool	Develop a Tool for profiling products/services	Tool not developed	-1	Activity not carried out due to insufficient funds.
		A tool to Carry out a survey on unfair trade practices in one (1) county economic bloc developed	Survey Report	Develop a survey tool	Survey data collection tool developed.	0	Survey will be carried out once funds are available.
		National guidelines and principles on trade licensing, levies and	Harmonized National guidelines and principles for licensing	Develop guidelines	Guidelines have not yet been developed	-1	Insufficient funds to carry out the activity

Sub-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
		regulations in the country developed					
		Compliance of 40% Local content procurement of goods and services by MDAs monitored	Quarterly monitoring reports	To develop 1 quarterly compliance report	3 quarterly compliance reports developed	0	Quarterly compliance report developed
S.P 1.2: Fair Trade and Consumer Protection	Weights and Measures	Compliance and Standards ensured	No. of Weighing and Measuring equipment approved	2	2	0	Target achieved
			No. of calibrated Weighing and Measuring County standards	1	1	0	Target achieved
			No. of weighing and measuring equipment at strategic national installations verified	5	5	0	Target achieved
		Legal Metrology Bill reviewed	Develop Legal Metrology Bill	1	0	-1	Legal Metrology Bill to be re-submitted to Parliament as the term of the last Parliament ended before approval of the Bill
			No. of Regulations Developed for legal metrology bill	1	0	-1	Regulations not developed due to insufficient funds
			No. of regulations to operationalize Consumer Protection Act 2012	1	0	-1	Regulations to operationalize Consumer Protection Act not developed due to insufficient funds
	Kenya Consumer Protection Advisory Committee (KECOPA	Increased level of consumer protection in the country	Conduct research around the country on the effectiveness of consumer protection laws by the various consumer protection regulator bodies	To hold 1 meeting on the developed draft TORs	1	0	Research not conducted due to inadequate funds

		Key Output	Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
	C)	A working Consumer protection information management System accessible to all consumers seeking information and filling complaints	Develop web based consumer management information system	Requisition website development	Website development requisitioned done	0	The actual procurement process is yet to start due to budget cuts. The process will be done in 4th quarter subject to availability of funds.
	Anti-Counterfeit Authority (ACA)	Compliance and Standards	No. of cases investigated and concluded	240	118	122	The Authority experienced staff shortage in the first half of the financial year but has engaged more officers hence an expected improvement in quarter 4
		Investigation of Intellectual Property Rights infringement	Number of investigations conducted	320	162	158	
		Seizure and destruction counterfeit goods	Value of seized goods (Kshs. Millions)	1020.6	699.8	320.8	
			Value of goods destroyed (Kshs in Millions)	595.4	26.8	568.6	There has been a decline in the value of goods destroyed due to the slow judicial process. However, the Authority plans to carry out a major destruction in quarter 4
		Purchase of seized goods holding depots	No. of seized goods holding depots	2	1	1	The funds allocated were for the purchase of 1 depot
		Development of an Anti-Counterfeit Agency Quick Response (QR) solution	% completion of ACA QR Solution	80	-	80	The project implementation plan scheduled this to be done in phase II which starts in April 2020 as per the project work plan
		Development of	% completion of case	60	20	40	The project implementation

b-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
		Enforcement case management system	management system				team has already finalized on user requirements and procured the service procured. The project is scheduled to be finalized in March 2020
		Baseline survey to establish the level of awareness and the magnitude of counterfeiting by sector	No. of Baseline surveys	1	Ongoing		The Baseline survey is ongoing and scheduled to be completed by December 2019
		Public education and sensitization through outreach programs and media	Number of outreach programmes to create publicity about intellectual Property Rights	40	35	5	The achievement is attributed to collaborations and support by other government and private sector institutions
S.P 1.3 Export Promotion	Export Promotion Council	To Enhance Access to Market Information and Promotion	Conduct market surveys and Product Researches in selected markets	Undertake Two Market Survey and Product Research in EAC/COMESA for manufactured Exports-	Market surveys conducted in Tanzania and Mozambique .	0	Draft report submitted for comments and feedback provided to the consultants
		Improve Market Competition and Terms of Trade;	Implement export and macroeconomic tracker and make quarterly reports in shaping Kenya`s export macroeconomic	3 Quarterly export and economic report generated	3 Quarterly export and economic report generated	0	Target Achieved

Sub Program	Unit		Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
			environments				
			- Provide practical export readiness training for established entrepreneurs, including youth and women, prior to export market linkage (Meru, Embu, Tharaka Nithi, Uasin Gishu, Nairobi & Mombasa, Nakuru, Kajiado, Kirinyaga, Bomet, Kitui and Makueni),	30 enterprises trained & profiled exhibitors	23 enterprises trained & profiled exhibitors	7	The variance to be achieved through the 4 scheduled workshops in Kisumu, Eldoret, Mombasa and Nairobi in Q4
			Facilitate Export market access for export ready enterprises through market linkages with the large export enterprises and international markets	40 No. of enterprises linked/Signed participation contract	0	-40	Shortage of funds
		-	Development and Launch of the Kenya Export Market Development Programme	1 KEMDP programme developed and launched	1 KEMDP programme developed and launched	0	-KEMDP launched on 7th Feb at Intercontinental Hotel
		-	- Coordinate and participate in International Horticultural Expo Beijing 2019, World Exposition in UAE (Dubai Expo	100% Attendance /participation to National Coordinating Committee	100% Attendance /participation to National Coordinating Committee	0	Horticultural Expo Beijing 2019 ongoing, World Exposition in UAE (Dubai Expo 2020 planning

Sub-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
			2020,China International Import Expo 2018, Intra Africa Trade Fair, Cairo Egypt 2018, 26th Uganda International Trade Fair	meetings, Planning meetings for Thematic Months during the Expo period and exhibitors recruited.	meetings, Planning meetings for Thematic Months during the Expo period and exhibitors recruited.		ongoing. China International Import Expo 2018, Intra Africa Trade Fair, Cairo Egypt 2018 and 26th Uganda International Trade Fair achieved.
		To Enhance Export Compliance to International Standards	Hold collaborative forums to create awareness on local, regional and international standards	Hold three (3) collaborative forums to create awareness on local, regional and international standards	2 No. of Collaborative forums held/ Collaborative forums reports	-1	2 forums conducted in Nairobi and Eldoret. 2 more forums will be conducted in Nairobi and Mombasa on a later date in the month of May
			Avocado pest risk assessment by the Chinese expert from Plant Quarantine in China, conducted in Kenya	-	1 Avocado pest risk assessment	0	A MOU was signed between Ministry of Agriculture, Livestock, Fisheries and Irrigation of the Republic of Kenya and the General Administration of customs of People's Republic of China on Sanitary and Physio sanitary measures. The assessment led to the

ub am	Unit	y C	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
							opening up of the Chinese market for Kenyan Avocadoes.
		To harmonize local restrictions and regulatory requirements	To create networks and engage the business community both at head office and the counties in the provision of relevant trade information at the county level by participating at county forums / conferences and other engagements with the County Executive Members of Trade	6 No. of trade information networks created at the county level	6 No. of trade information networks created at the county level	0	Outreach programmes undertaken in April / May 2019 in seven counties i.e. Kitui, Makueni, Kajiado, Kirinyaga, Nakuru, Kisii and Bomet
S.P 1.4: Regional Economic Integration Initiatives	Regional Trade and Exports	Operationalization of the Kenya Commodities Exchange	Percentage operationalization of the Exchange	Register the Company and Develop framework for collateral management Sensitization of 2000 farmers on KOMEX Concept	Company registered as a legal entity Board of Directors appointed Office space for KOMEX acquired Drafted regulations on commodities market	0	Stakeholder engagement on the commodities market regulations ongoing Warehouse Receipts System is awaiting approval in Parliament. Capitalization of Kenya National Multi-Commodities Exchange is expected to be finalized in the 4th quarter and thereafter apply for a license from the Capital Market Authority Sensitization of farmers to be undertaken in 4th quarter in

Sub-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
							all the counties
S.P 1.5: Entrepreneurship and Management Training	Kenya Institute of Business Training (KIBT)	Trained Micro Small and Medium Enterprises operators	No. of MSME operators trained	950	427	-523	Inadequate financial resources
		On-site consultancy under the Human Resource Development for Industrial Development (HRD-ID)/JICA Project	Number of consultancy clients, Reports	4	4	0	Targets achieved
		Training of Trainers (TOT) conducted	Reports, Attendance list of participants, Timetables	30	0	-30	Variance due to inadequate funds for training by trainers of trainers (ToTs) before accreditation
		Entrepreneurship Training Workshops held	Reports, Attendance list of Participants, Timetables	30	0	-30	The trainers of trainers (ToTs) have not been accredited therefore they cannot train.
		Entrepreneurship Training Workshops (ETW) held at EMPRETEC		30	0	-30	Variance due to absence of EMPRETEC Coordinating committee to operationalize the centre
		Tool room established	Tool room established	50%	50%	0	Tool room established and equipped
		Partitioned, Fitted and furnished KIBT Parklands Office Complex	Offices, training rooms and accommodation rooms ready	-	Partitioning and other works on-going	-	Partitioning and other works on-going
S.P 1.6: International Trade	Internatio nal Trade	Sensitization programmes to various	2 workshops held	25%	15%	10%	Programme ongoing

Sub-Program	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
		stakeholders in 2 Counties ; Marsabit and Kajiado on business opportunities and) emerging trade issues carried out					
		Inward business forums coordinated	2 Inward investment forums held	2	2	0	Target achieved
		Organize and Participate in Outbound Trade/Investment Forums: Tanzania, Rwanda, Burundi/DRC	4 outbound investment forums held	4	4 outbound business fora held in China, USA, Ireland and Italy	0	Target achieved
		Showcase Kenyan products at International Trade Fairs; Tanzania, Gulf Food Fair, Mozambique and Ethiopia	Report of Trade fairs	1	1	0	Target achieved
		Services offered by International Trade and export opportunities showcased in Local trade Fairs; Kisumu, Eldoret, Mombasa	2 reports of Trade Fairs held List of potential exporters	To participate in Local trade Fairs	Participated in Eldoret and Mombasa shows	0	Services offered by the department showcased in trade shows/fairs
		Organize and coordinate Outbound Trade Missions; Azerbaijan, Ghana	Report of Trade Missions List of exporters participated in the trade missions	1	1	0	Target achieved

Sub-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
		Participate in outbound Trade missions Organized by Private sector.	2 outbound Trade Missions organized by private sector.	2	2	0	Target achieved
		Develop project proposals for funding for category C measures Convene stakeholder meetings	No. of stakeholder meetings held Five (5) project Proposals developed	1	1	0	Stakeholders meetings ongoing
		Operationalization of the NTFC Secretariat Conduct Meetings of National Trade Facilitation Committee	Office space made available and equipment in place List of seconded to NTFC secretariat	Establish secretariat	Secretariat has been established	0	The council cannot operationalize due to insufficient funds
			National Trade Facilitation Committee meetings held	2 meetings	2	0	Target achieved
		Hold Technical working group meetings	Reports on Technical working group meetings held	To attend 1working group meetings	1	0	Target achieved
		Participate in WTO Technical Negotiation Meetings (Agriculture, Services, WTO Rules/Trade Remedies, Fisheries)	Country Positions Papers Reports	To hold 2 meetings	2	0	Target achieved

Sub am	I ry Unit	y C	Ke, Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
		Participate in Regular Meetings of TBT and SPS Meetings	Country Position Papers Reports of meeting	1	1	0	The department participated in the meetings
		Participate in the 7th Session of the WHO/ FCTC (COP 7) in Geneva.	Number of Preparatory meetings held Session report	1	1	0	The department participated in the meetings
		Articulate Kenya's interest in WTO General Council Meetings	Country position Reports	1	1	0	Target achieved
		Articulate Kenya's interest in UNCTAD and other ITOs regular meetings	Country position Reports	1	1	0	Target achieved
		Participate in Trade Policy Reviews of 3 key Trading Partner States in Geneva	Trade Policy Review Reports	To participate in policy reviews	Participated in policy reviews	0	Target achieved
		Convene NTNC Sub-Committee Meetings on Trade in services, TBT, SPS, Agriculture, TRIPS &WTO Rules	Reports of the NTNC committee meetings	To hold 2 meetings	2meetings held	0	Target achieved
		Negotiate in Regional Trade in services (EAC, COMESA, TRIPARTITE, CFTA)	No. of Meetings/sessions held	Participate in regional trade services	Participated in regional trade services	0	The SDT participate in trade negotiation

Sub-Programme	Delivery Unit	Key Output	Key Performance Indicators	As at Quarter III			Remarks
				Target	Actual Achievement	Variance	
S.P 1.7: General Administration, Planning and Support Services	Headquarters Administrative Services	Provision of Administrative Services	Level of automation of services	75%	75%	0	Services automated
	Finance and Procurement Services	Provision of Financial Support Services	% financial services facilitation to trade programme/ Projects	75%	75%	0	Target achieved
	Central Planning Unit	Monitoring and Evaluation reports	No. of quarterly and annual reports	4	4	0	3 quarterly and 1 mid-year reports established.
	Trade Research and Policy	Conduct a survey on export & import products at border points to establish the cause of decline in Kenya's export to EAC and other regional markets.	No. of surveys to be conducted	1	1	0	Targets achieved

...er ... 20...9 gui Ks...illions (Number 3)

The table below shows the budgetary implementation of the above targets (Number 2) achieved as at 31 March 2019(third quarter of FY 2018/19).It gives a percentage of the cumulative expenditure against the Approved Estimate.

Sub-program	Delivery Unit/Department	Approved Budget FY 2018/19 (Sup I)	Expenditure and Commitments			Balance	Remarks.
			As at 3rd Quarter (31st March 2019)	[4]As at mid May 2019	Absorption percentage		
Domestic Trade Development	Internal Trade	88.9	55.6	74.5	83.8%	14.4	The major balance is on Compensation to Employees.
Fair Trade and Consumer Protection	Weights and Measures	73.1	36.7	55.2	75.5%	17.9	The major balance is on Compensation to Employees.
	Anti-Counterfeit Agency (ACA)	434.8	224.9	434.8	100%	0	-
	Kenya Consumer Protection Advisory Committee (KECOPAC)	39.5	29.5	38.0	96.2%	1.6	-
Export Market Development	Export Promotion Council	277.3	254.3	322.4	116.3%	0	-
Regional Economic Intergration Initiatives.	Regional Trade and Exports	165.5	64.0	89.3	53%	76.3	The major balance is on Development Vote KOMEX project.
Entrepreneurial and management	Kenya Institute of Business Training (KIBT)	182.8	59.4	75.1	41.1%	107.8	Of the balance, Kshs. 81 Million for the

[4]Expenditure as at mid-May 2019 shows an increase of utilization of funds as compared to performance as at 31st March 2019, a great improvement from the performance as at 3rd quarter.
As at Mid May 2019, the expected absorption rate is 87.5%, however SDT absorption rate was at 79.6% this was majorly attributed to low absorption of funds in a number of items.

Training							KIBT building forms the major balance
International Trade	International Trade	226.4	159.6	118.7	52.4%	107.7	Of the balanceKshs. 94.3Million is AIEs already sent to Foreign missions.
General Administration,planning and support Services	Headquarters Administrative Services	275.4	152.5	194.8	70.7%	80.6	The major balance is partly on rent and Compensation to Employees
	Finance and Procurement Services	24.0	16.1	20.8	86.7%	3.2	-
	Central Planning Unit	14.7	8.9	11.5	78.3%	3.2	-
	Trade Research and Policy	16.4	3.3	10.2	62.2%	6.2	The major balance is O&M
Total		1,802.9	1,064.8		1,434.1	418.9	

PART II: DRAFT BUDGET ESTIMATES FOR FY 2019/20 AND THE MEDIUM TERM PERIOD

Table 5: New Capital Projects by Sub-Programme, State Agency/Department and Outputs (Figures in Kshs. Millions) - Number 4

The state department has two new projects that are to be funded in the FY 2019/20 and Medium Term Period 2020/21-2021-2022. The table below gives the sources of funding and their proposed allocations.

Project code & Name	Est Cost of project	ALLOCATION FY 2019/20			ALLOCATION FY 2020/21			ALLOCATION FY 2021/22			Status Remark
		GOK	Donor	Total	GOK	Donor	Total	GOK	Donor	Total	
11741005001 Modernization of Standards Laboratory	443.7	-	-	-	150.0	-		100.0			The project seeks to modernize standards laboratory for weight & measures with initial focus on water & electricity meters.
11741011001 Warehouse Refurbishment (KNTC)	200.0	20.0			50.0	-		50.0			The projects seeks to avail warehouses for the KOMEX project that addresses Food Security

These projects have been captured in the budget system in the past but due to austerity measures they have never been implemented. The State Department is hopeful that they will take off during the FY 2019/20 and the Medium Term Period.

Kenya Trade Remedies Agency (KETRA)

The Sector has allocated **Kshs 40 Million** to the State Department for Trade for the FY 2019/20 but Cabinet via a letter added**Kshs 200 Million**. We would wish the allocation to KETRA is reviewed to Kshs. 240 Million.

KETRA key functions are:

- Investigate and evaluate allegations of dumping and subsidization of imported products in Kenya.
- Investigate and evaluate requests for application of safeguard measures on any product imported into Kenya.
- Advise the Cabinet Secretary on the results of stakeholders on its functions and on trade remedies.
- Initiate and conduct public awareness and the training of stakeholders on its functions and on trade remedies.

The allocation towards its establishment and undertaking its mandate will not be sufficient, until this agency is sufficiently funded.

Feasibility and Justification of New Projects (Number 5)

11741005001 Modernization of Standards Laboratory

Project name: Modernization of Standards Laboratory					
Project geographic location: Nairobi, Nakuru and Kisumu					
Project type/Category: Medium Project					
Implementing organization : Department of Weights and Measures					
Counties covered: National project					
Project Purpose: To realize fully equipped legal metrology laboratories in line with ISO 17025 that will serve to protect the consumers in the field of measurements by assuring credibility of measurements in trade transactions, public safety, health and environmental protection.					
Brief description of the project: The project entails improvement of working environment of legal metrology laboratories, establishment of an appropriate traceability chain linkage and purchase of standards for testing new patterns (models) of manufactured measuring equipment in conformity with international standards. The components of this project include: • Air-conditioning of Mass, Volume, length and Type/pattern Approval laboratories – already completed. • Installation of solar-powered emergency lighting for underground laboratories - already completed. • Refurbishment of existing structures into electricity and water meter type approval laboratories. • Acquisition and installation of type approval benches and associated standards for the electricity and water sectors. • Construction of initial verification laboratories for Electricity and Water at Nairobi, Nakuru, and Kisumu for verifying new meters and to also act as reference laboratories for County standards calibration. • Accreditation of the laboratories to ISO/IEC 17025. • Training of personnel to manage the laboratories *(Nakuru and Kisumu have existing land that houses the former provincial W&M offices)*					
Project status: On-going					
Estimated project duration (months): 72					
Estimated project cost: (Kshs. 443.70 Million)	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	-	-		150.0	100.0
Outline economic and social benefits: i. Right measurements ii. Consumer protection iii. Conformity to international standards					
Outline sources of financing: GOK					

11741011001 Warehouse Refurbishment (KNTC)

Project name :Warehouse Refurbishment (KNTC)

Project geographic location : Nairobi County

Project type/Category : Medium Project

Implementing organization : Kenya National Trading Corporation (KNTC)

Counties covered : National project

Project Purpose: The main purpose is to facilitate the upcoming commodities exchange programme with warehousing space, thus contributing to the economic pillar of Kenya Vision 2030. Farmers will have reliable infrastructure to hold their products awaiting sales. The warehouses currently need refurbishment to be compliant with current trade regulations. The project intends to ease the supply chain logistics for products through improved accessibility and contact with players involved. Stakeholders would get opportunities to exchange products with other products, have access to local and international markets, and access credit or finances from financial institutions using the warehousing receipt system as a security.

Brief description of the project: The project shall entail removal of existing asbestos roof and replacing them with Gal-Sheet iron sheets, partitioning, painting and rebranding the warehouses. In addition, the project will involve equipping the warehouses with laboratories for quality assurance and compliance with standards. Once completed the project will provide storage facilities, ease supply chain logistics and at the same time facilitate access to local and international markets. Farmers will also be able to access credit from financial institutions through the warehousing receipt system.

Risks: Fluctuation in product prices

Sustainability: Fees charged on warehousing shall sustain the project.

Project status: On-going

Estimated project duration (months): 60

Estimated project cost: (Kshs. 200 Million)	FY2017/18	FY2018/19	FY2019/20	FY2020/21	FY2021/22
	-	-	20.0	50.0	50.0

Outline economic and social benefits:

i. Provide storage facilities for agricultural commodities
ii. Improved access to markets
iii. Multiplier effect in the growth of agriculture, manufacturing and construction industries

Outline sources of financing: GOK

: Projects linked to Big Four (Figures in Kshs. Millions) - Number 6

he State Department has been identified as an Enabler of the Big Four Agenda, the table below shows its linkage to the Big Four Agenda:

Project Code & Project Title	Est. Cost of project	Financing	Start Date	Expected Completion Date	Actual Cumulative Expe up to Feb 2019	Allocationfor 2018/19 Budget	Projection 2019/20	Projection 2020/21	Projection 2021/22	Link to Big Four Agenda
1174101100 1 Warehouse Refurbishment (KNTC)	200.0	GoK	1/7/17	30/6/21	0	0	20.0	50.0	50.0	Food Security with KOMEX
1174100101 Acquisition of regional Anti Counterfeit Agency exhibit warehouses	205.0	GoK	1/7/16	30/6/21	37.5	50.0	50.0	100.0	0	Manufacturing (fighting illicit trade)
1174100500 1 Modernization of standards Laboratory	443.7	GoK	1/7/15	30/6/21	8.7	0	0	150.0	100.0	Manufacturing (standards)
1174100600 1 Establishment of Commodities Exchange Platform (KOMEX)	1,210.0	GoK	1/7/14	30/6/20	138.6	160.0	190.0	250.0	455.0	Food Security
1174100700 1 KIBT Parklands Building Partitioning	430.0	GoK	1/7/16	30/6/20	22.9	102.0	240.0	0	0	Manufacturing (SMEs training)
TOTAL					358.2	312.0	500.0	550.0	605.0	

Table ... Status of stalled projects (Figures in Kshs. Millions) - Number 7

The State Department for Trade has two stalled projects:

Project code & Name	Est Cost of project	Financing			TIMELINE		STATUS	REMARKS/REASONS FOR STALLED PROJECTS
		GOK	Donor	Total	START DATE	END DATE		
Athi River Tier 1 Retail Market	6,053	0	-	-	1/7/2014	30/06/2019	Stalled	No budgetary allocation
Maragua wholesale hub	3,802	0	-	-	1/7/2014	30/06/2019	Stalled	No budgetary allocation

Measures taken to complete the stalled projects

- Land had been set aside and the basic designs and photographic impressions are in place, however the designs were not completed due to lack of funding. In the advent of Devolution the National Treasury noted that the projects should be handled by the respective county governments. These were to be Model Projects to be adopted by different counties.

Table 8: Breakdown of Pending Bills (Figures in Kshs. Millions) - Number 8

As at 30th April, 2019 the sub sector had a total Pending bills amounting to Kshs.23, 729,795 as per the attached list (Annex II).

The pending bills were as a result of:

- Austerity measures under Supplementary Estimates No.1 for FY 2017/18that reduced the budget by about 75% especially for use of goods and services in recurrent vote and the development. As a result, the reduction affected existing commitments which were done based on the Printed Estimates.

Way Forward:

- Applying resources of Supplementary Estimate No. II to settle part of the Pending Bills.
- National Treasury to consider allocating resources to settle bills arising from non-release of exchequer.
- Undertake early procurements and thus less pressure for exchequer towards end of FY.
- National Treasury to avoid the austerity measures that have become common.

Table 9: State Department for Trade Requirement vs. Allocation by Sub-Programme and State Agency/Department (Figures in Kshs. Millions)

The following table summarizes the budget estimates for FY 2019/20 whose details are in Annex III.

Sub-Programme	Requirements 2019/20			Allocation 2019/20			Shortfall 2019/20		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
S.P. 3.1: Domestic Trade Development	170.6	30.0	200.6	95.30	70.0	165.3	75.3	-40.0	35.3
S.P. 3.2: Fair Trade and ConsumerProtection	694.2	200.0	894.2	520.3	50.0	570.3	173.9	150	323.9
S.P. 3.3: Exports Market Development	957.4	-	957.4	282.9	0	282.9	674.5	0	674.5
S.P. 3.4: Regional Economic Integration Initiatives	6.3	1,000.0	1,006.3	6.0	190.0	196.0	0.3	810.0	810.3
S.P.3.5: Entrepreneurial and Management Training	142.0	130.0	272.0	86.6	240.0	326.6	55.4	-110.0[5]	-54.6
S.P. 3.6: International Trade	921.3	-	921.3	311.7	0	311.7	609.6	0	609.6
S.P. 3.8: General Administration, Planning and Support Services	533.9	-	533.9	356.2	0	356.2	177.7	0	177.7
Total	**3,425.7**	**1,360.0**	**4,785.7**	**1,659.0**	**550.0**	**2,209.0**	**1,766.7**	**810.0**	**2,576.7**

- The shortfall in the allocation for the State Department in FY 2019/20 will negatively impact on service delivery in respect of the Mandate and implementation of the Kenya Vision 2030 flagship projects and programmes.
- The State Department has been identified as an Enabler of the Big Four Priorities; the shortfall will impact performance and hence should be critically addressed.

5 KIBT Parklands building was allocated Kshs.240 million in order to complete the project in FY 2019/20

Table 10: State Department for Trade Recurrent Under/Non - Funded Priority Activities

No	Project	Implementer	Amount in Kshs. Millions
1.	Buy Kenya Build Kenya (BKBK) Policy Strategy	Department of Internal Trade	50.0
2.	Development of National Local Content Framework and E-trade portal	Department of Internal Trade	14.8
3.	Finalization of the Trade Development Bill	Department of Internal Trade	7.5
4.	National Public Outreach Programs awareness campaigns on counterfeit and its mitigation	Anti-Counterfeit Agency	75.0
5.	Training for specialized stakeholders on matters Counterfeiting	Anti-Counterfeit Agency	50.0
6.	Multi –Agency Outreach Programme on Anti-Illicit Trade	Anti-Counterfeit Agency	150.0
7.	The World Exposition 2019, Beijing	Export Promotion Council	175.0
8.	Exporter Capacity Building & Export Products Diversification	Export Promotion Council	340.0
9.	County Export Stimulus Programmes *(Dollar Mashinani)*	Export Promotion Council	80.0
10.	e-Exports Services and International database subscriptions	Export Promotion Council	55.0
11.	Organize export promotional activities-trade fairs, mission,expos	Export Promotion Council	300.0
12.	Undertake market survey and product research	Export Promotion Council	270.0
13.	National public outreach programmes on opportunities for exports and related matters	Export Promotion Council	19.5
14.	Payment of salaries and allowances for staff in International Trade	International Trade	150.0
15.	Juakali/Nguvukazi Exhibition at Eldoret	International Trade	15.5
16.	The Africa Region E-Commerce week	International Trade	6.5
17.	Expansion of Commercial Attaché services in Foreign Missions	International Trade	280.0
18.	Establish Secretariat for the National Trade Facilitation Committee (NTFC)	International Trade	50.0
19.	Establish a National Trade Negotiations Council (NTNC)	International Trade	11.0
20.	Establishment of EMPRETEC	KIBT	57.0
21.	Establishment of Consumer Arbitration Court	KECOPAC	20.0
22.	Operations for State Department Headquarters and Departments	Headquarters	174.4
Total			2,351.2

Table 11: State Department for Trade Development under/Non - Funded Priority Projects

No	Project	Implementer	Amount in Kshs. Million	Remarks
1.	Establishment of Commercial Centers in London, New York and Dubai	International Trade	100.0	
2.	Establish distribution centers for Kenyan exports in DRC, Rwanda and Burundi	Export Promotion Council	500.0	
3.	Introduction of International road transport carnet (TIR) System	Export Promotion Council	50.0	
4.	Export/ Import Financing and Facilitative Schemes (EXIM Bank, Export Development Fund and Guarantee Scheme)	Export Promotion Council	530.0	
5.	Capacity building for law enforcers	Anti-Counterfeit Agency	47.0	
6.	Acquisition of depots	Anti-Counterfeit Agency	100.0	
7.	Modernization of KNTC Warehouses for commodity Exchange	Kenya National Trading Corporation (KNTC)	60.0	Partly funded at Kshs.20M in FY 2019/20
8.	Modernization of Legal Metrology Laboratory(water and electric meters)	Weights & Measures	160.0	Projected funding at Kshs.150M in FY 2020/21
9.	Installation of CCTV cameras	Ministry HQs	50.0	
	TOTAL		1,597.0	

Table 12: Break Down of State Corporations' Budgets by Economic Classification for FY 2019/20 (Amount in Kshs. Million)

ECONOMIC CLASSIFICATION	ACA		EPC		KNTC[6]	
Current Grants	KSHS. M	%	KSHS. M	%	KSHS. M	%
Gross	399.5		282.9		636.0	
AIA	17.0		4.9		636.0	
Net	382.5		278.0		636.0	
Compensation to employees	262.5	*65.7*	159.5	*56.4*	65.4	*10.3*
Insurances/Licenses	35.6	*8.9*	24.0	*8.5*	3.6	*0.6*
Utilities	3.5	*0.9*	0.8	*0.3*	10.6	*1.6*
Rent	32.8	*8.2*	33.0	*11.7*	14.7	*2.3*
International subscription	-	-	-		-	
Contracted professional (Guards & Cleaners)	6.5	1.6	4.9	*1.7*	11.9	*1.9*
Other	58.6	14.7	60.8	*21.4*	495.8	*77.9*
Capital Grants		50		0		20

NB: Allocation to SAGAs, net of compensation to employees and non-discretionary expenditures as shown above, leaves minimal balances under **other** that compromises service delivery while addressing Agencies mandates. It caters for everything including remuneration/compensation to Board members as they transact board business and related matters. It is grossly inadequate.

[6] KNTC is a commercial entity raising its own revenue for recurrent budget.

Conclusion

- The allocation to the State Department for the Medium Term period 2019/20 – 2021/22 reflects that of FY 2017-8&FY 2018/19 and therefore, the highlighted shortfalls would still apply.
- For the State Corporations- After providing for Personnel Emoluments and Utilities, the State Corporations are left with very little to spend on operations, maintenance and key programme activities. This should be addressed to ensure efficient delivery of their respective mandates.
- The current budget of the FY 2018/19 has faced austerity measures leading to non-achievement of targets as evidenced by Supplementary Estimates No. 1. This will have negative carry-over effects on achievement of the FY 2018/19 targets especially for on-going programmes and activities.
- There is concern that Trade and the GECA sector in general doesn't receive adequate attention in funding at 1.3% of the National Budget against its contribution to GDP. This trend should be reversed. For instance wholesale and retail trade contributed to Kenya's GDP by 7.4% in 2018.

REPUBLIC OF KENYA



MINISTRY OF INDUSTRY, TRADE AND COOPERATIVES

STATE DEPARTMENT FOR INDUSTRIALIZATION

PRESENTATION TO THE
PARLIAMENT DEPARTMENTAL COMMITTEE
ON TRADE, INDUSTRY AND COOPERATIVES
ON BUDGET ESTIMATES FOR
CONSIDERATION IN THE FY 2019/2020 AND SUPPLEMENTARY II

BY

HON. PETER MUNYA, MGH

CABINET SECRETARY

VOTE II75

WEDNESDAY, 22ND MAY, 2019

INTRODUCTION

Hon. Chairman, Let me take this opportunity to thank you and Members of the Parliamentary Departmental House Committee on Trade, Industry and Co-operatives for extending your invitation to the State department to present the Budget estimates and supplementary II for consideration in FY 2019/2020, for the **State Department for Industrialization.**

The Ministry of Industry, Trade and Cooperatives comprises of three State Departments namely:

- Industrialization
- Trade
- Co-operatives

MANDATE

The State Department for Industrialization has been established under the Executive Order No. 1 of June 2018 (Revised in August 2018) which has placed it under the Ministry of Industry, Trade and Cooperatives, with fifteen (15) State Corporations; one (1) training Institution; and two (2) Tribunals.

The mandate includes:

i. Industrial Policy and Planning;
ii. SME Policy;
iii. SME Financing Policy;
iv. SME/Biashara Financing Policy;
v. Buy Kenya Build Kenya Policy and Strategy;
vi. To promote Standardization in Industry and Quality Control;
vii. Promotion and Development of Micro and Small Enterprises;
viii. To Promote and facilitate Domestic and Foreign Investments;
ix. Promotion and Oversight of the Development of Special Economic Zones and Industrial Parks;
x. Kenya Property Rights Policy (Patents, Trade Marks, Service Marks, and Innovations);
xi. Promotion of value Addition and Agro-Processing;
xii. Textile Sector Development;
xiii. Leather Sector Development;
xiv. Business Innovation and Incubation;

xv. Promotion and development of the Cottage Industry;
xvi. Oversight and regulation of Scrap Metal Industry
xvii. Promotion and Development of Medium Business Enterprises;
xviii. Industrial Training and Capacity Development.

AUTONOMOUS AND SEMI-AUTONOMOUS GOVERNMENT AGENCIES

The subsector has fifteen (15) autonomous and semi-autonomous agencies. The Agencies undertake various functions and mandates to support investment and industrial development in the country.

The Autonomous Government Agencies include:

i. East African Portland Cement Company (EAPCC)
ii. Industrial and Commercial Development Corporation (ICDC)
iii. Kenya Bureau of Standards (KEBS
iv. IDB Capital Limited

The Semi-Autonomous Government Agencies includes:

v. Kenya National Accreditation Services (KENAS)
vi. Kenya Industrial Estates (KIE)
vii. Kenya Industrial Property Institute (KIPI)
viii. Kenya Industrial Research and Development Institute (KIRDI)
ix. Numerical Machining Complex (NMC)
x. Micro and Small Enterprises Authority (MSEA)
xi. Export Processing Zones Authority (EPZA)
xii. Kenya Leather Development Council (KLDC)
xiii. Kenya Investment Authority
xiv. Special Economic Zones Authority
xv. Scrap Metal Council (SMC)

Under the Kenya Government Economic Transformation Agenda 2018-2022, the State Department is mandated with raising the of Manufacturing Sector share to GDP to 15 percent by supporting value addition to accelerate economic growth, create jobs and reduce poverty.

In line with your communication that concerns the consideration for Financial Year 2019/2020 budget estimates and Supplementary Budget II, for State Department for Industrialization we have arranged our submissions as follows:

1. Summary of Department Strategic Plan 2019-2023 in PowerPoint
2. Annex I: Matrix of the 2018/19 Performance Targets
3. Annex II: Matrix of Budget implementation up to third quarter for 2018/2019
4. Annex III: List of New projects
5. Annex IV: List of projects and programmes linked to Big four Agenda
6. Annex V: List of Stalled projects
7. Annex VI: Status of Pending Bills
8. Annex VII: Information on Supplementary Estimates II

1.1 BACKGROUND

Honourable Chairman,

1. The Government agenda for industrialization has been advanced through relevant industrial Flagship programmes in the Kenya Vision 2030, Third Medium Term Plan and the Industrialization Road map. In addition, brings on board emerging economic and social objectives of the Jubilee Government outlined in the **"BIG FOUR" DEVELOPMENT AGENDA** where Manufacturing is one of the key pillars of delivery and focus.

2. Strategic Objectives are;

- To Increase manufacturing, sector contribution to GDP
- To improve product competitiveness and business environment
- To attract local and foreign direct investments
- To generate Employment opportunities
- To mobilize resources for Industrial Development
- To develop capacity for service delivery

3. The manufacturing pillar seeks to raise the share of the sector contribution to 15 percent of GDP by supporting value addition to accelerate economic growth, create jobs and reduce poverty. The main areas of interest are agro-processing, textiles and apparels, leather processing, foot wear, iron and steel and machinery, furniture and wood, ICT/electronics assembly, auto assembly, construction, pharmaceutical, oil and gas among others.

4. To ensure that the objective of expanding the sector's contribution to economic growth is realized, there is need to focus on the following key result areas; acquisition of appropriate skills, providing tax incentives, cutting down electricity costs and bringing down cost of raw materials.

5. However, the manufacturing sector has consistently been allocated an average of 1.4 % share of the overall budget despite the expanded mandate of delivering on the manufacturing pillar of the Big Four agenda. The implication of this kind of scenario is the continued decline in the contribution of manufacturing to GDP. The sector's contribution to GDP over the last five years has been on a downward trend. In 2013, the sector contributed 10.7 % to GDP but this has declined progressively to 7.7 % as at 2018.

6. Table 1 below demonstrates that the amounts allocated to the Big Four programmes are not adequate to realize the envisioned program objectives. The manufacturing sector is crucial for the achievement of Vision 2030 and the Big Four agenda, and is arguably the most important for job creation because of its strong forward and backward linkages with other sectors in the economy.

7. To realize the Medium term targets in the Big Four Agenda, the State Department is seeking additional resources as follows;

i. Special Economic Zones Authority - Ksh. 280 Million

- Development HR instrument for SEZA - Ksh. 5M.
- Office Space - Ksh. 50M.
- Purchase of Office Furniture and Equipment - Ksh. 30M.
- Staff Recruitment - Ksh. 40M
- Purchase of Motor Vehicles - Ksh. 50M
- Contracting a Transaction Advisor - Ksh. 50M
- Investment Promotion - Ksh. 30M
- Printing, Advertising, Info. Supply & Services - Ksh. 10M

ii. Rivatex East Africa Limited – Ksh. 1,473.3 Million

- Effluent Treatment Plant Ksh. 130M
- Construction of perimeter wall Ksh. 150M
- Purchase of rapid response fire engine Ksh. 15M
- One-off-working capital Ksh. 500M
- Revitalization of cotton production Ksh.400M

iii. Export Processing Zones Authority - Ksh 1,267 Million

- Shortfall on Recurrent funding Ksh. 150M
- Shortfall in Proposed AIA due to loss of water revenue as a result of emerging issue that EPZA is not a licensed water supplier Ksh. 160M
- Increased Court fee Ksh. 100M
- Completion of EPZA phase II textile hub infrastructure and Industrial sheds Ksh. 357M
- Phase II expansion of Textile (Construction of Phase III industrial sheds) Ksh. 500M

iv. Numerical Machining Complex - Ksh. 107.25 Million

- Tools & Engineering Materials Ksh. 38. 25M
- Machine upgrade Ksh. 42
- Spare Parts Ksh. 15M
- Machines Ksh. 12M

v. Kenya Western Research Centre – KIRDI Kisumu - Ksh. 332M

- Fully equip the natural products lab Ksh. 332M

vi. Kenya Leather Development Council - Ksh. 80 Million

- Support to the Kariokor facility - Ksh. 80M

vii. Micro Small Enterprises Authority - Ksh.188,639,243.50

- Staff recruitment *(170)/ Operations – Ksh. 188. 6M

8. The manufacturing sector has consistently been allocated an average of 1.4 % share of the overall budget despite the expanded mandate of delivering on the manufacturing pillar of the Big Four agenda.

THE FUNDING CHALLENGE: MTEF Sectoral Allocation (2015/16 – 2019/20)

Table 1:Sector allocations and their % share of the overall budget

	Printed estimates (Kshs. '000)				BPS Ceiling	% share of total national budget				
Sector	2015/16	2016/17	2017/18	2018/19	2019/20	2015/16	2016/17	2017/18	2018/19	2019/20
Agriculture, Rural and Urban Development	79,692.00	46,544.20	38,397.00	52,958.40	59,117.20	5.3	2.8	2.4	3.0	3.2
Energy, Infrastructure and ICT	404,670.00	529,162.90	415,744.00	418,795.70	406,793.00	26.9	31.5	25.5	23.9	22.3
General Economic and Commercial Affairs	21,296.00	23,666.20	19,794.00	31,963.60	23,943.40	1.4	1.4	1.2	1.8	1.3
State Department for Industrialization				7,031.60	7,284.90				0.4	0.4
State Department of Trade				1,908.90	2,208.93				0.1	0.1
State Department of Cooperatives				1,370.60	1,553.91				0.1	0.1
Health	59,184.00	60,269.90	61,700.00	90,007.60	93,048.20	3.9	3.6	3.8	5.1	5.1
Education	336,252.00	339,924.40	374,987.00	442,328.40	473,365.20	22.3	20.3	23.0	25.3	26.0
Governance, Justice, Law and Order	154,047.00	195,510.00	202,551.00	190,153.20	204,841.10	10.2	11.7	12.4	10.9	11.2
Public Administration and International Relations	243,354.00	224,909.70	270,191.00	251,037.30	270,951.90	16.2	13.4	16.4	14.3	14.9
National Security	112,513.00	124,045.20	130,223.00	142,264.70	153,596.00	7.5	7.4	8.0	8.1	8.4
Social Protection, Culture and Recreation	31,483.00	44,647.50	46,178.00	52,868.10	54,807.40	2.1	2.7	2.8	3.0	3.0
Environmental Protection, Water and Natural Resources	63,001.00	88,999.40	73,586.00	77,830.60	82,339.00	4.2	5.3	4.5	4.4	4.5
Total	1,505,492.00	1,677,687.40	1,633,352.00	1,750,207.60	1,822,802.40					

9. Lastly, there is need to constantly improve infrastructure, provision of reliable water and electricity that sustain and increase the competitiveness of locally manufactured goods against cheap imports. To realize this, there's need to increase the budgetary allocation that will be geared towards the realization of the Big Four policy objectives. The shortfall is as shown below;

		Requirement	2019/20 Allocation	Shortfalls
SDI	Recurrent	4,129.11	3,265.6	863.51
	Development	17,815.2	6,015.00	11,800.2

IMPLEMENTATION STATUS OF THE 2018/2019 BUDGET (Refer Annex I)

Honourable Chairperson

10. The Department has been allocated Kshs 2.18 Billion recurrent and Kshs 4.29 million Development in the FY 2018/19 Budget. The allocation under recurrent and development budget has since been revised to Kshs.2.48 billion and Kshs. 3.30 Billion respectively due to budget rationalization effected by the National Treasury. The recurrent resources has been utilized towards compensation of employees, Use of goods and services and for Grants and Transfers to SAGAs whereas development expenditure has used for development of industrial sheds, modernization of machinery at Rivatex, provision of affordable credit to SMEs, among others.

Achievements on Big 4 manufacturing pillar include;

COTTON, TEXTILES & APPAREL:

Revitalize cotton production and value addition – Conventional & Biotechnology Cotton

11. The Ministry formed an Inter-Agency Working Team on Cotton Revitalization in July 2017. Through this Team, Farmers are mobilized, supplied with seeds and chemicals as subsidy. The area under conventional cotton production in 24 Counties targeted to increase from the current 35,000 acres to 539,000 acres by 2022. Cotton lint expected is approx. 11,000 bales.

12. The Lower and Upper Eastern regions of Kenya (September-November 2018 planting season), a total of 14,766 farmers and 22,472 Acreage achieved; while Western Kenya region (March-May 2019 planting season) envisages over 60,000 acres. Ministry set up a Fund (Ksh 100 Million) during Financial Years 2017/2018 and 2018/2019 set up a Fund under Rivatex East Africa to guarantee cotton farmers market. Tripatite agreement signed with Ginners, Farmers and Rivatex to purchase the cotton lint.

13. Phase I of National Performance Trials (NPTs) on Biotechnology (Bt) Cotton completed in 5 sites with positive results. Phase II NPTs launched in February 2019 in 4 sites. The lifting of the ban on GMO including Bt Cotton is anticipated to allow for commercialization of Bt-Cotton upon conclusion of Phase II NPTs.

- Consider GMO ban on Bt-cotton be lifted to give Kenyan farmers, consumers, and businesses the opportunity to develop.
- Prioritization of cotton production through funds allocation to ensure adequate quantities to kick start the modernized factory at Rivatex. The Country will benefit from saving Ksh. 30 billion worth of textile and apparel imported annually.
- Cotton co-operatives are being strengthened to participate effectively through modernizing the ginning technology and enhancing access to markets.

Modernization of textile machinery at Rivatex East Africa Limited, Eldoret

14. Procurement and installation of modern plant and machinery under the GoK Grant and Line of Credit from Exim Bank of India on-going. Under current operations Tenders for supply of police uniforms has been secured under Buy Kenya Build Kenya Policy. The Production capacity will increase from 10 Bales to 70 Bales of cotton per day, in single shift translating to currently 5,000 Meters per day to 40,000 Meters per day and spinning production capacity will increase from 800kg to 12 tonnes a day. The official commissioning of the fully modernized Rivatex textile factory in Eldoret is earmarked for 22 June 2019 by H.E. the President.

- Consider allocating Ksh. 400 Million in FY 19/20 to set up cotton stabilization fund and revitalize cotton production and value addition to support selected ginneries, distribute seeds, fertilizers and pesticides.
- One – off working capital of Ksh. 500 Million in FY 19/20 be allocated to procure and stock raw materials for 6 months after which they will use revenues generated.
- Allocate Ksh. 150 Million in FY 19/20 to build a perimeter wall to secure the factory from burglary and pilferage.
- Improved production levels and revenues from the current 5,000 meters per day (Ksh. 644 Million) to 40,000 meters per day optimal capacity upon completion (Ksh. 5.84 Billion)

Development of Textile Hub in Athi River, EPZ for Manufacturing

15. This entails construction of industrial sheds and associated basic infrastructure, enhancement of sector competitiveness through skills training and attracting new investments. One of the objectives under the Textile and Apparel sector is to expand Kenya share of the US$ 84 billion US textile market whose expected outcome is additional Ksh. 14 to 20 billion export generated and over 100,000 jobs. Large Industrial Sheds, 16Nos are 98% complete for 8 units in Cluster 2 & 3 and 90% complete for 8 units in Cluster 1 & 4. The SME Sheds, 8 Nos are 90% complete overall for 4 units and 80% complete overall for remaining 4 units.

- Three companies dealing in textile and apparels i.e. Hela Intimates EPZ Limited, Mas Intimates & JF&I already operational; Tensenses EPZ Limited already operational dealing in agro processing.
- Pharmaceutical companies have also taken up space i.e. B. Brown from Germany already operational and Square Pharmaceuticals from Bangladesh has been allocated 13 acres of land to build their own business premises.
- 40 other investors have submitted their requests to take up space for operations at the Zone.

LEATHER DEVELOPMENT

Construction of Leather Industrial Parks

16. Leather Industrial Park in Kenanie, Machakos County is being re-designed after being affected by heavy rains in 2018 when 60% of the land rendered unsuitable. Master plan for the remaining 40% (200 acres) initiated. In addition, Ewaso Ngíro South Development Authority's Leather Industrial Park in Narok completed and machinery installed. Policies on Hides & Skins and Leather quality improvement being finalized by State Departments of Industrialization and Livestock.

- The revised master plan of 200 acres has been shared with the Department of Public Works for review.

Enhancing competitiveness and productivity in leather and leather goods

17. Common Manufacturing and Training Facilities are being developed in Kariokor, in collaboration with Nairobi County. The building is expected to be complete and operational by July 2019. Training and Production Center for Shoe Industry (TPCSI) in Thika has been equipped with modern machines. More than 500 SMEs have benefited from this project through training.

18. KIRDI Kisumu pilot leather plant has been equipped with modern machines and will be operational with an allocation Ksh 100 Million during FY 2018/2019 once the Leather Annex Facility under construction for upstream leather tanning is completed.

19. Leather Training and Production Unit at Kenya Industrial Training Institute (KITI), Nakuru is being established with basic equipment for leather production procured and a few components and accessories awaiting procurement to allow for commissioning of the unit. A further allocation of Ksh. 175 Million has been set aside in Supplementary II to implement priority components of works including; women hostels, central stores, covered walkways, ablution blocks (New); completion of changing rooms and water drainage.

AGRO PROCESSING

Develop Agro-Processing hub for value addition and industrial clusters

20. Trade Mark East Africa (TMEA) is supporting the Ministry to develop Value Addition and Industrial Clusters for Agro processing, Fisheries and Textile sectors in Coastal Region (6 Counties). KES 90 Million provided in Q3 & Q4 of FY 2018/19 for on-going Feasibility Study. KES 600 million provided for FY2019/20 for the project implementation i.e. site identification, Master planning, Design layout plans and basic infrastructure development. **(See Annex III)**

African Development Bank - Staple Crops Processing Zones (SCPZ)

21. The Government of Kenya is working with the African Development Bank on an initiative to transform the country's agricultural sector through agro-industrialization – the Staple Crops Processing Zones (SCPZ). SCPZ in the Kenya context, also known as the "Agriculture Transformation Clusters" (ATCs). In order to actualize this, an inter-ministerial committee is working with the Bank to prepare for a retreat that was

expected to take place in March 2019 between H.E. the President and Dr. Akinwumi Adesina, President of the AfDB.

22. The Bank is already working with the Ministry of Industry, Trade and Cooperatives and Ministry of Agriculture, Livestock, Fisheries and Irrigation in supporting identification of value chains and sites for cluster development the Staple Crops Processing Zones (SCPZs) Initiatives.

23. The ATC Program would be designed to address productivity/production of key agricultural commodities and financing the development /provision of Hard and Soft Infrastructure.

Promote Agro-Processing Investments in Targeted Value Chains

24. **Tea:** A retreat of the Tea sector stakeholders was held with three key requests among them; immediate allocation of funding for Tea Sector Promotion Initiative; developing enabling policies and regulations to discourage sale of tea in bulk and Setting up of Common User facility and Kenya Tea Trade Centre. Support the development of an enabling policy and regulation for value addition of Kenyan tea. Allocation of Ksh. 200 Million for international promotion of Kenyan Tea.

ENGINEERING AND CONSTRUCTION SECTOR

National Automotive Policy;

25. The Automotive industry has been identified as one of Kenya's manufacturing sector contributor to the Big Four Agenda, enabling the achievement of the country's industrialization and economic transformation as envisaged in the Country's economic blue print, the Vision 2030. The National Automotive policy has been developed, circulated and stakeholder inputs captured. Further, draft Revised Kenya Standards for Imported Used Vehicles has been developed and circulated for stakeholders' inputs.

Ban on Trucks, Buses and Vehicles with engine capacity exceeding 1500CC;

26. Entails a total ban on importation of commercial vehicles (trucks, buses, lorries) and a progressive reduction of the number of years of used cars with engine capacity exceeding 1500cc imported into the country from 8 years to 5 years by July, 2019; 3 years by July 2021 and 0 years by July

2023. MDAs implementation meeting on where to anchor the decision was held on 23rd January, 2019

Kenya Motorcycle Assemblers Regulation 2019

27. The draft has been sent to the National Treasury for their necessary action

Preferential Public Procurement

28. Letter to Head of Public service done with models suggestion on preferential procurement. A list of common use items has been shared by Department of Public Works.

Revitalization of Fabrication of Industrial Machinery and Parts

29. The Numerical Machining Complex (NMC) being revitalised to manufacture industry parts and accessories, specifically Sugar rollers and its accessories- 20 out of 100 targeted industrial parts manufactured for sugar industry;

30. Foundry Castings including Cement grinding media balls- 9 tons of foundry castings produced out of 40 tons foundry castings of media balls; Foundry Castings including Manufacture of Automotive parts and SGR parts- 15 ton of foundry castings (trailer undercarriage parts, automotive brake discs) manufactured out of 67 tons foundry castings;

31. Construct a Hot Dip Galvanizing Plant- has been planned to support fabrication of machinery and parts. The last component is necessary for delivery of the others but has not been funded.

Revitalization of Furniture sub-sector

32. Consultations with stakeholders in furniture sector has been concluded and proposals developed and submitted to the Secretariat of East African Community to facilitate harmonization of Common External Tariff (EAC-CET) to lower cost of production. Awaiting the negotiation process at EAC.

Revitalization of Cement Production

33. Cabinet Memo has been developed and submitted to facilitate restructuring of East African Portland Cement (EAPC Plc).

CHEMICALS AND MINERALS SECTOR

Revitalization of Pharmaceutical sub-sectors

34. A total of 2 Kenyan pharmaceutical firms have been certified by the World Health Organization (WHO) having met the Good Manufacturing Practices (GMP) requirements to manufacture and supply vaccines. There are a total of 68 pharmaceutical firms in EAC out of which 33 are in Kenya. Only 1 firm in Uganda is certified by the WHO having met the (GMP) requirements.

35. To promote competitive local pharmaceutical production, the Kenya Pharmaceutical Manufacturing Plan of Action 2018-2027 is being developed to support GMP and product diversification. Towards this, draft Cabinet memo done to open market access including EPZ manufacturing for domestic and regional market.

INDUSTRIAL PARKS AND ZONES:

Public Special Economic Zones (SEZs) and Industrial Parks (IPs)

36. Government has acquired land measuring one thousand acres (1,000) within Naivasha Sub-County for development of a Special Economic Zone (Industrial Park). The Industrial Park is expected to host an Inland Container Depot and other facilities such as Logistics and Warehousing, Processing and Manufacturing, Trading and Exhibition and Administrative facilities. There will also be an area set out for Living and Re-creation as detailed in the draft Master-plan.

37. Beside its operationalization, in order to implement the development of Naivasha SEZ, the Special Economic Zones Authority will require the following basic items requiring a total budget of Ksh. 174 Million for contracting a transaction advisor; investment promotion budget and Printing, Advertising, Information Supply & Services.

38. Mombasa Dongo Kundu (SEZ), 3000 Acres- Feasibility Study, Master Plan, Strategic Environmental & Social Impact, and Resettlement Action Plan was completed through JICA support in 2016. Detailed Designs and Off-site Infrastructure (power, water, roads) for the Phase I-Free Port/Free Trade Zone on-going through JICA.

- Cabinet passed a decision to kick start the development of Dongo Kundu. The Dongo Kundu SEZ is anticipated to host a Government owned Motor- Free Trade Zone in Mombasa targeting 100,000

vehicles. The Zone is anticipated to bring car markets to Mombasa away from Dubai and Japan to take advantage of local and regional market.

- The Dongo Kundu SEZ will further host the tea value addition and auction.

39. Lamu SEZ land has been earmarked by LAPSSET Corridor Development Authority (LCDA) and application for SEZ status in progress by Special Economic Zones Authority (SEZA). Konza Technopolis development of is already underway as ICT & Science Park and application for SEZ status in progress by SEZA. Further, Kengen Olkaria Industrial Park- 400 Acres earmarked and planning on-going.

Private Special Economic Zones (SEZs) and Industrial Parks (IPs)

40. These include Africa Economic Zones (SEZ) based in Eldoret, Uasin Gishu County which has been licensed and is under construction. Tatu City (SEZ) in Kiambu County licensed and is at advanced stage of development. It is already attracting investors (manufacturing, Real estate, Commercial, Schools and Hospitals). The others include Infinity Industrial Park, Nairobi; Tilisi Industrial Park, Kiambu; and Vipingo Industrial Parks, Kilifi.

MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES) DEVELOPMENT:

41. To facilitate provision of conducive environment for MSMEs, analysis of existing MSMEs policies has been done towards the development of a comprehensive MSME Policy Framework and Database to address MSMEs financing mechanisms, entrepreneurship, innovation and technology transfer promotion. The specific activities include capacity building through work sites, market linkages and financing. Some of the achievements are:

Construction and equipping of CIDCs

42. 70 CIDCs completed/developed/made operational/Equipped. Refurbishment of 20 CIDCs in 2016/2017 FY. Pending bills on the 20 CIDCs. The project is stalled due to non-allocation of resources. There is need to secure funding to continue in the development of theses CIDCs

Operationalization of MSE Fund

43. A Cabinet Memo has been developed requesting for provision of funds towards supporting the MSEs. MSEA has constituted a team to draft the regulations that will operationalize the fund

Kenya Industry and Entrepreneurship Project

44. The Kenya Industry and Entrepreneurship Project (KIEP) is a US$ 50 million World Bank funded project that will be implemented over a six year period. The Project will directly support SMEs to link to markets through subcontracting and creating local content; and attract private capital through performance improvements that will create a trickle-down demonstration effect with significant downstream impact.

45. The Project will fund select firms through performance contracts in order to:

    i. Strengthen the operations and business models of business incubators, accelerators, and technology skills providers in Kenya so they can improve their services to support entrepreneurship; and
    ii. Improve technology and managerial skills training for high-potential Small and Medium Enterprises (SMEs) to drive productivity gains.

46. Provision of affordable industrial credit of Ksh. 266.60 Million to MSMEs by Kenya Industrial Estates across sectors with a priority to Agro-processing, Leather, Textile, Wood & Wood products, Metal Fabrication, Construction Materials, and Chemical & Medicine Processing. Creating 8,175 new jobs and training of 30,279 SMEs on business skills.

47. In increasing access to industrial credit by SMEs, medium and large enterprises for growth and job creation, IDB Capital Ksh. 570.85 Million and ICDC have issued Ksh. 2.5 Billion.

Kenya Youth Employment and Opportunities Project (KYEOP)

48. Youth were issued with grants to start new businesses totaling to Ksh. 176.42 Million with 6,553 youth accessing grants.

Private sector development and investment observatory

49. The country attracted local and foreign investment of Ksh.220 Billion. EPZA recorded Ksh. 18 Billion worth of direct investments.

Standards, metrology, accreditation and of protection of industrial property rights

50. In a bid to increase certification and conformity assessment, KENAS assessed 120 conformity assessment bodies. Likewise, KEBS developed 650 new standards as it aimed to increase certification of goods and enhance protection of consumers. 537 new applications of patents, utility models and industrial designs processed in a bid to increase protection of intellectual property rights.

Annex II: Matrix of Budget implementation up to Third quarter for 2018/19

51. The State Department received a budget of Ksh. 2.73 Billion in Printed estimates against Ksh. 2.76 Billion in revised 1. The Expenditure to date is Ksh. 1.67 billion translating to 61% level of absorption.

Annex III: List of New Projects

52. The State Department has three new projects namely;

i. Kenya Industry and Entrepreneurship Project
ii. Trade Mark East Africa (TMEA) Support for Value Addition and Industrial Clusters for Agro processing, Fisheries and Textile sectors in Coastal Region (6 Counties)
iii. Development of various small Medium Enterprises in Kenya - IDB

Annex IV: List of projects and programmes linked to Big four Agenda

53. The State Department has 11 government funded projects and 3 donor funded projects. The ease of doing business program has since been transferred to Ministry of EAC. A number of other projects are in the pipeline.

ANNEX V: List of Stalled Projects

54. The State Department has 5 stalled projects including; E-platform Component of One Stop Centre, Development Dongo Kundu SEZ, Accreditation of motor vehicle inspection body building centres and

garages, Construction of Industrial Research, Laboratories, Nairobi, & Construction of auditorium at KITI.

ANNEX VI: LIST OF PENDING BILLS

55. The State Department has total pending bills amounting to Ksh. 248,009, 313. Included in the amount is an historical bill for McKnsey Consultancy of Ksh. 233,900,000. The remaining balance has been accrued in the last FY 17/18. The State Department had requested for **Kshs. 20M** in the Supplementary II Budget for clearing the Access to Government Procurement Opportunities (AGPO) and other pending Bills.

Annex VII: Information on Supplementary Estimates II

56. The State Department received a Recurrent budget of Ksh. 2.73 Billion in Printed estimates against Ksh. 2.76 Billion in revised 1 and Ksh. 2.99 Billion in Revised II. On the other hand, the development budget was Ksh. 4.29 Billion in Printed estimates against Ksh. 4.29 Billion in revised 1 and Ksh. 3.3 Billion in Revised II.

CHALLENGES AND EMERGING ISSUES

Challenges

Honourable Chairman

Despite the sector registering key success during the previous plan, it faced a number of challenges which include;

i. Infrastructure

57. The implementation of the Special Economic Zones and SMEs industrial parks requires huge provision of basic infrastructural facilities (including roads, power, and water) which are costly.

ii. Unavailability of Industrial land

58. The cost, availability and ownership of land are major constraint not only to domestic industrial investment but also to foreign direct investment inflows.

iii. Inadequate Skills and Capabilities in priority sectors

59. Currently, the Government has taken initiative to construct new technical training institutions where 60 are completed and 70 in progress. These training institutions lack adequate modern equipment for training resulting to skills gap that are detrimental to industrial development.

iv. **High cost and quality of energy and operations**

60. Unreliable and high cost of energy for industrial enterprises and MSMEs; high cost of labour and transport make the production costly lowering the competitiveness of the products in world market.

v. **Unfavorable Business Environment**

61. Attraction of foreign direct and domestic investments in the country has been hampered by the unfavorable business environment.

vi. **Access to financial services for industrial development**

62. Access to affordable long term financing for industrial enterprises and MSMEs has remained a challenge to MSMEs inhibiting their production and technological expansion.

vii. **Climate Change**

63. Climate change is one of the most serious global challenges of our time. Recurring drought and reduction in rainfall amount received leads to low supply of agricultural raw materials for processing and value addition.

viii. **Product Standards and Customer Preferences**

64. Rapidly changing consumer needs, preferences and quality requirements, both locally and internationally are causing a strain on many Kenyan manufacturers especially MSMEs.

ix. **Market Access**

65. Most of Kenya's manufactured products are facing stiff competition in the local, regional and global market due to high cost of production (high energy costs, inefficient production methods, inadequate and inefficient road, port and rail infrastructure systems, slow movement of cargo), non-compliance to international standards and non-tariff and imports of second-hand clothes, shoes and handbags.

x. **Counterfeit, Dumping and Substandard goods**

66. The counterfeit, sub-standard contraband and subsidized goods has continued to impact negatively on the locally produced goods.

xi. **Innovation and Technology Development**

67. Low technology utilization, low levels of innovation and use of outdated production systems has led to low productivity and competitiveness in the manufacturing sector.

xii. Export base and Value Addition

68. Kenya still exports primary, semi processed and a limited range of products due to limited technological capability and information on international markets opportunities.

xiii. Industrial subcontracting linkages

69. Limited enterprises' sub-contracting has been ongoing without an enabling policy framework. The absence of the policy has hindered the promotion and facilitation of industrial subcontracting among the large, medium, small and micro enterprises.

xiv. Waste Management

70. Increase in enterprises that are not using environmentally sound technologies and practises has led to increased levels of environmental degradation.

xv. Security

71. The perception of insecurity and threat of terrorism has led to investors shying away from investing in certain areas of the country including those with rich resource endowment.

xvi. Local content preferences

72. The implementation of the local content preferences is hindered by lack of an enabling legal framework, low compliance to standards by MSMEs, laxity in developing the list of goods and services that qualify for local content preferences.

xvii. Weak protection of indigenous knowledge

73. The weak protection of indigenous knowledge and patenting of intellectual property rights, inadequate research and innovation initiatives on natural products; and unfair and inequitable sharing of benefits accruing from commercialization of natural products.

Emerging Issues

74. The discovery of oil, gas and minerals reserves presents tremendous opportunity to promote petrochemical industries;

75. Compliance with international /and or national standards is critical in promoting fair competition in the domestic market and improving competitiveness in the global market; and

76. The huge potential in the Blue economy presents opportunities for exploitation through the manufacturing sector.

CONCLUSION

Honourable Chairman

77. The implication of the funding short fall FY 2019/2020 is that it will negatively impact on the capacity of the Ministry to deliver on its mandate. Specifically, this will;

a. Delay in achieving the targets under the Big Four Agenda for Manufacturing (contribution to the GDP growth and employment creation).
b. Delayed projects completion.
c. Increased project costs due to costs associated with delays and penalties.

78. While the Ministry has intensified resource and engagement with the private sector to support industrial programmes, the National Treasury is asked to raise the percentage allocation to at least 5.0% during supplementary towards 25.0% by 2022 mobilization from development partners.

79. **Hon. Chairman,** on behalf of my Ministry I wish to extend my appreciation for your continued support in our plan to achieve our mandate as well as articulating our agenda in the National Assembly and it is my prayer that this Departmental Committee of Parliament lobby for bridging of the funding shortfalls to allow us meet Kenya's manufacturing aspirations.

THANK YOU AND GOD BLESS YOU

HON. PETER MUNYA, MGH

CABINET SECRETARY.

STATE DEPARTMENT FOR INDUSTRIALIZATION

ANNEX I: The following Matrix represents the Performance of the key performance indicators and Targets for FY 2018/19

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
KLDC	Construction of Basic infrastructure facilities for Kenya Leather Park	% of completion of precast wall	100	70	N/A	Hampered by the need to redesign the entire facility as a result of flooding
		% completion rate of the CETP	50	24	100	
		No. of km of Internal roads upgraded to bitumen level within Kenanie Leather Park	8	0	5	
	Training and Capacity building through provision of common manufacturing facilities at Kariokor by KLDC	No. of SMEs / cobblers trained trained on leather goods design and manufacture	300	270	300	The targets is on progress
		No of machine operators trained.	15	15	20	
SEZA	Resettlement of squatters for Dongo Kundu land	No of squatters resettled for Dongo Kundu	Developed Action Plan	Action Plan developed	500	Progress hampered by lack of funds
	Establishment of the Special Economic Zones Authority	No. of staff recruited or seconded	2	9	30	
		No. of SEZ operation procedures developed	1	0	1	
	Acquisition of Land for Naivasha Industrial Park	No. of Land acquired	1000	1000	N/A	The offsite infrastructure will be provided by relevant Ministries & it includes: water, power, roads, railway, ICD. The Onsite infrastructure will be provided by the developer through PPP model
		Master Plan for the Industrial Park	1 report	1	N/A	

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
Manufacturing and Industrialization Services	Increased manufacturing contribution to GDP	% contribution of the manufacturing sector to the GDP	10	7.7	11	The sector's volume of outp expanded by 5.1 per cent ir 2018 from a contraction of (per cent in 201
	Development of Sectoral Policies.	No. of Sectoral Policies.	5	5	1	• Automotive Policy • Tea Acceleration Plan • Draft MSME Policy • Local Conte Policy • Investment Policy
	Increased export volumes through AGOA	Value of AGOA exports	40	41.6	50	
	Increase exports of manufactured goods	% increase in exports of manufactured good	10	13.7	20	Agro-processing played a key rol to
	County Resource endowment Mapping and Investment Profiling	No. of Counties Mapped and investments opportunities profiled	3	2	10	Kakamega County done
Business Environment and Private Sector Support Services	Improved Business Environment in Kenya in ranking index	Ease of Doing Business Index	80/189	61/189	50/189	The Mandate has been moved to Ministry of EAC & ASAL
	Increase innovation and productivity in select private sector firms	No of SMEs, Incubators and Accelerators upgraded	20	The project has been approved	80	Agreement signed awaiting the release of funds
		No of students trained on coding and soft skills	100		250	
Rivatex	Modernization of the Rivatex machinery and factory to	No of machines procured, installed and commissioned (machines for	6	6	N/A	Spinning From 1,000 kgs to 12,000 kgs yarn

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
	increase textile production	Spinning, Weaving preparation, Weaving and Processing sections)				Weaving preparation From 1,000 kgs to 12,000 kgs sized yarn Weaving From 3,000 metres to 40,000 metres of grey cloth Processing From 3,000 meters to 40,000 meters of dyed/printed fabrics
	Increased production of cotton through adoption of hybrid cotton production systems	Amount of subsidy on cotton production (In Ksh Million)	100	100	550	
		No of bales of cotton from ginneries	30,000	20,000	36,000	
		No of MOUs signed with county governments to supply cotton to RIVATEX	8	6	10	Negotiation underway to sign MOUs with 2 more Counties
		Amount of seed distributed to farmers (tonnes)	220		300	
		No of Acreage of land under cotton production	10,000		12,000	
EPZA	Increased investments in EPZs, exports, linkages and employment opportunities created	% completion of industrial warehouses constructed	80	70	100	Lack of funds hampered the progress
		No. of Operating Enterprises in zones	12	4	35	
		No. of Zones gazetted	4	3	11	
		No. of Employment opportunities created	6000	2,071	10,000	
		Increase in amount of Exports (Kshs. Millions)	3,500	12,400	15,000	
		Increase in amount	16,550	18,000	21,500	

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
		of Direct Investments (Kshs. Millions)				
		Increase in value of backward linkages created (Kshs. Millions)	2,560	1,468	4,800	
Ken Invest	Increased investment both domestic and foreign, investment promotion	Amount of investments (Local & Foreign) attracted (in Ksh billions)	220	220	220	
		No of investment projects proposals facilitated	25	19	40	
		No of investment fora conducted both local and international	8	6	8	
	Establishment of One Stop Centre	% Completion rate	100	100	N/A	
NMC	Increase in production of castings and manufacture of transmission parts	Production of castings (tonnes)	107	60.319	125	Underfunding to complete the foundry plant and workshop
		Manufacturing of transmission parts(pieces)	55,000	31,900	56,000	
KITI	Provision of Industrial Training at KITI	No of students trained on industrial skills	2,100	2,200	2,200	Students enrolment has expanded
	Construction of, Workshops, Classrooms and Ablution Block	% rate of completion	40	35	80	
KENAS	Accreditation of New conformity assessment bodies (Testing Laboratories, Calibration Laboratories, Medical Laboratories, Inspection	No of Conformity Bodies Assessed	134	120	164	Aimed at increasing certification and conformity assessment
		No. of New Conformity Assessment Bodies (CABs) accredited in housing, health, food/meat, Abattoirs, energy, transport and others sectors	30	28	30	
		No of awareness	100	170	100	

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
	Bodies and Certification Bodies)	programme conducted				
		No of assessors trained	40	35	45	
		No of Regulations/Criteria developed	10	7	8	
		Number of ballots made on ILAC/IAF documents Number of regional /international accreditation fora participated on	100	100	N/A	
		Undergo peer evaluation from (AFRAC, ILAC, IAF) to attain international recognition	3	3	3	
	Development of an Accreditation Bill/Act and associated regulations	Bill and Regulation developed	1	0	1	Draft Bill developed
EBS	Increase in number of Standards developed and reviewed, and products certified	No. of standards developed	680	650	700	Aimed at increasing certification of goods and enhancing protection of consumers
		No. of standards reviewed	670	620	800	
		No. of products certified under large firms	8850	7800	9000	
		No. of products certified under SMEs	2,450	2370	2,500	
I...PI	Increased registration of patents, utility models, industrial designs, trade marks	No. of applications of patents, utility models and industrial designs processed	785	537	800	Aimed at increasing the protection of intellectual properties
		No. trademarks processed	5100	37 83	5600	
IE	Promotion of industrial incubation, provision of industrial sheds and	Amount of industrial credit issued (Ksh million)	400	266.60	1,000	Aims at increasing support to the SMEs through finances, workspaces and incubation
		No of new and existing enterprises supported	600	504	2,000	

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
	financial support to SMEs by KIE	Increase in number of employment opportunities created (direct and indirect)	12,000	8175	18,411	
		No of SMEs trained on business skills	27,000	30,279	37,000	
		Increase in number of SMEs linkages to market created	1,500	1,139	1,500	
		No of SMEs incubated	310	165	340	
		Completion rate for the construction of Nairobi incubation centre	100%	79	N/A	
MSEA	Implementation of Kenya Youth Employment and Opportunities Project (KYEOP)	No of youth accessing grants	7,150	6,553	13637	Youth were issued with grants to started new businesses totaling to 176.42 Million
		No of youths accessing BDS	2099		4254	
		No of Youth Enterprises participating in Business plan competition	10,000	750	N/A	
		No of youths trained on business plan	N/A		1,500	
		No of youth business plan awarded	N/A		750	Business ideas and plans financed with between Ksh 900,000 and 3,600,000
	Complete construction and equipping of CIDCs	No of CIDCs constructed	N/A		110	
		No of CIDCs refurbished	N/A		13	
		No of Lathe machines distributed	20		40	
		No of lathe machines operators trained	40		80	
	Facilitate MSE	No of MSEs	700		1000	

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
	products Access to market at County, National and Regional market	accessing exhibitions and trade fairs				
	Construction and equipping of the MSE Center of Excellence at Kariobangi	% rate of completion	0		64	
	MSE products Competitiveness "Ufanisi wa bidhaa programme"	No. of MSEs products improved	0		30	
	Gazette MSE Act Regulations	No. of regulations gazette	2		N/A	
DB	Increase the amount of industrial credit to SMEs and create employment by IDB Capital	Amount of credit issued (in Ksh Billion)	1,000	570.85	1,000	Increasing access to industrial credit by medium enterprises for growth and job creation
		No. of jobs created	9,800	1306	9,900	
		No. of projects financed	20	26	30	
ICDC	Increase the amount of financing to medium and large enterprises	Amount of industrial credit issued (in Ksh million)	2,500		3,000	Increasing access to industrial credit by medium and large enterprises for growth and job creation
KIRDI	Increased use of industrial technologies and facilitate MSMEs growth	No. of Industrial technologies developed	5	4	10	Aimed at increasing productivity of SMEs through support measure of innovation, business development and provision of common manufacturing facilities
		No. of Industrial technologies transferred to SMEs	2	2	5	
		No of MSMEs product upgraded to international Standards through product development	20	15	25	

Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Target 2019/20	Remarks
		No. of MSMEs supported through Technology Incubation and Common Manufacturing Facilities	500	454	700	
	Upgrade of research laboratories infrastructure	% completion of Industrial Research, laboratories in Nairobi, South B	74	63.5	82	Insufficient funds allocated
		Number of Laboratories equipped with modern equipment at KIRDI Kisumu	Equip one (1) Food laboratory	Equipping process for the food laboratory is ongoing	Energy and Natural Products Laboratories	Procurement of the equipment for the food laboratory is ongoing
Planning, Finance and Administration	Monitoring and Evaluation	No. of M&E Report	2	2	2	
	Ministerial Programme Review	PPR Reports	1	1	1	
	Review Strategic Plan	Strategic plan 2018 -2022	1	1	0	
	MTEF Budget	Sub-Sector/sector report	1	1	1	
	Budget Preparation	Report	1	1	1	
	High Funds utilization level	% of funds utilization	100	85	100	
	Refurbishment of offices	No of Refurbished offices	1	0	1	

Annex II: Matrix of Budget implementation up to Third quarter for 2018/19

a) Recurrent

No.	Delivery Unit/ SAGAs	Printed Estimates 2018 - 2019 (Millions)	Revised 1 - 2018-2019 (Millions)	Expenditure / Disbursements as at 31st March 2019	% of Absorption
1.	Headquarters Operations	266.84	243.34	200.13	82.24
2.	Personnel Emoluments - Headquarters	400.00	434.70	304.00	69.93
3.	Numerical Machining Complex	142.68	139.91	101.93	72.86
4.	Kenya Leather Development Council	55.73	54.64	40.23	73.63
5.	Kenya Investment Authority	204.31	200.32	146.49	73.13
6.	Special Economic Zones Authority	9.27	9.08	6.81	75.00
7.	Scrap Metal	4.64	4.54	0	0
8.	Kenya Accreditation Services	143.87	141.65	81.49	57.53
9.	Kenya Industrial Estates	382.29	377.28	183.96	48.76
10.	Micro and Small Enterprise Authority	110.24	108.07	79.96	73.99
11.	Export Processing Zones Authority	283.34	283.27	2.45	75
12.	Kenya Industrial Research and Development Institute	572.64	561.71	401.78	71.53
13.	Kenya Industrial Training Institute	157.74	202.71	118.31	58.36
	TOTAL	**2,733.58**	**2,761.22**	**1,667.54**	**61**

b) Development

Name of the Project / Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Printed Estimates 2018 - 2019 (Mln)	Rev 1 Est (2018 - 2019)	Disbursements as at 31st March 2019 (2018-2019)	% Absorption	Remarks
Development of Leather Industrial Park Kenanie KLDC	Construction of Basic infrastructure facilities for Kenya Leather Park	% of completion of precast wall	100	70	400	400	200	50	Re designing of the whole facility as a result of flooding
		% completion rate of the CETP	50	24					
		No. of km of Internal roads upgraded to bitumen level within Kenanie Leather Park	8	0					
Development of Athi River Textile hub-EPZA	Increased investments in EPZs, exports, linkages and employment opportunities created	% completion of industrial warehouses constructed	80	70	820	820	410	50	Inadequate funding
		No. of Employment opportunities created	6000	2,071					
		Increase in amount of Exports (Kshs. Millions)	3,500	12,400					
		Increase in	16,550	18,000					

Name of the Project / Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Printed Estimates 2018 - 2019 (Mln)	Rev 1 Est (2018 - 2019)	Disbursements as at 31st March 2019 (2018-2019)	% Absorption	Remarks
		amount of Direct Investments (Kshs. Millions)							
Ease of doing business	Improved Business Environment in Kenya in ranking index	Ease of Doing Business Index	96/189	80/189	50	50	23.78	47.5	The Mandate has been moved to Ministry of EAC & ASAL
Construction of Industrial Research, Laboratories – KIRDI Kisumu	Upgrade of research laboratories infrastructure	% completion of Industrial Research, laboratories in Nairobi, South B	74	63.5	10	10	5	50	Insufficient funds
		% completion of Industrial Research, laboratories in Kisumu	70	80	100	100	50	50	Procurement of the equipment for the food laboratory is ongoing
	Incubation of SMEs	No. of MSMEs supported through	500	420					

Name of the Project / Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Printed Estimates 2018 - 2019 (Mln)	Rev 1 Est (2018 - 2019)	Disbursements as at 31st March 2019 (2018-2019)	% Absorption	Remarks
		Technology Incubation and Common Manufacturing Facilities							
RIVATEX	Modernization of the Rivatex machinery and factory to increase textile production	No of machines procured, installed and commissioned (Weaving Production & Spinning Machines)	9	7	1,334	784	730	54.7	The Donor Component of Ksh 604 Million has not been utilized
Provision of Finances to SMEs in Manufacturing sector KIE	Promotion of industrial incubation, provision of industrial sheds and financial support to SMEs by KIE	Amount of industrial credit issued (Ksh million)	400	266.60	300	300	300	100	Aims at increasing support to the SMEs through finances, workspaces and incubation
		Increase in number of employment opportunities created (direct and indirect)	12,000	8175					
		No of SMEs trained on business skills	36,000	30,279					
		Increase in number of	1,500	1,139					

Name of the Project / Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Printed Estimates 2018 - 2019 (Mln)	Rev 1 Est (2018 - 2019)	Disbursements as at 31st March 2019 (2018-2019)	% Absorption	Remarks
		SMEs linkages to market created							
		No of SMEs incubated	310	165					
Infrastructure and civil works development – KITI	Construction of, Workshops, Classrooms and Ablution Block	% rate of completion	40	35	300	175	0	0	Students enrolment has expanded
	Provision of Industrial Training at KITI	No of students trained on industrial skills	2,100	2,200					
Modernization of NMC's Foundry Plant & CNC & Fabrication Workshop - NMC	Increase in production of castings and manufacture of transmission parts	Production of castings (tonnes)	107	60.319	50	50	25	50	Underfunding to complete the foundry plant and workshop
		Manufacturing of transmission parts(pieces)	55,000	31,900					
Kenya Youth Empowerment and Opportunities Project (KYEOP)- MSEA	Implementation of Kenya Youth Employment and Opportunities Project (KYEOP)	No of youth accessing grants	7150		654	354	327	50	
		No of youths accessing BDS	2099						
		No of Youth Enterprises	10,000						

Name of the Project / Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Printed Estimates 2018 - 2019 (Mln)	Rev 1 Est (2018 - 2019)	Disbursements as at 31st March 2019 (2018-2019)	% Absorption	Remarks
		participating in Business plan competition							
		No of youths trained on business plan	N/A						
		No of youth business plan awarded	N/A						
Kenya Industry and Entrepreneurship Project (KIEP)	Increase innovation and productivity in select private sector firms	No of SMEs, Incubators and Accelerators upgraded	20	The project has been approved	0	0	0	0	Agreement signed awaiting the release of funds
		No of students trained on coding and soft skills	100						
Kenya Petroleum Technical Assistance Programme (KEPTAP)					180	180	89.99	49.9	The Project has been moved to Ministry of Energy
Cotton Development (RIVATEX) Subsidy and	Increased production of cotton through	Amount of subsidy on cotton production	100	100	100	100	100	100	Negotiation underway to sign MOUs with 2

Name of the Project / Delivery Unit	Key Out puts	Key Performance Indicators	Target Baseline 2018/19	Achievement 2018/19	Printed Estimates 2018 - 2019 (Mln)	Rev 1 Est (2018 - 2019)	Disbursements as at 31st March 2019 (2018-2019)	% Absorption	Remarks
Extension Support-Rivatex	adoption of hybrid cotton production systems	(In Ksh Million)							more Counties
		No of bales of cotton from ginneries	30,000	20,000					
		No of MOUs signed with county governments to supply cotton to RIVATEX	8	6					
		Amount of seed distributed to farmers (tonnes)	220						
		No of Acreage of land under cotton production	10,000						
Total					**4,298**	**3,323**	**2,261**	**68**	

STATE DEPARTMENT FOR INDUSTRIALIZATION

Annex III: List of New Projects

Project Name	Financing (Million)		Allocation2019/20 (Million)		Projection FY 2020/21 (Million)	
	GoK	Foreign	GoK	Foreign	GoK	Foreign
Kenya Industry and Entrepreneurship Project	515	5,150	0	180	50	180
Trademark	0	600	0	600		

Annex IV: List of projects and programmes linked to Big four Agenda

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks - Ongoing or New	Targets 2019/20
		Foreign	GoK	Start Date	Expected End Date			Foreign	GoK	Foreign	GoK	Foreign	GoK		
A.DRIVERS															
1.Development of Leather Industrial Park - **Kenanie-117500500**	4,409	0	4,409	1/7/2014	30/06/2022	1,680	2,729	0	400	0	2,729	0	100	On-going	Construction of Basic infrastructure facilities for Kenya Leather Park
2.Development of Athi River Textile hub- **EPZA-1175100600**	8,240	0	8,240	1/7/2014	30/06/2022	4,305	3,935	0	820	0	1,526	0	200	On-going	Completion of industrial warehouses

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks - Ongoing or New	Targets 2019/20
3.Modernization of **RIVATEX** Machinery - **1175101100**	6,000	3,000	3,000	1/7/2015	30/06/2022	3,750	2,250	604	730	604	1,040	604	0	On-going	Complete the modernization of the Rivatex machinery
4.Construction of Constituency Industrial Development Centres- **ESP MSEA-1175101200**	1,260	0	1,260	1/7/2014	30/06/2022	154	1,106	0	0	0	700	0	352	On-going	Complete construction and equipping of 123 CIDCs
5. Provision of Finances to SMEs in Manufacturing sector- **KIE-**	5,350	0	5,350	1/7/2015	30/06/2022	1,196	2,154	0	300	0	3,000	0	1,700	On-going	Industrial credit issued to SMEs across constituencies in

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
1175101300															
6. Modernization of NMC's Foundry Plant & CNC & Fabrication Workshop - **NMC-1175102300**	933	0	933	1/7/2018	30/06/2022	50	883	0	50	0	500	0	75	On-going	Production of castings (125 tonnes) & Manufacturing of transmission parts(56,000 pieces)
7.Cotton Development (**RIVATEX**)Subsidy and Extension Support-**117510270**	1,150	0	1,150	1/7/2017	30/06/2022	150	1,000	0	100	0	550	0	100	On-going	Increase cotton production through adoption of hybrid cotton

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks : Ongoing or New	Targets 2019/20
0															production systems
B. ENABLERS															
8.Contruction of Industrial Research, Laboratories – **KIRDI Kisumu-1175100900**	1,892	0	1,892	1/4/2011	30/06/2022	1,410	482	0	100	0	482	0	150	On-going	Equipping of Energy and Natural Product Laboratories
9.Construction of Industrial Research, Laboratories, Nairobi –**KIRDI South B-1175101000**	5,500	0	5,500	25/02/2013	30/06/2022	2,435	3,066	0	10	0	1,600	0	1,000	On-going	Achieve 82% completion rate of laboratories

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
10. Infrastructure and civil works development -**KITI-1175101500**	860	0	860	1/7/2017	30/06/2021	17	843	0	210	0	500	0	350	On-going	Completion of Auditorium, Installation of d solar water heating system, Acquisition of modern training equipment, Upgrade and expand drainage systems
11. Kenya Youth Empowerment and Opportunit	2,520	2,520	0	1/7/2016	30/06/2022	794	1,726	654	0	654	0	604	0	On-going	13,637 Youth accessing grants and

ies Project (**KYEOP**)-**1175102500**															4,254 youths accessing Business development services
12. Kenya Industry and Entrepreneurship Project **(KIEP)-117510290 0**	5,665	5,150	515	1/7/2018	30/06/2024	0	5,665	0	0	25	0	180	50	New Project	80 (SMEs, Incubators and Accelerators) upgraded and 250 students trained on coding and soft skills

Project Name	Est Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks – Ongoing or New	Targets 2019/20
13. Kenya Petroleum Technical Assistance Programme (**KEPTAP**)-**1175102000**	4,100	4,100	0	1/7/2016	30/06/2022	80	4,020	180	0	180	0	0	0	Transferred to MOE&P	The Component under SDI transferred to MOE&P
14. Development of Various SMES in Kenya - IDB Capital	1,500	1,500	0	1/7/2018	30/06/2022	0	1,500	0	0	950	0	550	0	On-going Credit from India	Amount of industrial credit issued to Medium enterprises for acquisition of technologies
15. Ease of doing business	850	0	850	1/7/2014	30/06/2022	587	263	0	50	0	0	0	0	Transferred to MEAC&NCD	The mandate has been transferred to MEAC&N

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
															CD
16. One stop shop centre - **KENINVEST**	250	0	250	1/7/2016	30/06/2021	46	204	0	0	0	100	0	0	Stalled	Project Not Funded
17. Dongo Kundu - **SEZA-1175100400**	6,620	0	6,620	1/7/2013	30/06/2022	237	6,383	0	0	0	1,000	0	0	Stalled	Project Not Funded
18. Accreditation of motor vehicle inspection body building Centres assemblers and garages - **KENAS**	613	0	613	1/7/2016	30/06/2021	75	538	0	0	0	238	0	0	Stalled	Project Not Funded

Project Name	Est Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks - Ongoing or New	Targets 2019/20
19. Establishment of Kajiado Leather Manufacturing Facility	3,235	0	3,235	1/7/2018	30/06/2022	0	3,235	0	0	0	300	0	0	New but unfunded	Project Not Funded
20. Kariakor Leather Cluster - Common Manufacturing Cluster	500	0	500	1/7/2019	30/06/2022	0	500	0	0	0	128	0	0	In pipeline	Project Not Funded
21. Nakuru Agro-processing Park	3,674	0	3,674	1/7/2019	30/6/2022	0	3,674	0	0	0	47	0	0	In pipeline	Project Not Funded
22. Kariobangi Centre of Excellence for SMEs	700	0	700	1/6/2019	30/6/2021	0	700	0	0	0	100	0	0	In pipeline	Project Not Funded
Total	**63,821**	**16,270**	**46,291**			**16,965**	**46,856**	**1,438**	**2,770**	**2,413**	**12,539.8**	**1,988**	**3,077**		

ANNEX V: List of Stalled Projects

Project Name	Est. Cost of Project (a) (Million)	Financing (Million)		Actual Cumulative Expenditure up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Requirements for 2019/20 Budget		% Completion rate as at June 2018	Measures taken to complete them by the State Department
		Foreign	GoK			Foreign	GoK		
1. E-platform Component of One stop shop centre	250	0	250	46	204	0	100	18	Request for Funding in the next MTEF period
2. Dongo Kundu	6,620	0	6,620	237	6,383	0	1,000	3.5	Request for Funding in the next MTEF period and engaged Development Partners for funding
3. Accreditation of motor vehicle inspection body building Centres and garages	613	0	613	75	538	0	238	12	Request for Funding in the next MTEF period
4. Construction of Industrial Research, Laboratories, Nairobi	5,500	0	5,500	2,435	3,066	0	1,000	Achieve 82% completion rate of laboratories	Only Kshs. 10 million
5.Construction of auditorium at KITI	50	0	50	0	0	0	50	nil	Lack of budget provision.

ANNEX VI: LIST OF PENDING BILLS

	NAME OF SUPPLIER	SERVICE/GOODS DELIVERED	YEAR INCURRED	OUTSTANDING AMOUNT	REASON FOR PENDING BILLS
1	LATYA VENTURES GENERAL	Motor vehicle maintenance	2017-2018	270,000.00	Insufficient provision in the Budget
2	STIMAL OFFICE SUPPLIES	Computer accessories	2017-2018	433,550.00	Insufficient provision in the Budget
3	FIRST OPTION LTD	Computer accessories	2017-2018	1,000,000.00	Insufficient provision in the Budget
4	MULTICHOICE AFRICA LTD	Communications	2017-2018	8,388.00	Insufficient provision in the Budget
5	TELCARE SOLUTION	General office supplies	2017-2018	385,000.00	Insufficient provision in the Budget
6	FINE TOUCH SOLUTION	Computer Accessories	2017-2018	343,200.00	Insufficient provision in the Budget
7	JADEY OFFICE SOLUTIONS	General office supplies	2017-2018	624,000.00	Insufficient provision in the Budget
8	MUMTEJOH TRADERS	General office supplies	2017-2018	285,000.00	Insufficient provision in the Budget
9	TELCARE SOLUTION	General office supplies	2017-2018	72,000.00	Insufficient provision in the Budget
10	EASTERN AND SOUTHERN INSTITUTE	Training	2017-2018	226,600.00	Insufficient provision in the Budget
11	KENBAN ENTERPRISE	Motor vehicle maintainance	2017-2018	528,960.00	Insufficient provision in the Budget
12	PAGO AIRWAYS	Air Travel	2017-2018	29,900.00	Insufficient provision in the Budget
13	KABOLA WORKSHOPS	Motor vehicle maintainance	2017-2018	181,295.00	Insufficient provision in the Budget

	NAME OF SUPPLIER	SERVICE/GOODS DELIVERED	YEAR INCURRED	OUTSTANDING AMOUNT	REASON FOR PENDING BILLS
14	RACHNNON ENTERPRISES	General office supplies	2017-2018	220,200.00	Insufficient provision in the Budget
15	TELCARE SOLUTION	General office supplies	2017-2018	62,400.00	Insufficient provision in the Budget
16	KENYA SCHOOL OF GVT	Conference/Training	2017-2018	327,120.00	Insufficient provision in the Budget
17	DENITA LTD	Computer accessories	2017-2018	110,000.00	Insufficient provision in the Budget
18	NETCOM COMPUTER SYSTEM	Computer accessories	2017-2018	380,000.00	Insufficient provision in the Budget
19	MUTHOROKWE GENERAL	Computer accessories	2017-2018	500,000.00	Insufficient provision in the Budget
20	CLASYCOM COMMERCIAL	Computer accessories	2017-2018	550,000.00	Insufficient provision in the Budget
21	KIGAMA ENTERPRISES	Computer accessories	2017-2018	300,000.00	Insufficient provision in the Budget
22	NATTYNA ENTERPRISES	General Office Supllies	2017-2018	294,000.00	Insufficient provision in the Budget
23	MEIMET MERCHANTS	Motor vehicle maintainance	2017-2018	580,000.00	Insufficient provision in the Budget
24	SHABBY GENERAL	Computer accessories	2017-2018	615,000.00	Insufficient provision in the Budget
25	TRENDMART GENERAL	Tyres	2017-2018	219,000.00	Insufficient provision in the Budget
26	SOFTLIGHT ENTERPRISE	Computer accessories	2017-2018	600,000.00	Insufficient provision in the Budget
27	TRENDY TECHNOLOGIES	Tyres	2017-2018	948,800.00	Insufficient provision in the Budget

	NAME OF SUPPLIER	SERVICE/GOODS DELIVERED	YEAR INCURRED	OUTSTANDING AMOUNT	REASON FOR PENDING BILLS
28	TRENDY TECHNOLOGIES	Motor Vehicle Batteries	2017-2018	358,200.00	Insufficient provision in the Budget
29	PAGO TRAVEL	Air Travel	2017-2018	19,405.00	Insufficient provision in the Budget
30	SOFTLIGHT ENTERPRISE	Motor vehicle maintainance	2017-2018	793,200.00	Insufficient provision in the Budget
31	VERNLINK GENERAL	Computer accessories	2017-2018	440,000.00	Insufficient provision in the Budget
32	JORAKI VENTURES	General Office Supplies	2017-2018	440,000.00	Insufficient provision in the Budget
33	SANAWA ENTERPRISE	General Office Supplies	2017-2018	110,000.00	Insufficient provision in the Budget
34	RHAMJI H DEVANI	Fuel	2017-2018	889,295.00	Insufficient provision in the Budget
35	TELCARE SOLUTIONS	General office	2017-2018	60,000.00	Insufficient provision in the Budget
36	KIMMAR GENERAL MERCHAN	General office	2017-2018	570,000.00	Insufficient provision in the Budget
37	FRAVIC SUPPLIES	General office	2017-2018	334,800.00	Insufficient provision in the Budget
	HISTORICAL PENDING BILL				
38	MACKENZIE CONSULTANCY	Consultancy	2013-2014	233,900,000.00	Insufficient provision in the Budget However, funds are available in Supplementary II
	TOTAL			**248,009,313.00**	

Strategies for Clearing the Pending Bills

The State Department had requested for **Kshs. 20M** in the Supplementary II Budget for clearing the Access to Government Procurement Opportunities (AGPO) and other pending Bills.

Annex VII: Information on Supplementary Estimates II

A) Recurrent

No.	Delivery Unit/ SAGAs	Printed Estimates 2018 - 2019 (Millions)	Revised I Estimates- 2018-2019 (Millions)	Revised II Estimates 2018-2019 (Millions)	Remark
1.	Headquarters Operations	266.84	243.34	243.34	The funds are used for rent, utilities, field offices and general office operations for all the departments under industry.
	Mackenzie-	0	0	233.9	This provision will be used for clearing Historical Pending bill
2.	Personnel Emoluments - Headquarters	400.00	434.70	434.70	The increase is due to leave allowance and special duty allowance to the staff acting on higher job groups.
3.	Numerical Machining	142.68	139.91	139.91	The funds are used for personnel emoluments,

No.	Delivery Unit/ SAGAs	Printed Estimates 2018 - 2019 (Millions)	Revised I Estimates- 2018-2019 (Millions)	Revised II Estimates 2018-2019 (Millions)	Remark
	Complex				board of directors allowances, rent, utilities, field offices and general office operations
4.	Kenya Leather Development Council	55.73	54.64	54.64	The funds are used for personnel emoluments, board of directors allowances, rent, utilities, field offices and general office operations
5.	Kenya Investment Authority	204.31	200.32	200.32	The funds are used for personnel emoluments, rent, utilities, field offices and general office operations
6.	Special Economic Zones Authority	9.27	9.08	9.08	The funds are used for rent, utilities, board of directors allowances and general office operations
7.	Scrap Metal	4.64	4.54	4.54	Awaiting exchequer to transfer to the council.
8.	Kenya Accreditation Services	143.87	141.65	141.65	The funds are used for personnel emoluments, board of directors

No.	Delivery Unit/ SAGAs	Printed Estimates 2018 - 2019 (Millions)	Revised I Estimates- 2018-2019 (Millions)	Revised II Estimates 2018-2019 (Millions)	Remark
					allowances, rent, utilities, field offices and general office operations
9.	Kenya Industrial Estates	382.29	377.28	377.28	The funds are used for personnel emoluments, board of directors allowances, rent, utilities, field offices and general office operations
10.	Micro and Small Enterprise Authority	110.24	108.07	108.07	The funds are used for personnel emoluments, board of directors allowances, rent, utilities, field offices and general office operations
11.	Export Processing Zones Authority	283.34	283.27	283.27	The funds are used for personnel emoluments, board of directors allowances, rent, utilities, field offices and general office operations
12.	Kenya Industrial Research and Development	572.64	561.71	561.71	The funds are used for personnel emoluments, board of directors

No.	Delivery Unit/ SAGAs	Printed Estimates 2018 - 2019 (Millions)	Revised I Estimates- 2018-2019 (Millions)	Revised II Estimates 2018-2019 (Millions)	Remark
	Institute				allowances, rent, utilities, field offices and general office operations
13.	Kenya Industrial Training Institute	157.74	202.71	202.71	There is an increase of AIA to 30 million from 17 Million due to increased number of students
	TOTAL	**2,733.58**	**2,761.22**	**2,995.11**	

B) Development

S/No.	Name of the Project / Delivery Unit	Printed Estimates 2018 – 2019 (Millions)	Revised I Estimates- 2018-2019 (Millions)	Revised II Estimates 2018-2019 (Millions)	Remark
1.	Development of Leather Industrial Park Kenanie-KLDC	400	400	400	The funds will be used to construct the leather park.
2.	Development of Athi River Textile hub- EPZA	820	820	820	The funds will be utilised for expansion of industrial hubs.
3.	Ease of doing business	50	5	25.022	Moved to MEAC&NCD revised II allocation to cater for the pending bills
4.	Construction of Industrial Research, Laboratories – Nairobi South B	10	10	10	Construction of South B KIRDI building
5.	Construction of Industrial Research, Laboratories – KIRDI Kisumu	100	100	100	Equipping laboratories in Kisumu
6.	RIVATEX Machinery Modernisation (GOK)	730	730	730	Modernization of Rivatex plant
7.	RIVATEX Machinery Modernisation(DONOR)	604	604	54	There is need to reinstate the allocation to 604M since machinery has already been procured.
8.	Provision of Finances to SMEs in Manufacturing sector -KIE	300	300	300	For provision of credit to SMEs

S/No.	Name of the Project / Delivery Unit	Printed Estimates 2018 – 2019 (Millions)	Revised I Estimates- 2018-2019 (Millions)	Revised II Estimates 2018-2019 (Millions)	Remark
9.	Infrastructure and civil works development -KITI	300	300	175	The funds are for construction of female hostels at KITI
10.	Modernization of NMC's Foundry Plant & CNC & Fabrication Workshop - NMC	50	50	50	The funds will be used to expand the foundry.
11.	Kenya Youth Empowerment and Opportunities Project (KYEOP)- MSEA	654	654	354	The allocation needs to be increased to enable credit access to the youth.
12.	Kenya Industry and Entrepreneurship Project (KIEP)	0	0	124.9	This is new project with 100M donor component and 24.9M counterpart funding
13.	Kenya Petroleum Technical Assistance Programme (KEPTAP)	180	180	60	Moved to MOE&P revised II allocation to cater for the pending bills. However, the allocation is insufficient to clear pending bills.
14.	Cotton Development (RIVATEX) Subsidy and Extension Support-Rivatex	100	100	100	The funds are for cotton development and extension support.
	Total	**4,298**	**4,298**	**3,303**	

EPZA PROJECT STATUS

APPENDIX I

S/NO	BUDGET LINE	DETAILS/REMARKS	STATUS at June 2018	Status as at 31 March 2019	Remaining Work	PROJECT COST	TOTAL EXPENDED TO DATE	BALANCE	Project Target/completion	Tangible Targets and expected delivery timelines	Challenges and Interventions required
	TEXTILE & APPAREL DEVELOPMENT										
A	A: Development of Industrial Buildings for Manufacturing Investment Promotion										
1	Construction of 43,832 Square Meters of New Industrial Sheds	EPZA Tender No. 04/2014-2015 Contracted Party - China National Aero Technology International Corporation (CATIC) Location - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	Ongoing Large Industrial Sheds: 98% complete for 8 units in Cluster 2 & 3 - building works practically complete; Roofing completed; Civil works at 70% for Cluster 2 and 50% for Cluster 3; 90% complete for 8 units in Cluster 1 & 4 - building works practically complete; Roofing & Finishes nearing completion; Civil Works pending. SME Sheds 90% complete overall for 4 units and awaiting completion of civil works; 80% complete overall for remaining 4 units. Roofing & Finishes ongoing.			1,367,710,473	1,041,080,479	326,629,994	a] Expected completion date - 30th June 2018 b] Expected occupancy - 100% leased as at 30th June 2018	Following Investment Attracted: 1. Stretchline EPZ Limited Country of origin - Hong Kong Investment value - Kshs. 1.4B Nature of Business - Textile Accessories No. of jobs to be created - 1,279 2. Hela Intimates EPZ Limited - already operational Country of origin - UK/Sri Lanka Investment Value - Kshs. 1B Natue of Business - Textiles No. of jobs to be created - 3,000 3. Tensenses EPZ Limited - already operational Country of origin - Poland Investment Value - 0.592B Nature of business - Agro processing No. of jobs to be created - 1,795 with a further 100,000 indirect jobs to be created [currently indirect jobs created are 30,000] 4. JF&I EPZ Limited Country of origin - Sri Lanka Investment Value - 0.2B Nature of business - Packaging for textiles No. of jobs created - 200 5. Naturub EPZ Limited - Country of origin - Sri Lanka Investment value - 0.3B Nature of business - Apparels No. of jobs created - 200	Delay in the completion due to the delay in remittance of funds by Treasury Increase in project costs due to delayed funding
B	B: Development of Infrastracture to facilitate Conducive manufacturing Environment for export oriented Investments										
	i) Construction of Internal access roads within the EPZs Zones										

1	**Construction of 6 Kms of new Paved Roads (Lot 2)**	**EPZA Tender No.** 02/2014-2015 **Contracted Party -** Aridlands Construction Co. Ltd. **Location -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 98% complete overall. Currently completing drainage and pedestrian pavements;			502,464,180	419,154,503	83,309,677	Expected completion date - FY 2017/2018	Opening up the inaccessible parts of the zone to be leased out to new investors. New enterprises and investments attracted are; 1. Meru Greens EPZ Limited 2. Farmica EPZ Limited 3. Growthpoint EPZ Limited 4. Kenmeat EPZ Limited 5. Square Pharmaceutical EPZ Limited 6. China International Investment EPZ Limited 7. T3 EPZ Limited 8. Tunasco EPZ Limited 9. Kentegra EPZ Limted 10. Hong Ren EPZ Limited 11. Convex Logistics EPZ Limited	Delay in the completion due to the delay in remittance of funds by Treasury Increase in project costs due to delayed funding
2	**Roads (Lot 2 completion, repairs and maintenance of old roads)**	**EPZA Tender No.** 26/2015-2016 **Contracted Party -** Aridlands Construction Co. Ltd. **Location -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 75% complete;			146,272,981	90,377,145	55,895,836			
3	**Construction of 3 Kms of new Paved Roads (Lot 1)**	**Ongoing** 75% complete;	**Ongoing** 98% complete overall. Currently completing drainage and pedestrian pavements;			245,924,954	245,924,954	0			
	ii) Development of Sewer and Water Reticulation Infrastracture at EPZ manufacturing Zone										
1	**Construction of 8.3 Kms of new Water Supply and Distribution Pipeline and 6,500 Cubic Meters Storage Tank**	**EPZA Tender No.** 03/2014-2015 **Contracted Party -** Hirola Investments Ltd. **Location -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 98% complete. Currently addressing snags on water tank;			384,684,455	346,216,010	38,468,446	Expected completion date - FY 2017/2018	When completed and operational, the zone will have additional water storage to mitigate the current supply challenges.	Currently addressing the snags on the water tank. Water storage testing ongoing

2	**Construction of 7.5 Kms long Trunk Sewer for Phase II Lot 3 at Athi-River Textile Hub**	**EPZA Tender No.** 03/2016-2017 **Contracted Party -** Dexterous Limited **Location -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 30% complete;			213,278,865	72,223,000	141,055,865	Expected completion date - FY 2017/2018	When completed and operational, it will connect new enterprises that have set up in an unserved part of the zone to the main sewer line which emits to the treatment plant in Kinanie.	Delay in the completion due to the delay in remittance of funds by Treasury Increase in project costs due to delayed funding f
	iii) Protection and Securing of the EPZ Manufacturing Zone										
1	**Construction of 8 Km long Pre-cast Concrete fencing to upgrade security at the Athi-River Textile Hub**	**EPZA Tender No.** 03/2016-2017 **Contracted Party -** Atticon Limited **Location -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 30% complete;			165,281,887	65,499,690	99,782,197	FY 2018/2019	Improved security within the zone and increase investor confidence.	
2	**Civil Works (Perimeter Fencing, Gate/Guard House, Road Works and Drilling of Borehole**	**EPZA Tender No.** EPZA/03/2015/2016 **Contracted Party -** Isfahan Contractors Ltd. **Location -** Samburu EPZ Industrial Park (Kwale County)	**Completed** Box Culverts to be procured separately due to contract expiry before variation;			51,424,543	48,853,316	2,571,227	FY 2017/2018	Secured the parcel of land. Received interest from prospective investors who are interested in setting up at Samburu but unable to set up due to lack of infrastructure.	Budgeted for infrastructure development amounting to Kshs. 3B in FY 2019/2020
3	**Decommissioning of dumpsite and Construction of Other Civil Works at Athi-River EPZ**	**EPZA Tender No.** 12/2016-2017 **Contracted Party -** Marcann Contractors Co. Ltd. **Location -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 20% complete;			150,260,710	31,810,320.0	118,450,390	FY 2018/2019	It will improve the environment in and around the zone to ensure compliance with international environmental laws and protocols.	Project ongoing and it is at the initial stages.
4	iii) Enhancement of Textile Sector Competitiveness										
2	**Feasibility Study, Business Case & Technical Advice for Textile and Apparel Skills and Productivity Resource Center**	**EPZA RfP No.** 04/2015-2016 **Contracted Party -** Gherzi Consultants (India) in JV with Voyants (Kenya) **Coverage -** Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 70% complete. MOU signed with NITA for roll-out;			29,535,251	11,040,927	18,494,324	Expected completion date - FY 2019/2020 Train 10,000 women and youth per year Target 50,000 trained women and youth by 2022	MOU signed with NITA for roll-out of training programs. So far 10,000 women and youth have been trained to increase their technical skills in textile production.	

3	**Partitioning, Fit-out and Equipping of Textile and Apparel Skills and Productivity Resource Center**	**EPZA Tender No.** 27/2015-2016 **Contracted Party** - Charwins Ltd. **Location** - Athi-River Textile Hub (Athi-River EPZ, Machakos County)	**Ongoing** 65% complete; See attached project report and photos			20,330,875	5,005,999.50	15,324,876	Expected Completion date FY 2018/19	Set up an EPZ training centre at the zone rather than outsourcing. [refer above] This will help new investors in textiles source skilled labourers and improve the technical skills of the current textile manufacturers in the zone	
4	**Branding, Communications and Marketing Consultancy**	**EPZA/RFP/02/2015-2016** **Contracted Party** - True North Associates & Transcend Media Group (TMG) **Coverage** - National, Regional & International	**Ongoing** 80% complete. New Brand Identity developed for EPZA and Kenya Leather Park. New Branding, Communications & Marketing Strategy developed for EPZA			21,619,200	7,855,996	13,763,204	Expected completion date 2018/19 Increased investment in exports from the current Kshs. 34B to Kshs. 100B by 2022	Create an increased awareness of the EPZ Program in the country to attract more investors.	
	Sub-Total (i)					**3,298,788,374**	**2,385,042,339**	**913,746,035**			
	LEATHER DEVELOPMENT										
1	**Design & Construction Supervision of modern Common Effluent Treatment Plant (CETP) at the Kenya Leather Park**	**EPZA Tender No.** EPZA Tender No 17/2014-2015 **Contracted Party** - Shah Technical Consultants Pvt Ltd. (India) & Intergrated Science & Engineering Projects Ltd. (Kenya) - Joint Venture **Location** - Kenya Leather Park (Kinanie EPZ), Machakos County)	**Ongoing** 60% complete;			59,011,334	44,394,799	14,616,535	Expected completion date 2020/21	Increase capacity of the treatment plant to cater for more customers especially large manufacturing industries effluent at the zone. In recent years, the number of new manufacturing enterprises has increased demand for treatment of industrial effluent such enterprises include meat processing e.g. Kenmeat; agro processing e.g. Meru Greens; pharmaceutical industries e.g. Square Pharmaceuticals etc. Attract leather sector investment at the leather park such investment requires special effluent/waste treatment processes. The consultancy in design and construction and supervision of CETP informed the model approach applicable in	The modern CETP project was temporarily put on hold in order to improve the master plan so as to widen the scope.

2	**EPC Contract for Construction of modern Common Effluent Treatment Plant (CETP) and Associated Infrastructure at the Kenya Leather Park**	**KLP/KLDC-EPZA Tender No.** 1/2016-2017 **Contracted Party -** EPCO Builders Ltd. at Kshs. 2,265,324,233.33 (EPZA contribution at 50%) **Location -** Kenya Leather Park (Kinanie EPZ), Machakos County)	**Ongoing** 10% complete; Detailed design stage; See attached project report and photos			1,132,662,117	67,959,727	1,064,702,390	Expected completion date 2020/21	development/construction of modern CETP and associated infrastructure at the Kenya Leather Park. Consruction of CETP has attracted investments in leather sector and waste recycling e.g. Sanergy Limited located at Kinanie. Rehabilitation of the ETP was a temporary traditional control measure on the waste treatment plant so as to manage the increasing capacity before the modern CETP plant is developed.	
3	**Rehabilitation of Trunk Sewer and Kinanie ETP infrastructure**	**EPZA Tender No.** EPZA Tender No. 16/2014-2015 **Contracted Party -** Northern Star Company Ltd. **Location -** Kenya Leather Park (Kinanie EPZ), Machakos County)	**Completed**			211,442,879	211,442,879	0		This project is complete.	
4	**Construction of 0.7 Kms of Paved Road, Pedestrian Walk-way, drainage and Streetlighting at Kinanie ETP Site**	**EPZA Tender No. Roads -** EPZA Tender No. 07/2014-2015 **Contracted Party -** Pinnie Agencies Ltd. **Location -** Kenya Leather Park (Kinanie EPZ), Machakos County)	**Completed**			51,514,830	51,210,021	304,809		Opening up the inaccessible parts of the zone to facilitate new development within the leather park.	
5	**Construction of Kenya Leather Park Internal Access Roads and Civil Works**	**EPZA Tender No. Roads -** EPZA Tender No. 29/2016-2017 **Contracted Party -** Marcann Contractors Co. Ltd. **Location -** Kenya Leather Park (Kinanie EPZ), Machakos County)	**Ongoing** 98% complete; Drainage works ongoing;			146,111,497	136,324,196	9,787,301	Expected Completion date FY 2018/19	Opening up the inaccessible parts of the zone to facilitate new development within the leather park.	The project is 98% complete awaiting release of the allocation for FY 2018/2019 to pay the balance
6	**Drilling and equipping of one borehole at the Kinanie Leather Industrial Park**	**EPZA Tender No.** EPZA Tender No. 10/2014-2015 **Contracted Party -** Tibyaan Enterprise Ltd. **Location -** Kenya Leather Park (Kinanie EPZ), Machakos County)	**Completed**			8,121,386	8,121,386	0		Alternative source of Water supply	

7	**Drilling and equipping of 2x boreholes at the Kinanie Leather Industrial Park**	**EPZA Tender No.** EPZA Tender No. 11/2014-2015 **Contracted Party** - Pinnie Agencies Ltd. **Location** - Kenya Leather Park (Kinanie EPZ), Machakos County)	**Completed**			16,311,391	16,311,391	0		[illegible]	
8	**Design & Construction Supervision of Water Supply, Storage and Distribution Infrastructure at the Kenya Leather Park**	**EPZA Tender No.** EPZA RFP No. 01/2016-2017 **Contracted Party** - Kiri Consult Ltd. **Location** - Kenya Leather Park (Kinanie EPZ), Machakos County)	**Ongoing** 70% complete;			54,357,600	18,169,920	36,187,680		When completed and operational, the zone will have additional water storage to mitigate the current supply challenges.	Delay in the completion due to the delay in remittance of funds by Treasury Increase in project costs due to delayed funding
	Sub-Total (ii)					**1,679,533,034**	**553,934,318**	**1,125,598,716**			
	GRAND TOTAL					**4,978,321,408**	**2,938,976,658**	**2,039,344,750**			

ANNEX V

Contribution of the State Department of Co-operatives to the "Big Four" Agenda

The SDC projects are linked to the Big Four Agenda as drivers or enablers.

i.Manufacturing:

•The government through the SDC is promoting ago-processing by co-operatives to enhance value addition and returns to members.

ii.Food Security and Nutrition:

•The SDC is supporting agricultural co-operatives including dairy, coffee, cotton and horticulture through good governance and infrastructural support.

•In addition, NKCC plays a strategic role/duty by absorbing excess milk from small growers when there is a glut and turning it into powder and storing it as a strategic food reserve.

Contribution of the State Department of Co-operatives to the "Big Four" Agenda Cont…

iii. Universal health coverage:

- SACCOs provide affordable credit and medical insurance to members to access health care and other social services

iv. Affordable Housing:

- The State department is strengthening Housing and Investments Co-operatives to participate in provision of decent low cost and affordable housing.
- The Co-operatives is targeting 25% of the national target of 500,000 units by 2022.

The table below shows the budgetary implementation of the above targets (Number 2) achieved as at 31 March 2019(third quarter of FY 2018/19).It gives a percentage of the cumulative expenditure against the Approved Estimate.

Sub-program	Delivery Unit/Department	Approved Budget FY 2018/19 (Sup I)	Expenditure and Commitments			Balance	Remarks.
			As at 3rd Quarter (31st March 2019)	[4]As at mid May 2019	Absorption percentage		
Domestic Trade Development	Internal Trade	88.9	55.6	74.5	83.8%	14.4	The major balance is on Compensation to Employees.
Fair Trade and Consumer Protection	Weights and Measures	73.1	36.7	55.2	75.5%	17.9	The major balance is on Compensation to Employees.
	Anti-Counterfeit Agency (ACA)	434.8	224.9	434.8	100%	0	-
	Kenya Consumer Protection Advisory Committee (KECOPAC)	39.5	29.5	38.0	96.2%	1.6	-
Export Market Development	Export Promotion Council	277.3	254.3	322.4	116.3%	0	-
Regional Economic Intergration Initiatives.	Regional Trade and Exports	165.5	64.0	89.3	53%	76.3	The major balance is on Development Vote KOMEX project.
Entrepreneurial and management	Kenya Institute of Business Training (KIBT)	182.8	59.4	75.1	41.1%	107.8	Of the balance, Kshs. 81 Million for the

[4]Expenditure as at mid-May 2019 shows an increase of utilization of funds as compared to performance as at 31st March 2019, a great improvement from the performance as at 3rd quarter.
As at Mid May 2019, the expected absorption rate is 87.5%, however SDT absorption rate was at 79.6% this was majorly attributed to low absorption of funds in a number of items.

Annex IV: List of projects and programmes linked to Big four Agenda

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp Up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
		Foreign	GoK	Start Date	Expected End Date			Foreign	GoK	Foreign	GoK	Foreign	GoK		
A.DRIVERS															
1.Development of Leather Industrial Park - **Kenanie-117500500**	4,409	0	4,409	1/7/2014	30/06/2022	1,680	2,729	0	400	0	2,729	0	100	On-going	Construction of Basic infrastructure facilities for Kenya Leather Park
2.Development of Athi River Textile hub- **EPZA-1175100600**	8,240	0	8,240	1/7/2014	30/06/2022	4,305	3,935	0	820	0	1,526	0	200	On-going	Completion of industrial warehouses

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
3.Modernization of **RIVATEX** Machinery - **1175101100**	6,000	3,000	3,000	1/7/2015	30/06/2022	3,750	2,250	604	730	604	1,040	604	0	On-going	Complete the modernization of the Rivatex machinery
4.Construction of Constituency Industrial Development Centres- **ESP MSEA-1175101200**	1,260	0	1,260	1/7/2014	30/06/2022	154	1,106	0	0	0	700	0	352	On-going	Complete construction and equipping of 123 CIDCs
5. Provision of Finances to SMEs in Manufacturing sector- **KIE-**	5,350	0	5,350	1/7/2015	30/06/2022	1,196	2,154	0	300	0	3,000	0	1,700	On-going	Industrial credit issued to SMEs across constituencies in

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remark Ongoing or New	Targets 2019/20
1175101300															
6. Modernization of NMC's Foundry Plant & CNC & Fabrication Workshop - **NMC-1175102300**	933	0	933	1/7/2018	30/06/2022	50	883	0	50	0	500	0	75	On-going	Production of castings (125 tonnes) & Manufacturing of transmission parts(56,000 pieces)
7.Cotton Development (**RIVATEX**)Subsidy and Extension Support-**117510270**	1,150	0	1,150	1/7/2017	30/06/2022	150	1,000	0	100	0	550	0	100	On-going	Increase cotton production through adoption of hybrid cotton

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
0															production systems
B. ENABLERS															
8.Contruction of Industrial Research, Laboratories – **KIRDI Kisumu-1175100900**	1,892	0	1,892	1/4/2011	30/06/2022	1,410	482	0	100	0	482	0	150	On-going	Equipping of Energy and Natural Product Laboratories
9.Construction of Industrial Research, Laboratories, Nairobi –**KIRDI South B-1175101000**	5,500	0	5,500	25/02/2013	30/06/2022	2,435	3,066	0	10	0	1,600	0	1,000	On-going	Achieve 82% completion rate of laboratories

Project Name	Est. Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo 2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
10. Infrastructure and civil works development -**KITI-1175101500**	860	0	860	1/7/2017	30/06/2021	17	843	0	210	0	500	0	350	On-going	Completion of Auditorium, Installation of d solar water heating system, Acquisition of modern training equipment, Upgrade and expand drainage systems
11. Kenya Youth Empowerment and Opportunit	2,520	2,520	0	1/7/2016	30/06/2022	794	1,726	654	0	654	0	604	0	On-going	13,637 Youth accessing grants and

Project Name	Est Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
ies Project (**KYEOP**)-**1175102500**															4,254 youths accessing Business development services
12. Kenya Industry and Entrepreneurship Project **(KIEP)-1175102900**	5,665	5,150	515	1/7/2018	30/06/2024	0	5,665	0	0	25	0	180	50	New Project	80 (SMEs, Incubators and Accelerators) upgraded and 250 students trained on coding and soft skills

Project Name	Est Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remark s Ongoin g or New	Targets 2019/20
13. Kenya Petroleum Technical Assistance Programme (**KEPTAP**)-**1175102000**	4,100	4,100	0	1/7/2016	30/06/2022	80	4,020	180	0	180	0	0	0	Transferred to MOE&P	The Component under SDI transferred to MOE&P
14. Development of Various SMES in Kenya - IDB Capital	1,500	1,500	0	1/7/2018	30/06/2022	0	1,500	0	0	950	0	550	0	On-going Credit from India	Amount of industrial credit issued to Medium enterprises for acquisition of technologies
15. Ease of doing business	850	0	850	1/7/2014	30/06/2022	587	263	0	50	0	0	0	0	Transferred to MEAC&NCD	The mandate has been transferred to MEAC&N

Project Name	Est Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remarks Ongoing or New	Targets 2019/20
															CD
16. One stop shop centre - **KENINVEST**	250	0	250	1/7/2016	30/06/2021	46	204	0	0	0	100	0	0	Stalled	Project Not Funded
17. Dongo Kundu - **SEZA-1175100400**	6,620	0	6,620	1/7/2013	30/06/2022	237	6,383	0	0	0	1,000	0	0	Stalled	Project Not Funded
18. Accreditation of motor vehicle inspection body building Centres assemblers and garages - **KENAS**	613	0	613	1/7/2016	30/06/2021	75	538	0	0	0	238	0	0	Stalled	Project Not Funded

Project Name	Est Cost	Financing (Million)		Timeline		Actual Cum Exp up to 30th June 2018 (b) (Million)	Outstanding Project Cost as at 30th June 2018 (b) (Million)	Baseline 2018/19 (Million)		Requirements for 2019/20 Budget		Allo2019/20 (Mln)		Status Remark - Ongoing or New	Target 2019/20
19. Establishment of Kajiado Leather Manufacturing Facility	3,235	0	3,235	1/7/2018	30/06/2022	0	3,235	0	0	0	300	0	0	New but unfunded	Project Not Funded
20. Kariakor Leather Cluster - Common Manufacturing Cluster	500	0	500	1/7/2019	30/06/2022	0	500	0	0	0	128	0	0	In pipeline	Project Not Funded
21. Nakuru Agro-processing Park	3,674	0	3,674	1/7/2019	30/6/2022	0	3,674	0	0	0	47	0	0	In pipeline	Project Not Funded
22. Kariobangi Centre of Excellence for SMEs	700	0	700	1/6/2019	30/6/2021	0	700	0	0	0	100	0	0	In pipeline	Project Not Funded
Total	**63,821**	**16,270**	**46,291**			**16,965**	**46,856**	**1,438**	**2,770**	**2,413**	**12,539.8**	**1,988**	**3,077**		

ANNEX VI

List of Allocation to Projects and Amended allocations.

List of Projects Funded in 2019/20 and 2018/19 (Ksh. Millions)		
HEAD/PROJECT	**2019/20 Printed Estimates**	Committee Proposed Estimates
STATE DEPARTMENTAL VOTE FOR COOPERATIVES		
Acquisition of equipment and machinery New KCC	407,500,000	250,000,000
Development of SASRA Risk Supervision System	5,000,000	5,000,000
Cooperative Management Information System	160,000,000	160,000,000
Establishment of Nyambene NKCC plant in Meru County	-	82,500,000
Dairy Processing(powdered milk)	-	
Modernization of Cotton Ginneries &Handloom weaving-Luanda Cooperative in Busia County	-	30,000,000
Coffee industry revitalization	230,000,000	200,000,000
Support to improvement of added value to coffee	38,000,000	38,000,000
Cherry coffee revolving fund	3,000,000,000	3,000,000,000
TOTAL	**3,840,500,000**	**3,765,500,000**
VOTED1174 State Department for Trade		
Acquisition of regional anti counterfeit agency exhibit warehouses	50,000,000	50,000,000
Modernization of standards laboratory	-	-
Establishment of commodities exchange platform	190,000,000	150,000,000
KIBT Parklands building partitioning	240,000,000	240,000,000
Warehouse Refurbishment(KNTC)	20,000,000	20,000,000
TOTAL	**500,000,000**	**460,000,000**
VOTE D1175 State Department for Industrialization		
Development of Leather Industrial Park-Kenanie	100,000,000	100,000,000
Development of Athi River Textiles Hub. EPZA	200,000,000	200,000,000
Ease of Doing Business	-	-
Construction of Industrial Research Laboratories-KIRDI Kisumu	150,000,000	550,000,000
Construction of Industrial Research Laboratories-KIRDI South B	1,000,000,000	700,000,000
Modernization of RIVATEX	604,000,000	904,000,000
Construction of Constituency Industrial Development Centers-ESP	352,000,000	352,000,000
Provision of Finance to SMEs in the Manufacturing sector KIE	1,700,000,000	1,200,000,000
Infrastructure and Civics works Development-KITI	350,000,000	250,000,000

completion of stalled warehouses-EPZA		100,000,000
Construction of SMEs Manufacturing centers	-	-
Hot Dip Galvanizing Project-NMC	-	-
Kenya Petroleum Technical Assistance Programme (KEPTAP)	-	-
Modernization of NMCs Foundry Plant & Fabrication Workshop	75,000,000	75,000,000
Kenya Youth Empowerment opportunities project	604,000,000	604,000,000
Cotton Development (RIVATEX)-Subsidy and Extension support	100,000,000	100,000,000
Kenya Industry and Entrepreneurship Project	230,000,000	230,000,000
Development of various small and medium enterprises(SMEs) in Kenya	550,000,000	550,000,000
TOTAL	**6,015,000,000**	**5,915,000,000**

ANNEX VII

DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY & COOPERATIVES

Clerk's Chambers
National Assembly
NAIROBI

The Finance & Accounts Department
National Assembly

Agenda: ~~CONSID~~ ADOPTION LIST FOR THE REPORT ON SUPPLEMENTARY ESTIMATES II FOR FY 18/19 AND ANNUAL BUDGET ESTIMATES FOR FY 19/20

Date: MONDAY, 27TH MAY, 2019 **Time:** 2.00 PM

NO.	NAME	SIGNATURE
1.	Hon. Kanini Kega, M.P. – **Chairperson**	
2.	Hon. Cornelly Serem, M.P. –**Vice Chairman**	
3.	Hon. Alexander Kimutai Kigen Kosgey, MP	
4.	Hon. Alois Musa Lentoimaga, MP	
5.	Hon. Anab Mohamed Gure, MP	
6.	Hon. Andrew Mwadime, MP	
7.	Hon. Sakwa John Bunyasi, MP	
8.	Hon. Daniel Maanzo, MP	
9.	Hon. Gideon Sitelu Konchella, MP	
10.	Hon. James Mukwe, MP	
11.	Hon. Jones Mlolwa, MP	
12.	Hon. Kipruto Moi, MP	
13.	Hon. Jeremiah Ekamais Lomorukai, MP	
14.	Hon. Gichimu Robert, MP	
15.	Hon. Kimani Patrick Wainaina Jungle, MP	
16.	Hon. Korir Generali Nixon Kiprotich, MP	
17.	Hon. Ngugi Joseph Nduati, MP	
18.	Hon. Wachira Rahab Mukami, MP	
19.	Hon. Dr. Wilberforce Oundo, Phd, MP	

ERIC NYAMBATI
FOR: CLERK OF THE NATIONAL ASSEMBLY

MINUTES OF THE 19TH SITTING OF THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES HELD ON MONDAY 27TH MAY, 2019 IN COMMITTEE ROOM ON 4TH FLOOR CONTINENTAL HOUSE, PARLIAMENT BUILDINGS AT2.00 PM

PRESENT

1. Hon. Kanini Kega, M.P. – **Chairperson**
2. Hon. Andrew Mwadime, MP
3. Hon. Jones Mlolwa, MP
4. Hon. Jeremiah EkamaisLomorukai, MP
5. Hon. Gichimu Robert, MP
6. Hon. Daniel Maanzo, MP
7. Hon. Korir Generali Nixon Kiprotich, MP
8. Hon. Nduati Joseph Ngugi, MP
9. Hon. KiprutoMoi, MP
10. Hon. Wilberforce Oundo, MP
11. Hon. Wachira Rahab Mukami, MP

APOLOGY

1. Hon. CornellySerem, M.P. –**Vice Chairman**
2. Hon. Alois Musa Lentoimaga, MP
3. Hon. Bunyasi John Sakwa, MP
4. Hon. James Mukwe, MP
5. Hon. Gideon SiteluKonchela, MP
6. Hon. Anab Mohamed Gure, MP
7. Hon. Kimani Patrick Wainaina Jungle, MP

ABSENT

1. Hon. Alexander KimutaiKigenKosgey, MP

INATTENDANCE – SECRETARIAT

1.	Mr, Erick Nyambati	-	Clerk Assistant II
2.	Ms. Nuri KitelNataan	-	Clerk Assistant III
3.	Mr. Robert Ngetich	-	Fiscal Analyst
4.	Mr. Chelang'amaiyo	-	Research Officer
5.	Mr. Yaqub Ahmed	-	Media Relations Officer
6.	Mr. Richard Sang	-	Sgt. At Arms

MIN.NO.NA/TRADE/2019/089: PRELIMINARIES/COMMUNICATION FROM THE CHAIRPERSON

The meeting was called to order at 2.15pm with prayer from the Chairperson. He thereafter welcomed the meeting to deliberate on the day's agenda.

MIN.NO.NA/TRADE/2019/090: CONSIDERATION AND ADOPTION OF REPORT ON THE SUPPLEMENTARY BUDGET II FOR FINANCIAL YEAR 18/19

The Committee considered the report on the Supplementary Budget II for Financial Year 18/19 and adopted it with the following observations and recommendations:-

OBSERVATIONS

The Committee observed the following, that:-

1. There was an increase in recurrent expenditure while there was a decrease in development expenditure. This is against the resolution that where there are revenue shortfalls, the recurrent expenditure should not go up and should not exceed the initial budgeted levels in order to maintain fiscal deficit and as well maintain the balance between recurrent and development expenditure at 70% and 30%.
2. AIA by SASRA has increased from kshs. 222,800,000 to kshs. 313,845,000
3. Development budget for modernization of RIVATEX was decreased by kshs.550 Million which is a donor funded project whose funds had been committed.
4. Ksh. 300 million was deducted from Kenya Youth Empowerment and Opportunities Project. This is a donor funded project and the funds had been committed.
5. The Supplementary budget was tabled after the Annual Budget Estimates and its being considered along the Annual Budget Estimates. The Committee resolved that the Supplementary Budget should be brought to parliament latest by mid-April to avoid overlaps in the process of scrutiny and oversight.
6. There is need for Kenya Industry and Entrepreneurship Project (KIEP) be implemented under an established programme such as Micro and Small Enterprise Authority or any other program as opposed to being under the Ministry headquarters since it is expected to ride on existing structure of administration.

RECOMMENDATIONS

The Committee made the following recommendations, that:-

State Department for Cooperatives

The Committee recommends that the recurrent expenditure for SASRA be increased by Ksh. 91,045,000 to reflect the increase receipts from Administrative Fees and Charges collected as AIA by SASRA.

State Department for Trade

The Committee recommends that the budget for the State Department for Trade be approved as proposed.

State Department for Industrialization

The Committee recommends that, that:-

1. The reinstatement of Ksh. 550 million deducted fromModernization of RIVATEX. Ksh. 550 million is external funding and machinery has since been delivered to Rivatex. The reduction was done when the money had been utilized through the supply of equipment and machinery to the plant.
2. The reinstatement of Ksh. 300 million deducted from Kenya Youth Empowerment and Opportunities Project be reinstated as it is representing the donor component of the project. the funds have already been committed.

MIN.NO.NA/TRADE/2019/091: CONSIDERATION AND ADOPTION OF REPORT ON THE ANNUAL BUDGET ESTIMATES FOR FINANCIAL YEAR 19/20

The Committee considered the report on the Annual Budget Estimates for Financial Year 19/20 and adopted it with the following observations and recommendations:-

The Committee observed that the Ministry of Industry, Trade and Cooperatives plays a pivotal role in the successful implementation of the government's "Big 4" economic plan through value addition of the agricultural production, production of low cost housing materials, manufacturing of medical equipment and medicines among other things. Nevertheless, scrutiny of the Budget

Estimates 2019/2020 reveals that there seems no commensurate focusing of resources towards these noble endeavors. Therefore, there is need for commensurate budget provision to the sector to ensure effective achievement of its mandate.

State Department for Cooperatives

1. There is need to allocate more resources to New KCC towards the establishment of the Nyambene Plant as this will help in the stabilization of milk prices and creation of milk reserves.
2. There is needfor revival of Cotton Cooperatives in Western region (Luanda Union ginnery, Malaba -Malakisi Co-operative Union Ginnery, Nambale Co-operative Union Ginnery) and Nyanza region (Ndere Co-operative Union)through Modernization of Cotton Co-operatives ginneries. This will enable them participate effectively in the textile value chain through processing better quality lint which will increase farmers earning in three counties of Vihiga, Busia and Kisumu
3. There is need to construct Nyambene Milk factory in Meru to support Big 4 Agenda on food security ,nutrition by creating milk reserves through mopping up the excess milk during high periods of milk around the Meru region thus stabilizing prices in the milk sector .This will help increase farm level prices for farmer.

State Department for Trade

1. Export promotion Council is underfunded to effectively execute its mandate and promote exports by promoting trade activities in identified markets under the Kenya Export market programs, market surveys, and trade information that supports market entry strategy.

State Department for Industry

1. There is need to complete KIRDI in Kisumu to carry out Multidisciplinary research and development in industrial and allied technologies for a successful implementation of the " Big 4 Agenda.
2. The government has pumped a lot of money towards modernization of Rivatex. Several machines have been acquired but not secured with a fence.

3. Rivatex needs a fire station to deal with fire risks
4. Rivatex needs to construct an effluent plant in its status which is an international requirement for it to sell its products to EPZ.
5. There is need for EPZ to complete the construction of warehouses that have stalled so that they can be used to realize the value for money already invested in the same.
6. There is need for funds to be allocated to MSEA towards personnel emoluments for the Authority to hire staff for it to function effectively.
7. There is need for EPZA to be allocated money for completion of its project that are ongoing. Key among the projects is the Effluent Treatment Plant and construction of water reservoir which is a requirement for many international companies and therefore will attract more investors in the Zone.
8. Cotton Development Subsidy and Extension Support program under RIVATEX needs to be allocated funds to ensure increase production of cotton to avoid importation of cotton by RIVATEX.
9. There is need to create an information center on investment to promote both domestic and foreign investment.

RECOMMENDATIONS

The Committee made the following recommendations, that:-

1.Policy

A regulation on the Cherry Revolving Fund needs to be developed to ensure the success of the fund

2. Financial

State department for Cooperatives

Under the state department, the Committee made the following recommendations on the development allocations:

1. A reduction of Ksh. 82.5 million on the allocation for Purchase of equipment and machinery for new KCC from Ksh. 407.5 million to Ksh. 325 million;
2. Ksh 75 million to be reduced from the allocation for purchasing equipment and machinery for new KCC from Ksh 407.5 million for reallocation

3. The Ksh. 82.5 is allocated to Establishment of Nyambene NKCC plant in Meru County;
4. A reduction of Ksh. 30 million on the allocation for Revitalization of Coffee Industry from Ksh. 230 million to Ksh. 200 million;
5. The Ksh. 30 million is provided for the Modernization of Cooperatives Cotton Ginneries- Luanda Cooperative Ginnery in Busia County.

State department for Trade

Under the state department, the Committee made the following recommendations on allocations:

1. Ksh 40 million be deducted from development expenditure of Ksh 190 million for Establishment of Commodities Exchange Platform.
2. TheKsh 40 million is added to recurrent allocations to Export Promotion Council towards expanding export markets in the country.

State Department for Industrialization

Under the state department, the Committee made the following recommendations on allocations:

1. A reduction of Ksh. 500 million in the development allocation for Provision of Finance to SMEs in the Manufacturing sector KIE, from Ksh. 1,700 million to Ksh. 1,200 million;
2. Ksh. 300 million is added to development expenditure for Modernization of RIVATEX for construction of a Perimeter wall, Fire Fighting, and Effluent Treatment Plant;
3. Ksh 200 millionis allocated to Export Processing Zone Authority to be spent as follows;
   - Ksh 100 million for recurrent expenditure to cater for the deficit from the water revenue due to court case related to the operation of the water line.
   - Ksh 100 million for development expenditure for the completion of stalled warehouses
4. A reduction of Ksh 100 million in the development allocation to Infrastructure and Civil Works Development-KITI,from Ksh. 350 million to Ksh. 250 million;
5. A reduction of Ksh 300 million in the development allocation to construction of Industrial research Laboratories-KIRDI South B;
6. The Ksh 400 Million be added to development expenditure for Equipping Kenya Industrial Research Laboratories in Kisumu; (The Ksh 400 million being the summation

of Ksh. 100 million reduced from KITI and the Ksh 300 million reduced from Industrial research Laboratories-KIRDI South B).

7. The Ksh 75 million reallocated from New KCC be allocated to MSEA's recurrent Expenditure for hiring of personnel for the Authority to be effectively functional.
8. Ksh. 2Billion to be allocated to EPZA to be spent as follows:-
   - Ksh. 1 Billion towards the Effluent Treatment Plant
   - Ksh. 1 Billion to be spent as provided under Annex IV
9. Ksh. 450 Million to be allocated towards Cotton Development Subsidy and Extension Support program under RIVATEX.
10. Ksh 200 Million to be allocated to KENVEST towards establishing a one stop shop to promote domestic and foreign investments in the country.

MIN.NO.NA/TRADE/2019/092: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at noon. The next meeting to be called on notice.

SIGNED.....

(Chairperson)

DATE.....

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

THE DEPARTMENTAL COMMITTEE

ON

SPORTS, CULTURE AND TOURISM

REPORT ON THE SCRUTINY OF THE 2019/2020 BUDGET ESTIMATES FOR THE FOLLOWING SPENDING AGENCIES:

Vote 1201- State Department for Tourism
Vote 1132- State Department for Sports
Vote 1134- State Department for Culture and Heritage

DIRECTORATE OF COMMITTEE SERVICES

CLERKS CHAMBERS

PARLIAMENT BUILDINGS

NAIROBI **MAY, 2019**

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1. Preface

Mr. Chairman,

On behalf of the Departmental Committee on Sports, Culture and Tourism and pursuant to provisions of standing order number 207 (6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its Considerations of the annual estimates of 2019/2020 and the medium term.

1.1 Mandate of the Committee and Membership

The Departmental Committee on Sports, Culture and Tourism is one of the fifteen departmental committees of the House established pursuant to Article 124 of the Constitution of Kenya 2010 and Standing Order 216 of the National Assembly and mandated to:

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

The Departmental Committee on Sports, Culture and Tourism oversights the following Ministries/Departments/Agencies:

1. State Department for Sports
2. State Department for Culture and Heritage
3. State Department for Tourism

1.2 Committee Membership

	NAME	CONSTITUENCY	PARTY
1.	The Hon. (Dr.) Victor Kioko Munyaka, M.P - **Chairperson**	Machakos Town	Jubilee
2.	The Hon. (Dr.) Korei Ole Lemein, M.P - **Vice Chairperson**	Narok South	Jubilee
3.	The Hon. Christopher Omulele, M.P	Luanda	ODM
4.	The Hon. (Dr.) Christine Ombaka, M.P	Siaya County	ODM
5.	The Hon. Cyprian Kubai Iringo, M.P	Igembe Central	Jubilee
6.	The Hon. Jones Mlolwa, M.P	Voi	ODM
7.	The Hon. Daniel Wanyama Sitati, M.P	Webuye West	Jubilee
8.	The Hon. Benard Masaka Shinali, M.P	Ikolomani	Jubilee
9.	The Hon. (Prof.) Jacqueline Oduol, M.P	Nominated	ODM
10.	The Hon. (Dr.) Tecla Chebet Tum, M.P	Nandi County	Jubilee
11.	The Hon. Jane Jepkorir Kiptoo Chebaibai, M.P	Elgeyo Marakwet County	Jubilee
12.	The Hon. Lydia Haika Mnene Mizighi, M.P	Taita Taveta County	Jubilee
13.	The Hon. George Risa Sunkuyia, M.P	Kajiado West	Jubilee
14.	The Hon. Annie Wanjiku Kibeh, M.P	Gatundu North	Jubilee
15.	The Hon. Sylvanus Maritim, M.P	Ainamoi	Jubilee
16.	The Hon. Jeremiah Lomurukai, M.P	Loima	ODM
17.	The Hon. Charles Ngusya Nguna, M.P	Mwingi West	WDP
18.	The Hon. Titus Mukhwana Khamala, M.P	Lurambi	ANC
19.	The Hon. Charles Kamuren, M.P	Baringo South	Jubilee

1.3 Committee Secretariat

Second Clerk Assistant	-	Helen Kina
Third Clerk Assistant	-	Fredrick Otieno
Media Relations Officer	-	Martin Mutua
Legal Counsel II	-	Salem Lorot
Research Officer III	-	Vitus P.O Owino
Fiscal Analyst	-	Abdirahim Omar
Sergeant At-Arms	-	Sheila Chebotibin

1.4 Overview of the examination of the Estimates

The Budget estimates were submitted to the National Assembly pursuant to Article 221 of the Constitution of Kenya and Standing Order 235 and subsequently tabled on the floor of the House on 30th April, 2019. The Committee held a total of five (5) consultative meetings; these were preceded by a briefing by the Parliamentary Budget Office. The Committee held meetings with the spending agencies under its purview. The agencies include State Department for Tourism - Vote 1202, State Department for Culture and Heritage- Vote 1134 and State Department for Sports- Vote 1132.

In its consultations and deliberations, the Committee made the following observations and Recommendations, THAT:

1. **State Department for Sports;**

Committee Observation

i. In the financial year 2019/20, the State Department for Sports has been allocated a total of **Kshs 15,160.2 million** comprised of **Kshs 1,260.2 million** for recurrent expenditure and **Kshs 13,900 million** for development expenditure. The department allocation has increased significantly by Kshs **13,013.2 million** in FY 2019/20 from **Kshs 2,147 million** in FY 2018/19 representing a percentage growth 606.1%.

ii. The significant growth in budgetary allocation has been occasioned by the projected Appropriation in Aid (AIA) of Kshs 13,200 million for Sport, Arts, and Social Development Fund. It is important to note that the funds will be shared as per the provisions of the Public Finance Management (Sports, Arts and Social Development Fund) Regulations, 2018.

iii. The Committee observed that the planned expenditure details or breakdown of how the proportion of the Sports, Arts and Social Development Fund that are ring-fenced for utilization within the department is not contained in the budget estimates. This was noted may impair the pre-approval scrutiny and the subsequent oversight of the allocations.

iv. The Committee noted that some projects that are categorized by the National Treasury as stalled projects are ongoing as far as the department is concerned. An example is the project of the Establishment of National Sports Lottery. It was observed that there is lack of a common understanding on the criteria used in categorizing a project as stalled.

v. The reported pending Bills for the State Department was noted to be on an upward trajectory. The pending Bills accumulated since 2015/16 amounts to Ksh. 2.1 Billion. If this is to be paid as a first charge in the 2019/20 budget, the implementation of the programme of the department shall be adversely affected.

vi. It was observed that the anti-doping agency which is a Semi-Autonomous Government Agency (SAGA) within the State department spends significant funds in undertaking doping tests outside the country. It became apparent that an establishment of a laboratory to undertake the tests within the country would lead to savings of public funds.

vii. The proposed Ksh.500 Million for the refurbishment of the seven regional stadia was noted to be so insufficient if the funds were to be equally distributed among the stadia.

viii. It was noted that there is a decrease amounting to Ksh.10 Million in the proposed allocation for compensation to employees when the current Financial Year's (2018/19) allocation is used a baseline.

Committee Recommendations

The Committee recommends the approval of the Budget Estimate for FY 2019/20 for the State Department for Sports in line with the following recommendations;

Financial Recommendation

i. The Committee recommends the approval of **Kshs 15,160.2 million** comprised of **Kshs 1,260.2 million** for recurrent expenditure and **Kshs 13,900 million** for Development Expenditure for the State Department of Sports for FY 2019/20 20 as submitted by the National Treasury to the National Assembly on Tuesday, 30th April 2019.

Policy Recommendations

ii. The expenditure plans and breakdown details of the proportion (the 35%) of the Sports, Arts and Social Development Fund should be presented for the pre-budget approval scrutiny in the next budget. This shall enhance the oversight role of the Committee on the proceeds of the Fund.

iii. The refurbishment of the stadia needs to be fast tracked so that the government can realize value for the money spent on the projects thus far. There is need to ring fence the proceeds from the Sports, Arts and Social Development Fund towards the development of the sports facilities.

iv. There is need to initiate the process of establishing a local laboratory to undertake doping tests. The feasibility study to establish the laboratory needs to be concluded by the State department so that the next budget process may consider funds allocation for its establishment.

v. There is need to sensitize the government agencies such as the State department for Sports before the next budget on the criterion used by the National Treasury in declaring a project as stalled. This is because there is a revealed conflict in understanding of what constitute stalled projects between Ministries/Departments and Agencies and the National Treasury.

vi. There is need for the State Department to come up with a strategy on how to reign in the escalation of pending Bills. The strategy should be presented to the Committee for scrutiny so as to inform the consideration of additional allocations of funds to facilitate the settlement of the pending Bills.

2. State Department for Culture and Heritage;

Committee Observations

i. The total allocation to the state department for Culture and Heritage is **Kshs 3,570.2 million**. Out of this amount, **Kshs 3,018.2 million** is for recurrent expenditure while **Kshs**

552 million is for development expenditure. In comparison, the department was allocated **Kshs 3,939 million** in FY 2018/19 comprised of Kshs **3,057.5 million** for recurrent expenditure and **Kshs 881.6 million** for development expenditure. This represents a reduction of **Kshs 604.2 million** in budgetary provision.

ii. It was noted that the department will be entitled to Kshs 660 million 5% of the proposed allocation of Kshs **13,200 million** of the Sports, Arts and Social Development Fund. However, the programs and activities to be financed by the funds apportioned to the State department from the Sports, Arts and Social Development Fund were not availed. This was noted can adversely affect the pre-budget approval scrutiny by the Committee.

iii. There is acute staff shortage within the various parastatals under the departments dealing with services that fall under the National Government function such as that of National Archives and Documentation services. There is only 80 staff against a staff establishment of 888.

iv. It was noted that the Pending Bills amounting to **Ksh.605.2 Million** attracts interest charges. The delay in settlement of the pending Bills was observed to be partly attributed to the slow pace of verification of the validity of the Bills by the Auditor General.

v. The Committee noted that some of the national cultural and heritage sites are in dilapidated conditions thereby causing dishonor to the national culture and heritage of the country.

vi. It was observed that the public's appreciation of culture and heritage is very low. This was noted to be leading to low performance of domestic tourism and low interests and participation in activities relating to culture and heritage.

vii. The committee noted that there is need for the Government to urgently relocate the Kenya National Archives Office from the Nairobi Central Business District to Oloolua forest in order to safeguard the safety and security of the Country's National Heritage.

Committee Recommendations

The Committee recommends the approval of the Budget Estimate for FY 2019/20 for the State Department for Culture and Heritage in line with the following recommendations;

Financial Recommendations

1. The Committee recommends the approval of **Kshs 3,570.2 million** comprised of **Kshs 3,018.2 million** for recurrent expenditure and **Kshs 552 million** for development expenditure for the State Department for Culture and Heritage for FY 2019/20 as submitted by the National Treasury to the National Assembly on Tuesday, 30th April 2019.
2. The State Department together with the Public Service Commission to fast track the process of acquiring more personnel to address the acute staff shortage. In this regard, the committee recommends an additional of **Kshs 651.8 million** to cater for recruitment and promotion of technical staff in the state department to address the acute shortage. In addition, the Department needs to leverage on internship and attachment programs to improve its human resource in the short term.

Policy Recommendations

i. The State Department to prepare and submit its planned activities and expenditure plans to be defrayed by the proceeds from the Sports, Arts and Social Development Fund for pre-budget scrutiny by the Committee in the next budget processing.
ii. There is need for the Department to prioritize the funding of the stalled projects within the Financial Year 2019/20 with the proceeds from the Sports, Arts and Social Development Fund.
iii. The Department needs to enhance its sensitization to the public on matters relating to culture and heritage so as to invigorate the public's interests, involvement and participation.

3. State department for Tourism

Committee Observations

i. The total allocation for the State Department for the FY 2019/20 is **Kshs. 7,875.9 Million** both for Recurrent and Development. The Total Recurrent Budget is **Kshs. 6,345.9 Million,** out of which AIA is **Kshs. 4,616 Million** and Net Exchequer is **Kshs. 1,729.9 Million**.
ii. The State Department's subsector Development Budget is **Kshs. 1,530 Million** against the sub-sector development requirement of **Kshs. 5,230 Million.** The shortfall will affect the following critical areas which are not provided for in the 2019/2020 Budget Estimates:
    - Farm Murera Gate Road. This is an on-going project at 75% completion level. The project requires an additional **Kshs. 116 Million** to complete.
    - Office Partitioning and Equipping- An on-going project at Tourism Fund Building. The project requires **Kshs. 180 Million.**
    - The state Department major role is marketing locally and international. The department needs an enhanced travel allocation by **Kshs. 60M**
iii. The State Department has pending bills amounting to **Kshs. 1,595.6 million** for its SAGAs; Ronald Ngala Utali College – Kshs. 903M, KICC – Kshs. 430M and Kenya Utalii College – Kshs. 115M.
iv. The State Department has Human Resource Shortage in some of its parastatals especially Tourism Research Institute which require qualified personnel to undertake its mandate.
v. The Committee has observed that the Ushanga Kenya Initiative has institutional challenges that are yet to be fully addressed by the government occasioning delay in release of funds. In the FY 2018/19, the Agency was allocated Kshs 417.4 million; however, as at 31st march 2019, there was no funds released to the Agency due to the aforementioned reasons. In the FY 2019/20, the agency was allocated Kshs 404.8 million for recurrent expenditure for its new organizational structure.

vi. The Committee also noted that there is need to diversify the country's tourism products and develop new experiences in the beachfronts. There is need to move from the traditional beach and safari markets so that the sector can be competitive and attract more tourists into the country.

vii. There is need to revamp Malindi town and develop the beach to tap the revenue that can be generated from the tourists numbers that have been increased by the direct flights that land in the Malindi Airport from Italy

Committee Recommendations

The Committee recommends the approval of the Budget Estimate for FY 2019/20 for the State Department for Tourism in line with the following recommendations;

Financial Recommendations

The Committee recommends the approval of **Kshs 7,875.9 Million** comprised of **Kshs. 6,345.9 Million** and **Kshs 1,530 Million** for development expenditure for FY 2019/20 for the State Department for Tourism as submitted by the National Treasury to the National Assembly on Tuesday, 30th April 2019.

1.5 Acknowledgements

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2019/2020 Budget Estimates.

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

It is my pleasant duty and privilege, on behalf of the Departmental Committee on Sport, Culture and Tourism, to submit its Report on the scrutiny of the 2019/2020 Budget Estimate.

Signature: ..... **Date:** 28/05/2019

(THE HON. (DR.) VICTOR MUNYAKA, M.P.)
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON SPORTS, CULTURE AND TOURISM

PART II

2. BROAD OVERVIEW OF THE ESTIMATES

2.1 Overall Budget

The overall budget for the FY 2019/20 amounts to Kshs 3,080.8 billion up from the Kshs 2,836.1 billion allocated in the FY 2018/19. The allocation to the National Government amounts to Kshs 1,841.3 billion comprised of Kshs 1,157.3 Billion for Recurrent expenditure and Kshs 684 billion for development expenditure. The Judiciary presented a budget of Kshs 18.9 billion comprised of Kshs 14.5 billion for recurrent expenditure and Kshs 4.4 billion for development expenditure.

In addition, Parliament Presented a budget of Kshs 43.6 billion, out of which Kshs 40.6 billion is for recurrent expenditure and Kshs 3.1 billion is for development expenditure, Consolidated Fund Services – Kshs 805.8 billion, and County Government allocation of Kshs 371.8 billion.

2.2 Revenue Projection

The FY 2019/20 Targets revenue collections including Appropriation in Aid (AIA) of Kshs. 2.116 trillion (19.7 per cent of GDP) supported by projected performance by ordinary revenue at Ksh.1.88 trillion. This revenue performance according to the government is on account of government implementation of far reaching tax policy measures through the amendments to the tax laws and the 2018 finance Act as well as strengthening tax administration that is expected to seal loopholes while safeguarding revenue base under the Kenya Revenue Administration Enhancement Initiative (REI) programme implemented by KRA.

However, it's important to note that projected revenue in the budget is higher than the revenue collection envisaged under the Budget Policy Statement (BPS) furthermore, some of the measures indicated in the budget expected to boost revenue growth are mostly moving targets whose achievement cannot be quantified.

Over the years, the government revenue targets have not been achieved and it is not clear whether the projected revenue under the 2019/20 budget will be realistic to fund government spending priories.

2.3 Budget Deficit

Given the projected expenditure and revenue collection, the fiscal deficit including grants in the FY 2019/2020 is projected at Ksh.607.8 billion (5.6 per cent GDP). The projected fiscal balance will be financed through net external financing of Ksh.324.3 billion, net domestic borrowing of Ksh.289.2 and other domestic receipts of Ksh.5.7 billion. The fiscal balance envisaged in the budget is higher than the approved deficit by Parliament in the BPS thus non-adherence by the National Treasury to the approved deficit leading to increased deficit and debt accumulation by the government.

3. VOTE BY VOTE REVIEW

3.1 State Department for Tourism - Vote 1202

The total Tourism allocation for the FY 2019/20 is **Kshs. 7,875.9 Million** both for Recurrent and Development.

The amount is made of:

- AIA of **Kshs.4,616 Million.**
- Personal Emoluments **Kshs. 181.3M (For SDT)**
- Other Recurrent **Kshs. 720.23 M (For SDT)**
- Transfers to SAGAs **Kshs. 828.4 M**
- Development **Kshs. 1,530.0 M**

3.1.1 Analysis of Recurrent Budget

The Total Recurrent Budget for FY 2019/20 is **Kshs. 6,345.9 Million**

- Out of which AIA is **Kshs. 4,616 Million** and Net Exchequer is **Kshs. 1,729.9 Million**. AIA is collected and utilized by the SAGAs.
- Out of the Net Exchequer of **Kshs. 1,729.9M,** transfers to SAGAs totals to **Kshs. 828.4M** which is **47%** of the total transfers.
- The Personnel Emoluments for the State Department is **Kshs. 181.3 Million.** The amount excludes expenditure for the new organization structure, personnel for Ushanga and the CAS office.
- **Kshs. 404.8 M** is for Ushanga Kenya Initiative and **Kshs. 315.5 M** is for State Department for other recurrent expenses.
- In the Outer years, the Ministerial budget is projected to reach **Ksh.6,755** in the FY 2020/21 and **Ksh.6,986** in FY 2021/22

3.1.2 Development Project

- Tourism subsector Development Budget is **Kshs. 1,530 Million**
- The allocation is only 29.25 % of sub-sector development requirement of **Kshs. 5,230 Million**
- The allocated amount will be used to finance six (6) projects: Ronald Ngala Utalii College (300m) Coastal Beach Management (130M), Malindi Waterfront (240), Kisumu Waterfront (240M), KICC Prefab (120 M) and KTB (500M)

3.1.3 Pending Bills

There are no pending bills in the State Department. However, there are pending bills for its SAGAs as follows:

1. **Tourism Fund** Kshs. **1,050.6 M-** Incurred for Ronald Ngala Utalii College since 2013 Strategy to clear the bill includes;
    i) Negotiations are on-going to write-off interests and cost overruns for contractors and consultancy amounting to **Kshs. 903 M**
    ii) Increasing allocation from Tourism Fund to the project.
    iii) Increase funding from the exchequer
2. **KICC** for WTO amounting to **Kshs. 430 M.** The bills were incurred in FY 2015/16 AOG has verified **Kshs. 175M** and arrangements are being made to settle the bills. KICC has the funds to settle bills
3. **Kenya Utalii College – Kshs. 115M** incurred in the FY 2017/2018
   Strategy to clear the bill: Enhance allocation from Tourism Fund to clear the bills.

The State Department has no new projects in FY 2019/20 and in Medium Term Period. Kisumu and Malindi Water Fronts, National Convectional Bureau and Revival of Railway Museum were all initially implemented in Tourism recovery which was unbundled from the FY 2018/19.

Table 1: Budget Implementation Performance

ITEM	APPROVED ESTIMATES (Revised Est. I) (b)	EXPENDITURE As at 31st March 2019 (c)	Target As at 31st March 2019	ABSORPTION (%) ((d)=c/b))	REMARKS
Compensation to Employees	149,151,621	87,413,023	67%	59%	Compensation of employee is for only state department staff Reporting is for two quarters.
Travel	78,639,869	41,699,280	67%	53%	The State Department received an extra **40 Million** to be regularized in supplementary II.
Training	13,166,924	9,291,300	67%	71%	Most of trainings took were done in the half of the year
Hospitality	43,127,597	35,112,080	67%	75%	The allocation included **60m** to host AHIF and SKAL International conferences
Current Transfers (Net)	762,158,200	486,617,501	67%	64%	Allocation to KTB was less with Kshs.9M

Ushanga Kenya Initiative	417,350,000	-	67%	0%	The delay in releasing funds for Ushanga Kenya Initiative was occasioned by Institutional challenges.
Other Recurrent (payment procurement items /services, Stationery, printing, rent, CIP and etc)	166,136,110	27,558,838	67%	17%	CIP is awaiting government approval of new airline charter incentive programme Rent payment is awaiting invoices from the Landlord for 2 quarters. Rationalization of the budget delayed procurement process.
Total	**1,629,730,321**	**760,786,845**		**47%**	

3.2 State Department for Heritage- Vote 1134

During the medium-term period 2015/16 – 2017/18, the State Department's approved budget was Kshs. 3,200 million, Kshs 3,199 million and Kshs 3,420.7 against an actual expenditure of Kshs 2,997.1 million, Kshs 3,100.7 million and Kshs 2,585.6 million for financial years 2015/16, 2016/17 and 2017/18 respectively. This translates to an absorption rate of 93.6%, 96.9% and 86.2% for the period under review.

Table 2: Budget Implementation performance Programme as at 31st March, 2019

FY 2018/19 PROGRAMME PERFORMANCE REPORT (FINANCIAL) Q3 FY 2018/19 (as at 31st March, 2019)							
DATE: As at 31st March 2019							
Name of the Programme	**Printed Estimates FY 2018/19 (Kshs.)**	**Recurrent Estimates (Kshs.)**	**Development Estimates (Kshs.)**	**Recurrent Expenditure (Kshs.)**	**Development Expenditure (Kshs.)**	**Total Expenditure (Kshs.)**	**Remarks**
The Culture	1,914,991,017	1,408,391,017	506,600,000	992,157,899	418,630,000	1,410,787,899	The programme has absorbed 73% of the budget
The Arts	849,908,980	774,902,980	75,000,000	494,632,316	60,717,300	555,349,616	The programme has absorbed 62% of the budget
Library	987,938,467	687,938,467	300,000,000	514,619,880	300,000,000	814,619,880	The programme has absorbed 82% of the budget
General Administration and Support Services	186,231,057	186,231,057	-	181,824,833	0	181,824,833	The programme has absorbed 97% of the budget
Total	**3,939,069,521**	**3,057,463,521**	**881,600,000**	**2,183,234,928**	**779,347,300**	**2,962,582,228**	

3.2.1 Proposed Budget Estimate 2019/20

The total allocation to the State Department for Heritage is **Kshs 3,570.2 million**. Out of this amount, **Kshs 3,018.2 million** is for recurrent expenditure while **Kshs 552 million** is for development expenditure. In comparison, the department was allocated Kshs 3,939 million in FY 2018/19 comprised of Kshs 3,057.5 for recurrent expenditure and Kshs 881.6 million for development expenditure. This represents a reduction of Kshs 604.2 million in budgetary provision.

The department's proposed budgetary allocation for FY 2019/20 has also deviated from the approved budget ceiling for the department by **Kshs. 298.3** representing a percentage decrease of 8.2% during the approval of the Budget Policy Statement.

Table 3: Allocation to the State Department for Culture FY 2019/20 – Kshs millions

Programme	Item	FY 2018/19	BPS 2019 Ceilings	Budget Estimates 2019/20	Deviation From the 2019 BPS	% Gross Change
General Administration planning and support services	Current	186.2	313.0	172.4	(140.6)	(44.9%)
	Dev't	-	-	-	-	-
	Total	**186.2**	**313.0**	**172.4**	**(140.6)**	**(44.9%)**
Culture /Heritage	Current	1,408.4	1,988.9	1,838.5	(150.4)	(7.6%)
	Dev't	506.6	139	88.6	(50.4)	(36.3%)
	Total	**1,915.0**	**2,127.9**	**1,927.2**	**(200.8)**	**(9.4%)**
The Arts	Current	774.9	-	235.5	235.5	100%
	Dev't	75.0	-	-	-	-
	Total	**849.9**	**-**	**235.5**	**-**	**100%**
Library Services	Current	687.9	759.2	771.8	12.6	1.7%
	Dev't	300.0	433.0	463.4	30.4	7%
	Total	**987.9**	**1,192.2**	**1,235.2**	**43.4**	**3.6%**
Total		**3,939.0**	**3,633.1**	**3,570.2**	**298**	**(8.2%)**

Source: National Treasury – Budget Estimate FY 2018/19

3.2.2 Analysis of Recurrent Expenditure

In the financial year 2019/20, the total recurrent expenditure for the State Department for Heritage is **3,018.2 million** composed of a net estimate of **Kshs. 2,577.2 million** and Appropriation in Aid of **Kshs. 441 million.** The Appropriation in Aid will be raised through agencies such as National Archives – **Kshs. 2 million**, National museum headquarters and Regional museums – **Kshs. 298 million**, Kenya Culture Centre – **Kshs. 86 million** and the Kenya National Library Service – **Kshs. 55 million**. In comparison the department was allocated **Kshs 3,057.5 million** in FY 2018/19 representing a reduction of **Kshs. 39.3 million.**

The department recurrent expenditure will be spent on the following items; compensation to employees – **Kshs. 224.8 million**, Use of goods and services – **Kshs. 370.9 million**, current transfers to gov't agencies – **Kshs. 2,420.6 million** and **Kshs. 1.8 million** for social benefits.

3.3 State Department for Sports- Vote 1132

The budgetary provision for the State Department during the 2018/19 FY totaled to **Kshs. 1,501,640,337** and **Kshs. 675,000,000** under Recurrent and Development votes respectively

During supplementary I, the Recurrent vote provision was reviewed to **Kshs. 1,472,411,318** representing a reduction of approximately **Kshs. 29 million.**

3.3.1 Budget Implementation Performance up to 3rd Quarter FY 2018/19

Table 4: Recurrent Estimates FY 2018/19

Head	Printed Estimates	Approved Estimates	Expenditure	Balance
General administration and planning	184,949,790	178,920,523	128,167,844	50,752,679
Sports Department	88,406,277	85,199,180	59,287,114	25,912,066
International competition	305,252,593	305,252,593	384,986,113	-79,733,520
Finance and Accounts	10,066,235	7,643,277	7,466,007	177,270
Kenya Academy of Sports	33,264,000	32,598,720	32,598,720	-
Sports fund	64,857,375	63,560,228	63,560,228	0
Sports Kenya	246,329,985	241,892,050	241,892,050	0
ADAK	193,104,000	189,241,920	189,241,920	0
TOTAL	**1,126,230,254**	**1,104,308,490**	**1,107,199,995**	**-2,891,505**

Table 5: Development Estimates FY 2018/19

Head	Printed Estimates	Approved Estimates	Expenditure	Balance
Kenya Academy of sports	200,000,000	200,000,000	200,000,000	-
Establishment of the sports lottery	69,600,000	69,600,000	69,600,000	-
Establishment of an automation and digitization system for sports register	5,400,000	5,400,000	-	5,400,000
Refurbishment of five regional stadia	250,000,000	250,000,000	250,000,000	-
Refurbishment of Nyayo stadium	150,000,000	150,000,000	150,000,000	-
Sports, Arts and Social Development Fund	-	20,000,000	-	20,000,000
TOTAL	**675,000,000**	**695,000,000**	**669,600,000**	**25,400,000**

3.3.2 2019/2020 Budget Estimates

Compared to the 2018/19 FY budget provision under Recurrent vote of **Kshs. 1,472,011,320**, the provision of **Kshs. 1,165,630,000** in 2019/20 FY represents a reduction of **Kshs 306,381,320**.

Under these circumstances, the State Department will not be able to clear the pending bills from the previous years.

Under Development vote, a provision of **Kshs. 700 million** has been set aside to cater for on-going works under regional stadia and Kenya Academy of Sports. This implies that for completion of these projects, there will be need for supplementing funding from the budget ceiling of the Department under the Sports, Arts and Social Development Fund. There is projected Appropriation in Aid (AIA) of **Kshs. 13,200 million** for Sports, Arts and Social Development Fund which will be shared as per the provisions of the Public Finance Management (Sports, Arts and Social Development Fund) Regulations, 2018.

3.3.3 Allocation for FY 2018/19 and 2019/20

Table 6: Recurrent

Head	Approved Estimates 2018/19	Estimates 2019/20	Variance
1132000100 General Administration and Planning Services	235,760,697	234,346,889	(1,413,808)
1132000200 Kenya Academy of Sports	43,464,960	42,850,000	(614,960)
1132000300 Department of Sports	108,698,907	129,415,068	20,716,161
1132000400 National Sports Fund	84,746,970	-	(84,746,970)
1132000500 Sports Kenya	322,522,733	212,864,330	-109,658,403
1132000503 International Competitions	407,003,457	-	(407,003,457)
1132000600 Finance Unit	10,191,036	37,683,713	27,492,677
1132000700 Anti-Doping Agency of Kenya	252,322,560	257,470,000	5,147,440
1132000900 Sports, Arts and Social Development Fund	8,525,000,000	251,000,000	(8,274,000,000)
Total	**9,989,711,320**	**1,165,630,000**	**(8,824,081,320)**

Table 7: Development

Head	Approved Estimates 2018/19	Estimates 2019/20	Variance
Kenya Academy of sports	200,000,000	200,000,000	0
Establishment of the sports lottery	69,600,000	-	(69,600,000)
Establishment of an automation and digitization system for sports register	5,400,000	-	(5,400,000)
Refurbishment of five regional stadia	250,000,000	500,000,000	250,000,000
Refurbishment of Nyayo stadium	150,000,000	-	(150,000,000)
Sports, Arts and Social Development Fund	20,000,000	13,200,000,000	13,180,000,000
TOTAL	**695,000,000**	**13,900,000,000**	**13,205,000,000**

4. OBSERVATIONS AND RECOMMENDATIONS OF THE COMMITTEE

4.1 State Department for Sports;

4.1.1 Committee Observation

1. In the financial year 2019/20, the State Department for Sports has been allocated a total of **Kshs 15,160.2 million** comprised of **Kshs 1,260.2 million** for recurrent expenditure and **Kshs 13,900 million** for development expenditure. The department allocation has increased significantly by Kshs **13,013.2 million** in FY 2019/20 from **Kshs 2,147 million** in FY 2018/19 representing a percentage growth 606.1%.
2. The significant growth in budgetary allocation has been occasioned by the projected Appropriation in Aid (AIA) of Kshs 13,200 million for Sport, Arts, and Social Development Fund. It is important to note that the funds will be shared as per the provisions of the Public Finance Management (Sports, Arts and Social Development Fund) Regulations, 2018.
3. The Committee observed that the planned expenditure details or breakdown of how the proportion of the Sports, Arts and Social Development Fund that are ring-fenced for utilization within the department is not contained in the budget estimates. This was noted may impair the pre-approval scrutiny and the subsequent oversight of the allocations.
4. The Committee noted that some projects that are categorized by the National Treasury as stalled projects are ongoing as far as the department is concerned. An example is the project of the Establishment of National Sports Lottery. It was observed that there is lack of a common understanding on the criteria used in categorizing a project as stalled.
5. The reported pending Bills for the State Department was noted to be on an upward trajectory. The pending Bills accumulated since 2015/16 amounts to Ksh. 2.1 Billion. If this is to be paid as a first charge in the 2019/20 budget, the implementation of the programme of the department shall be adversely affected.
6. It was observed that the anti-doping agency which is a Semi-Autonomous Government Agency (SAGA) within the State department spends significant funds in undertaking doping tests outside the country. It became apparent that an establishment of a laboratory to undertake the tests within the country would lead to savings of public funds.
7. The proposed Ksh.500 Million for the refurbishment of the seven regional stadia was noted to be so insufficient if the funds were to be equally distributed among the stadia.
8. It was noted that there is a decrease amounting to Ksh.10 Million in the proposed allocation for compensation to employees when the current Financial Year's (2018/19) allocation is used a baseline.

4.1.2 Committee Recommendations

The Committee recommends the approval of the Budget Estimate for FY 2019/20 for the State Department for Sports in line with the following recommendations;

Financial Recommendation

1. The Committee recommends the approval of **Kshs 15,160.2 million** comprised of **Kshs 1,260.2 million** for recurrent expenditure and **Kshs 13,900 million** for Development Expenditure for the State Department of Sports for FY 2019/20 20 as submitted by the National Treasury to the National Assembly on Tuesday, 30th April 2019.

Policy Recommendations

1. The expenditure plans and breakdown details of the proportion (the 35%) of the Sports, Arts and Social Development Fund should be presented for the pre-budget approval scrutiny in the next budget. This shall enhance the oversight role of the Committee on the proceeds of the Fund.
2. The refurbishment of the stadia needs to be fast tracked so that the government can realize value for the money spent on the projects thus far. There is need to ring fence the proceeds from the Sports, Arts and Social Development Fund towards the development of the sports facilities.
3. There is need to initiate the process of establishing a local laboratory to undertake doping tests. The feasibility study to establish the laboratory needs to be concluded by the State department so that the next budget process may consider funds allocation for its establishment.
4. There is need to sensitize the government agencies such as the State department for Sports before the next budget on the criterion used by the National Treasury in declaring a project as stalled. This is because there is a revealed conflict in understanding of what constitute stalled projects between Ministries/Departments and Agencies and the National Treasury.
5. There is need for the State Department to come up with a strategy on how to reign in the escalation of pending Bills. The strategy should be presented to the Committee for scrutiny so as to inform the consideration of additional allocations of funds to facilitate the settlement of the pending Bills.

4.2 State Department for Culture and Heritage

4.2.1 Committee Observations

1. The total allocation to the state department for Culture and Heritage is **Kshs 3,570.2 million**. Out of this amount, **Kshs 3,018.2 million** is for recurrent expenditure while **Kshs 552 million** is for development expenditure. In comparison, the department was allocated **Kshs 3,939 million** in FY 2018/19 comprised of Kshs **3,057.5 million** for recurrent expenditure and **Kshs 881.6 million** for development expenditure. This represents a reduction of **Kshs 604.2 million** in budgetary provision.
2. It was noted that the department will be entitled to Kshs 660 million 5% of the proposed allocation of Kshs **13,200 million** of the Sports, Arts and Social Development Fund. However, the programs and activities to be financed by the funds apportioned to the State

department from the Sports, Arts and Social Development Fund were not availed. This was noted can adversely affect the pre-budget approval scrutiny by the Committee.

3. There is acute staff shortage within the various parastatals under the departments dealing with services that fall under the National Government function such as that of National Archives and Documentation services. There is only 80 staff against a staff establishment of 888.
4. It was noted that the Pending Bills amounting to **Ksh.605.2 Million** attracts interest charges. The delay in settlement of the pending Bills was observed to be partly attributed to the slow pace of verification of the validity of the Bills by the Auditor General.
5. The Committee noted that some of the national cultural and heritage sites are in dilapidated conditions thereby causing dishonor to the national culture and heritage of the country.
6. It was observed that the public's appreciation of culture and heritage is very low. This was noted to be leading to low performance of domestic tourism and low interests and participation in activities relating to culture and heritage.
7. The committee noted that there is need for the Government to urgently relocate the Kenya National Archives Office from the Nairobi Central Business District to Oloolua forest in order to safeguard the safety and security of the Country's National Heritage.

4.2.2 Committee Recommendations

The Committee recommends the approval of the Budget Estimate for FY 2019/20 for the State Department for Culture and Heritage in line with the following recommendations;

Financial Recommendations

3. The Committee recommends the approval of **Kshs 3,570.2 million** comprised of **Kshs 3,018.2 million** for recurrent expenditure and **Kshs 552 million** for development expenditure for the State Department for Culture and Heritage for FY 2019/20 as submitted by the National Treasury to the National Assembly on Tuesday, 30th April 2019.
4. The State Department together with the Public Service Commission to fast track the process of acquiring more personnel to address the acute staff shortage. In this regard, the committee recommends an additional of **Kshs 651.8 million** to cater for recruitment and promotion of technical staff in the state department to address the acute shortage. In addition, the Department needs to leverage on internship and attachment programs to improve its human resource in the short term.

Policy Recommendations

5. The State Department to prepare and submit its planned activities and expenditure plans to be defrayed by the proceeds from the Sports, Arts and Social Development Fund for pre-budget scrutiny by the Committee in the next budget processing.

6. There is need for the Department to prioritize the funding of the stalled projects within the Financial Year 2019/20 with the proceeds from the Sports, Arts and Social Development Fund.
7. The Department needs to enhance its sensitization to the public on matters relating to culture and heritage so as to invigorate the public's interests, involvement and participation.

4.3 State department for Tourism

4.3.1 Committee Observations

1. The total allocation for the State Department for the FY 2019/20 is **Kshs. 7,875.9 Million** both for Recurrent and Development. The Total Recurrent Budget is **Kshs. 6,345.9 Million,** out of which AIA is **Kshs. 4,616 Million** and Net Exchequer is **Kshs. 1,729.9 Million**.
2. The State Department's subsector Development Budget is **Kshs. 1,530 Million** against the sub-sector development requirement of **Kshs. 5,230 Million.** The shortfall will affect the following critical areas which are not provided for in the 2019/2020 Budget Estimates:
   - Farm Murera Gate Road. This is an on-going project at 75% completion level. The project requires an additional **Kshs. 116 Million** to complete.
   - Office Partitioning and Equipping- An on-going project at Tourism Fund Building. The project requires **Kshs. 180 Million.**
   - The state Department major role is marketing locally and international. The department needs an enhanced travel allocation by **Kshs. 60M**
3. The State Department has pending bills amounting to **Kshs. 1,595.6 million** for its SAGAs; Ronald Ngala Utali College – Kshs. 903M, KICC – Kshs. 430M and Kenya Utalii College – Kshs. 115M.
4. The State Department has Human Resource Shortage in some of its parastatals especially Tourism Research Institute which require qualified personnel to undertake its mandate.
5. The Committee has observed that the Ushanga Kenya Initiative has institutional challenges that are yet to be fully addressed by the government occasioning delay in release of funds. In the FY 2018/19, the Agency was allocated Kshs 417.4 million; however, as at 31st march 2019, there was no funds released to the Agency due to the aforementioned reasons. In the FY 2019/20, the agency was allocated Kshs 404.8 million for recurrent expenditure for its new organizational structure.
6. The Committee also noted that there is need to diversify the country's tourism products and develop new experiences in the beachfronts. There is need to move from the traditional beach and safari markets so that the sector can be competitive and attract more tourists into the country.

7. There is need to revamp Malindi town and develop the beach to tap the revenue that can be generated from the tourists numbers that have been increased by the direct flights that land in the Malindi Airport from Italy

4.3.2 Committee Recommendations

The Committee recommends the approval of the Budget Estimate for FY 2019/20 for the State Department for Tourism in line with the following recommendations;

Financial Recommendations

The Committee recommends the approval of **Kshs 7,875.9 Million** comprised of **Kshs. 6,345.9 Million** and **Kshs 1,530 Million** for development expenditure for FY 2019/20 for the State Department for Tourism as submitted by the National Treasury to the National Assembly on Tuesday, 30th April 2019.

Policy Recommendations

1. The Committee recommends the state department for tourism to take measures aimed at enhancing the diversification of the country's tourism products and develop new experiences in the beachfronts. There is need to move from the traditional beach and safari markets so that the sector can be competitive and attract more tourists into the country.
2. The Committee has observed that the Ushanga Kenya Initiative has institutional challenges that are yet to be fully addressed by the government occasioning delay in release of funds. The ministry should undertake the necessary measures required to implement the new organizational structure of the Agency so that its budgetary provision can be implemented on time.

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

THE DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY

REPORT ON THE EXAMINATION OF BUDGET ESTIMATES FOR THE YEAR 2019/2020

(i) VOTE 1011: THE PRESIDENCY
(ii) VOTE 1021 STATE DEPARTMENT FOR INTERIOR
(iii) VOTE 1022: STATE DEPARTMENT FOR CORRECTIONAL SERVICES
(iv) VOTE 1024: STATE DEPARTMENT FOR IMMIGRATION AND CITIZEN SERVICES
(v) VOTE 2071: PUBLIC SERVICE COMMISSION
(vi) VOTE 2101: NATIONAL POLICE SERVICE COMMISSION
(vii) VOTE 2151: THE INDEPENDENT POLICE OVERSIGHT AUTHORITY

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

MAY 2019

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1.0 PREFACE

On behalf of the Departmental Committee on Administration & National Security and pursuant to provisions of Standing Order 232, it is my pleasant privilege and honour to present to the Budget and Appropriations Committee, the Report on its consideration of the Budge Estimates for the Ministry's and State Departments that fall under its purview. The Budget Estimates was tabled before the House on Tuesday 30th April 2019 pursuant to Standing Order No. 232 and thereafter committed to relevant Departmental Committees for deliberation according to respective mandates.

1.1 MANDATE OF THE COMMITTEE

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

I) *Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;*

II) *Study the programme and policy objectives of the Ministries and departments and the effectiveness of the implementation;*

III) *Study and review all legislation referred to it;*

IV) *Study, assess and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with its stated objectives;*

V) *Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;*

VI) *Vet and report on all appointments where the constitution or any law requires the National Assembly to approve, except those under Standing Order 204; and*

VII) *Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation.*

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

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

(i) Vote 1011, the Presidency
(ii) Vote 1021, State Department for Interior
(iii) Vote 1022, State Department for Correctional Services
(iv) Vote 1024, state Department for Immigration and Citizen Services
(v) Vote 2071, Public Service Commission
(vi) Vote 2101, National Police Service Commission
(vii) Vote 2151, Independent Police Oversight Authority
(viii) Public Service Transformation programme under the Ministry of State for Public Service and Youth

1.2 COMMITTEE MEMBERSHIP

1. The Hon. Paul Koinange, MP - **Chairperson**
2. The Hon. John Waluke, MP - **Vice-Chairperson**
3. The Hon. Dr. Makali Mulu, MP
4. The Hon. Wafula Wamunyinyi, MP
5. The Hon. Peter Kaluma,MP
6. The Hon. George Theuri, MP
7. The Hon. Geoffrey Kingangi Muturi, MP
8. The Hon. Dr. Tecla Chebet Tum, MP
9. The Hon. Josphat Kabinga Wachira, MP
10. The Hon. Abdi Omar Shurie, MP
11. The Hon. Peter Francis Masara, MP
12. The Hon. Ahmed Kolosh Mohammed, MP
13. The Hon. Oku Kaunya, MP
14. The Hon. Ngunjiri Wambugu, MP
15. The Hon. Nimrod Mbithuka Mbai, MP
16. The Hon. Didmus Wekesa Barasa Mutua, MP
17. The Hon. Marselino Malimo Arbelle, MP
18. The Hon. Halima Mucheke, MP
19. The Hon. Aduma Owuor, MP

Secretariat

1.	Mr. Aden Abdullahi	-	Senior Clerk Assistant
2.	Mr. Joshua Ondari	-	Clerk Assistant II
3.	Mr. Edison Odhiambo	-	Fiscal Analyst
4.	Ms. Brigitta Mati	-	Legal Counsel
5.	Mr. Donald Manyala	-	Research Officer

2.0 CONSIDERATION OF THE BUDGET ESTIMATES FOR FY 2019/2020

The Budget estimates was tabled in the House on Tuesday 30th April 2019 and subsequently committed to relevant departmental Committees pursuant to Standing Orders 232 (4) for consideration, discussion and review. The Committee upon receipt of the Budget Estimates and in pursuit of its mandate received a briefing from Mr. Edison Odhiambo from the Parliamentary Budget Office (PBO) and held meetings with the State Department for Interior, State Department for Immigration and Citizen Services, State Department for Correctional Services, State Department for Public Service, National Police Service Commission, Public Service Commission, Independent Policing Oversight Authority and Comptroller of State House to consider the Budget proposals.

3.0 COMMITTEE GENERAL OBSERVATIONS

1. 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. Indeed 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.

2. A review of projects under the Presidency reveals that it is implementing a total of four (4) programs and eleven (11) sub programmes in the financial year 2019/2020 . The National Treasury allocated 11,220.26 hence the implementation of the programmes and sub programmes will be affected by the underfunding of **Kshs. 663.57 million**.

3. The State Department of Interior is implementing Policing Services, Planning, Policy Coordination and Support Services, Government Printing Services, Population Management Services, National Registration Bureau, Civil Registration,Integrated Population Registration Services and Road Safety

4. Pending Bills always affect the implementation of any budget given that it forms the first charge in any financial year. The Committee noted with concern the pending bills across the various agencies under its purview as shown in the table below.

	MDA	Pending Bills	Remarks
1.	The Presidency	194 Million	Occasioned by budget cuts
2.	Interior	3,046, Million	Occasioned by budget cuts and the accrued legal compensation
3.	Correctional Services	6,204 Million	Relates to historical pending bills
4.	Immigration and Citizen Services	59.79 Million	
5.	State Department of Public Service	118. 058 Million	Exchequer Challenges during FY 2017/2018

5. The Directorate of remote Sensing and Survey has been transferred to the Presidency from the Ministry of Environment in the Financial Year 2019/2020 with an allocation of **Kshs. 107.8 Million**. Also, there is **Kshs. 350 million** allocations for the purchase of buildings for National Fund for the Disabled in Kenya.

6. The Coffee sector Implementation Committee has been transferred to the Presidency under Cabinet Office with an allocation of Kshs. 300 million

7. There has been slow implementation of Vision 2030 flagship projects partly attributed to limited funds for capital spending. The flagship projects were the foundation upon which the vision 2030 targets were based on. Therefore, the slow pace has hampered the envisaged economic growth and development.

4.0. COMMITTEE RECOMMENDATIONS

Re-allocations

1. Re-allocate **KSh. 300 million** from the project "1021103800 National Secure Communication and Surveillance System", development expenditure under the Programme

Planning, Policy Coordination and Support Services to Civil Registration Services under the Programme *Population Management Services to support: -*

a) digitization of records of births and Deaths by **KSh. 100 million**
b) Construction of Buildings - nonresidential by **KSh. 200 million**

2. Re-allocate KSh. 300 million, Development Expenditure from "1021105800 National Integrated Identity Management System (NIIMS)" to Kenya Coast Guard to support the acquisition of more boats (Development) for patrol along the Kenyan coastline and inland waters of Lake Victoria and Lake Turkana. The re-allocation is within the programme of *Planning, Policy Coordination and Support Services.*

3. Re-allocate **KSh.100 million** from "1021000400 County Administration, Other Operating Expenses" under the programme *Planning, Policy Coordination and Support Services* to Directorate of Criminal Investigation Services under the programme *Policing Services* to enhance their operations and maintenance allocation within the State Department for Interior.

4. Re-allocate **KSh. 200 million** from 1021000100 OOP Headquarters, Other Operating Expenses to **NACADA** to reduce the shortfall in operations and maintenance. The re-allocation is within the programme Planning, Policy Coordination and Support Services under the State Department for Interior.

5. Re-allocate **KSh. 200 million** from the project, 1021103800 National Secure Communication and Surveillance System (NSSS) under the State Department for Interior to the Project **1021100971 Construction of Sub-county Headquarters**

Proposed Increments

1. Increase the allocation for the Presidency by **KSh. 100 million** under Recurrent Expenditure. The Increase of KSh. 50 million will go towards purchase of vehicles for

retired presidents under the programme State *House Affairs* while the other KSh. 50 million will go towards the programme *Deputy President Services* to enhance the allocation for foreign travel.

2. Increase the allocation for State Department for Correctional Services by **KSh. 177 million**, Development Expenditure. The increase will go towards completion of 40 stalled projects under the programme of Correctional *Services.*

3. Increase the allocation for State Department for Immigration and Citizen Services by **KSh. 300 million**, Development Expenditure for digitization of immigration records.

4. Increase the allocation for Public Service Commission by **KSh. 1 billion**, Recurrent Expenditure under the programme *General Administration, Planning and Support Services.* The allocation will go towards monthly stipend of interns to be recruited by the Commission in every constituency with an estimated stipend per intern of KSh. 25,000 per month.

Reductions

Reduce the proposed allocation for State Department for Interior by **KSh 1,577 million** under the Programme the programme *Planning, Policy Coordination and Support Services* under the following vote heads: -

a) "1021105800 National Integrated Identity Management System (NIIMS)" by KSh. **277 million**, Development Expenditure
b) "1021103800 National Secure Communication and Surveillance System" by **KSh. 800 million,** Development Expenditure
c) 1021000100 OOP Headquarters, Other Operating Expenses **by KSh. 500 million**, Recurrent, Expenditure)

5.0 ACKNOWLEDGEMENTS

The Committee wishes to sincerely thank the Offices of the Speaker and the Clerk of the National Assembly for the support extended to it in the execution of its mandate. I take this opportunity to thank all the Members of the Committee for their patience, sacrifice, endurance and hard work during the long sitting hours under tight schedules which enabled us to complete the tasks within the stipulated period. The Committee wishes to record its appreciation for the services rendered by the staff of the National Assembly attached to the Committee. Their efforts made the work of the Committee and the production of this report possible. Finally, it is now my pleasant duty, on behalf of the Departmental Committee on Administration and National security, to present this Report to the Budget and Appropriation Committee pursuant to the provisions of section 25 of the Public Finance Management Act (PFM Act) and Standing Order 232 (4).

Thank You

SIGNED .....

HON. PAUL KOINANGE, MP

(CHAIRPERSON)

DEPARTMENTAL COMMITTEE ON ADMINISTRATION & NATIONAL SECURITY

DATE..... 29th May 2019 .....

6.0 CONSIDERATION OF THE BUDGET ESTIMATES FOR THE FY 2019/2020

6.1 PRESENTATION BY THE STATE DEPARTMENT FOR CORRECTIONAL SERVICES

The Principal Secretary Ms. Zeinab Ali Hussein informed the Committee that;

The proposed allocation for the state department amounts to **KSh. 26,885.8 million** comprising of **KSh. 26,105 million** for recurrent and **KSh. 780 million** for development.

The State department has a total of one hundred and Seventeen (117) stalled projects in various stations across the country. Out f these seventy-seven (77) have allocated funds for the completion in the financial year 2019/2020. The remaining forty (40) will prioritized in the subsequent financial years.

The Department as at July 2018 had a pending bill of Kshs. 6,204,906,535. Out of which 6,132, 708, 724 is recurrent and 72,191,811 is development. The bulk of the recurrent bills relate to food and rations in prison stations across the country and are been verified by internal auditors.

The department will be implementing station-based budget for prison stations and carry out comprehensive audit to ensure all bills are verified and validated for payment.

The funding gaps for the state department are compensation of employees where SRC granted the Kenya Prison Staff (KPS) staff housing and commuter allowances and retained the current house supplementation allowances.

COMMITTEE OBSERVATION

The committee observed that;

1. The state department has been dogged by pending bills and limited resources for capital spending. Hence some critical vision 2030 projects which targeted for completion have stalled. They include modernization programmes and construction of six prisons as identified in the second MTP of Vision 2030.Despite the budget cuts that have dented the achievement of most targets.

2. The House Resolutions on the BPS 2019 and the medium-term directed the National Treasury to prioritize the pending bills to limit cases where penalties could accrue. While

the National Treasury vide circular No.1/2018/19 directed payments of pending bills as the first charge, there has always been limited funds to implement this directive.

3. The proposed allocation is within the ceilings of the Resolution of the House on the BPS 2019 and the medium term.

6.2 PRESENTATION BY STATE DEPARTMENT OF IMMIGRATION AND CITIZEN SERVICES

The Principal Secretary Maj Gen. (Rtd) Dr Gordon Kihalangwa informed the Committee that;

The proposed allocation for the department for the FY 2019/2020 amounts to Kshs.3, 211.40 million, Kshs. 2,121.10 million for recurrent expenditure and Kshs. 1,090.30 million for development expenditure.

Influx of asylum seekers and illegal immigrants from neighboring countries due to porous borders and conflicts in their countries has resulted in insecurity and enormous repatriation costs

The pending bills for the state department as at 31st March 2019 was Kshs. 59.79 Million.

Online application of Passports from the Diaspora and the implementation of central printing of e passports at Nyayo House requires roust internet connectivity.

COMMITTEE OBSERVATION

The committee observed that;

The department outputs will be improved immigration services by issuing 500,000 e-passports. However, there is lack of adherence to timelines in issuance of passport. While the department service charter gives two weeks, there is a general concern by citizens that the issuance takes more than one month. Further during public participation on the BPS, members of the public expressed concerns that there is rampant corruption in the issuance of passports.

The Department targets to issue 26,000 work permits. There is a general concern by the public that some work permits issued by the department relates to activities which many Kenyans who are jobless can do.

The State Department was grossly underfunded.

6.3 PRESENTATION BY THE PUBLIC SERVICE COMMISSION

The Chairperson Mr. Joseph Kirogo informed the Committee that;

The proposed allocation or Public Service Commission amounts to **KSh. 1,236 million** comprising of **KSh. 1,171 million** for recurrent and **KSh. 65 million** for development.

The resources for 2019/2020 will be channeled towards the following outputs; -

- Development of human resource management and provision of technical assistance and human resource capacity building to MDAs county Service Boards and County Assembly Service Boards
- Review of terms and conditions of service for civil servants;
- Implementation of competency framework and tests, development and implementation of career progression guidelines
- Promotion of values and principles under Article 10 and 232 of the Constitution

The Commissions pending bills amounts to Kshs. 9,207,995 relating the medical insurance cover for commissioners and new staff.

The Commission requires extra budgetary allocation of Kshs. 690 million to fund service delivery transformation and performance and productivity management and funding of internship and volunteer programme aimed at development of skills and relevant culture for public service and a volunteer pogramme that targets the retired skilled public servants on critical areas such as extension services, security dispensaries among others that requires a budgetary allocation of Kshs. 4,200 million.

COMMITTEE OBSERVATION

The committee observed that;

The Public Service Commission requires an extra budgetary allocation of KSh. 300 million that will go towards the Talent Management (Internship) which focuses on equipping 10,000 youths per year of the 500,000-800,000 youths who are graduating from colleges every year with relevant public skills and culture. These interns who will be recruited from each constituency and will form the pool to be recruited into public service.

6.4 PRESENTATION BY THE NATIONAL POLICE SERVICE COMMISSION

The Chairperson Mr. Eliud Kinuthia informed the Committee that:-

The proposed allocation for the National Police Service Commission for the FY 2019/2020 amounts to Kshs. to **KSh. 736 million**.

The commission spends Kshs. 71 million on rent and proposes to acquire offices

The Commission in the process of finalizing the development of the 2019-2021 strategic plan. The plan has identified various key human resource management strategic interventions that need to be implemented so as to ensure efficient and effective service delivery.

The commission has identified suitable premises for the establishment of counseling and wellness centre in Nairobi. The works are ongoing and the centre will be officially opened on 17th July 2019.

The Commission requires additional funding of 1.09 Billion to effectively carry out the earmarked programmes that are unfunded/underfunded.

COMMITTEE OBSERVATION

The committee observed that:-

The Commission requires additional funds for the establishment and decentralization of counseling and wellness centres to enhance access to counseling ad psychosocial support.

6.5 PRESENTATION BY THE INDEPENDENT POLICING OVERSIGHT AUTHORITY

The Chairperson Ms. Ann Makori informed the Committee that:-

The proposed allocation for the Independent Policing Oversight Authority for the FY 2019/2020 amounts to Kshs. 892 million

This allocation represents an increament of 17% in resource allocation compared to financial year 2018/19 in nominal terms.

The appointment of the new Board on full time basis means that the authority requires additional office space estiated at a amount of Kshs. 14 million.

The operations of the authority involve huge amount of field work. Domestic travel/subsistence expenditure amounting to kshs. 10 million for inspections, monitoring and investigations forms part of the budgetary defecit.

The authority further requires an additional budgetary allocation of kshs. 111 million to fund the motor vehilcles for the authority board because the terms and conditions is on full time basis.

During the FY 2019/20 the authority will implement the 5 year strategic plan for 2019-2024, strenghthen the capacity of operations in the regional offices for higher uptake of complaints, investigations and monitoring and enghance the inter-agency cooperation relavant parties such as ODPP, EACC IAU and initiate working partnerships with the Government Chemist and the Office of Chief Pathologist.

6.6 PRESENTATION BY THE STATE DEPARTMENT OF PUBLIC SERVICE

The Principal Administrative Secretary Mary W. Kimonye informed the Committee that: -

The state department proposed total allocation amounts to KSh.9,909.5 million comprising of KSh. 8,411.6 million for recurrent and KSh. 1,497 million for development

The State Department will implement two (2) broad programmes namely; Public Service Transformation Programme and General Administration.

The public Service Transformation Programme is to enhance the performance of the public service for efficiency and effectiveness and has five sub programmes with a proposed budget estimate of Kshs. 5, 242,372,230.

Under the programme Public Service Transformation the Department has a budget allocation shortfall of Kshs. 4,050.50 million which is required by Huduma for internet infrastructural support, contracted support services, general office supplies and rent under the recurrent expenditure and the deficit will cause challenges in the provision of service to Kenyans.

6.7 PRESENTATION BY THE CONTROLLER OF STATE HOUSE

The Controller of State House, Hon. Kinuthia Mbugua informed the Committee that;

The proposed allocation for the Presidency for the FY 2019/20 amounts to **Kshs. 11,220.3 million**

During the Financial year 2019/20 the Presidency shall be implementing four (4) programmes and eleven (11) sub- programmes

a) State House Affairs - Coordination of State House Functions and Administration of statutory benefits to the retired Presidents and strategic public policy performance monitoring and Inspectorate of State Corporations.

b) Deputy President Services – General Administration, Planning and Support Services and Coordination and supervision

c) Cabinet Affairs – Management of Cabinet Affairs, Advisory Services on economic and Social Affairs and Resource Surveys and Remote Sensing

d) Government Advisory Services – Kenya – South Sudan Advisory Services, Power of Mercy Advisory Services and Counter Terrorism Advisory Services

The Presidency has a pending Bill amounting to Kshs. 194 million

The Directorate of remote Sensing and Survey has been transferred to the Presidency from the Ministry of Environment in the Financial Year 2019/2020 with an allocation of Kshs. 1078 Million. Also, there is Kshs. 350 million allocations for the purchase of buildings National Fund for the Disabled in Kenya.

The Coffee sector Implementation Committee transferred to the Presidency under Cabinet Office with an allocation of Kshs. 300 million

COMMITTEE OBSERVATION

The committee observed that;

1. The Directorate of remote Sensing and Survey has been transferred to the Presidency from the Ministry of Environment in the Financial Year 2019/2020 with an allocation of Kshs. 1078 Million. Also, there is Kshs. 350 million allocations for the purchase of buildings National Fund for the Disabled in Kenya.

2. The Coffee sector Implementation Committee transferred to the Presidency under Cabinet Office with an allocation of Kshs. 300 million

6.8 PRESENTATION BY THE STATE DEPARTMENT INTERIOR

The Principal Secretary Dr. Eng. Karanja Kibicho informed the Committee that:-

The proposed allocation for the state department for Interior amounts to KSh. 140.5 billion comprising of KSh. 129.3 billion for recurrent expenditure and KSh. 11.2 billion for development.

The State Department implements its mandate in the following programmes and Sub-programmes

a) Policing Services – Kenya Police Service, Administration Police Services, Criminal Investigation Services, General Paramilitary Services

b) Planning, Policy Coordination and Support Services – Planning and Field Administration Services, Peace Building and Conflict Management Disaster and Risk Management National Campaign Against Drug and Substance Abuse, Crime Research, Government Chemist Services, betting Control and lottery Policy Service, NGO Regulatory Service, Private Security Regulatory Board, Firearms Licensing Board and Kenya Coast Guard Services

c) Government Printing Services

d) Population Management Services – National Registration Bureau, Civil Registration Department and Integrated Population Registration Services

e) Road Safety

There is a reduction in budgetary allocations for the police modernization programme from 8 Billion to 2.5 Billion and inadequate funding for the construction of sub county headquarters and the construction and refurbishment of police stations.

The department of civil registration will undertake an aggressive approach in digitizing the systems from 15th July 2019.

COMMITTEE OBSERVATIONS

The Committee observed the following;

1. The state department shall be implementing five programmes of Policing Services, Planning Policy, Coordination and Support Services, Government Printing Services, Population Management Services and the new programme of Road safety through Executive order No. 1 of 2019. Other institutions that have been brought back under the State Department include the Government Chemist which was previously with the Ministry of Health, National Campaign Against drugs and Substance Abuse (NACADA) and Betting control which were both under the State Department for Correctional Services.

2. This proposed allocation is over and above the House Resolutions on the BPS 2019 by KSh. 4.5 billion.

3. The total budgetary allocation for the programmes has seen an upward movement from KSh. 84.4 billion in 2013/2014 to KSh. 126.4 billion in 2018/19. The allocation for 2018/19 was also projected to rise further when supplementary estimates for the FY 2018/19 will be are approved by the House, making the State department to be one of the departments with highest increment over the period at 50 percent. The budgetary absorption has been high (Averagely 90 percent) and the trend has been in tandem with the growth in expenditure.

4. The high absorption rates are attributable to recurrent expenditure which constitutes the bulk of the resources under the state department. The programmes and projects that are financed using domestic resources tend to have higher absorption as compared to external financing through development partner's loans and grants which have low absorption rate due to donor conditionalities and procurement challenges. The state department's external financing constitutes less than one percent of its allocation.

5. The state department modernized security equipment through acquisition of 25 Mine Resistant Ambush protective vehicles, 55 armored Personnel carrier Vehicles, 6 patrol boats, 18 anti-riot control vehicles, Intensified police patrols through rehabilitation of 25 airstrips and 9 security roads and leasing of 2,416 vehicles. Further, the construction of the forensic laboratory was completed and 62 sub county offices were constructed to enhance service delivery.

6. The construction of the National Police Forensic Laboratory entailed the construction of the structure in Phase I and Phases II which involves the equipping of the laboratory which was started in 2018/19. It is estimated that in Phase I, the project expended KShs. 1.317 billion. The lab will enhance the forensic investigation capacity and it is one of the Vision 2030 flagship projects. The project requires an additional KShs 7 billion to enable it be equipped fully.

7. The police modernization had seen its allocation reduce from **KSh. 8 billion** to KSh. **2.5 billion**

8. The committee further proposes an extra funding of KSh. 200 million towards the Completion of Construction of Civil Registration Services Registries and Ksh. 100 million towards Civil Registration to support "Digitization of Records of Births and Deaths.

7.0 COMMITTEE GENERAL OBSERVATIONS

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. Indeed 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. It is observed that a number of programmes under the state Department for Interior did not adhere to the BPS as the basis for preparing the estimates. They include Planning policy and Support services, Population Management Services and Policing services.

A review of projects under the Presidency reveals that it is implementing a total of four (4) programs and eleven (11) sub programmes in the financial year 2019/2020 . The National Treasury allocated Kshs. 11,220.26 hence the implementation of the programmes and sub programmes will be affected by the underfunding of Kshs. 663.57 million.

Pending Bills always affect the implementation of any budget given that it forms the first charge in any financial year. The Committee noted with concern the pending bills across the various agencies under its purview as shown below

	MDA	Pending Bills	Remarks
1.	The Presidency	194 Million	Occasioned by budget cuts
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3.	Correctional Services	6,204 Million	Relates to historical pending bills
4.	Immigration and Citizen Services	59.80 Million	
5.	State Department of Public Service	118. 058 Million	Exchequer Challenges during FY 2017/2018

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There has been slow implementation of Vision 2030 flagship projects partly attributed to limited funds for capital spending. The flagship projects were the foundation upon which the vision 2030 targets were based on. Therefore, the slow pace has hampered the envisaged economic growth and development.

8.0 COMMITTEE RECOMMENDATIONS

Re-allocations

1. Re-allocate **KSh. 300 million** from the project "1021103800 National Secure Communication and Surveillance System", development expenditure under the Programme *Planning, Policy Coordination and Support Services* to Civil Registration Services under the Programme *Population Management Services to support: -*
    c) digitization of records of births and Deaths by **KSh. 100 million**
    d) Construction of Buildings - nonresidential by **KSh. 200 million**

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3. Re-allocate **KSh.100 million** from "1021000400 County Administration, Other Operating Expenses" under the programme *Planning, Policy Coordination and Support Services* to Directorate of Criminal Investigation Services under the programme *Policing Services* to enhance their operations and maintenance allocation within the State Department for Interior.

4. Re-allocate **KSh. 200 million** from 1021000100 OOP Headquarters, Other Operating Expenses to **NACADA** to reduce the shortfall in operations and maintenance. The re-allocation is within the programme Planning, Policy Coordination and Support Services under the State Department for Interior.

5. Re-allocate **KSh. 200 million** from the project, 1021103800 National Secure Communication and Surveillance System (NSSS) under the State Department for Interior to the Project '1021100971 Construction of Sub-county Headquarters"

Proposed Increments

1. Increase the allocation for the Presidency by **KSh. 100 million** under Recurrent Expenditure. The Increase of KSh. 50 million will go towards purchase of vehicles for retired presidents under the programme State *House Affairs* while the other KSh. 50 million will go towards the programme *Deputy President Services* to enhance the allocation for foreign travel.

2. Increase the allocation for State Department for Correctional Services by **KSh. 177 million**, Development Expenditure. The increase will go towards completion of 40 stalled projects under the programme of Correctional *Services.*

3. Increase the allocation for State Department for Immigration and Citizen Services by **KSh. 300 million**, Development Expenditure for digitization of immigration records.

4. Increase the allocation for Public Service Commission by **KSh. 1 billion**, Recurrent Expenditure under the programme *General Administration, Planning and Support Services.* The allocation will go towards monthly stipend of interns to be recruited by the Commission in every constituency with an estimated stipend per intern of KSh. 25,000 per month.

Reductions

Reduce the proposed allocation for State Department for Interior by **KSh 1,577 million** under the Programme the programme *Planning, Policy Coordination and Support Services* under the following vote heads: -

d) "1021105800 National Integrated Identity Management System (NIIMS)" by KSh. **277 million**, Development Expenditure

e) "1021103800 National Secure Communication and Surveillance System" by **KSh. 800 million,** Development Expenditure

f) "1021000100 OOP Headquarters, Other Operating Expenses" **by KSh. 500 million**.

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ANNEX I: MINI SCHEDULE IN KSH. MILLIONS

MDA	Draft Estimates			Committee Adjustments			Final Committee Recommendations		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
The Presidency									
0702000 Cabinet Affairs	1,738.00	1,671.00	3,409.00			-	1,738.00	1,671.00	3,409.00
0704000 State House Affairs	4,377.00	413.30	4,790.30	50.00		50.00	4,427.00	413.30	4,840.30
0734000 Deputy President Services	2,072.00	88.00	2,160.00	50.00		50.00	2,122.00	88.00	2,210.00
0703000 Government Advisory Services	696.00	165.00	861.00			-	696.00	165.00	861.00
Total	**8,883.00**	**2,337.30**	**11,220.30**	**100.00**		**100.00**	**8,983.00**	**2,337.30**	**11,320.30**
State Department for Interior									
0601000 Policing Services	96,857.70	3,533.70	100,391.40	100.00		100.00	96,957.70	3,533.70	100,491.40
0602000 Planning, Policy Coordination and Support Service	25,871.90	3,920.50	29,792.40	(600.00)	(1,377.00)	(1,977.00)	25,271.90	2,543.50	27,815.40
0603000 Government Printing Services	739.50	200.00	939.50			-	739.50	200.00	939.50
0605000 Population Management Services	3,766.80	3,120.00	6,886.80		300.00	300.00	3,766.80	3,420.00	7,186.80
0624000 Betting Control, Licensing and Regulation Services			-			-	-	-	-
0216000000 Road Safety	2,060.00	400.00	2,460.00			-	2,060.00	400.00	2,460.00
TOTAL	**129,295.90**	**11,174.20**	**140,470.10**	**(500.00)**	**(1,077.00)**	**(1,577.00)**	**128,795.90**	**10,097.20**	**138,893.10**
State Department for Correctional Services									
0602000 Planning, Policy Coordination and Support Service	453.60		453.60			-	453.60	-	453.60

MDA	Draft Estimates			Committee Adjustments			Final Committee Recommendations		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
0604000 Correctional services	25,652.20	780.50	26,432.70		177.00	177.00	25,652.20	957.50	26,609.70
Total	**26,105.80**	**780.50**	**26,886.30**		**177.00**	**177.00**	**26,105.80**	**957.50**	**27,063.30**
State Department for Immigration and Citizen Services									
0605000 Population Management Services	2,121.10	1,090.30	3,211.40		300.00	300.00	2,121.10	1,390.30	3,511.40
Total	**2,121.10**	**1,090.30**	**3,211.40**		**300.00**	**300.00**	**2,121.10**	**1,390.30**	**3,511.40**
State Department for Public Service									
0710000 Public Service Transformation	3,794.60	1,447.80	5,242.40			-	3,794.60	1,447.80	5,242.40
0709000 General Administration Planning and Support Services	4,617.10	50.00	4,667.10			-	4,617.10	50.00	4,667.10
Total	**8,411.70**	**1,497.80**	**9,909.50**				**8,411.70**	**1,497.80**	**9,909.50**
Public Service Commission									
0725000 General Administration, Planning and Support Services	730.60	65.50	796.10	1,000.00		1,000.00	1,730.60	65.50	1,796.10
0726000 Human Resource management and Development	261.30		261.30			-	261.30	-	261.30
0727000 Governance and National Values	152.70		152.70			-	152.70	-	152.70
Performance and Productivity Management	26.40		26.40			-	26.40	-	26.40
Total	**1,171.00**	**65.50**	**1,236.50**	**1,000.00**		**1,000.00**	**2,171.00**	**65.50**	**2,236.50**
National Police Service Commission									
0620000 National Police Service Human Resource Management	736.90		736.90			-	736.90	-	736.90
Total	**736.90**		**736.90**				**736.90**		**736.90**
Independent Policing Oversight Authority									
0622000 Policing Oversight Services						-		-	

MDA	Draft Estimates			Committee Adjustments			Final Committee Recommendations		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
	892 70		892 70				892 70		892 70
Total	**892.70**		**892.70**				**892.70**		**892.70**

ANNEX II: PRIORITIES UNFUNDED

ANNEX III: SUBMISSION BY PBO

ANNEX IV: SUBMISSION BY AGENCIES

ANNEX V: RECONCILABLE LIST OF DEVELOPMENT PROJECTS

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION, 2019

REPORT OF THE DEPARTMENTAL COMMITTEE ON ENERGY ON THE CONSIDERATION OF THE BUDGET ESTIMTES FOR THE YEAR 2019/2020 FOR THE FOLLOWING VOTES:

VOTE 1152 – STATE DEPARTMENT OF ENERGY
VOTE 1193 – STATE DEPARTMENT OF PETROLEUM

CLERK'S CHAMBERS
NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI

MAY, 2019

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1.0 PREFACE

Mr. Chairman,

On behalf of the Departmental Committee on Energy and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honour to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the proposed Annual Estimates for Financial Year 2019/20.

1.1 Mandate of the Committee

The Departmental Committee on Energy derives its mandate from provisions of Standing Order No. 216(5) which defines functions of the Committee as being:

a) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;
b) Study the Programme and policy objectives of Ministries and departments and the effectiveness of the implementation;
c) Study and review all legislation referred to it;
d) Study, assess and 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 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);
g) (fa) examine treaties, agreements and conventions;
h) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
i) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
j) consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
k) Examine any questions raised by Members on a matter within its mandate.

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider matters relating to the Fossil fuel exploration, Development, production, maintenance and regulation of energy.

1.2 Oversight

In executing this mandate, the Committee oversees various State Departments and the SAGAs under its respective purview, namely:

a) State Department of Energy
b) State Department for Petroleum

1.3 Committee Composition

The Departmental Committee on Energy comprises the following Members:

1. The Hon. David Gikaria, M.P. - **Chairperson**
2. The Hon. (Dr.) Robert Pukose, M.P. - **Vice Chairperson**
3. The Hon. Cecily Mbarire, M.P.
4. The Hon. Ekomwa Lomenen James, M.P.
5. The Hon. Joseph Wathigo Manje, M.P.
6. The Hon. Lemanken Aramat, M.P.
7. The Hon. Oscar Sudi, Kipchumba, M.P.
8. The Hon. (Eng.) Vincent Musyoka Musau, M.P.
9. The Hon. Amina Gedow Hassan, M.P
10. The Hon. Abdikhaim Osman Mohamed, M.P
11. The Hon. Clement Muturi Kigano, M.P.
12. The Hon. Elisha Odhiambo, MP
13. The Hon. Elsie Muhanda, MP
14. The Hon. Gitau Faith Wairimu, M.P.
15. The Hon. Ken Chonga, MP
16. The Hon. Tindi Nicholas Mwale, MP
17. The Hon. Julius Mawathe, MP
18. The Hon. Walter Owino, MP
19. The Hon. Mohammed Ali Lokiro, MP

1.4 Committee Secretariat

The Committee is resourced with the following technical staff, representing the Office of the Clerk;

1. Mr. Benjamin Magut - First Clerk Assistant
2. Mr. Douglas Katho - Third Clerk Assistant
3. Mr. Ronald Walala - Legal Counsel
4. Mr. David Ngeno - Research Officer
5. Mr. Abdirahman Gorod - Fiscal Analyst
6. Mr. Joseph Okong'o - Media Relations Officer
7. Mr. Joan Apalat - Audio Recording Officer
8. Ms. Sheila Chebotibin - Sergent at Arms

1.5 Overview of the Examination of the Estimates

The Budget Estimates for FY 2019/20 was submitted to the House on 30th April, 2019 and thereafter in accordance to Standing Orders 235 (4) referred to the Departmental Committee of Energy for consideration and subsequently report to the Budget and Appropriations Committee within twenty one days.

On Monday 20th May, 2019, the Committee received a brief from the Parliamentary Budget Office (PBO) on proposed allocation for the various State Departments and respective SAGAs falling within its purview. The submission also covered the budgetary allocation in the medium term vis a vis the approved ceilings as well as the policy implications and budget performance of the budget.

Thereafter, the Committee met with the two State Departments as well as various Semi-Autonomous Government Agencies SAGAs) with a view to deliberate and interrogate the Estimates of Revenue and Expenditure for the FY 2019/20 and Medium Term on 20th and 21st May 2019.

1.6 Committee Observation

Arising out of the review and scrutiny of the 2019 Estimates of revenue and expenditure and supporting documents as well as deliberations with key stakeholders, the Committee makes the following observations under each of the State Department.

1.6.1 State Department of Energy

I. That, the total proposed allocation to the State Department amounts to KSh. 77.41 billion, composed of KSh. 5.75 billion for recurrent expenditure allocation and KSh. 71.66 billion for Development expenditure.

II. That, the proposed allocation reflects an overall increase of 21% compared to current approved baseline allocations (FY 2018/19) and 10% more than the 2019 BPS resolutions. Recurrent expenditure increased by kshs billion, where the increase under the recurrent transfers for GDC, KETRACO and RERAC is mainly financed through local appropriations in Aid (AiA).

III. The Committee noted that the increase relating to recurrent transfers to SAGAs was due to disclosure of all AiAs in the estimates of revenue submitted to parliament for approval. The Committee was informed that respective SAGAs provide full disclosure of Programmes and projects financed through AiA in the annual estimates for purposes of comprehensiveness, coverage and accountability.

IV. With regards to recurrent expenditure, the Committee observed that proposed recurrent expenditure indicate 19% rise in compensation to employees such as salaries and allowances paid as part of salary. Notably, allocations under employee compensation

are often subject to increases during in-year budget implementation on account of shortfalls on non-discretionary items.

V. A review of financing framework for the proposed 2019/20 Development Estimates, Exchequer component is kshs 16.6 billion relative to current levels of kshs 20.3 billion. External funding is increasing from kshs 34.31 billion to Kshs 47.92 billion despite substantial rationalization during budget implementation. Reduction of exchequer allocation is attributable to lower than approved ceiling as well as completion of key projects such as Loiyangalani –Suswa Transmission line.

VI. On pending bills, the Committee noted with concern growing trends in pending bills in the sector. This portends serious material risks to key flagship projects, negatively impact funding stability in the sector and curtail delivery of energy services.

VII. Total amount of pending bills reported based on the engagement with state department and agencies amount to approximately kshs 25 billion, composed of kshs 5.7 billion for KETRACO, Kshs 970 million for GDC, Ksh 19.95 billion for Kenya Power, among others. It is also noted that the pending bills under Kenya Power relate to outstanding government obligations arising from completed projects where Kenya Power financed such projects on behalf of the government including rural electrification projects.

However, there are material discrepancies in reporting of outstanding obligations between state departments and submission through the National Treasury.

Further the Committee noted the following observations specific to respective SAGAs under the purview of the State Department of Energy:

Rural Electrification & Renewable Energy Authority (REREC)

- Total proposed development allocation for FY 2019/20 towards rural electrification is kshs 6.90 billion, up from kshs 5.5 billion in FY 2018/19. This is to cater for electrification of public facilities across the country. Other key interventions include installation of transformers in constituencies with proposed allocation of Kshs 1.5 billion from kshs 900 million approved in current FY 2018/19.
- In review of 2018/19 programmes budget performance, remittance of 5**% electricity levy by KPLC** amounting to kshs **2.3 billion in the development vote** to **financing rural electrification programmes** is in arrears thus likely to affect capital budget implementation.
- In view of the new legal regime following the approval and operationalization of the Energy Act 2019, the mandate of REREC and policy coverage has expanded to cover all aspects of renewable energy
- That REREC has plans to fast track the implementation of the corporations work plan and procurement plan following reconstitution of the Board.

Geothermal Development Corporation (GDC)

- Total proposed development allocation for FY 2019/20 towards geothermal projects has gone down to kshs 4.9 billion compared to kshs 5.01 billion in FY 2018/19. The committee observes that the major projects proposed to be undertaken for the period under consideration are Bogoria – Silale geothermal projects (kshs2.00 billion), Menengai geothermal projects (Kshs 2.9 billion). However, AiA component from steam sales is proposed to reduce from kshs 3 billion as approved in FY 2018/19 to kshs 2.1 billion for the FY 2019/20.
- In reviewing the 2018/19 budget performance for GDC, the Committee noted that activities under phase one of Menengai geothermal projects, which so far has achieved steam equivalent of approximately 105 MW, have been substantially completed thus leading to scale down of major upstream activities.
- In addition, the process of procuring investors to construct power plant to generate electricity from the available steam (MWe) has also been concluded. However, there are challenges in meeting committed timelines and may result in missed targets such as commencement of actual construction date, inability of one of the investors to achieve financial close as per the timelines, delays in processing of partial risks guarantees, among others.

Kenya Power

- The Committee was informed that there is non-compliance on the part of most counties in honouring power bill expenses accruing from street lighting services. There are also other related challenges such as metering, pricing and maintenance of such assets among other operational challenges.
- The Committee notes with concern the impact of outstanding obligations on the future sustainability of the completed street lighting projects. This will also impact the security of citizens and further impede 24-hour economy which is also key to catalysing the manufacturing sector.

1.6.2 State Department of Petroleum

I. The total proposed allocation to the State Department of Petroleum amounts to KSh. 5.7 billion, composed of KSh. 269 million for recurrent expenditure allocation and KSh. 5.43 billion for Development expenditure (62%) relative to the current approved baseline allocation. That, this is on account of further funding to First Oil Monetization Project and LPG Distribution and Infrastructure

II. That, part of the allocation under the development vote include Kshs 280 million capital transfer to National Oil Corporation for purposes of Petroleum Exploration in Block 14 T. However, arising from the submissions by National Oil Corporation on the status of past capital transfers, the Committee observed inconsistent performance indicators, unclear targets and output achieved as well as the use of capital transfer for other non-priority expenditure such as compensation to employees.

III. Further, the status of quarterly monitoring and evaluation on the capital transfer by the state department of petroleum are also not available to determine the performance of the transfer.

IV. That, the Committee observed there is need for review and to examine the financial performance, medium term plans, policies and strategies of National oil Corporation with a view to ensure that the company is on a sound financial basis. This in view of a loss making trending and whether the company has capacity to also support government flagship projects as is the case currently on exploration and distribution of LPG infrastructure and related activities.

1.7 Committee Recommendations

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

1.7.1 State Department of Energy

A: Financial Recommendations

That, the proposed overall allocation of Kshs 77.41 billion for the FY 2019/20 for State Department, made up of Kshs 5.75 billion for Recurrent Expenditure and Kshs 71.66 billion for Development Expenditure **be approved**.

B: Policy Recommendations

I. That, the State Department of Energy to ensure all AiA component under GDC, KETRACO, REREC, Kenya Nuclear Power Agency are declared and budgeted under the annual Estimates of Revenue and Expenditure. That this also includes support to their respective budget from other sources that are in form of AiA.

II. That, outstanding obligations owed by counties to Kenya Power Ltd be settled through a special provision under the inter-governmental framework including setting aside condition allocation of Kshs 1.326 billion under the budget of National Treasury. In addition, the committee recommends that a tripartite meeting between National Assembly involving relevant Committees, CoG and National Treasury be convened with a view to firm up sustainable approach to the street lighting programme.

III. That, any allocation and or payments relating to materialization of guarantees and penalties related to contingent liabilities be budgeted and provided for under the Vote of National Treasury and payments made according to the relevant accounting procedures and accounting. Moreover, any further payments in relation to the same must be subjected to parliamentary approval before any payment is made.

IV. That, REREC to prioritize payments of pending bills owed to KPLC on account of projects implemented and completed on behalf of REREC for the FY 2016/17 and FY 2017/18

V. That, GDC to ensure all pending bills amounting from the FY 2016/17 and FY 2017/18 are paid on priority basis within the 1st Quarter of the FY 2019/20.

VI. That, the State Department of Energy and GDC to ensure that investors (3 IPPs) identified to construct geothermal power plant in Menengai Geothermal Fields are monitored with a view to ensure there is compliance to the ToR including critical timelines to deliver agreed output.

VII. That, the State Department of Energy to ensure compliance on quarterly reporting for both ministry and SAGAs under its purview covering both financial and non-financial (budget performance) to the National Treasury and Controller of Budget as per the requirement of PFM Act 2012 and Controller of Budget Act 2016.

C. Proposed Increases (Request for additional Funds)

That, key programmes and projects under the State Department of Energy are underfunded and require additional resources to support electrification and enhance connectivity. In that regard the Committee recommends additional funding as follows:

I. That, additional Kshs 2 billion be allocated to Last Mile Connectivity Project under the Development Sub Vote , under the Programme Power Transmission and Distribution

II. That, additional Kshs 2 billion be allocated to Street Lighting Project under the Development Sub Vote , under the Programme Power Transmission and Distribution

III. That, additional Kshs 1 billion be allocated to Transformers for Constituencies under the Development Sub Vote , under the Programme Power Transmission and Distribution

1.7.2 State Department for Petroleum

A. Financial Recommendations

That, the proposed allocation of Kshs. 5.707 billion for the FY 2019/20 for State Department, made up of Kshs 269 million for Recurrent Expenditure and Kshs 5.438 billion for Development Expenditure be approved.

B. Policy Recommendations

I. That, a special audit be carried out by the Auditor General on the Capital Transfer of Kshs 280 million to National Oil Corporation for the period covering 2016/17 and 2017/18 and the findings be reported to the National Assembly within 90 days after adoption of the FY 2019/20 Budget and Appropriation Report.

II. That, the necessary legal and regulatory basis including the banking framework of oil proceeds be fast tracked in view of the first export of crude oil and for purposes of ensuring accountability and reporting.

III. That, the State Department for Petroleum to ensure compliance to quarterly reporting for both ministry and SAGAs under its purview covering both financial and non-financial (budget performance) to the National Treasury and Controller of Budget as per the requirement of PFM Act 2012 and Controller of Budget Act 2016.

IV. That, the State Department of Petroleum to undertake quarterly monitoring and evaluation of the First oil monetization/First oil pilot scheme currently been spearheaded jointly by Tullow Oil Kenya with focus on ensuring due diligence on the cost involved and sound management of the pilot phase.

1.8 Acknowledgements

The Committee appreciates the support offered by the Offices of the Speaker and the Clerk of the National Assembly for both logistical and technical support during its sittings and deliberations. The Committee wishes to thank the Ministry of ICT for actively participating during the scrutiny of the 2019/20 budget estimates.

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

Honorable Chair, it is my pleasant duty and privilege, on behalf of the Departmental Committee on Energy to submit its Report on the scrutiny of the Annual Estimates of Revenue and Expenditure FY 2019/20 and the medium term.

SIGNATURE:..... **DATE:** 29/5/2019

THE HON. DR. ROBERT PUKOSE, M.P – VICE CHAIRPERSON

DEPARTMENTAL COMMITTEE ON ENERGY

2.0 INTRODUCTION

1) Pursuant to Article 221 of the Constitution and Section 37 of the Public Financial Management (PFM), 2012 the annual estimates were laid before the House on 30th April, 2019 and committed to the respective Departmental Committees in accordance with the provisions of the National Assembly Standing Order 235(3).

2) The Committee is mandated to consider and review the Estimates in line with its mandate (Standing Order 235(4), and among other things, took into account the need to ensure efficiency in spending informed by past actual performance; attainment of performance indicators and key outputs; programme and project prioritization including completion of ongoing projects amid prevailing resource constraints; clarity in both the cost centres and delivery units. Subsequently, the Committee therefore submits its report to the Budget and Appropriations Committee (BAC) for onward tabling and approval in the House.

3) The Committee held four sittings in which the Committee was briefed by the Parliamentary Budget Office and thereafter, held meetings with the two State Departments, namely, State Department of Energy and the State Department for Petroleum. Both Departments made oral and written submissions to the Committee

4) The submissions from the state Department covered funding priorities on the various programmes and projects under implementation and arising challenges such as funding gaps. The submissions also included the performance of the 2018/19 as well as strategies to ensure implementation of key flagship interventions. Further, the submissions also included funding gaps occasioned by the resource constraints.

3.0 SUBMISSIONS

3.1 Parliamentary Budget Office

5) The Parliamentary Budget Office briefed the Committee on the Estimates of revenue and Expenditure for the FY 2019/20 and the medium term, and submitted the following highlights.

Sector Allocation

6) The Energy Infrastructure and ICT (EI&ICT) is as a key enabler of Vision 2030 for economic growth and development and poverty reduction by providing effective and reliable physical infrastructure. The Sector is proposed to be allocated KSh. 428.826 billion as compared to allocations under current FY 2018/19, representing a modest increase.

7) Out of the total proposed sector allocation, total expenditure allocation to the Energy and Petroleum Sub-sectors is kshs 83.126 billion (19.38 percent) and that of ICT Sub-sector is kshs 27.11 billion (6.32 percent) while allocation to the Infrastructure subsector is KSh. 318.58 billion (74.29%) where programmes for State Department for Infrastructure (Roads) and Departments for Transport are also financed, among others.

8) In line with the 2019 BPS resolutions , some of key criteria in apportioning allocation to capital projects include:

- **On –going projects** where the imperative is towards completion of on-going projects with high impact in the key area
- **Counter-part funds** in support of projects with external funding component and ensure prioritization and allocative efficiency. This is in view of the sub sectors with various sources of resource that also includes substantial external funding.
- **Strategic policy intervention** involves priority given to policy interventions that have overarching impact (national and regional, social equity and environmental conservation). Notably, programmes and projects under the energy have overarching impact and therefore the quality of allocation is key in supporting strategic policy interventions and actualizing the Big 4.

9) This is key in guiding State Departments and MDAs to take into account the above criteria in finalizing the proposals in the 2019/20 budget estimates and medium term

Review of Budget Performance and 2019/18 Budget Estimates

10) In the last three financial years (2015/16 - 17/18), the energy sub sector has been allocated total amount of KSh. 283.74 billion which when compared to actual expenditure amounting to KSh.. 220.0 billion for the same period translates to 78% expenditure performance

11) Some of the Major achievement under the energy sub sector during the FY 2017/18 with respect to the approved KPIs are:

- The development of 169.4 MW and 82.7 MW of steam equivalent by GDC and Kengen, respectively. However, the target of generating 105MW of geothermal power was not realized.
- Construction of 530 km of transmission lines and two (2) substations by KETRACO against a target of 1350km of transmission lines and 18 substations.
- 582,000 new connection by KPLC/REA against an approved target of 1.2 million connections through the last mile connectivity as well as 1,587 intallation of transformers against an approved target of 3,704 new transformers that were to installed.
- 35,346 street lighting against approved target of 30,000 by KPLC
- Enhancing the legal framework underpinning the sector through development of draft bills (Energy Bill and petroleum (development and exporation) bill,2018
- Completion and refurbishment of the KAWI House
- Re-afforestation of 500 hectares of water catchment areas and maintenance of 100 solar PV systems installed in public institutions by the renewable energy directorate

Proposed 2019/20 Budget Estimates – Vote 1152 (State Department of Energy)

12) The total proposed allocation to the State Department amounts to KSh.. 77.41 billion, of which recurrent expenditure allocation is KSh. 5.75 billion and Development expenditure

is KSh. 71.66 billion. The proposed allocation reflects an overall increase of KSh. 13.477 billion (21%) compared to current approved baseline allocations (FY 2018/19)

Table 1: Total Allocation by Sub Vote for FY 2019 and Medium Term

Sub - Vote /Items	Approved FY 2018/19	2019 BPS	Proposed FY 2019/20	Projections		% Variance Approved and Proposed	% Variance 2019 BPS and Proposed
				FY 2020/21	FY 2021/22		
A: Recurrent	2,155.36	**5,809**	5,752	5,921	6,508	**166.87%**	-0.98%
Of which:							
Recurrent Transfers	1,599		5,059	5,199	5,763	216%	
B: Development	**61,787**	**64,128**	**71,667**	**63,650**	**53,258**	**15.99%**	11.76%
Grand Total (A+B)	**63,942**	**69,937**	**77,419**	**69,571**	**59,766**	**21%**	10.70%

Analysis of the Recurrent Budget

13) Review of recurrent budget reflect significant enhancement in various items. The share of current transfers to government agencies (GDC, KETRACO, REREC – formerly REA, Nuclear Agency) is proposed to be increased from approved expenditure of KSh. 1.55 billion to 5.05 billion in the FY 2019/20, which translates to an overall increase of 216%.

14) The increase under the recurrent budget may be inconsistent with the zero based budget approach as per the requirement outlined in the Budget Preparation Guideline. In addition, there are no proposed measures such as planned additional recruitment underpinning the increases. There are also no submissions indicating scale-up of operation and maintenance needs broken down by items.

15) Major changes by category and items.

ITEM	Approved Estimates	2019/20 Estimates	Changes	% changes
Compensation Of Employees	349,000,000	416,000,000	67,000,000	19%
Use Of Goods And Services	189,580,020	240,286,164	50,706,144	27%
Grants And Other Transfers	1,599,360,000	5,059,000,000	3,459,640,000	216%
Social Benefits	1,300,000	1,300,000	-	0%
Acquisition Of Non-Financial Assets	16,119,980	35,413,836	19,293,856	120%
Gross Expenditure	2,155,360,000	5,752,000,000	3,596,640,000	167%

Development expenditure Analysis

16) The proposed Development Estimates of KSh. 71.66 billion for the State Department of Energy is geared towards programmes and projects aimed at enhancing generation from different sources of energy within the country including solar and off-grid stations relying

on diesel generators, scaling up transmission and distribution coverage and achieving universal access to electricity through last mile connectivity and street lighting.

17) A review of financing framework for the proposed 2019/20 Estimates indicates that Exchequer support amounts to kshs 16.6 billion relative to approved exchequer levels of kshs 20.3 billion while total external funding amounts to kshs 47.92 billion. Reduction of exchequer allocation is attributable to completion of key projects such as Loiyangalani – Suswa line which was fully funded through the Exchequer (Kshs 9.6 billion). Further, share of local AiA from productive assets in form of charge and levies is estimated at KSh. 7.01 billion, a reduction of KSh 70 million.

1) **Figure 1 Sources of Funding for Development expenditure, Kshs in millions**

Development Budget Financing				
Source of Funds	2018/19	2019/20	Change	% Change
Exchequer Issues	20,331	16,672	(3,659)	-18%
External Funding	34,314	47,923	13,609	40%
of which				
Grant	*168*	-	*(168)*	*-100%*
Local AiA	7,142	7,072	(70)	-1%
of which :				
Steam Sales	*3,000*	*2,100*	*(900)*	*-30%*
Wheeling revenue	-	-	-	*0%*
5% Levy	*2,300*	*2,300*	-	*0%*
PDL	*1,127*	*1,826*	*699*	*62%*
Total	*61,787*	*71,667*	*9,880*	*16%*

Programme and Project Analysis

18) The state Department of energy has four programmes earmarked for implementation. Programmes budget are key budget framework for linking granular itemized allocations to results/performance and thus necessary for performance measurement as well as guide priority resource allocation and provide framework for delivery mechanisms.

19) Power Generation Programme and Power Transmission and Distribution Programme have each been allocated KSh.11.42 billion and KSh. 64.56 billion, respectively. The combined total allocation under these two programmes accounts for 98% share of the overall 2019/20 budget for the State Departments.

20) However, the proposed allocation towards Power Generation Programme reflects a reduction of 13.15% due to marginal reduction of allocation in projects critical to power generation such as Menangai Geothermal Projects (by 16%), and Olkaria V (by 60%). It is important to note that Olkaria II Geothermal Power Station that is currently allocated KSh. 3.5 billion of external funds and indicated as on –going is proposed to have no allocation.

21) Some of the key Performance Indicators (KPIs) and expected targets under the Power Generation Programme include:

- ✓ Generation of 300 MW from Menangai Geothermal projects with a potential output o of 465 MW. A total of KSh. 62.5 billion has been spent so far in availing geothermal ready steam, a de-risking initiative by GDC in upstream exploration

  This is to facilitate investors to put up power plants to allow generation of geothermal power. However, in-year budget implementation oversight engagement on the readiness of investors towards achieving this target had a number of gaps and shortcomings including delayed financial close, licensing and longer timeliness running up-to FY 20/21. This puts to question the realism of achieving the stated target.

- ✓ Development of 30 MW of steam equivalent and drilling of 6 wells in Bogoria –Silali geothermal fields.
- ✓ Drilling of three geothermal wells in Olkaria V and generation of 70 MW in Olkaria I and IV that is expected to yield to 80.3MW in the medium term
- ✓ Training of 100 officers in nuclear related courses and undertaking 20 public awareness on nuclear energy and development as well as finalization of the draft nuclear regulatory bill, 2019 and related policies.

22) Under the Power Transmission and Distribution Programme, with a proposed increase of 83.4% , some of KPIs include:

- ✓ Completion of key transmission lines (such as Olkaria –lessos Kisumu line , Nairobi – Mombasa line,Turkwel –Otum –kitale, Nanyuki – Isiolo meru Line, see annex for details) between 90 to 98 %. However, the targets and KPIs may not be comprehensive and additional metric such as no of kilometers to be covered during the construction of the transmission lines and no of project affected persons to be compensated may be a necessary additional KPIs.

  It is important to note that most of the transmission lines are behind their project timelines on account of delayed compensation and on-going litigation.

- ✓ 800, 000 new connections under the last mile connectivity project
- ✓ 25,000 street lights to be erected.
- ✓ 800,000 customers to be connected to electricity under the rural electrification projects and % of solar power plants to be constructed.
- ✓ 1,940 new transformers to be installed under the Installation of Transformers in Constituencies. However, there may need to ascertain the current status based on the current allocation in the 2018/19 budget Estimates.

New projects and allocations

23) Electrification of County Health Centres (1152108801) - Review of proposed allocation under the development sub vote indicates allocation to a new proposed projects/Head. The project coded as Electrification of County Health Centres (1152108801) is aimed at

electrifying health centers in Isiolo County. The project cost is proposed at KSh. 800 million, funded through the exchequer.

24) However, this proposed expenditure was not part of the listed priorities approved under the 2019 BPS and thus is not clear whether the planning framework/processes have been fully considered. The planning framework is key to identifying the number of targeted institutions/centers in the county and distribution of the centers across the county to inform comprehensive KPIs as well as realistic costing as a basis for expenditure proposals. provided and programmed in the development sub vote.

25) **Stalled projects:** According to various submission on stalled projects, Lessos –Tororo transmission line is one major project that has stalled due to court litigation and non-performance of the contractor. Other stalled projects based on the Committee in-year monitoring and oversight on rural electrification projects are as indicated in Annex D.

26) **Pending Bills:** With regards to pending bills, outstanding payments in the energy sub-sector amount to KSh. 25 billion as at end of June 2018. This is composed of 98 % for outstanding commitment under development vote while 2% is under recurrent vote. Out of the total reported pending bill by end of June 2018, 45.4% is on account of Exchequer Issues (no releases/delays) while 55.6% is due to lack of provisions (no budget allocation) by respective MDA.

State Department for Petroleum: Review of Budget Performance and 2019/18 Budget Estimates

27) The petroleum sub sector has been allocated a total amount of KSh. 8.79 billion between the period FY 2015/16 to 2017/18. However, cumulative expenditure for the same period stood at KSh. 6.15 billion, translating to 70% overall expenditure performance.

28) One of the key reasons for expenditure underperformance include:

- exchequer and external funds' performance which are also often subject to revisions (See brief on Supplementary II),
- Mismanagement of procurement processes particularly under the Liquefied Petroleum Gas Infrastructure and Development thus leading to slow implementation of the project,
- Inadequate monitoring of flagship projects and non-performance of contractors/subcontractors as reflected in the performance reporting of key projects like early oil pilot project and the LPG Distribution and Infrastructure Projects
- Poor planning and budgeting including ineffective linkages with the performance indicators in the Programme Based Budget. This forms a weak basis for budgeting and thus often occasions significant variations through in – year supplementary appropriations. Examples of affected Heads/Projects include Early Oil Pilot Project, LPG development, Transfers to NOCK for exploration.

29) Under the petroleum sector, key achievements vis a vis approved KPIs include:

- Trucking of petroleum crude oil where 4, 217 barrels were delivered to oil storage facilities in Mombasa against a committed target of 70,000 barrels. Further, review of mid-year (FY 2018/19) budget performance indicates that the total barrel of crude oil loaded out to Mombasa oil storage facilities by June 2018 stood at 57,709 barrels. It is instructive to note the inconsistencies in the stock of crude oil delivered in the same reporting period. This may point to inadequate framework for management of the early oil pilot project as well as poor monitoring and reporting of project deliverables.
- Distribution of 6,000 LPG cylinders that were purchased, tagged and distributed to low income households against a committed target of 1.2 million. This also points to significant underperformance of the project for the period under consideration.
- 300 officers trained under the Kenya Petroleum Technical Assistance Project (KEPTAP) surpassing the committed target of 200 officers.

- Completion of the New Pipeline (Line 5) from Mombasa to Nairobi with contract amount of approximately KSh. 49 billion ($484 Million). The 438 KM 20- Inch diameter Pipeline is designed to increase the flow rate[1] while enhancing security of supply of petroleum products. Line 5 is parallel to the old 450 KM 14-inch diameter pipeline which has been in service. However, there is need to evaluate the outcome/impact of the pipeline with respect to the through - put effect on pump prices, availability and security of petroleum product, among other parameters. This may be necessary to determine value for money and strategically optimize the use of both lines to enhance economic output and efficiency.
- Doubling storage capacity in Nairobi for purposes of enhancing capacity to accommodate receipt of higher volumes following operationalization of Line 5.
- Construction of Kisumu Oil Jetty completed in February 2018. However, Optimization and adequate utilization is on the basis to unlock other markets in Tanzania and completion and finalization of attendant receiving infrastructure in Uganda. Notably, there are on-going fiduciary and litigation concerns around the costing and effectiveness of projects including whether the project ToR was fully delivered and whether there are pre-operative costs incurred prior to commercial operation.
- Bottom Loading Facility at Eldoret for purposes of ullage creation at Eldoret Depot and reducing congestion.
- Annex II for comprehensive comparison of KPIs performance vis a vis reported achievement by the State Department broken down by programme and project.

Proposed 2019/20 Budget Estimates – Vote 1152 (State Department for Petroleum)

30) The total proposed allocation to the state Department amounts to KSh. 5.70 billion, of which allocation to recurrent expenditure is KSh. 269 million and development expenditure

[1] The flow rates to Nairobi for the new line will be about 1.9 million liters per hour by 2023 and 2.6 million liters per hour by 2044 compared to the old line capacity with flow rate of approximately 830,000 liters per hour.

outlay is KSh. 5.43 billion. The proposed allocation reflects an overall increase of KSh. 2.19 billion (62%) relative to the current approved baseline allocation.

31) The major increase is under the Development Expenditure increasing by 67% compared to marginal increase of 5% under the recurrent vote. The development allocation varies from the 2019 BPS approved levels by 31%.

Table 4: Total Allocation by Sub Vote for FY 2019 and Medium Term

Sub - Vote /Items	Approved FY 2018/19	2019 BPS	Proposed FY 2019/20	Projections		% Variance Approved and Proposed	% Variance 2019 BPS and Proposed
				FY 2020/21	FY 2021/22		
Recurrent	256.43	269.00	269.00	279.00	290.00	5%	0%
Of which:							
Recurrent Transfers	-	-	-	-	-		
Development	3,259	4,144	5,438	5,438	4,351	66.89%	31.23%
Grand Total	3,514.9	4,413	5,707	5,717	4,641	62.37%	29.32%

Development Expenditure Analysis

32) Allocation to development expenditure is an increase of 67% to Kshs. 5.43 billion. The sources of funding towards the development expenditure is as shown below

Development Budget Financing				
Source of Funds	approved Estimates 218/19	Proposed Estimates 2019/20	Change	% Changes
Exchequer Issues	663	1,800	1,137	171%
External Funding	500	1,794	1,294	259%
of which:				
Grant	*168*	*330*	*162*	*96%*
Local AiA	2,095.5	1,844	(252)	-12%
of which :				
Royalties on oil exploration	*30*	*30*	-	*0%*
Royalties on oil exploration training fees	*192*	*192*	-	*0%*
Petroleum Development Levy (PDL)	*1,874*	*1,622*	*(252)*	*-13%*
Total	**3,259**	**5,438**	**2,180**	**67%**

Project Allocation

33) One major legislative reform initiative over the last medium term is reconciling development allocation with projects that are under implementation for effective monitoring, oversight and to enhance performance budgeting. The State Department has a total of seven (7) projects currently that is reconcilable with the proposed development allocation. This excludes projects under SAGAs such as KPC, National Oil Corporation.

3.2 Submissions by State Departments

3.2.1 The State Department for Energy

34) That in addition to the attached Annex, the recurrent budget performance is as indicated below:

Head-Sub Head	Title And Details	Approved Estimates* (Kshs.)	Total Payment Commitments (Kshs.)	Absorption Percentage
0001-01/02/03	Administration Hqs	303,978,102	209,704,047	69%
0002-01	Planning Hqs	22,263,016	21,302,724	96%
0003-01	Wood and fuel resources	125,986,880	82,855,206	66%
0004-01	Alternative Energy Technologies	23,475,316	13,316,117	57%
0005-01	National Grid System	18,944,920	11,871,252	63%
0005-06	KETRACO	294,000,000	219,000,000	74%
0005-08	KNEB	209,984,600	155,611,530	74%
0006-01	Geothermal and Coal Resource Exploration and Development	44,031,734	26,165,893	59%
,0006-03	GDC	1,304,775,400	472,842,900	36%
0007-01	Rural Electrification Programme	460,600,000	343,100,000	74%
0008-01	Financial Management and Procurement Services	70,320,032	43,050,253	61%
TOTAL		**2,878,360,000**	**1,598,819,922**	**56%**

35) The Ministry of Energy under Vote 1152, in the 2019/20 Financial Year resource allocation was as follows;

VOTE 1152: STATE DEPARTMENT FOR ENERGY			
VOTE 1152	Estimates 2019/20		
	Gross Expenditure	A-I-A	Net Expenditure
	KShs.	KShs.	KShs.
	77,419,000,000	49,589,000,000	27,830,000,000

36) This resource allocation is further broken down into Recurrent and Development Votes as follows;

Category	REVISED ESTIMATES 1 2018/19	REVISED ESTIMATES II 2018/19	DRAFT ESTIMATES 2019/20
RECURRENT	2,155,000,000	2,878,360,000	5,752,000,000
DEVELOPMENT	61,786,827,489	58,586,956,266	71,667,000,000
VOTE 1152	**63,841,827,489**	**61,465,316,266**	**77,419,000,000**

37) The distribution of the resources under the Recurrent

Recurrent	REVISED ESTIMATES 2018/19	DRAFT ESTIMATES 2019/20
Salaries	402,000,000	416,000,000
Operations	207,000,000	277,000,000
Transfers to Sagas	2,269,360,000	5,059,000,000
Gross	**2,878,360,000**	**5,752,000,000**
AIA	877,000,000	3,806,000,000
Total Net	**1,948,000,000**	**1,946,000,000**

38) The distribution of the resources under the Development is shown below

Development	REVISED 1 ESTIMATES 2018/19	REVISED 11 ESTIMATES 2018/19	DRAFT ESTIMATES 2019/20
Donor	34,313,872,489	30,753,956,266	47,923,000,000
GOK(Exchequer)	20,331,000,000	20,691,000,000	16,672,000,000
Local AIA	7,142,000,000	7,142,000,000	7,072,000,000
Total Gross	**61,786,827,489**	**58,586,956,266**	**71,667,000,000**

39) Recurrent budget by implementing agency

SAGA	REVISED ESTIMATES II 2018/19	DRAFT ESTIMATES 2019/20		
	Kshs.	Kshs.		
	Gross	Gross	Local AIA	Exchequer
KETRACO	294,000,000	2,376,000,000	2,106,000,000	270,000,000
KNEB	209,984,600	255,224,600	0	255,224,600
REA	460,600,000	953,000,000	523,000,000	430,000,000
KPLC	0	0	0	0
KENGEN	0	0	0	0
GDC	1,304,775,400	1,474,775,400	900,000,000	574,775,400
MOE HQS	609,000,000	693,000,000	277,000,000	416,000,000
Grand Total	**2,878,360,000**	**5,752,000,000**	**3,806,000000**	**1,946,000,000**

40) That the key Observations as per the state department are:

- The 2019/20 Exchequer budget compared to the 2018/19 budget has dropped from 20.96 Billion to 16.67 Billion.
- In the Sector Reports and the Budget Policy statement the Exchequer Ceiling was **Kshs. 17.67 B.** However, in the in the 2019/20 budget the allocation **is Kshs.16.67 B** resulting to a reduction of **Kshs.1 Billion** which affects allocation of **Kshs. 700** Million under Lake Turkana wind Power, **Kshs. 200M** under Menengai Geothermal project and **Kshs 100 M** under installation of Transformers in the Constituencies
- The development exchequer requirements for the ministry was **Kshs. 35,458 Million** while the allocation is **Kshs.16,672 Million** resulting to a shortfall of **Kshs. 26,124 Million**

41) Out of Kshs. 16.67 billion exchequer allocation Kshs. 12.9 billion has been distributed mainly to our critical areas as follows;

❖ Lessos -Tororo line	Kshs. 0.7 Billion
❖ Street Lighting	Kshs. 1.0 Billion
❖ Last Mile Electricity Connectivity	Kshs. 2.0 Billion
❖ Connectivity Subsidy	Kshs. 1.3 Billion
❖ Electrification of Healthcare facilities	Kshs. 0.8 Billion
❖ Installation of Transformers in constituencies	Kshs. 1.5 Billion
❖ Substation Installations	Kshs. 0.5 Billion
❖ Olkaria Lessos Kisumu power lines project	Kshs. 1.8 Billion
❖ Multinational Kenya -TZ Power Interconnector	Kshs. 0.7 Billion
❖ Menengai Geothermal Development	Kshs. 0.8 Billon
❖ Bogoria Silali Geothermal Project	Kshs. 0.5 Billion
❖ Sondu- Homabay- Ndhiwa -Awendo	Kshs. 0.6 Billion
❖ Nanyuki -Isiolo- Meru	Kshs. 1.0 Billion
❖ Rabai- Kilifi Transmission line	kshs. 0.4 Billion

42) The remaining balance of Kshs. 3.8 billion has been distributed to the remaining 21 projects.

43) With regards to the critical areas underfunded, The Ministry of Energy Require a total of Kshs. 7.0 billion additional funding to upscale allocations for the following projects which are under-funded;

❖ Street Lighting	Kshs. 1.0 Billion
❖ Electrification of public facilities	Kshs. 1.0 Billion
❖ Installation of Transformers in constituencies	Kshs. 1.5 Billion
❖ Connectivity Subsidy	Kshs. 1.0 Billion
❖ Bogoria Silali Geothermal project	Kshs. 1.0 Billion
❖ Kenya power Transmission Expansion project	Kshs. 0.5 Billion
❖ 220Kv Garsen Hola Garissa TL	Kshs. 0.5 Billion
❖ Kamburu- Embu – Thika	Kshs. 0.5 Billion
❖ Industrial park in Naivasha	Kshs. 7.2 Billion

3.2.1 The State Department for Petroleum

44) The State Department has one Programme: Exploration and Distribution of Oil and Gas, and two Sub-programme: Oil and Gas Exploration and Distribution of Oil and Gas.

Summary of programmes and projects for implementation in FY 2018/19

45) The State Department earmarked seven (7) projects for implementation in the 2018/19 Financial Year. However, five of these projects got funding and two did not get budgetary allocation. The funded projects include:

- ❖ Monitoring of Exploration & Appraisal Drilling, South Lokichar Field Development Studies, Research & Feasibility Studies in

unlicensed Petroleum Blocks and Regional Promotion of Exploration Potential;

- ❖ Early Oil Pilot Scheme (EOPS):
- ❖ Lokichar - Lamu Crude Oil Export Pipeline
- ❖ Kenya Petroleum Technical Assistance Project (KEPTAP):
- ❖ Fuel marking:

46) On the other hand, implementation of LPG distribution and infrastructure and Management of supply of petroleum products did not proceed due to lack of budgetary allocation

47) Budget Implementation for FY 2018/19 s highlighted below

Department	APPROVED BUDGET FY 2018/19	EXPENDITURE	ABSORPTION RATE
1153100100 Kenya Petroleum Technical Assistance project (KEPTAP)	500,000,000	433,170,431	87%
1153100200 Petroleum exploration in Block 14T	280,000,000	140,000,000	50%
1153100404 Early Oil Pilot Scheme	500,000,000	73,853,520	15%
1153100407 Monitoring of Exploration & Appraisal Drilling, South Lokichar Field Development Studies, Research & Feasibility Studies in unlicensed Petroleum Blocks and Regional Promotion of Exploration Potential	1,168,000,000	492,849,116	42%
1153100401 Preparatory Activities for Lokichar Lamu crude oil pipeline	777,500,000	91,895,707	12%
1153100300 Fuel Marking	33,000,000	33,000,000	100%
1153100401 LPG Distribution and Infrastructure	-	-	
TOTAL	3,258,500,000	1,264,768,774	39%

48) Project allocation for 2019/20 FY

Project	**Allocation 2019/20 (Millions)**
Monitoring of Exploration & Appraisal Drilling, South Lokichar Field Development Studies, Research & Feasibility Studies in unlicensed Petroleum Blocks and Regional Promotion of Exploration Potential	946
Preparatory Activities for Lokichar Lamu crude Oil pipeline	778
Early Oil Pilot Scheme (EOPS	500
Kenya Petroleum Technical Assistance Project (KEPTAP)	1,794
LPG Distribution and Infrastructure	1,096
fuel Marking	45
Petroleum Exploration in Block 14T	280

4.0 COMMITTEE OBSERVATIONS

49) Arising out of the review and scrutiny of the 2019 Estimates of revenue and expenditure and supporting documents as well as deliberations with key stakeholders, the Committee makes the following observations under each of the State Department.

4.1 State Department of Energy

I. THAT, the total proposed allocation to the State Department amounts to Kshs. 77.41 billion, composed of Kshs. 5.75 billion for recurrent expenditure allocation and Kshs. 71.66 billion for Development expenditure.

II. THAT, the proposed allocation reflects an overall increase of 21% compared to current approved baseline allocations (FY 2018/19) and 10% more than the 2019 BPS resolutions. Recurrent expenditure increased by 216%, where the increase under the recurrent transfers for GDC, KETRACO and RERAC is mainly financed through local appropriations in Aid (AiA).

III. The Committee noted that the increase relating to recurrent transfers to SAGAs was due to disclosure of all AiAs in the estimates of revenue submitted to parliament for approval. The Committee was informed that respective SAGAS provide full disclosure of Programmes and projects financed through AiA in the annual estimates for purposes of comprehensiveness, coverage and accountability.

IV. With regards to recurrent expenditure, the Committee observed that proposed recurrent expenditure indicate 19% rise in compensation to employees such as salaries and allowances paid as part of salary. Notably, allocations under employee compensation are often subject to increases during in-year budget implementation on account of shortfalls on non-discretionary items.

V. A review of financing framework for the proposed 2019/20 Development Estimates, Exchequer component is Kshs 16.6 billion relative to current levels of Kshs 20.3 billion. External funding is increasing from Kshs 34.31 billion to Kshs 47.92 billion despite substantial rationalization during budget implementation. Reduction of exchequer allocation is attributable to lower than approved ceiling as well as completion of key projects such as Loiyangalani –Suswa Transmission line.

VI. On pending bills, the Committee noted with concern growing trends in pending bills in the sector. This portends serious material risks to key flagship projects, negatively impacting funding stability in the sector and curtail delivery of energy services.

VII. Total amount of pending bills reported based on the engagement with state department and agencies amount to approximately Kshs 25 billion, composed of Kshs 5.7 billion for KETRACO, Kshs 970 million for GDC, Kshs 19.95 billion for Kenya power, among others. It is also noted that the pending bills under Kenya power relate to outstanding government obligations arising from completed projects where Kenya

power financed such projects on behalf of the government including rural electrification projects. However, there are material discrepancies in reporting of outstanding obligations between state departments and submission through national treasury.

Further the Committee noted the following observations specific to respective SAGAs under the purview of the State Department of Energy:

Rural Electrification & Renewable Energy Authority (REREC)

- Total proposed development allocation for FY 2019/20 towards rural electrification is Kshs 6.90 billion, up from Kshs 5.5 billion in FY 2018/19. This is to cater for electrification of public facilities across the country. Other key interventions include installation of transformers in constituencies with proposed allocation of Kshs 1.5 billion from Kshs 900 million approved in current FY 2018/19.
- In review of 2018/19 programmes budget performance, remittance of 5% **electricity levy by KPLC** amounting to Kshs **2.3 billion in the development vote** to **financing rural electrification programmes** is in arrears thus likely to affect capital budget implementation.
- In view of the new legal regime following the approval and operationalization of the Energy Act 2019, the mandate of REREC and policy coverage has expanded to cover all aspects of renewable energy
- That, REREC has plans to fast track the implementation of the corporations work plan and procurement plan following reconstitution of the Board.

Geothermal Development Corporation

- Total proposed development allocation for FY 2019/20 towards geothermal projects is Kshs 4.9 billion down compared to Kshs 5.01 billion in FY 2018/19. The committee observes that the major projects proposed to be undertaken for the period under consideration are Bogoria – Silale geothermal projects (kshs2.00 billion), Menengai geothermal projects (Kshs 2.9 billion). However, AiA component from steam sales is proposed to reduce from Kshs 3 billion as approved in FY 2018/19 to Kshs 2.1 billion for the FY 2019/20.
- In reviewing the 2018/19 budget performance for GDC, the Committee noted that activities under phase one of Menengai geothermal projects, which so far has achieved steam equivalent of approximately 105 MW, have been substantially completed thus leading to scale down of major upstream activities.
- In addition, the process of procuring investors to construct power plant to generate electricity from the available steam (MWe) has also been concluded. However, there are challenges in meeting committed timelines and may result in missed targets such as commencement of actual construction date, inability

of one of the investors to achieve financial close as per the timelines, delays in processing of partial risks guarantees, among others.

Kenya Power

- ❖ The committee was informed that there is non-compliance on the part of most counties in honouring power bill expenses accruing from street lighting services. There are also other related challenges such as metering, pricing and maintenance of such assets and among other operational challenges.
- ❖ The committee notes with concern impact of outstanding obligations on the future sustainability of the completed street lighting projects. This will also impact the security of citizens and further impede 24-hour economy which is also key to catalysing the manufacturing sector.

4.2 State Department of Petroleum

I. The total proposed allocation to the State Department of Petroleum amounts to Kshs. 5.7 billion, composed of Kshs. 269 million for recurrent expenditure allocation and Kshs. 5.43 billion for Development expenditure (62%) relative to the current approved baseline allocation. That this is on account of further funding to First Oil Monetization Project and LPG Distribution and Infrastructure

II. That, part of the allocation under the development vote include Kshs 280 million capital transfer to National Oil Corporation for purposes of petroleum exploration in Block 14. However, submissions by National Oil Corporation on the status of past capital transfers, the Committee observed inconsistent performance indicators, unclear targets and output achieved as well as the use of capital transfer for other non-priority expenditure such as compensation to employees.

III. Further, the status of quarterly monitoring and evaluation on the capital transfer by the state department of petroleum are also not available to determine the performance of the transfer.

IV. That, the Committee observed there is need for review and to examine the financial performance, medium term plans, policies and strategies of National oil Corporation with a view to ensure that the company is on a sound financial basis. This in view of a loss making trending and whether the company has capacity to also support government flagship projects as is the case currently on exploration and distribution of LPG infrastructure and related activities.

5.0 COMMITTEE RECOMMENDATIONS

50) Based on the foregoing and various Committee observations, the Committee recommends as follows:

5.1 State Department of Energy

A: Financial Recommendations

That, the proposed overall allocation of Kshs 77.41 billion for the FY 2019/20 for State Department, made up of Kshs 5.75 billion for Recurrent Expenditure and Kshs 71.66 billion for Development Expenditure **be approved**.

B: Policy Recommendations

I. That, the State Department of Energy to ensure all AiA component under GDC, KETRACO, REREC, Kenya Nuclear Power Agency are declared and budgeted under the annual Estimates of Revenue and Expenditure. That this also includes support to their respective budget from other sources that are in form of AiA.

VIII. That, outstanding obligations owed by counties to KPLC be settled through a special provision under the inter-governmental framework including setting aside condition allocation of Kshs 1.326 billion under the budget of National Treasury. In addition, the committee recommends that a tripartite meeting between National Assembly involving relevant Committees, CoG and National Treasury be convened with a view to firm up sustainable approach to the street lighting programme.

II. That, any allocation and or payments relating to materialization of guarantees and penalties related to contingent liabilities be budgeted and provided for under the Vote of National Treasury and payments made according to the relevant accounting procedures. Moreover, any further payments in relation to the same must be subjected to parliamentary approval before any payment is made.

III. That, REREC to prioritize payments of pending bills owed to KPLC on account of projects implemented and completed on behalf of REREC.

IV. That, GDC to ensure all pending bills from the FY 2016/17 and FY 2017/18 are paid on priority basis within the 1st Quarter of the FY 2019/20.

V. That, the State Department of Energy and GDC to ensure that qualified investors identified to construct geothermal power plant in Menengai Geothermal Fields are monitored with a view to ensure there is compliance to the ToR including critical timelines to deliver agreed output.

VI. That, the State Department of Energy to ensure compliance on quarterly reporting for both ministry and SAGAs under its purview covering both financial and non-financial (budget performance) to the National Treasury and Controller of Budget as per the requirement of PFM Act 2012 and Controller of Budget Act 2016.

C. Proposed Increases (Request for additional Funds)

That, key programmes and projects under the State Department of Energy are underfunded and require additional resources to support electrification and enhance connectivity. In that regard the Committee recommends additional funding as follows:

I. That, additional Kshs 1 billion be allocated to Last Mile Connectivity Project under the Development Sub Vote , under the Programme Power Transmission and Distribution
II. That, additional Kshs 1 billion be allocated to Street Lighting Project under the Development Sub Vote, under the Programme Power Transmission and Distribution
III. That, additional Kshs 1 billion be allocated to Transformers for Constituencies under the Development Sub Vote , under the Programme Power Transmission and Distribution

5.2 State Department for Petroleum

A. Financial Recommendations

That, the proposed allocation of Kshs. 5.707 billion for the FY 2019/20 for State Department, made up of Kshs 269 million for Recurrent Expenditure and Kshs 5.438 billion for Development Expenditure be approved.

B. Policy Recommendations

I. That, a special audit be carried out by the Auditor General on the Capital Transfer of Kshs 280 million to National Oil Corporation for the period covering 2016/17 and 2017/18 and the findings be reported to the National Assembly within 90 days after adoption of the report.
II. That, the necessary legal and regulatory basis including the banking framework of oil proceeds be fast tracked in view of the first export of crude oil and for purposes of ensuring accountability and reporting.
III. That, the State Department for Petroleum to ensure compliance to quarterly reporting for both ministry and SAGAs under its purview covering both financial and non-financial (budget performance) to the National Treasury and Controller of Budget as per the requirement of PFM Act 2012 and Controller of Budget Act 2016.
IV. That, the State Department of Petroleum to undertake quarterly monitoring and evaluation of the First oil monetization/First oil pilot scheme currently been spearheaded jointly by Tullow Oil Kenya with focus on ensuring due diligence on the cost involved and sound management of the pilot phase.

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

12TH PARLIAMENT – THIRD SESSION - 2019

DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

REPORT ON THE CONSIDERATION OF THEANNUAL BUDGET ESTIMATES FOR THE FY 2019/20 FOR THE FOLLOWING SPENDING AGENCIES:

State Department for Crops Development

State Department for Irrigation

State Department for Agricultural Research

State Department for Livestock

State Department for Fisheries and the Blue Economy

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

MAY, 2019

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EXECUTIVE SUMMARY

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

The Committee is required to scrutinize the Annual 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 Big Four Agenda and the Vision 2030.

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

It is from this perspective that this Committee is now mandated to scrutinize the Supplementary Estimates II FY 2018/19. 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.

CHAIRPERSON'S FORWARD

The 2018/19 Supplementary Estimates II were tabled in the House on Thursday 9th May, 2019, and thereafter referred to Departmental Committees for consideration.

The Committee received a brief from the Parliamentary Budget office and called for meetings with the Ministry and the State Departments that it oversights to consider their Supplementary Estimates II for FY 2018/19.

The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support that enabled it to discharge its functions in considering the Supplementary Estimates II FY 2018/19.

I also wish to express my appreciation to the Honorable Members of the Committee, Ministry of Agriculture, Livestock, Fisheries and the Blue Economy and the National Treasury for the useful contributions they made towards the preparation and production of this report.

On behalf of the Committee and Pursuant to Standing Order 235 (4) it is now my duty to forward the Committee's report to the Budget and Appropriations Committee.

1.0 PREFACE

1.1 ESTABLISHMENT OF THE COMMITTEE

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

1. To investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
2. **To study the programme and policy objectives of Ministries and departments and the effectiveness of their implementation;**
3. To study and review all the legislation referred to it;
4. To study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;
5. To investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House;
6. To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order No.204 (Committee on appointments);
7. To examine treaties, agreements and conventions;
8. To make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
9. To consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and
10. To examine any questions raised by Members on a matter within its mandate.

1.2 MANDATE OF THE COMMITTEE

In accordance with the Second Schedule of the Standing Orders, the Committee is mandated to consider matters related to Agriculture, Livestock, Irrigation, Fisheries, Development, Production and Marketing.

In executing its mandate, the Committee oversees the following government Ministries and departments;

1. State Department for Crops Development
2. State Department Agricultural Research
3. State Department for Livestock
4. State Department for Irrigation
5. State Department for Fisheries, Aquaculture and the Blue Economy

1.3 COMMITTEE MEMBERSHIP

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

1. Hon. Adan Haji Ali, MP. **Chairperson**
2. Hon. Emmanuel Wangwe, MP. **Vice- Chairperson**
3. Hon. Ferdinard Wanyonyi, MP.
4. Hon. Simba Arati, MP.
5. Hon. Adan Haji Yussuf, MP
6. Hon. Yegon Brighton Leonard, MP.
7. Hon. Dr. Daniel Kamuren Tuitoek, MP.
8. Hon. Dr. John Kanyuithia Mutunga, MP.
9. Hon. Justus Makokha Murunga, MP
10. Hon. Joyce Kamene, MP.
11. Hon. John Paul Mwirigi, MP.
12. Hon. Janet Jepkemboi Sitienei, MP
13. Hon. Maison Leshoomo, MP.
14. Hon. Florence Mutua, MP.
15. Hon. Gabriel Kago Mukuha, MP
16. Hon. Silas Kipkoech Tiren, MP.
17. Hon. Silvanus Osoro Onyiego,MP
18. Hon. Francis MunyuaWaititu, MP.
19. Hon. Fred Ouda, MP.

STAFF

1. Mr. Ahmad Kadhi - First Clerk Assistant
2. Mr. Nicodemus Maluki - Third Clerk Assistant
3. Mr. Salem Lorot - Legal Counsel
4. Mr. Langat Ngetich - Fiscal Analyst
5. Mr. Eric Kariuki - Research Officer
6. Mr. Alex Mutuku - Sergeant At Arms
7. Ms. Faith Makena - Sergeant At Arms
8. Ms. Deborah Mupusi - Media Relation Officer
9. Mr. John Nganga - Audio Officer

2.0 CONSIDERATION OF SUPPLIMENTARY ESTIMATES II FOR THE FY 2018/19

The Departmental Committee on Agriculture and Livestockis mandated to scrutinize Supplementary Estimates II for thefollowing votes under its purview:-

1. State Department for Livestock
2. State Department for Crops Development
3. State Department for Fisheries, Aquaculture and the Blue Economy
4. State Department for Irrigation
5. State Department for Agricultural Research

2.1 STATE DEPARTMENT FOR CROP DEVELOPMENT

Allocations has been enhanced by Ksh. 8.2 billion from an allocation of Ksh. 23.37 billion to Ksh. 31.6 billion in supplementary II. The proposed allocation of Ksh. 31.6 billion is composed of Ksh. 11.7 billion recurrent and Ksh. 19.8 billion development expenditure.

Allocation to recurrent expenditure is increasing from an allocation of Ksh. 3.2 billion to Ksh. 20 billion, an increase of Ksh. 8.4 billion. The Ksh. 8.4 billion increase accounts for: Ksh. 64.8 additional allocations to Bukura Agricultural College; provision for National Food Security programme at Ksh. 6.26 billion (Ksh. 2.26 billion for payments of maize farmers pending bills and Ksh. 4 billion for purchase of maize); increased provision to AFFA by Ksh. 2.15 billion (for payment of pending bills to sugarcane farmers); and provision for ADC at Ksh. 4.5 million.

Development allocation is proposed at Ksh. 19.87 billion which is a reduction of Ksh 213 million from an approved estimates of Ksh. 20.08 billion. The changes in development expenditure is on: increased allocation to Fertilizer Subsidy programme from Ksh 4.3 billion to Ksh. 6.3 billion by Ksh. 2 billion; re-allocation of Ksh. 38 million from Support to Improvement of Added Value to Coffee project; reduction to Kenya Cereal Enhancement Programme (KCEP) by Ksh. 564 million; reduction of Ksh. 489 million to Drought Resilience and Sustainable Livelihood Programme in Horn of Africa; and reduction to Kenya Climate Smart Agriculture Project (KCSAP) by Ksh. 1.3 billion.

2.1.1 Observations

The Committee made the following observations, THAT:-

i. The provision of Ksh. 2.1 billion additional allocation to Agriculture Fish and Food Authority (AFFA) for payment of pending bills to sugar cane farmers is not adequate. The total pending bill according to the state department for Crop Development is Ksh. 2.773 billion. The balance of Ksh. 673 million is not gathered for.

ii. Absorption rate as at 31st March 2019 for crop development and management was quite low at 57.69%.

iii. Members noted that the criterion used by the Ministry and Donors to select beneficiary counties was not clear. Of particular concern was the selection of seven counties in the youth and women empowerment in modern agriculture project, such projects should be rolled out across the Nation to help address unemployment.

iv. SFR allocation has been removed from the Budget in the subsequent years. This will compromise on food security as it affects planning due to lack of resources by SFR.

v. The state department have huge pending Bills totaling to Ksh 16.5 Billion (AGPO Ksh 141M, Fertilizer programme Kshs 8B, Sugar cane farmers Ksh 673M, SFR logistics Ksh 1.9B and Maize Millers and Merchants Ksh 6 Billion) only sugarcane farmers have been allocated 300M, it is not clear how the debts will be settled.

2.2 STATE DEPARTMENT FOR AGRICULTURAL RESEARCH

The National Treasury has proposed allocation of Ksh. 6.587 Billion for the FY 2018/19 supplementary II of which Ksh. 5.882 Billion is allocated to the recurrent vote while Ksh. 705 million is allocated under the development. The State Department had an allocation of Ksh. 5.456 Billion in the approved Estimates for the FY 2018/19

2.2.1 Observations

The Committee observed that:-

i. Sensitive programmes like Tsetse fly and trypanosomiasis eradication should be fully funded to help eradicate the scourge. Partial allocation to such programmes creates room for re-infestation nullifying the already achieved progress.

ii. The low level of allocation to Research which is a key department with great potential of unlocking major challenges affecting agriculture and livestock through research is perturbing. From the estimates Ksh 4.546 billion went to payment of salaries and only Ksh 705M allocated to development. If the Country is to be food secure, it is paramount that research and innovation be adequately funded. It is not possible to achieve food sufficiency without research.

iii. Payment of salaries for KALRO employees has a deficit of Kshs 152M while KAGRC has a shortfall of Ksh 84M.

2.3 STATE DEPARTMENT FOR LIVESTOCK

The National Treasury has proposed allocation of Kshs. 6,455million for the FY 2018/19 supplementary II of which Kshs. 1,980 million is allocated to the recurrent vote while Kshs. 4,475 Million is allocated under the development. The State Department had an allocation of Ksh. 6,231million in the approved Estimates for the FY 2018/19

2.3.1 Observations

The Committee made the following observations, THAT:-

i. In the total pending bills of Ksh 221,377,205 mostly relating to drought mitigation activities, pending bills relating to animal off-take programme totaling to Kshs 97Million were omitted. Pending bills should be properly itemized in the report from the state department to enable the committee to properly scrutinize the Budget.

ii. The budget items were not clear due to lumped-up reporting. There is need to separate the items for ease of verification and future follow up by the Committee. For instance establishment of feed lots and disease free zones is not specific.

iii. Due to delayed implementation of privatization of KMC by the Government, the ongoing modernization project should continue to be funded as per the contractual obligation to avert costs incurred through unnecessary litigation. KMC is a strategic and viable installation for the Country and it should be privatized as a going concern.

iv. The state department for livestock should include processed meat as a food item to be held by the SFR.

v. A list of the specific places that 281 milk coolers have been installed within 34 Counties should be presented to the Committee for verification.

2.4 STATE DEPARTMENT FOR IRRIGATION

The National Treasury has proposed allocation of Ksh. 7.784 Billion for the FY 2018/19 supplementary II of which Ksh. 949 Million is allocated to the recurrent vote while Ksh. 6.835 Billion is allocated under development. The State Department had an allocation of Ksh. 7.469 Billion in the approved Estimates for the FY 2018/19

2.4.1 Observations

The Committee observed that:-

i. Galana Kulalu food security project has not delivered as per expectations and the prevailing dispute with the contractor indicates the project will continue to experience delays in completion. Out of the Approved estimates for FY 2018/19 of Ksh 615M the project has already been disbursed Ksh 461M, doubts existing in the viability of the project have been reinforced. The project has so far consumed 6 Billion and requires an additional 1 Billion to complete.

ii. Members noted that the lower Sabor Irrigation Project had taken a lot of time to complete due to way leave challenges with Kenya forest service.

iii. Budgetary cuts in the following votes will give rise to pending Bills on affected projects since certificates for works done are due for payment in FY 2018/19:KShs.80 Million GoK reduction under Bura Irrigation Scheme; KShs.50 million GoK reduction under Community Based Irrigation Projects; Ksh. 100 million GoK reduction under Galana Kulalu Irrigation Development Project; and KShs.70 million GoK reduction under National Expanded Irrigation Programme.

iv. Smallholder irrigation project, that is financed by GoK and KFW, the budgetary allocation was reduced from Ksh 200 Million to nil allocation on the donor funds

v. The Mwea Irrigation Development Project comprising of construction of Thiba dam and irrigation area infrastructure financed by JICA loan and GoK counterpart fund. In the supplementary budget, the JICA component has been reduced from Ksh 1 billion to Kshs 450 million. To date, the construction works is at 22% completion where certificates amounting to Ksh 1,078,175,031.07 have been raised meaning that the project will have a deficit of Ksh 628,175,031.07

2.5 STATE DEPARTMENT FOR FISHERIES, AQUACULTURE AND THE BLUE ECONOMY

The National Treasury has proposed allocation of Kshs. 2.200 Billion for the FY 2018/19 supplementary II of which Kshs. 691 Million is allocated to the recurrent vote while Kshs. 1.509 Billion is allocated to development. The State Department had an allocation of Kshs. 2.749 Billion in the approved Estimates for the FY 2018/19.

2.5.1 Observations

The Committee observed that:-

i. Absorption rate of the state department for development fund was low at 30.5% which was said to have been due to delays in uploading of the development budget for the FY 2018/19 in the IFMIS.

ii. Reallocation of development funds from the state department in the supplementary 11 estimates to the tune of Ksh 675,000,000 is an attestation of lack planning and inefficiencies within the state department

iii. Allocations for development of landing sites should be increased for construction and rehabilitation of more sites due to the provisions in the Fisheries Act that stipulates fish can only be landed into gazetted sites.

2.6 COMMITTEE RECOMMENDATIONS

2.6.1 State Department for Livestock

Under the state department, the Committee made the following recommendations:

(i) An addition of Ksh. 97 million on the recurrent expenditure to Kenya Meat Commission for the payment pending bills to livestock farmers (to provide for livestock off-take pending bills).

2.6.2 State department for Fisheries, Aquaculture & Blue Economy

Under the state department, the Committee made the following recommendations:

(ii) A reduction of Ksh. 17 million on the development allocation to Rehabilitation of Fish Landing Sites in L.Victoria;

(iii)A reduction of Ksh. 40 million on the development allocation to the Development of Blue Economy initiatives;

(iv)A reduction of Ksh. 40 million on the development allocation to the Exploitation of Living Resources under the Blue Economy.

Annex. Table Showing proposed changes and Amended Estimates.

Table showing Committee Recommendations on 2018/19 Supplementary II Estimates (Ksh. Millions)									
	2018/19 Supp. Est.			Changes made			Amended Estimates		
	Rec	Dev	Total	Rec	Dev	Total	Rec	Dev	Total
State Department for livestock	**1,980**	**4,475**	**6,455.0**	**97.0**	**0.0**	**97.0**	**2,077.0**	**4,475.0**	**6,552.0**
Livestock resources management and development	1,980	4,475	6,455.0	97.0	0.0	97.0	2,077.0	4,475.0	6,552.0
State Department for Crop Development	**11,757**	**19,872**	**31,628.6**	**0.0**	**0.0**	**0.0**	**11,756.6**	**19,872.0**	**31,628.6**
General administration, planning and support services	4,600	152	4,751.6	0.0		0.0	4,599.6	152.0	4,751.6
Crop development and management	7,001	19,174	26,175.0		0.0	0.0	7,001.0	19,174.0	26,175.0
Agribusiness and Information Management	156	546	702.0			0.0	156.0	546.0	702.0
State Department for Fisheries and Blue Economy	**690**	**1,509**	**2,199.0**	**0.0**	**-97.0**	**-97.0**	**690.0**	**1,412.0**	**2,102.0**
Fisheries development and management	301	901	1,202.0		-17.0	-17.0	301.0	884.0	1,185.0
General administration, planning and support services	149	0	149.0			0.0	149.0	0.0	149.0
Development and coordination of Blue economy	240	608	848.0		-80.0	-80.0	240.0	528.0	768.0
State Department for irrigation	**949**	**6,835**	**14,371.8**	**0.0**	**0.0**	**0.0**	**6,831.4**	**7,540.4**	**14,371.8**
Irrigation and land reclamation	813	6,835	7,648.0		0.0	0.0	813.0	6,835.0	7,648.0
Water Harvesting and storage for Irrigation	136	0	136.2		0.0	0.0	136.2	0.0	136.2
General administration, planning and support services	5,882	705	6,587.6			0.0	5,882.2	705.4	6,587.6
State Department for Agricultural Research	**5,882**	**705**	**6,356.3**	**0.0**	**0.0**	**0.0**	**5,561.3**	**795.0**	**6,356.3**
Agricultural Research & Development	5,561.3	795.0	6,356.3			0.0	5,561.3	795.0	6,356.3
Total	**21,258.0**	**33,396.4**	**61,010.7**	**97.0**	**-97.0**	**0.0**	**26,916.3**	**34,094.4**	**61,010.7**

SIGNED: ---------- **DATE:** 28/05/2019

THE HON. ADAN HAJI ALI, MP
CHAIRPERSON, DEPARTMENTAL COMMITTEE ON AGRICULTURE AND LIVESTOCK

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

THE DEPARTMENTAL COMMITTEE ON
COMMUNICATION, INFORMATION AND INNOVATION

REPORT ON THE CONSIDERATION OF THE ANNUAL ESTIMATES FOR THE FY 2019/20 AND THE MEDIUM TERM FOR THE MINISTRY OF INFORMATION, COMMUNICATION AND TECHNOLOGY:

DIRECTORATE OF COMMITTEE SERVICES
CLERKS CHAMBERS,
PARLIAMENT BUILDINGS,
NAIROBI

MAY, 2019

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1.0 PREFACE.

Mr. Chairman,

On behalf of the Departmental Committee on Communication, Information and Innovation and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the report of the Committee on its consideration of the annual estimates of Revenue and Expenditure for the FY 2019/20 and the Medium Term.

1.1 Mandate of the Committee

The Departmental Committee on Communications, Information and Innovation is established under Standing Order 216 whose mandate pursuant to the Standing Order 216(5) is as follows—

(a) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;

(b) Study the programme and policy objectives of Ministries and departments and the effectiveness of 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 may be referred to them by the House;

(f) To vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (*Committee on Appointments*);

(fa) examine treaties, agreements and conventions;

(g) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;

(h) consider reports of Commissions and Independent Offices submitted to the House pursuant to the provisions of Article 254 of the Constitution; and

(i) Examine any questions raised by Members on a matter within its mandate.

In accordance with Second Schedule of the Standing Orders, the Committee is mandated to oversee Communication, Information, media and broadcasting (except for broadcast of parliamentary proceedings), Information Communications Technology (ICT) development and advancement of technology and modernization of production strategies.

The Committee oversees the following votes, namely, Vote 1122 (State Department for Information Communication Technology) and Vote 1123 (State Department for

Broadcasting & Telecommunications) as well as the SAGAS under the purview of respective State Departments

1.2 Committee Membership

1. Hon.Kisang William Kipkemoi, M.P - **Chairperson**
2. Hon.George Macharia Kariuki, M.P - Vice Chairperson
3. Hon.Liza, Chelule Chepkorir, M.P.
4. Hon.Alfah, O. Miruka, M.P.
5. Hon.Annie Wanjiku Kibeh, M.P.
6. Hon.Joshua Kimilu, Kivinda, M.P.
7. Hon.Marwa Kitayama Maisori, M.P.
8. Hon.Mwambu Mabongah, M.P.
9. Hon.Maritim Sylvanus, M.P.
10. Hon.Mwangaza Kawira, M.P.
11. Hon.Jonah Mburu, M.P.
12. Hon.Gertrude Mbeyu Mwanyanje , M.P.
13. Hon.Wamuchomba, Gathoni, M.P.
14. Hon.(Eng)Mark Nyamita Ogola,M.P
15. Hon.John Kiarie Waweru, M.P.
16. Hon.Erastus Nzioka Kivasu, M.P.
17. Hon.Innocent Momanyi, Obiri, M.P.
18. Hon.Godfrey Osotsi, Atieno , M.P.
19. Hon.Anthony, Tom Oluoch, M.P.

1.3 Committee Secretariat

1. Mr. Nicholas Emejen	Deputy Director, Committee Services
2. Ms.Ella Kendi	Clerk Assistant III
3. Ms. Marlene Ayiro	Senior Legal Counsel
4. Mr.Abdirahman Gorod	Fiscal Analyst II
5. Ms.Lorna Okatch	Research Officer III
6. Mr. Wilson Angatangoria	Sergeant at arms

1.4 Overview of the examination of the Estimates

Pursuant to Article 221 of the Constitution and Section 37 of the Public Financial Management (PFM), 2012 the annual estimates were laid before the House on 30th April, 2019 and committed to the respective Departmental Committees in accordance with the provisions of the National Assembly Standing Order 235(3).

The Committee is mandated to consider and review the Estimates inline with its mandate (Standing Order 235(4), and among other things, took into account the need to ensure efficiency in spending informed by past actual performance; attainment of performance indicators and key outputs; programme and project prioritization including completion of ongoing projects amid prevailing resource constraints; clarity in both the cost centers and delivery units. Subsequently, the Committee therefore submits its report to the Budget and Appropriations Committee (BAC) for onward tabling and approval in the House.

The Committee held four sittings in which the Committee was briefed by the Parliamentary Budget Office and thereafter, held meetings with the two State Departments in the Ministry of ICT namely; State Department for ICT and Innovation and the State Department for Broadcasting and Telecommunications. The Ministry made both oral and written submissions to the Committee which is recorded herein.

COMMITTEE OBSERVATIONS

Based on the review and scrutiny of the FY 2019/20 Estimates of Revenue and Expenditure and supporting documents as well as engagement with State Departments and respective agencies, the Committee makes the following key observations

State Department of ICT

I. THAT, the total proposed allocation to the State Department for ICT amounts to KSh. 21.84 billion, made up of KSh. 2.73 billion for recurrent expenditure allocation and KSh. 19.11 billion towards Development expenditure.

II. THAT, the overall allocation is a marginal increase of 2% compared to the approved 2019 BPS. However the proposed allocation under the development sub vote indicates marginal reduction.

III. THAT, the review of the recurrent budget reflects a significant increase under current transfers to SAGA's and Agencies by 93% . This mainly include the Kenya Film Classification Board (KSh. 456,200,000), Kenya Film Commission (KSh. 116,320,000), Film School (KSh. 75,668,000), which were transferred to the State Department. Notably the baseline allocation has also been enhanced marginally with that of Kenya Film Classification Board increasing by approximately KSh. 16 million.

IV. THAT, a review of the financing framework and sources of funds for FY 2019/20 Development Estimates indicates Exchequer and development partners support. However the exchequer amount is reducing by 18% while the external financing component remains at the same level mainly on account of substantial completion of phase one of the Digital Literacy Programme.

V. THAT, part of the allocations under the Development Budget include a proposal to create Ajira Fund with an allocation of KSh. 1 billion as seed capital. The programmes under the proposed Fund will cover all the counties. The main objectives include supporting on-going Ajira Initiatives, enabling and developing digitally enabled jobs, improve youth employability as well as securing local innovations (and local ventures) in order to guarantee digital jobs for kenyans. The allocation will sustainably support the Fund which will be managed on a revolving basis with private sector expected to match government contributions.

VI. THAT, in the FY 2018/19 the Communications Authority generated total revenue amounting to KSh. 9.2 billion, with 96% utilization on programs and projects under implementation by the Authority. However, there is an anticipated decrease in revenue performance attributable to merging and re-organization of sector specific organizations in response to market dynamics, challenges and business environment.

VII. THAT, some contractors under the ICT Authority were not performing as per the terms of reference contained in the contracts. One of the affected projects is the East Africa Regional Trade, Transport and Development Facilitation Project which is an externally funded project. Further the Committee observed that some of the risks are procurement related such as delays in project delivery, cost overruns and change of scope.

VIII. THAT, there was a concern on the return of investments on the National Optic Fibre Backbone Infrastructure (NOFBI) project in the long term given the huge investment committed over the years while taking into account affordability of internet connectivity. The ICT Authority submitted that it was in the process of commercializing completed infrastructure and promote the utilization of the project upon completion of other critical phases with a view to generating at least Kshs 1 billion annually.

IX. THAT, the next phase of expansion of the NOFBI project is to be extended to all sub-counties and wards however there were challenges in meeting project timelines and budget performance especially at the project management level and exchequer releases. The Committee also observed that the NOFBI project is currently run by Telkom Kenya on behalf of ICT Authority as it acquires and builds the relevant set of skills to manage the project.

X. THAT, there were several legislative proposals and bills to strengthen the sector and to ensure service delivery. The legislative proposals include The Data Protection Bill, and Critical Infrastructure Bill as well as amendments to the existing pieces of legislations that the ministry is fast-tracking and finalizing for consideration by Parliament.

XI. THAT, part of the medium term plans include the establishment of national data center at Konza city. The Data center, which Konza had signed a contract with Huawei , will be handed over to the government after completion. The committee noted that it was imperative to ensure elaborate risk analysis and proper due diligence is carried out to guarantee safety, control of the data and attendant infrastructure with adequate safeguards against risks of geo-political dynamics.

XII. THAT, the Digital Literacy Programme faces several challenges in its implementation such as inadequate training of the teachers, power connectivity, inadequate infrastructure and inconsistencies regarding project achievements/milestones and deliverables.

XIII. THAT, some of the Funding in the sector also affected the manadate of the Film Development Services. Affected critical programs include the Film capacity building at the constituency level country wide ,Audience and screen culture Development to promote integration and cohesion, Kalasha International TV and Film market , Kalasha International TV and Film Awards, Mobile Film Competition dubbed " My Kenya My Story"

XIV. THAT, the process of following through tax exceptions for government projects is slow and unresponsive to programmes and projects timelines and clearance of materials. That despite meeting specified and necessary conditions, it was still slowing project implementation.

State Department for Broadcasting and Telecommunications

I. THAT, the total proposed allocation to the State Department for Broadcasting and telecommunication amounts to KSh. 5.27 billion, made up of KSh. 4.52 billion for recurrent expenditure and KSh. 747 Million for Development expenditure.

II. THAT, the overall allocation is an increase of 41% compared to the current baseline. Notably the proposed allocation is slightly higher than the current baseline but the same as the approved level for 2019 BPS ceilings.

III. THAT, a review of the financing framework for the proposed FY 2019/20 Development Estimates indicate that funding support is through Gok Exchequer only with no programs funded by development partners.

IV. THAT, the review of the recurrent budget reflects significant increase under current transfers to SAGAs and Agencies. That these increases were mainly towards Kenya Broadcasting Corporation (KSh. 1.3 billion) of which the increase of 307% is due to disclosure of AiA for purposes of annual appropriations, transparency and reporting. This similarly is the case for AiA support to the National Communication Secretariat (KSh. 90 Million) and Kenya Year Book (KSh. 46.8 Million).

V. THAT, under the National Communication Secretariat , there was a development component of KSh. 38 million which was implemented through AiA funding support by the Communication Authority. It was observed that all allocations involving AiA funding be also reflected in the annual budgets estimates in the respective state departments for purposes of improving coverage, accountability and reporting.

VI. THAT, the Government Advertising Agency was allocated a total amount of KSh. 1.432 Billion. Further, the allocation to the centralized advertisement budget amounts to KSh. 1.396 Billion with the remaining amount for compensation of employees under the Agency as well as Operation and Maintenance. However the Committee was concerned about the challenges that the agency is currently facing including pending bills, past procurement irregularities which are under investigations by DCI on past payments and also subject to court action. The Committee further observed that the objectives and goals of consolidating the advertising budget need to inform the implementation of the proposed allocation such as economies of scale and efficiency gains, coordinated government advertisements and outreach, minimize wastage by MDA's, among others.

VII. THAT, the Kenya Broadcasting Corporation which is a National Broadcaster has been underfunded over the past years leading to accumulation of pending bills and also affecting its overall performance. The Committee also noted that a number of contractual obligations were not to the best interest of the National Broadcaster and required through review, audit and assessment of risks.

VIII. THAT, the Postal Corporation of Kenya is mandated to undertake postal services, postal financial services and electronic retail transfer and national payment systems. The Postal Corporation of Kenya (PCK) has pending bills amounting to KSh. 2.975 billion which has affected service delivery and its competitiveness in the market. However, the Corporation is also owed KSh. 1.2 billion by the Ministry of Interior and Coordination of National Government in rent arrears for hosting Huduma Centers across the country.

IX. THAT, most of the branches and networks of Postal Corporation lack adequate power connectivity thus affecting service delivery and therefore require source of power such as solar and connection to the national grid.

X. THAT, Kenya Year Book has not been allocated funds for the digital printing press project in the FY 2019/20. The project would address the incapacity of the current printing press and support production of publications. The Ministry was urged to consider using the Kenya year book journal to ensure that all its SAGA's and other ministries are working with the Kenya Year Book to print their documents as opposed to using external service providers as a form of enhancing internal capacity.

RECOMMENDATIONS

Based on the foregoing observations, the Committee recommends as follows:

5.1 State Department of ICT

A: Financial Recommendations

THAT, the proposed overall allocation of KSh 21.8 billion for the FY 2019/20 for the State Department of ICT, made up of Kshs 2.7 billion for Recurrent Expenditure and Kshs 19.11 billion for Development Expenditure be approved subject to the following re-allocation amendments:

Re-allocations (Additional)

- THAT, under the Development Sub Vote allocate an additional Kshs 1 Billion towards NOFBI Phase II expansion Project (Head 1122100500) under the Programme ICT Infrastructure and Development. This is to support project implementation to connect sub counties and wards and for purposes of meeting critical financial needs including outstanding commitments that has lacked critical exchequer component support.

- THAT, under the Development Sub Vote allocate an additional kshs 280 million to Konza Technopolis Development Authority towards MDP2 consultancy project and actualize Phase I of the Konza City, under Project Head 1122100900, under the Programme ICT Infrastructure and Development.

- THAT, under the Recurrent Sub Vote allocate an additional Kshs 86 million to Kenya Film Commission under the Programme Film Development Services towards Film capacity building at the constituency level (Kshs 86 million)

- THAT, under the Recurrent Sub - Vote allocate an additional Ksh 44 million to Konza Technopolis (Head 1122000700), Item 2630100, under the Programme ICT Infrastructure and Development to support operationalization of Phase I and compensation of employees.

Re-allocations (Decreases):

- THAT, under the development Sub Vote reduce by kshs 1.2 billion from the Digital Literacy Programme (Head 1122101100, Title 1122101101), Item 2630200 under the Programme ICT Infrastructure and Development
- THAT, under the Development Sub Vote reduce by kshs 80 million from the Acquisition and Refurbishment of Cinema Theatres (Head 1122101600, Title 1122101601), Item 2630200 under the Programme Film Development Services.
- THAT, under the Recurrent Sub Vote reduce kshs 130 million from ICT Shared Services, Head 1122000100, Sub Head/Title 1122000113, Item 3111000 – Purchase of Office Furniture and General equipment.

Proposed Increases

- THAT, under the Recurrent Sub Vote allocate additional Kshs 114 Million to to Kenya Film Commission under the Programme Film Development Services. This is towards critical underfunded activities such as Audience and screen culture Development to prómote integration and cohesion, Kalasha International TV and Film market , Kalasha International TV and Film Awards, Mobile Film Competition dubbed " My Kenya My Story".

  This is the reduced allocation from Vote 1123, State Department of Broadcasting and Telecommunication by Kshs 114 million under the recurrent Budget , Head, Government Advertising Agency.

Further Proposed Increases

THAT, key programmes under the State Department of ICT are underfunded and require additional resources to support the digital economy and delivery of key flagship projects. In that regards the Committee recommends additional funding as follows:

- That an additional kshs 1.5 billion be allocated in the Development Sub Vote, towards NOFBI Phase II expansion Project, (Head 1122100500) under the Programme ICT Infrastructure and Development. This is to cater for implementation of project to meet delivery timelines and provide for outstanding commitments of KSh 2.5 billion due to exchequer non-performance over the years.
- That additional Kshs 1.24 million be allocated to Konza Technopolis Authority under the Development Budget to cater for MDP2 Consultancy Project and actualize Phase I of the Konza City.
- That additional Kshs 392 million be allocated to Konza Technopolis Authority under the Development Budget to cater for access roads , a funding shortfall that will delay completion of Phase I.
- That additional kshs 150 Million be allocated to Constituency Innovation Hubs to support establishment of an innovation centres that boost internet connectivity and to supplement counterpart funding from respective constituency fund.

B: Policy Recommendations

The following are the key priority policy recommendations

I. THAT, the State Department to fast track the submission of the Ajira Fund Regulations taking into account the provisions of the PFM Act, 2012 on establishment of such funds. This should be submitted to Parliament for considerations before end of the 1st Quarter of the FY 2019/20.

II. THAT, the State Department to fast track the finalization and submission of legislative proposals such as the Data Protection Bill and Critical Infrastructure Bill as well as amendments to the existing pieces of legislations for prompt consideration by Parliament.

III. THAT, the State Department of ICT to ensure all quarterly returns as required by the PFM Act, 2012 to National Treasury and Controller of

Budget include the non-financial performance and Programme and Project performance.

IV. THAT, all funded programmes and projects that are implemented by the SAGAs under the State Department with approved allocations to also include all AiA for purposes of enhancing transparency and coverage of AiA as well as accountability. This includes capital projects under the National Communication Secretariat and Kenya Film Classification Board, among others

V. THAT, the State Department through ICT Authority to fast track plans and framework to commercialize completed NOFBI infrastructure within the period of the FY 2019/20 while ensuring affordability of internet connectivity is not affected. This is to primarily unlock the revenue potential of the asset that is currently estimated at Kshs 1 billion annually.

VI. THAT, part of the medium term plans to establish a Data center at Konza city through a contract with Huawei be subjected to elaborate risk analysis and proper due diligence and further carry assessment with respect to security and safety, control of the data and attendant infrastructure and on critical safeguards measures. That undertaking be done and submitted to the relevant Committee before the commencement of the project.

VII. THAT, KRA and National Treasury to ensure clearance of project materials delayed by KRA despite compliance to tax clearance requirements. This must be fast tracked and status of the same be reported to the State Department as well as the project management team by end of the 1ST Quarter of FY 2019/20

5.2 State Department of Broadcasting and Telecommunication

A: Financial Recommendations

THAT, the proposed allocation of KSh. 5.2 billion for the FY 2019/20 for State Department, made up of kshs 4.5 billion for Recurrent Expenditure and Kshs 747

million for Development Expenditure be approved subject to the following amendment.

Proposed Reduction:

- THAT, under the Recurrent Sub Vote reduce kshs 114 million from Government Advertising Agency, Head 1123000400, Sub Head/Title 1123000401, Item 2210500 – Printing Advertising and Information Supplies and Services. And Increases the same amount to State Department of ICT, Vote 1122 , Recurrent Sub Vote , Head Kenya Film Commission, under the Programme Film Development Services.

Further Proposed Increases

THAT, key programmes and projects under Broadcasting and Telecommunication are underfunded and require additional resources to support the digital economy and delivery of key flagship projects. In that regards the Committee recommends additional funding as follows:

- THAT, Kshs 1.2 billion be allocated to Postal Corporations from the Ministry of Interior and National Government to cater for pending bills in form of rent arrears accrued for hosting Huduma centres.
- THAT, Postal Corporation of Kenya be allocated Kshs 2.5 billion to meet outstanding obligations and pending bills including plans towards actualizing staff restructuring.
- THAT, an allocation of kshs 500 million be provided to Postal Corporation of Kenya towards meeting cost related to universal service obligations by operating in non-economically viable areas based on the current network commercial status.

B: Policy Recommendations

The following are the key priority policy recommendations:

I. THAT, the State Department to ensure that utilization of the allocation towards consolidated advertisement budget takes into account the DCI findings , objectives of the consolidation such as achieving cost efficiency gains and use effective medium to maximum impact. In addition, the Government Advertisement Agency should set aside and direct 30% of the advertisement budget to KBC with a view to support KBC and direct audience to its various services available across the country.

II. THAT, The State Department and Postal Corporation to formally request the Rural Electrification and Renewable Energy (Formally REA) for electrification of some of its facilities for the FY 2019/20 and Medium Term under the project Electrification of Public Facilities.

III. THAT, State Department and the Kenya Postal Corporation to work on framework and guidelines to ensure the corporation is prioritized and considered as the public/national government logistics service provider of choice

1.5 Acknowledgements

The Committee appreciates the support offered by the Offices of the Speaker and the Clerk of the National Assembly for both logistical and technical support during its sittings and deliberations. The Committee wishes to thank the Ministry of ICT for actively participating during the scrutiny of the 2019/20 budget estimates.

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

Honorable Chair, It is my pleasant duty and privilege, on behalf of the Departmental Committee on Communication, Information and innovation to submit its Report on the scrutiny of the annual estimates of the FY 2019/20 and the medium term.

SIGNATURE:..... **DATE:** 24/05/2019

THE HON. WILLIAM KISANG, M.P - CHAIRPERSON

DEPARTMENTAL COMMITTEE ON COMMUNICATION, INFORMATION AND INNOVATION

2.0 INTRODUCTION

1) Pursuant to Article 221 of the Constitution and Section 37 of the Public Financial Management (PFM), 2012 the annual estimates were laid before the House on 30th April, 2019 and committed to the respective Departmental Committees in accordance with the provisions of the National Assembly Standing Order 235(3).

2) The Committee is mandated to consider and review the Estimates inline with its mandate (Standing Order 235(4), and among other things, took into account the need to ensure efficiency in spending informed by past actual performance; attainment of performance indicators and key outputs; programme and project prioritization including completion of ongoing projects amid prevailing resource constraints; clarity in both the cost centers and delivery units. Subsequently, the Committee therefore submits its report to the Budget and Appropriations Committee (BAC) for onward tabling and approval in the House.

3) The Committee held four sittings in which the Committee was briefed by the Parliamentary Budget Office and thereafter, held meetings with the two State Departments in the Ministry of ICT namely; State Department for ICT and Innovation and the State Department for Broadcasting and Telecommunications. The Ministry made both oral and written submissions to the Committee which is recorded herein.

4) The submissions covered funding priorities for the various programmes and projects in view of the proposed sub sector overall ceiling, current baseline allocation and performance as well as strategies to fast-tracking implementation of key flagship interventions. Further, the submissions also included funding gaps occasioned by the resource constraints.

3.0 SUBMISSIONS

3.1 Parliamentary Budget Office

5) The Parliamentary Budget Office briefed the Committee on the Estimates of revenue and Expenditure for the FY 2019/20 and the medium term , and submitted the following highlights.

Overall Budget Allocation

Summary of Overall Allocations for 2019/2020 MTEF Budget vis a vis FY 2018/19, KSh. Million				
Category	**FY 2018/19**	**% share**	**FY 2019/20**	**% share**
National Government	1,698,558.10	56.4%	1,841,358.00	47.61%
of which recurrent budget	1,018,257.33	33.8%	1,157,284.00	29.92%
Parliament	32,346	1.07%	43,611.30	1.13%
Judiciary	13,271.50	0.44%	18,980.00	0.49%
of which JSC	364.00	0.01%	480.00	0.01%
Consolidated Fund Services	962,562.00	32%	805,780.00	20.83%
County Government	304,962	10%	310,000.00	8.01%

State Department of ICT: Review of Budget Performance and 2018/19 Budget Estimates

6) In the last three financial years (2015/16 to 17/18), the ICT has been allocated total amount of ksh 58.45 billion which when compared to actual expenditure amounting to KSh. 53.83 billion for the same period translates to 92% expenditure performance.

7) Whereas the ICT Infrastructure Development and General Admin Planning & Support Services Programmes have performancd relatively better at an average of 86% and 94 % , respectively 90%, the E-government Services Programme performance has been at slightly above half (54%) of the approved allocation for the same period.

8) One major budgetary implication for the low performance trend with respect to the e-Government Services Programme is approval of higher expenditure levels which needs to be evaluated including identifying non-priority expenditure measures in the programme.

Proposed 2019/20 Budget Estimates – Vote 1122 (State Department for Information Communication Technology)

9) The overall proposed budget for the FY 2019/20 towards the State Department for ICT is KSh. 21.84 billion of which recurrent budget allocation is KSh. 2.72 billion while development outlay is KSh. 19.11 billion.

10) The proposed allocation reflects an overall decrease of -4% when compared to the current baseline allocation for the FY 2018/19. However, the proposed expenditure is a marginal increase against the expenditure ceilings approved in the 2019 BPS although the recurrent and expenditure is slightly below recurrent ceilings provided in the same BPPS framework.

Allocation to State Department of ICT for FY 2019/20 and Medium Term, Kshs in millions

Sub - Vote /Item	Approved FY 2018/19	2019 BPS	Proposed FY 2019/20	Projections		% Variance (Approved and Proposed)	% Variance (2019 BPS and Proposed)
				FY 2020/21	FY 2021/22		
Recurrent	1,670	2,777	2,729	2,870	2,992	63%	-2%
Of which:							
recurrent Transfers	667.8112		1,295	1,399	1,456	93%	
Development	21,059	18,611	19,111	20,243	20,138	-10	3%
Of which:							
Capital Transfers	15,847		13,513	14,737	1,656	-14%	
Grand Total	22,729	21,388	21,840	23,113	23,130	-4%	2

Development Expenditure Analysis

11) The proposed Development Estimates of KSh. 19.11 billion for the State Department of ICT is geared towards programmes and projects aimed at developing and enhancing world class ICT infrastructure that ensures access to efficient, reliable and affordable ICT services. This is mainly under the flagship programme of ICT infrastructure development.
12) Other objectives informing key sector priorities and guide resource allocation are to provide universal access to E-Government services for efficient public service delivery as well as development of the film industry locally and internationally.
13) A review of financing framework for the proposed 2019/20 Estimates indicates that Exchequer support amounts to kshs 8.65 billion relative to approved exchequer levels of kshs 10.598 billion while total external funding amounts to kshs 10.46 billion. Reduction of exchequer allocation in component under Digital Literacy Programme and construction of Konza Complex.

Programme and Project Analysis

14) The state Department has four programmes earmarked for implementation. Programmes budget are key budget framework for linking granular itemized allocations to results/performance and thus necessary for performance measurement as well as guide priority resource allocation and provide framework for delivery mechanisms.

Programme Allocation, FY 2018/19 and 2019/2020

State Department for ICT	Approved Allocation (Baseline) FY 2018/19	BPS FY 2019/20	Proposed Estimates FY 2019/20	% Proposed additional/ reduction relative to Base line	% Share of proposed allocation
Programme Allocation	22,728.76	21,388.00	21,840.00	-3.91%	100 %
Administration Planning and Support Services	203	208	241	18.50%	1%
ICT Infrastructure Development	18,834.63	15,522.00	16,360.65	-13.14%	75%
E-Government Services	3,690.72	4,723.00	4,339.21	17.57%	20%
Film Development Services Programme	0.00	935	899.11	significant	4%

15) ICT Infrastructure Development Programme and the E- Government Services have each been allocated KSh. 16.360 billion and KSh. 4.3 billion, respectively. The combined total allocation under these two programmes accounts for 95% share of the overall 2019/20 budget for the State Departments.

16) However, the proposed allocation towards ICT Infrastructure Development Programme reflects a reduction of 13 % due to marginal reduction of allocation particularly of exchequer component to projects such as Digital Literacy Programme (approximately 50% and Constituency Innovation Hubs (15%) .

17) The proposed development budget indicates allocations to various capital projects. Notably respective project allocation is also reconcilable with the proposed development sub vote, a key legislative reform imperative towards ensuring effective monitoring of development budget allocation.

State Department of Broadcasting and Telecommunication

Review of Budget Performance and 2019/18 Budget Estimates

18) Some of the Major achievement under the sub sector during the FY 2017/18 with respect to the approved KPIs are:

- Development of one (1) Strategic Plan for the Ministry and SAGAs) against an approved target of one (1) strategic plan to guide the subsector both in its strategic direction and resource utilization in the medium term.
- Media Council of Kenya - 800 on-Job journalists trained against a target of training 1000 journalist, 3000 journalists accredited against target of 2959 and 4 Quarterly reports on Media compliance on Journalists code of conduct which the committed approved target was four (4) reports
- Four (4) quarterly compliance report on Government Advertisement Directives against approved quarterly target of one (1) compliance report. The Committee may however ascertain on the content and attendant action taken against non compliant parties negating the policy of centralized advertisement services key among them realizable cost savings on advertisement budget (See paragraph ... on allocation towards Government Advertisement Agency for FY 2019/20)
- Kenya Year Book – 90% completion Higher Education Career Guide, of which the rest was to be completed in the current year (FY 2018/19). In addition, the completion of Agriculture Yearbook was done to 50% against a target of 80% and to be finalized in FY 2018/19. The Committee review the status of actual work done and whether the output is available for the stakeholder's consumption
- Weekly (52) MYGOV Pull Out undertaken and published against a committed target of 52 pullouts.
- However there was missed target on modernization of Broadcast Studios, of which two (2) studios were to be modernized in 2017/18. In addition there is increasing outstanding commitment under the centralized advertisement approach that was designed to manage government overall cost objectives component under this item and achieve efficiency in government using print and other media. Some of the key challenges include: below approved level exchequer performance, poor management of the procurement process, IFMIS down time, low AIA collections, court actions and prosecutions pointing to fiduciary risks on public resources. This significantly affects operations and programme deliveries. **Proposed 2019/20 Budget Estimates**

19) The total proposed budget for the FY 2019/20 towards the State Department for Broadcasting and Telecommunication is KSh. 5.27 billion, out of which recurrent expenditure is KSh. 4.52 billion while development expenditure is KSh.747 million.

20) The proposed allocation is an overall increase of KSh 1.5 billion (41%) vis a vis the current baseline allocation for FY 2018/19 but slightly less than the approved ceilings as per the 2019 BPS. Notably, the marginal decrease is under the recurrent expenditure.

21) Allocation to State Department of Broadcasting and Telecommunication for FY 2019/20 and Medium Term, Kshs in millions

Sub - Vote /Items	Approved FY 2018/19	2019 BPS	Proposed FY 2019/20	Projections		% Variance Approved and Proposed	% Variance 2019 BPS and Proposed
				FY 2020/21	FY 2021/22		
Recurrent	3,063.6	4,558.0	4,526.8	4,807.0	5,068.0	48%	-1%
Of which:							
Recurrent Transfers	1,003.2		2,449.0	2,634,000.0	2,794.0	144%	
Development	688.0	747.0	747.0	833.0	873.0	9%	0%
Of which:							
Capital Transfers	614.0		533.0	637.0	576.0	-13%	
Grand Total	3,751.6	5,305.0	5,273.8	5,640.0	5,941.0	41%	-1%

Development Expenditure Analysis

22) The proposed Development Estimates of KSh. 747 million for the State Department is geared towards programmes and projects aimed at developing and enhancing both the broadcast and telecommunication subsectors . This is mainly under to the flagship programmes of Information And Communication Service and Mass Media.

23) Other objectives including regulatory function of the critical telecom sector and ensuring promotion of the underserved areas with critical information and telecommunication infrastructure through the implementation of the Universal service Fund.

24) A review of financing framework for the proposed 2019/20 Estimates indicates that the entire development component is funded through Exchequer support with no AIA and external funding component. Its an increase of kshs 59 million and inline with the approved House resolution on the 2019 BPS

Programme and Project analysis

25) Programmes budget detailing project allocation are key budget framework for linking granular itemized allocations to results/performance and thus necessary for performance measurement as well as guide priority resource allocation and provide framework for delivery mechanisms.

26) The development allocation of kshs 747 million is reconcilable with the projects/Heads for the FY 2019/20.

27) However, despite the huge funding gap in the development budget , the Digital Printing Press project with an expected date of completion estimated at 2021 and with remaining cost Kshs. 115 Million is not considered under the list of priorities.

28) List of selected projects with proposed allocation and indicating sources of funds

Project Title	Est. cost of Project	Start Date	Expected Completion date	Cumm Expenditure as at Dec 2018	Allocation for FY 2018/19		Proposed Allocation for FY 2019/20	
					Foreign	GoK	Foreign	GoK
State Department For Broadcasting and Telecommunication								
KBC Analogue to Digital TV migration	**6,000**	**Jul-14**	**Jun-21**	4,919.00	-	**310.00**	-	**310.00**
KBC Roll out Studio Mashinani	500	Jul-16	Jun-21	66.00	-	54.00	-	54.00
Modernization of KIMC Film Media Training Facilities - Headquarters	405	Jul-15	Jun-21	101.00	-	186.00	-	118.00
405 Bed Capacity Hostel	500	Jul-14	Jun-20	385.00	-	64.00	-	51.00
Modernization of KNA National Desk and Press Centre.	791	Jul-16	Jun-21	781.00	-	74.00	-	214.00
Digital printing press	115	Jul-17	Jun-18	-	-	-	-	
Total	**8,311**			**6,252.00**	-	**688.00**	-	**747.00**

Salient Issues

State Department of ICT

- **Budget Performance and absorption** In development for the State Depart , Development Partners component is to finance various ICT projects and activities ranging development of Konza city including the development funded component of Konza under the ECPF framework and government ICT services. However, effective absorption/utilization of external funds has been a challenge over the last medium term. Projects affected especially on timeline indicators include the NOFBI II (components of sub county) and county connectivity projects.

- **Financing Framework** - A review of financing framework for the proposed 2019/20 Estimates indicates that Exchequer support amounts to kshs 8.65 billion relative to approved exchequer levels of kshs 10.598 billion while total external funding amounts to kshs 10.46 billion. Reduction of exchequer allocation is under component of Digital Literacy Programme and construction of Konza Complex.

- **Significant expenditure increases** - Review of recurrent budget reflect significant increase under current transfers to SAGAS and Agencies by 93% , which increased by more than KSh. 627 million. The increase based on the proposed new allocation is under:

- Kenya Film Classification Board - KSh. 456,200,000
- Kenya Film Commission - KSh. 116,320,000
- Kenya Film School - KSh. 75,668,000

There is need for justification and basis for the proposed expenditure given the lack of clear baseline to inform the allocation.

- **Zero based and Incremental budgeting** – the 2019 Budget preparation guidelines outlines the use of zero based budgeting as opposed to incremental allocation in light of the constraining fiscal space and to rationalize/curtail unproductive expenditure.

- **Realism of State Department Budget and linkages with the PBB Framework-** Review of the proposed expected targets compared to submission on the 2017/18 performance budget reflect lack of clear basis for setting targets and subsequently achieving the same. Review of the 2017/18 indicated the achievement of eleven (11) Constituency Innovation Hubs establishment against approved committed target of establishing 290 Constituency Hubs.

  The achievement reflects huge shortfall (or 96% underperformance) meaning that the achievement of subsequent targets in the medium term are unrealistic as well as the basis for medium term proposed allocation (Also see revised allocations under 2018/19 Supplementary II). To ascertain reported milestones, there is need to evaluate completed Innovation Hubs on the basis of completeness of the projects, performance vis a vis project objectives, distribution of completed projects to gauge equity and cost implications

State Department of Broadcasting and Telecommunication.

- **Grants transfers to Agencies** - Review of recurrent budget reflects significant increase under current transfers to SAGAS and Agencies, with a combined additional amount totaling KSh. 1.44 billion. The major additional allocations are under each of the SAGAs Kenya Broadcasting Corporation (KBC) by KSh. 1,309,112,000 (307%), National Communications Secretariat by KSh. 90, 000,000 (112%) and the Kenya Year Book Board by KSh. 46,861,500 (80%). There is need for justification informing more than double allocation in view of the unfunded priorities within the state department
- **Zero based and Incremental budgeting** - In the category of Use of Goods and Services in the recurrent budget, a further review of components of operation and maintenance items such as advertisement is set to increase by kshs 10 million to kshs 1.4 billion (supplementary II proposals for additional request in the FY 2018/19 is kshs 700 million). In view of past trends , the allocation for the Government Advertisement Agency is to also to cater for pending bills. There is need to ensure there is proper cost basis for the advertisement budget with clear rationalization of user requests.

- **Centralized Advertisement Budget Item** - The increase of pending bills is not in tandem with objectives of the policy framework to streamline government costs on advertisement and mass outreach. This is especially in view of the expected economies

of scale as well as efficiently utilizing the different available media efficiently on a least cost and maximum impact basis. Further implication of mismanagement of centralized advertisement expenditure allocation with buildup of unmitigated outstanding obligation will further portend negative impact on the business cycle and liquidity of the media institutions thus likely to affect performance of the information and communication services sector.

- **Pending Bills** - With regards to overall pending bills there is need for review of the pending bills with comprehensive aging analysis as well as indicating whether obtaining pending are as a result of contracting services and goods without budget provision or due to liquidity constraints arising of no performances of the sources of funds

Adherence to Budget Preparation Guidelines - The increase under the recurrent budget may be inconsistent with the zero based budget approach as per the requirement outlined in the 2019 Budget Preparation Guidelines.

- **Realism of State Department Budget and linkages with the PBB Framework**- Approved allocations are often subject to considerable in –year re-allocation or rationalization for both items funded through Gok Exchequer and Local AiA The committee may task the state department to use a realistic basis for budgeting and link the itemized budget with programme budget for effective monitoring of key performance indicators and output.
- **The full implementation of the programmes and projects under the Universal Service Fund** – The fund is key in bridging the infrastructure access gap and information. However, the key flagship projects inline with funds objectives are not fully implemented and there is need to ascertain the performance of the fund.

3.2 Submissions by the Ministry of Information, Communication and Technology

3.2.1 The State Department for ICT and Innovation

29) On Thursday 23th May, 2019 Mr.Jerome Ochieng, the Principal Secretary appeared before the Committee and informed them that;-

30) The Key Targets/Outputs for the 2019/20 – 2021/22 MTEF period among others include the following:

(i) Rehabilitation and maintenance of NOFBI
(ii) Procure and distribute 250,000 Digital Learning devices to 3,000 remaining Public primary schools.
(iii) Train 400 ICT graduates on high end skills under the Presidential Digital Talent Programme
(iv) Completion of 75% of Konza Complex phase IA

(v) Engineer Procure Construct Financing (EPCF) Konza 15% Horizontal Infrastructure will be developed.

(vi) Implement additional twelve (12) sites per County covering both National and County buildings under last mile connectivity project.

(vii) Train over 10,000 youths on access to online jobs

(viii) Establish 290 Constituency Innovation Hubs,

FY 2019/20 Recurrent Resource Requirements/Allocation (Amounts KShs. Million) was as follows;-

Economic Classification	2018/19 estimates	Requirements			Allocation		
		2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Gross	1,670	3,722.36	4,110.28	4,627.31	2,729.00	2,869.90	2,991.90
AIA		11.00	13.00	15.00	48	48	48
NET	1,670	3,711.36	4,097.28	4,612.31	2,681.00	2,821.90	2,709.00
Compensation to Employee	153.00	311.00	320.33	329.94	233	242	250
Transfers	667.70	1,628.38	1,824.20	2,140.98	1,312.9	1,567.8	1,629.8
ICT Authority	416.00	448.00	566.00	750.00	400.9	571.7	582.2
KoTDA	251.70	331.76	404.30	493.78	246.4	276.9	313
KFCB		469.62	472.90	480.20	456.2	477.3	477.3
KFC		279.00	281.00	317.00	116.3	129.7	145
KFS		100.00	100.00	100.00	75.7	75.7	75.7
Other Recurrent	849.3	1,782.98	1,965.75	2,156.39	1023.4	1012.1	1064.1

31) FY 2019/20 Development Resource Requirement / Allocations was as follows ;- (Kshs. Million)

Description	2018/19	REQUIREMENT			ALLOCATION		
		2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
	Allocation						
Gross	**20,087.20**	**38,482.00**	**31,534.00**	**25,080.92**	**19,111**	**20,243**	**20,138**
GoK	9,626.20	17,369.00	18,357.00	16,099.92	8,850	9,782	9,677
Loans	10,461.00	21,113.00	13,177.00	8,981.00	10,261.00	10,461.00	10,461.00
Grants							
Local AIA							

32) Allocations to the State Agencies were as follows:

Konza Technopolis Development Authority							
NAME OF SAGA:	BASELINE	REQUIREMENT Million			ALLOCATION Million		
	2018/19	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Recurrent Expenditure	**251.7**	**331.76**	**404.37**	**493.78**	**246.4**	**269**	**280**
Compensation of employees	165.08	197.66	235.64	280.92	151.7	159.6	161.8
Use of Goods and Services	52.64	69.99	93.06	123.74	52.6	53.7	57.6
Other recurrent	32.6	64.11	75.67	89.12	52.6	55.7	60.6
Capital Expenditure	**8433**	**18588**	**17352**	**6000**	**8156**	**8136**	**8156**
Total Allocation	**8,684.7**	**18,919.8**	**17,756.4**	**6,493.8**	**8,402.4**	**8,405.0**	**8,436.0**

ICT Authority

3.2.5.2 ICT AUTHORITY							
NAME OF SAGA:	BASELINE	REQUIREMENT Million			ALLOCATION Million		
	2018/19	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Recurrent Expenditure	**416**	**448**	**566**	**750**	**400.9**	**434**	**454**
Compensation of employees	198	203.94	210.06	266.06	198	208	228
Use of Goods and Services	65	108.06	168	279.3	65	65	65
Other recurrent	153	136	187.94	204.64	137.9	161	161
Capital Expenditure	**6,397.5**	**6,397.5**	**6,397.5**	**6,397.5**	**4,384.8**	**5,479.8**	**5,540.9**
Total Allocation	**6,813.50**	**6,845.50**	**6,963.50**	**7,147.50**	**4,785.7**	**5,913.80**	**5,994.9**

Kenya Film Classification Board

3.2.5.3 KENYA FILM CLASSIFICATION BOARD							
	BASELINE	REQUIREMENT Million			ALLOCATION Million		
Economic Classification	2018/19	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
NAME OF SAGA:	KENYA FILM CLASSIFICATION BOARD						
Recurrent Expenditure	**440.4**	**469.6**	**472.9**	**480.2**	**456.2**	**455.0**	**470.0**
Compensation of employees	166.81	166.07	169.35	176.65	145.8	150.174	155.1147
Use of Goods and Services	174.93	204.93	204.93	204.93	278.6	304.83	314.89
Other recurrent	98.62	98.62	98.62	98.62			
Capital Expenditure	**30**	**100**	**46.5**	**45**	**80**	**56**	**56**
Total Allocation	**470.4**	**569.6**	**519.4**	**525.2**	**536.2**	**511.0**	**526.0**

Kenya Film Commission

3.2.5.4 KENYA FILM COMMISSION							
	BASELINE	REQUIREMENT Million			ALLOCATION Million		
Economic Classification	2018/19	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
NAME OF SAGA:	KENYA FILM COMMISSION						
Recurrent Expenditure	**119.4**	**279**	**281**	**317**	**116.3**	**128**	**139**
Compensation of employees	60	71	75	77	59.8	75	77
Use of Goods and Services	49.4	70	72	75	19	31.25	35.35
Other recurrent	10	138	134	165	37.5	21.75	26.65
Capital Expenditure	**15**	**0**	**0**	**0**	**30**	**15**	**30**
Total Allocation	**134.4**	**279**	**281**	**317**	**146.3**	**143**	**169**

33) The challenges facing the state department were as follows:

i.) The full operationalization of the Directorate of ICT will be affected by the shortfall.

ii.) Lack of funding to cater for the Counter part funds for Donor projects (EPC-F and EARTTFP).

iii.) Lack of sufficient allocation to clear pending bills (ICTA and KoTDA)

iv.) Inadequate funds to execute the Kenya Film Commission's programs. The financing gap of Ksh. 210,500,000 as indicated: Film capacity building at the constituency level country wide Ksh. 87 million,Audience and screen culture Development to promote integration and cohesion Ksh. 12 million, Kalasha International TV and Film market ksh. 20 million, Kalasha International TV and Film Awards 15 million, Mobile Film Competition dubbed " My Kenya My Story" ksh. 5 million

v.) Reduced funding for Digital Literacy Programme will affect implementation of Phase II (setting up of Digital Learning Resource Centres) for upper primary classes in public primary schools).

3.2.2 State Department for Broadcasting and Telecommunications

34) On 24th May, 2019, the Principal Secretary, Mr. Jerome Ochieng appeared before the Committee and informed them that:

35) The key outputs for the FY 2019/20 were as follows;-

(i) Additional 15 studio Mashinani established
(ii) Restructured public communications
(iii) 3 Kenya Yearbooks produced
(iv) Media standards developed/reviewed
(v) 1500 mass media graduates
(vi) 100% accreditation of journalists
(vii) Modernized mass media training facilities

36) The vote is being used to implement the following three programmes in the 2018/19 Financial Year:

Programme	**Objective**
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
Information and Communication Services	To collect, collate and disseminate credible information to promote a competitive knowledge based economy
Mass Media Skills Development	To train, build and strengthen the ICT and mass media skills

37) Resource Requirement Analysis for Planned Programmes and Policies

Development Budget

Development Resource Requirement	Printed Estimates	Resource Requirements			Allocation		
	2018/19	2019/20	2020/21	2021/22	2019/20	2020/21	2021/22
Gross	**688**	**1,436**	**1,205**	**1,087**	**747**	**833**	**873**
GoK	688	1,436	1,205	1,087	747	833	873
Loans	0	0	0	0	0	0	0
Grant	0	0	0	0	0	0	0
Local AIA	0	0	0	0	0	0	0

38) Planned unfunded Programmes and Justifications:

39) The following projects are planned under the MTP III but have not been funded.

- Media Park - Wealth and Employment Creation through provision of skills competence and physical facilities. Cost: KShs 23B.
- Kenya Yearbook Printing press - Install a digital printing press to produce high quality Kenya Yearbook publication for distribution both locally and internationally. Cost: KShs 150M.
- Kenya Yearbook Resource Centre - To be a reference source of information for achievement of implementation of government programmes both in print and audio visual form. Cost: KShs 50M. Restructuring Department of Public Communication to deliver Government Communications for big four agenda - To enhance government's capacity to communicate its development agenda to gain and sustain public support for successful delivery of the Big 4 Agenda. Cost: KShs 300M

4.0 COMMITTEE OBSERVATIONS

40) Based on the review and scrutiny of the FY 2019/20 Estimates of Revenue and Expenditure and supporting documents as well as engagement with State Departments and respective agencies, the Committee makes the following key observations

4.1 State Department of ICT

I. THAT, the total proposed allocation to the State Department for ICT amounts to KSh. 21.84 billion, made up of KSh. 2.73 billion for recurrent expenditure allocation and KSh. 19.11 billion towards Development expenditure.

II. THAT, the overall allocation is a marginal increase of 2% compared to the approved 2019 BPS. However the proposed allocation under the development sub vote indicates marginal reduction.

III. THAT, the review of the recurrent budget reflects a significant increase under current transfers to SAGA's and Agencies by 93% . This mainly include the Kenya Film Classification Board (KSh. 456,200,000), Kenya Film Commission (KSh. 116,320,000), Film School (KSh. 75,668,000), which were transferred to the State Department. Notably the baseline allocation has also been enhanced marginally with that of Kenya Film Classification Board increasing by approximately KSh. 16 million.

IV. THAT, a review of the financing framework and sources of funds for FY 2019/20 Development Estimates indicates Exchequer and development partners support. However the exchequer amount is reducing by 18% while the external financing component remains at the same level mainly on account of substantial completion of phase one of the Digital Literacy Programme.

V. THAT, part of the allocations under the Development Budget include a proposal to create Ajira Fund with an allocation of KSh. 1 billion as seed capital. The programmes under the proposed Fund will cover all the counties. The main objectives include supporting on-going Ajira Initiatives, enabling and developing digitally enabled jobs, improve youth employability as well as securing local innovations (and local ventures) in order to guarantee digital jobs for kenyans. The allocation will sustainably support the Fund which will be managed on a revolving basis with private sector expected to match government contributions.

VI. THAT, in the FY 2018/19 the Communications Authority generated total revenue amounting to KSh. 9.2 billion, with 96% utilization on programs and projects under implementation by the Authority. However, there is an anticipated decrease in revenue performance attributable to merging and re-organization of sector specific organizations in response to market dynamics, challenges and business environment.

VII. THAT, some contractors under the ICT Authority were not performing as per the terms of reference contained in the contracts. One of the affected projects is the East Africa

Regional Trade, Transport and Development Facilitation Project which is an externally funded project. Further the Committee observed that some of the risks are procurement related such as delays in project delivery, cost overruns and change of scope.

VIII. THAT, there was a concern on the return of investments on the National Optic Fibre Backbone Infrastructure (NOFBI) project in the long term given the huge investment committed over the years while taking into account affordability of internet connectivity. The ICT Authority submitted that it was in the process of commercializing completed infrastructure and promote the utilization of the project upon completion of other critical phases with a view to generating at least Kshs 1 billion annually.

IX. THAT, the next phase of expansion of the NOFBI project is to be extended to all sub-counties and wards however there were challenges in meeting project timelines and budget performance especially at the project management level and exchequer releases. The Committee also observed that the NOFBI project is currently run by Telkom Kenya on behalf of ICT Authority as it acquires and builds the relevant set of skills to manage the project.

X. THAT, there were several legislative proposals and bills to strengthen the sector and to ensure service delivery. The legislative proposals include The Data Protection Bill, and Critical Infrastructure Bill as well as amendments to the existing pieces of legislations that the ministry is fast-tracking and finalizing for consideration by Parliament.

XI. THAT, part of the medium term plans include the establishment of national data center at Konza city. The Data center, which Konza had signed a contract with Huawei , will be handed over to the government after completion. The committee noted that it was imperative to ensure elaborate risk analysis and proper due diligence is carried out to guarantee safety, control of the data and attendant infrastructure with adequate safeguards against risks of geo-political dynamics.

XII. THAT, the Digital Literacy Programme faces several challenges in its implementation such as inadequate training of the teachers, power connectivity, inadequate infrastructure and inconsistencies regarding project achievements/milestones and deliverables.

XIII. THAT, some of the Funding in the sector also affected the manadate of the Film Development Services. Affected critical programs include the Film capacity building at the constituency level country wide ,Audience and screen culture Development to promote integration and cohesion, Kalasha International TV and Film market , Kalasha International TV and Film Awards, Mobile Film Competition dubbed " My Kenya My Story"

XIV. THAT, the process of following through tax exceptions for government projects is slow and unresponsive to programmes and projects timelines and clearance of materials. That despite meeting specified and necessary conditions, it was still slowing project implementation.

4.2 State Department for Broadcasting and Telecommunications

I. THAT, the total proposed allocation to the State Department for Broadcasting and telecommunication amounts to KSh. 5.27 billion, made up of KSh. 4.52 billion for recurrent expenditure and KSh. 747 Million for Development expenditure.

II. THAT, the overall allocation is an increase of 41% compared to the current baseline. Notably the proposed allocation is slightly higher than the current baseline but the same as the approved level for 2019 BPS ceilings.

III. THAT, a review of the financing framework for the proposed FY 2019/20 Development Estimates indicate that funding support is through Gok Exchequer only with no programs funded by development partners.

IV. THAT, the review of the recurrent budget reflects significant increase under current transfers to SAGAs and Agencies. That these increases were mainly towards Kenya Broadcasting Corporation (KSh. 1.3 billion) of which the increase of 307% is due to disclosure of AiA for purposes of annual appropriations, transparency and reporting. This similarly is the case for AiA support to the National Communication Secretariat (KSh. 90 Million) and Kenya Year Book (KSh. 46.8 Million).

V. THAT, under the National Communication Secretariat , there was a development component of KSh. 38 million which was implemented through AiA funding support by the Communication Authority. It was observed that all allocations involving AiA funding be also reflected in the annual budgets estimates in the respective state departments for purposes of improving coverage, accountability and reporting.

VI. THAT, the Government Advertising Agency was allocated a total amount of KSh. 1.432 Billion. Further, the allocation to the centralized advertisement budget amounts to KSh. 1.396 Billion with the remaining amount for compensation of employees under the Agency as well as Operation and Maintenance. However the Committee was concerned about the challenges that the agency is currently facing including pending bills, past procurement irregularities which are under investigations by DCI on past payments and also subject to court action. The Committee further observed that the objectives and goals of consolidating the advertising budget need to inform the implementation of the proposed allocation such as economies of scale and efficiency gains,

coordinated government advertisements and outreach, minimize wastage by MDA's, among others.

VII. THAT, the Kenya Broadcasting Corporation which is a National Broadcaster has been underfunded over the past years leading to accumulation of pending bills and also affecting its overall performance. The Committee also noted that a number of contractual obligations were not to the best interest of the National Broadcaster and required through review, audit and assessment of risks.

VIII. THAT, the Postal Corporation of Kenya is mandated to undertake postal services, postal financial services and electronic retail transfer and national payment systems. The Postal Corporation of Kenya (PCK) has pending bills amounting to KSh. 2.975 billion which has affected service delivery and its competitiveness in the market. However, the Corporation is also owed KSh. 1.2 billion by the Ministry of Interior and Coordination of National Government in rent arrears for hosting Huduma Centers across the country.

IX. THAT, most of the branches and networks of Postal Corporation lack adequate power connectivity thus affecting service delivery and therefore require source of power such as solar and connection to the national grid.

X. THAT, Kenya Year Book has not been allocated funds for the digital printing press project in the FY 2019/20. The project would address the incapacity of the current printing press and support production of publications. The Ministry was urged to consider using the Kenya year book journal to ensure that all its SAGA's and other ministries are working with the Kenya Year Book to print their documents as opposed to using external service providers as a form of enhancing internal capacity.

5.0 RECOMMENDATIONS

41) Based on the foregoing observations, the Committee recommends as follows:

5.1 State Department of ICT

A. Financial Recommendations

I. THAT, the proposed overall allocation of KSh 21.8 billion for the FY 2019/20 for the State Department of ICT, made up of Kshs 2.7 billion for Recurrent Expenditure and Kshs 19.11 billion for Development Expenditure be approved subject to the following re-allocation amendments:

Re-allocations (Additional)

- THAT, under the Development Sub Vote allocate an additional Kshs 1 Billion towards NOFBI Phase II expansion Project (Head 1122100500) under the Programme ICT Infrastructure and Development. This is to support project implementation to connect sub counties and wards and for purposes of meeting critical financial needs including outstanding commitments that has lacked critical exchequer component support.

- THAT, under the Development Sub Vote allocate an additional kshs 280 million to Konza Technopolis Development Authority towards MDP2 consultancy project and actualize Phase I of the Konza City, under Project Head 1122100900, under the Programme ICT Infrastructure and Development.

- THAT, under the Recurrent Sub Vote allocate an additional Kshs 86 million to Kenya Film Commission under the Programme Film Development Services towards Film capacity building at the constituency level (Kshs 86 million)

- THAT, under the Recurrent Sub - Vote allocate an additional Ksh 44 million to Konza Technopolis (Head 1122000700), Item 2630100, under the Programme ICT Infrastructure and Development to support operationalization of Phase I and compensation of employees.

Re-allocations (Decreases):

- THAT, under the development Sub Vote reduce by kshs 1.2 billion from the Digital Literacy Programme (Head 1122101100, Title 1122101101), Item 2630200 under the Programme ICT Infrastructure and Development

- THAT, under the Development Sub Vote reduce by kshs 80 million from the Acquisition and Refurbishment of Cinema Theatres (Head 1122101600, Title 1122101601), Item 2630200 under the Programme Film Development Services.
- THAT, under the Recurrent Sub Vote reduce kshs 130 million from ICT Shared Services, Head 1122000100, Sub Head/Title 1122000113, Item 3111000 – Purchase of Office Furniture and General equipment.

Proposed Increases

- THAT, under the Recurrent Sub Vote allocate additional Kshs 114 Million to to Kenya Film Commission under the Programme Film Development Services. This is towards critical underfunded activities such as Audience and screen culture Development to promote integration and cohesion, Kalasha International TV and Film market , Kalasha International TV and Film Awards, Mobile Film Competition dubbed " My Kenya My Story".

  This is the reduced allocation from Vote 1123, State Department of Broadcasting and Telecommunication by Kshs 114 million.

Further Proposed Increases

THAT, key programmes under the State Department of ICT are underfunded and require additional resources to support the digital economy and delivery of key flagship projects. In that regards the Committee recommends additional funding as follows:

- That an additional kshs 1.5 billion be allocated in the Development Sub Vote, towards NOFBI Phase II expansion Project, (Head 1122100500) under the Programme ICT Infrastructure and Development. This is to cater for implementation of project to meet delivery timelines and provide for outstanding commitments of KSh 2.5 billion due to exchequer non-performance over the years.
- That additional Kshs 1.24 million be allocated to Konza Technopolis Authority under the Development Budget to cater for MDP2 Consultancy Project and actualize Phase I of the Konza City.

- That additional Kshs 392 million be allocated to Konza Technopolis Authority under the Development Budget to cater for access roads , a funding shortfall that will delay completion of Phase I.
- That additional kshs 150 Million be allocated to Constituency Innovation Hubs to support establishment of an innovation centres that boost internet connectivity and to supplement counterpart funding from respective constituency fund.

B. Policy Recommendations

The following are the key priority policy recommendations

I. THAT, the State Department to fast track the submission of the Ajira Fund Regulations taking into account the provisions of the PFM Act, 2012 on establishment of such funds. This should be submitted to Parliament for considerations before end of the 1st Quarter of the FY 2019/20.

II. THAT, the State Department to fast track the finalization and submission of legislative proposals such as the Data Protection Bill and Critical Infrastructure Bill as well as amendments to the existing pieces of legislations for prompt consideration by Parliament.

III. THAT, the State Department of ICT to ensure all quarterly returns as required by the PFM Act, 2012 to National Treasury and Controller of Budget include the non-financial performance and Programme and Project performance.

IV. THAT, all funded programmes and projects that are implemented by the SAGAs under the State Department with approved allocations to also include all AiA for purposes of enhancing transparency and coverage of AiA as well as accountability. This includes capital projects under the National Communication Secretariat and Kenya Film Classification Board, among others

V. THAT, the State Department through ICT Authority to fast track plans and framework to commercialize completed NOFBI infrastructure within the

period of the FY 2019/20 while ensuring affordability of internet connectivity is not affected. This is to primarily unlock the revenue potential of the asset that is currently estimated at Kshs 1 billion annually.

VI. THAT, part of the medium term plans to establish a Data center at Konza city through a contract with Huawei be subjected to elaborate risk analysis and proper due diligence and further carry assessment with respect to security and safety, control of the data and attendant infrastructure and on critical safeguards measures. That undertaking be done and submitted to the relevant Committee before the commencement of the project.

VII. THAT, KRA and National Treasury to ensure clearance of project materials delayed by KRA despite compliance to tax clearance requirements. This must be fast tracked and status of the same be reported to the State Department as well as the project management team by end of the 1ST Quarter of FY 2019/20

5.2 State Department of Broadcasting and Telecommunication

A. Financial Recommendations

THAT, the proposed allocation of KSh. 5.2 billion for the FY 2019/20 for State Department, made up of kshs 4.5 billion for Recurrent Expenditure and Kshs 747 million for Development Expenditure be approved subject to the following amendment.

Proposed Reduction:

- THAT, under the Recurrent Sub Vote reduce kshs 114 million from Government Advertising Agency, Head 1123000400, Sub Head/Title 1123000401, Item 2210500 – Printing Advertising and Information Supplies and Services. And Increases the same amount to State Department of ICT, Vote 1122 , Recurrent Sub Vote , Head Kenya Film Commission, under the Programme Film Development Services.

Further Proposed Increases

- THAT, key programmes and projects under Broadcasting and Telecommunication are underfunded and require additional resources to support

the digital economy and delivery of key flagship projects. In that regards the Committee recommends additional funding as follows:

- THAT, Kshs 1.2 billion be allocated to Postal Corporations from the Ministry of Interior and National Government to cater for pending bills in form of rent arrears accrued for hosting Huduma centres.
- THAT, Postal Corporation of Kenya be allocated Kshs 2.5 billion to meet outstanding obligations and pending bills including plans towards actualizing staff restructuring.
- THAT, an allocation of kshs 500 million be provided to Postal Corporation of Kenya towards meeting cost related to universal service obligations by operating in non-economically viable areas based on the current network commercial status.

B. Policy Recommendations

The following are the key priority policy recommendations:

I. THAT, the State Department to ensure that utilization of the allocation towards consolidated advertisement budget takes into account the DCI findings , objectives of the consolidation such as achieving cost efficiency gains and use effective medium to maximum impact. In addition, the Government Advertisement Agency should set aside and direct 30% of the advertisement budget to KBC with a view to support KBC and direct audience to its various services available across the country.

II. THAT, The State Department and Postal Corporation to formally request the Rural Electrification and Renewable Energy (Formally REA) for electrification of some of its facilities for the FY 2019/20 and Medium Term under the project Electrification of Public Facilities.

III. THAT, State Department and the Kenya Postal Corporation to work on framework and guidelines to ensure the corporation is prioritized and considered as the public/national government logistics service provider of choice

REPUBLIC OF KENYA



PARLIAMENT OF KENYA

NATIONAL ASSEMBLY- THIRD SESSION

DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

REPORT ON THE FY 2019/20 BUDGET ESTIMATES AND THE MEDIUM TERM

MAY 2019

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LIST OF ABBREVIATIONS AND ACRONYMS

BPS	-	Budget Policy Statement
CAJ	-	Commission on Administrative Justice
CFS	-	Consolidated Fund Services
DJ	-	Department of Justice
DPP	-	Directorate of Public Prosecutions
EACC	-	Ethics and Anti-corruption Commission
FY	-	Financial Year
IEBC	-	Independent Electoral and Boundaries Commission
IFMIS	-	Integrated Financial Management System
JSC	-	Judicial Service Commission
JPIP	-	Judicial Performance Improvement Project
KNCHR	-	Kenya National Commission on Human Rights
OAG	-	Office of the Attorney General
RPP	-	Registrar of Political Parties
TNA	-	Training Needs Assessment
WPA	-	Witness Protection Agency

LIST OF ANNEXURES

Annexure 1: Minutes of Committee sittings on the budget scrutiny and the Signed list of Members who attended the sittings that adopted the report

Annexure 2: List of projects funded by World Bank through the Judicial Performance Improvement Project (JPIP)

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CHAIRPERSON'S FOREWORD

The proposed estimates of revenues and expenditures for the 2019/2020 Financial Year were tabled in the House on Tuesday 30th April 2019 pursuant to the provisions of Article 221 of the Constitution of Kenya and section 37 of the Public Finance Management Act, 2012.

Sections 38 and 39 of the Public Finance Management Act require the National Assembly to review the budget estimates and make recommendations before the budget is approved. Standing Order 235 of the National Assembly Standing Orders provides that the estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committees for scrutiny and report to the Budget and Appropriations Committee which reports to the House

The Committee held a total of six (6) sittings scrutinizing the budget estimates and considering and adopting its report. All agencies under the Committee's oversight appeared before the Committee on 21st and 22nd May, 2019 and made submissions in support of enhanced budgetary allocation (Submissions are annexed to this Report as Annexure 5). The Committee considered and unanimously adopted its report on 23rd May 2019.

May I take this opportunity to express the gratitude of Committee Members for their devotion and commitment to duty which made scrutiny of the proposed 2019/2020 Budget estimates successful. May I also express gratitude to the Parliamentary Budget Office for providing expert advice, Offices of Speaker and Clerk of the National Assembly for providing overall guidance and direction and the Committee secretariat for providing technical and logistical support.

On behalf of the Departmental Committee on Justice and Legal Affairs, it's my pleasant privilege and duty to present to the Budget and Appropriations Committee a report of the Committee on the scrutiny of the 2019/2020 Budget Estimates.

PART 1

1.0 PREFACE

1.1 Mandate of the Committee

1. The Departmental Committee on Justice and Legal Affairs derives its mandate from Standing Order No. 216(5) which provides for the functions of Departmental Committees as follows-
   (a) investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments;
   (b) study the programme and policy objectives of ministries and departments and the effectiveness of their implementation;
   (c) study and review all legislation referred to it;
   (d) study, assess and analyse the relative success of the ministries and departments as measured by the results obtained as compared with their stated objectives;
   (e) investigate and enquire into all matters relating to the assigned ministries and departments as they may deem necessary, and as may be referred to them by the House;
   (f) vet and report on all appointments where the Constitution or any law requires the National Assembly to approve, except those under Standing Order 204 (Committee on Appointments)
   (g) examine treaties, agreements and conventions;
   (h) make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;
   (i) consider reports of Commissions and Independent Offices submitted to the House pursuant to provisions of Article 254 of the Constitution; and
   (j) Examine any questions raised by Members on a matter within its mandate.

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

(a) Constitutional affairs;

(b) The administration of law and Justice

(c) The Judiciary,

(d) Public prosecutions;

(e) Elections;

(f) Ethics, integrity and anti-corruption; and

(g) Human rights.

1.2 Committee Membership

3. The Committee was constituted on Thursday, 14th December, 2017 and comprises the following Honourable Members-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2 Hon. Alice Wahome, M.P. - **Vice Chairperson**
3. Hon. John Olago Aluoch, M.P.
4. Hon. Roselinda Soipan Tuya, M.P.
5 Hon. Charles Gimose, M.P.
6 Hon William Kamoti Mwamkale, M.P.
7. Hon. Peter Opondo Kaluma, M.P
8. Hon. Ben Orori Momanyi, M P
9. Hon. Johana Ng'eno, M.P.
10 Hon. George Gitonga Murugara, M.P.
11. Hon. Anthony Githiaka Kiai, M.P.
12. Hon. Gladys Boss Shollei, CBS, M.P.
13. Hon. Beatrice Adagala, M.P.
14 Hon. Jennifer Shamalla, M.P
15. Hon. John Munene Wambugu, M.P.
16 Hon Japheth Mutai, M P
17. Hon. Adan Haji Yussuf, M.P.
18. Hon. John Kiarie Waweru, M.P
19. Hon. Zuleikha Hassan, M P

1.3 Committee Secretariat

4 The officers facilitating the Committee include -

Mr. George Gazemba	-	Principal Clerk Assistant II
Mr. Denis Abisai	-	Principal Legal Counsel I

Ms. Halima Hussein	-	Clerk Assistant III
Mr. Omar Abdirahim	-	Fiscal Analyst III
Ms. Fiona Musili	-	Research Officer III
Ms. Roselyne Ndegi	-	Serjeant-at-Arms
Mr. Joseph Okongo	-	Media Liaison Officer
Mr. Hakeem Kimiti	-	Audio Officer

1.4 Overview of the Examination of the Estimates

5. The Committee held six sittings examining the estimates. The first sitting took place on 21st May, 2019 where the Committee discussed the estimates with the Parliamentary Budget Office before interacting with the State agencies. The Committee also met with the officials from the state agencies that include; the Judiciary and Judicial Service Commission, the Ethics and Anti-Corruption Commission (EACC), Kenya National Commission on Human Rights (KNCHR) and the Independent Electoral and Boundaries Commission (IEBC).

6. The third sitting was held on 22nd of May, 2019 where the Committee met with the officials from the state agencies that include; the Office of the Attorney General and Department of Justice (OAG&DOJ), Kenya Law Reform Commission (KLRC), the Office of the Director of Public Prosecutions, the Commission on Administration of Justice (CAJ), Office of the Registrar of Political Parties (ORPP), and Witness Protection Agency. The fourth sitting was held on 23rd of May, 2019 where the Committee met and adopted its report.

1.5 Observations and Recommendations of the Committee

1.5.1 Judiciary

Committee's Observations

a) The total resource requirement for the Judiciary for the FY 2019/20 amounts to Kshs. 23.3 Billion composed Kshs 16.992 Billion for recurrent expenditure and Kshs. 6.295 Billion for Development/Capital Expenditure. However, the Judiciary was allocated a budget of Kshs. 18.5 Billion composed of Kshs 14.1 Billion for recurrent expenditure and Kshs 4.39 Billion for development expenditure leading to a shortfall of Kshs 4.8 Billion.

b) The Judiciary has out of its shortfall of Kshs 4.8 Billion requested the Committee to consider an additional allocation of Kshs 882 Million composed of Kshs 288 Million for Judges' taxable car allowance and Kshs 594 Million for staff pension arrears.

c) The Committee has further observed that due to an enhanced budgetary provision for the Judiciary, seventeen of the Judiciary's stalled projects will be prioritized to be fully financed and completed in financial year 2019/20 An additional eight courts will also be prioritized in the Supplementary II Estimates for FY 2018/19.

d) While the development of adequate infrastructure for the Judiciary has been identified as a key pillar in the Judiciary's transformation. The Committee observed that there was need to rationalize and align the building designs of the courts with the projected traffic in courts. For instance, Nkubu Law Courts, a three (3) storied building was constructed at a cost of Kshs 85.9 million. However, the court was handling only 0 4% of the total cases filed in the country.

e) The Committee has also observed that there is acute shortage of Judges in the Environment and Land Court. However, the commission assured the Committee there are in the process of recruiting additional Judges to alleviate the situation.

f) The Committee further observed that there was need to fast-track the enactment of the Tribunal Bill in order to harmonize and bring fully the operations of the existing Tribunals under the Judiciary in line with the Constitution.

g) The Committee also observed that there is laxity on the part of the Judiciary Tin embracing and leveraging on Information and Communication technology (ICT) in digitizing its processes by introducing case tracking systems, transcription services and widening of internet coverage. The Committee further observed that ICT is a useful tool for the Judiciary in reducing corruption and safeguarding areas that are prone to corruption in its operations.

h) Case clearance: In the FY 2017/18, a total of 402,243 cases were filed in the Judiciary out of which 283,788 were criminal cases and 118,455 were civil cases. In the same period, a

total of 370,488 cases were resolved in all courts which comprised 243,821 criminal cases and 126,667 civil cases. However, as at the end of the FY 2017/18, there were 553,187 pending cases in the Judiciary, which comprised 219,686 criminal cases and 33,501 civil cases. To reduce the case backlog, Judiciary needs to come up with modern strategies primarily leveraging on ICT.

i) Construction and Establishment of Courts: - Judiciary is currently constructing 56 courts out of which 26 are financed through the World Bank loan and 30 projects are financed through the Exchequer. Therefore, it is critical for the Judiciary to prioritize and finish all the ongoing projects.

j) Court Deposits - By June 30, 2018, the Judiciary held court deposits and other funds held in trust for third parties amounting to Kshs. 5.1 Billion. This was an increase from the Kshs 4.4 Billion that was held at the end of FY 2016/17. The funds are refundable as and when court orders are issued or after the six months liability period for retention monies. However, there has been concern about the magnitude of deposits yet it is not generating interest for the parties involved.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 882 million composed of Kshs 288 million for Judges' taxable car allowance and Kshs 594 million for staff pension arrears. It is important to note that the taxable car allowance is an entitlement for all constitutional office holders once they assume office.

Policy recommendations

a) The Committee also recommends that the Judiciary should come up with building designs that take into consideration the unique needs of every region so as to align the courts being constructed and the traffic in the court as well as the needs of the court stakeholders.

b) The Committee recommends the Judiciary to rationalize project coverage across the country when undertaking new court constructions over the medium giving particular emphasis to areas that are in far flung areas.

c) The Committee recommends that the Judiciary should not commence new projects before completion of the World Bank funded projects.

1.5.2 Judicial Service Commission

Committee's Observations

a) The total resource requirement for the Judicial Service Commission (JSC) for the FY 2019/20 amounts to Kshs 1.2 Billion composed Kshs 628 Million for the Judicial Service Commission operations and Kshs 600 Million for the Judicial Training Institute. However, the Commission was allocated a budget estimate of Kshs. 480 Million composed of Kshs 341 Million for the Judicial Service Commission and Kshs. 139 Million for the Judicial Training Institute leading to a shortfall of Kshs 775 Million.

b) The Judicial Service Commission requested the Committee to consider the allocation of Kshs 775 Million composed of Kshs 170 Million for Improving operational efficiency of the JSC and the commissioners (To facilitate the commissioners with vehicles, office space and furniture), Kshs 85 Million for Recruitment of Judges, judicial Officers and judiciary staff to implement the reviewed organization review; Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute; Kshs 100 Million for Automation of JSC operations(E-recruitment Document management system, HRMS); and Kshs 70 Million for Complaints handling, Disciplinary Hearing and the fight against corruption

c) The JSC requested a further Kshs 800 Million for the provision of land/ office premises for the proposed Judiciary Training Institute

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 775 Million to cater for the following areas; Kshs 170 Million for Improving operational efficiency of the JSC and

the commissioners (To facilitate the commissioners with vehicles, office space and furniture); Kshs 85 Million for Recruitment of Judges, Judicial Officers and Judiciary staff to implement the reviewed organization review; Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute; Kshs 100 Million for Automation of JSC operations (E-recruitment Document Management System, HRMS); and Kshs 70 Million for Complaints handling, Disciplinary Hearing and fight against corruption.

Policy recommendations

a) The Committee recommends that there should be one training facility for all agencies under the Justice sector.

1.5.3 Office of the Attorney General and Department of Justice

Committee's Observation

a) The Committee observed that resource requirement for the office for the FY 2019/20 stood at Kshs 12.9 billion composed of Kshs 7.7 billion for recurrent expenditure and Kshs 5.2 billion for development expenditure. However the office was allocated Kshs 5.3 billion comprised of Kshs 5.1 billion for recurrent expenditure and Kshs 0.2 billion for development expenditure leading to a shortfall of Kshs 7.6 billion.

b) The shortfall will affect the following areas; acquisition of office space for Office of the Attorney General & Department of Justice – Kshs 2.5 billion, training of fifty (50) state counsels in emerging areas of law over 3 years period – Kshs 100 million, development and implementation of an Enterprise Resource Planning system (ERP) – Kshs 145 million, Decentralization of National Legal Aid Service to five additional counties – Kshs 150 million, operationalization of victim protection board – Kshs 25 million, Acquisition of an office block for National Counsel for Law Reporting – Kshs 638 million, Development of National ADR Policy – Kshs 40 million, and development of government legal documentation center – Kshs 60 million among other projects.

c) The Committee also observed that the office was in the process of reviewing its staff structure and the remuneration of its officers. The Committee further observed that the office has been unable to retain staff legal counsels with experience and skills due to

unfavorable terms of service. This issue has hampered the ability of the office to discharge its function properly and adequately leading to huge pending bills inform of court awards against the government.

d) The Committee further observed that there are suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, the awards against the government pending payment stand at approximately Kshs 300 billion and they are ranging from awards to victims of torture as well as business litigants against the State.

e) However, there have been positive steps taken in addressing the pending court awards through an inter-ministerial Committee chaired by the Solicitor General to address this perennial challenge.

f) The Committee observed that the Asset Recovery Agency is in the processing of setting up a Criminal Assets Recovery Fund whose source of revenue will be proceeds recovered from crime. The Regulations guiding the use of the Fund is currently being developed.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 3.7 billion to cater for the following items; acquisition of office space for Office of the Attorney General & Department of Justice – Kshs 2.5 billion, training of fifty (50) state counsels in emerging areas of law over 3 years period – Kshs 100 million, development and implementation of an enterprise resource planning system (ERP) – Kshs 145 million, Decentralization of National Legal Aid Service to five additional counties – Kshs 150 million, operationalization of victim protection board – Kshs 25 million, Acquisition of an office block for National Counsel for Law Reporting – Kshs 638 million, Development of National ADR Policy – Kshs 40 million, and development of government legal documentation center – Kshs 60 million among other projects.

1.5.4 Independent Electoral and Boundaries Commission

Committee's Observation

a) The Commission's resource requirement for FY 2019/20 is estimated to be Kshs 14.41 billion against an allocation of Kshs 4.803 billion resulting in a deficit of about Kshs. 9.297 billion for the next FY 2019/20.

b) The deficit will affect the settling of pending bills for goods and services including legal fees incurred in the FY 2017/2018 estimated to be Kshs 3.9 billion, the Proposed Uchaguzi Centre (Kshs. 1 billion), and Information Communication and Technology (ICT) Audit for existing electoral technologies (Kshs. 100 Million).

c) The Committee observed that there is need by the government to support the commission to maintain the existing electoral infrastructure until the next general election since it will be costly to acquire new equipment every general election. In this regard, the Committee has noted there is a provision of Kshs of Kshs 178 million for the maintenance of the Commission's electoral infrastructure.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional funding for the Commission of Kshs 1.5 billion for settling the validated pending bills that have been processed by the Commission. The Committee further recommends an additional allocation of Kshs 500 million for the acquisition of land outside the Central Business District, commencement of preliminary works and provision of professional services for the construction of the Uchaguzi center since its current location has adversely affected businesses in the Central Business District during every election cycle.

1.5.5 Ethics and Anti-Corruption Commission

Committee's Observation

a) The total resource requirement for the Commission for the FY 2019/20 amounts to Kshs. 4.7 billion composed of Kshs 4.4 Billion for recurrent expenditure and Kshs. 0.3 billion for Development/Capital Expenditure. However, the Commission was allocated a budget ceiling of Kshs. 2.966 billion composed of Kshs 2.941 billion for recurrent expenditure

and Kshs 25 million for development expenditure leading to a shortfall of Kshs 1.734 billion.

b) Consequently, the Commission will face a funding short fall of Kshs 1.734 Billion which will affect the following items - Recurrent expenditure composed of Compensation of employees (Kshs 560 million) and operations and maintenance (Kshs 930 million); and Development expenditure for the refurbishment of the EACC Headquarters (Kshs 275 million).

c) The Commission is also requesting for a further Kshs 1.6 Billion to cater for the automation of its business processes including investigation processes for enhanced accountability and efficiency among other functional areas.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 560 million for the Compensation of employees composed of Kshs 125 million to cater for a salary shortfall and Kshs 435 million for the recruitment of 350 additional staff; and Kshs 930 million for operations and maintenance.

1.5.6 Kenya National Commission on Human Rights

Committee's Observations

a) The Commission has been allocated Kshs. 384.3 Million in the FY 2019/20 against a resource requirement of Kshs. 600 million by the National Treasury. This leaves a resource gap of Kshs. 215.7 Million.

b) The Commission has requested the Committee to consider the allocation of Kshs 90 million to fund critical areas as follows- Kshs 30 million for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness creation on Human Rights among public institutions and state compliance to international obligations; Kshs 30 million for Staff mortgage and car loan scheme; and Kshs 30 million for the expansion of regional offices to enhance their presence in the counties with systemic human rights abuses.

c) The Committee has observed that the Commission's budget for ICT was moved to the Ministry of ICT in line with government policy on the acquisition of ICT infrastructure for government agencies. However, the Commission had not benefitted from its allocation under the Ministry of ICT.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 90 million to the Commission's budget to cover the following critical that are not funded; Kshs 30 million for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness on Human Rights among public institutions and state compliance to international obligations; Kshs 30 million for Staff mortgage and car loan scheme; and Kshs 30 million for the expansion of regional offices to enhance their presence in the Counties with systemic human rights abuses.

1.5.7 Office of the Director of Public Prosecution

Committee's Observations

a) The Office resource requirement for FY 2019/20 is Kshs 4.9 billion composed of Kshs 4.8 billion for recurrent expenditure and Kshs 142 million for development expenditure. However, the ODPP was allocated Kshs. 3.0 billion composed of Kshs 2.9 billion for recurrent expenditure and Kshs 107 million for development expenditure hence a resource short fall of Kshs 1.921 billion.

b) The Committee further observed that the budgetary shortfall will affect the following areas; Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, provision to cater for attendance to Mobile courts – Kshs 50 million, ICT Networking and implementation of a case management system – Kshs 100 million, implementation of a new organizational structure and equipping of the office regional, County and sub-county offices and operationalizing prosecutors training institute – Kshs 100 million, purchase of additional vehicles – Kshs 100 million.

c) The Committee further observed that the ODPP has deferred construction of offices at a cost of Kshs 75 million in Busia, Wajir and Kisii in FY 2018/19 due to a delay in acquisition of titles for the properties. However, the same is budgeted for in FY 2019/20 at a cost of Kshs 107 million.

d) The ODPP has also informed the Committee that they made significant progress on the talks the office had with Salaries and Remuneration Commission regarding the review and harmonization of the remuneration of the Office staff in line with other independent offices.

Committee's Recommendations

Financial recommendations

a) The Committee recommends the approval of an additional allocation of Kshs 600 million to the ODPP to fund the following critical areas; Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, provision to cater for attendance to Mobile courts – Kshs 50 million, ICT Networking and implementation of a case management system – Kshs 100 million, implementation of new organizational structure and equipping of the office regional, County and sub-county offices and operationalizing prosecutors training institute – Kshs 100 million, purchase of additional vehicles – Kshs 100 million.

1.5.8 Commission for Administrative Justice

Committee's Observation

a) The Committee noted that the Commission allocation under the FY 2019/20 is Kshs 565 million against a resource requirement of Kshs 818 million leading to a shortfall of Kshs 253 million.

b) The shortfall will affect the following critical areas; Staff mortgage and car loan – Kshs 50 million, Recruitment of additional staff – Kshs 35 million, Public awareness and civic education – Kshs 30 million, Procurement of motor vehicles – Kshs 50 million, Access to Information activities – Kshs 40 million, Establishment of two County offices – Kshs 20

million, Fight against maladministration and impunity – Kshs 20 million and Systemic investigations and research – Kshs 20 million.

c) The Committee also observed that the Commission's ability to effectively undertake awareness has been hampered by the pooling of funds for advertisement under the Government Advertising Agency (GAA). Indeed, accessing the funds remained a challenge since the amount set aside for the Commission is not disclosed.

d) The Committee stressed the need for the Commission to create awareness on its mandate particularly in ensuring the citizen right to quality service both at the National and County level of government is not compromised.

e) The Committee observed that Commission on Administrative Justice is facing difficulties in accessing information from government agencies negating the gains made under the Access to Information Act (No.31 of 2016).

Committee's Recommendations

a) The Committee recommends an additional allocation of Kshs 300 million to cater for Staff mortgage and car loan – Kshs 50 million for recruitment of additional staff – Kshs 35 million for public awareness and civic education – Kshs 30 million for procurement of motor vehicles – Kshs 50 million for Access to Information activities – Kshs 40 million for establishment of two county offices – Kshs 20 million for the fight against maladministration and impunity – Kshs 20 million for systemic investigations and research – Kshs 20 million.

Policy recommendations

a) The Committee recommends that Commission on Administrative Justice should consider establishing an inter-ministerial Committee which will ensure that information required by Commission is availed. The Commission should come up with an administrative and legislative framework to address the issue.

1.5.9 Witness Protection Agency

Committee's Observations

a) In the FY 2019/20, the Agency's proposed budget is Kshs 481.6 million against a resource requirement of Kshs 713.2 million The Committee observed that the agency is underfunded significantly in the following areas, Witness protection programme – Kshs 150 million, witness protection fleet - Kshs 30 million, decentralization of witness protection services to Central and Rift Valley regions – Kshs 20 million, equipment and furniture for the newly recruited staff – Kshs 10 million, and operationalization of a staff mortgage scheme – Kshs 20 million.

b) The Committee acknowledges the critical role the Agency plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses. Indeed the Committee noted the significant role the Agency has played in the prosecution of complex corruption and terrorism related cases.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 230 million to cater for the following underfunded areas; Witness protection programme – Kshs 150 million, witness protection fleet - Kshs 30 million, decentralization of witness protection services to Central and Rift Valley regions – Kshs 20 million, equipment and furniture for the newly recruited staff – Kshs 10 million, and operationalization of a staff mortgage scheme – Kshs 20 million

1.5.10 Office of Registrar of Political Parties

Committee's Observations

a) The Office had requested Kshs. 4.9 billion out of which Kshs. 4.1 billion was to go towards the Political Parties Fund and the balance Kshs. 801.3 million was to cater for ORPP's operations. The Kshs 4 1 billion was 0.3% of the projected national revenue for FY 2019/20.

b) However, In FY 2019/20, the office was Kshs 427.5 million is for office operations leading to a shortfall of Kshs 373.8 million.

c) The Office has also been allocated Kshs. 371.2 million for the Political Parties Fund leading to a shortfall of Kshs 3.8 billion. It is important to note that the allocation for the Political Parties Fund was the same in FY 2018/19.

d) Further the Committee has observed that the allocation to the Political Parties Fund of Kshs 371.2 million is not in compliance with the provisions of section 24 of the Political Parties Act (No. 11 of 2011) as well as the ruling of Justice Aburili in *Orange Democratic Movement v National Treasury & 5 others in the High Court of Nairobi in 2017* advising that from FY 2018/19 the Government should comply with the provisions of the Act.

Committee's Recommendations

Financial recommendations

a) The Committee recommends the allocation of an additional Kshs. 150 million to cater for the following items: purchase of two motor vehicles – Kshs 37 million, development of a policy on party primaries and undertake country wide stakeholder and public participation – Kshs 26 million, recruitment of nine (9) staff members – Kshs 15 million, inspection, Audit and monitoring of political parties to ensure compliance with the Political Parties Act – Kshs 13 million, Political Parties (Registration) Regulations and Political Parties (Funding) Regulation – Kshs 6 million, open and operationalize three (3) County offices (Kajiado, Garissa and Kisii Counties) – Kshs 5.4 million among other activities.

b) The Committee also recommends an additional allocation of Kshs 3.8 billion for the Political Parties Fund in compliance with the provisions of section 24 of the Political Parties Act (No. 11 of 2011) and in compliance with the ruling of Justice Aburili issued on 31st October 2017.

1.6 Acknowledgements

7. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank all the State Departments under its purview for their participation in scrutinizing the 2019/2020 Budget Estimates.

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

9. It is my pleasant duty and privilege, on behalf of the Departmental Committee on Justice and Legal Affairs to submit its Report on the scrutiny of the FY 2019/2020 Budget Estimate.

Signed.....**Date**.....28.05.19.....

HON. WILLIAM CHEPTUMO, M.P.

CHAIRPERSON, DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS

PART 2

2.0 INTRODUCTION

10. The proposed estimates of revenues and expenditures were tabled before the National Assembly on Tuesday 30th April, 2019 pursuant to the provisions of Article 221 of the Constitution of Kenya and section 37 of the Public Finance Management Act, 2012.

11. The legislature has made great strides in the oversight of the budget since the enactment of the Constitution in 2010. The Constitution backed by the Public Finance Management Act in sections 38 and 39 gives Parliament the mandate to review the budget estimates and make recommendations before the budget is approved.

12. Standing Order 235 provides that the estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committees, after which the Committees consider, discuss and review the estimates according to their mandates and make recommendation to the Budget and Appropriations Committee of the National Assembly.

13. The legislative scrutiny of the budget estimates promotes good governance, fiscal transparency and accountability, and is expected to facilitate effective allocation and mobilization of resources and ensure that fiscal policies are unbiased and effectively implemented.

2.1 Spending Agencies under the Purview of the Committee

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

15. The Report records the consideration of the submissions on the Budget Estimates for FY 2019/20 by the following spending agencies under the purview of the Departmental Committee on Justice and Legal Affairs:

    (i) Judiciary

    (ii) Judicial Service Commission (JSC)

(iii) Office of the Attorney General and the Department of Justice (OAG&DJ)

(iv) Ethics and Anti-corruption Commission (EACC)

(v) Directorate of Public Prosecutions (DPP)

(vi) Registrar of Political Parties (RPP)

(vii) Witness Protection Agency (WPA)

(viii) Kenya National Commission on Human Rights (KNCHR)

(ix) Independent Electoral and Boundaries Commission (IEBC)

(x) Commission on Administrative Justice (CAJ)

2.2 Sector Environment under which the Budget was prepared.

16. The FY 2019/20 budget has been prepared at a time when, there are renewed efforts in the fight against corruption by the agencies under the Governance Justice and Law and Order sector (GJLOS). There has been better coordination between the Office of the Director of Public Prosecution and the Director of Criminal Investigation in the fight against corruption leading to a number of prosecutions both at the National and County level.

17. In addition, there has been significant progress with the Judiciary's physical infrastructure across the country. In total there are 56 projects that are ongoing out of which 26 are funded under the World Bank loan while remaining 30 projects are funded under the exchequer. It is important to note that the government has secured an extension of the World Bank loan for the Judicial Performance Improvement Project (JPIP) up to October 2020 to enable the Judiciary complete the ongoing projects under the programme. In the FY 2019/20 the Judiciary has been allocated Kshs 2.995 billion for the JPIP projects.

18. There are pending suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, there are court awards against the government pending payment which stand at Kshs 88.1 billion ranging from awards to victims of torture as well as business litigants against the State (see annex 3). However there doesn't seem to be a lasting solution to this issue despite the financial risks posed by this pending court awards.

PART 3

3.0 HIGHLIGHTS OF THE 2019/2020 BUDGET ESTIMATES

3.1 Overall Budget

19. The overall budget for the FY 2019/20 amounts to Kshs 3,080.8 billion up from the Kshs 2,836.1 billion allocated in the FY 2018/19. The allocation to the National Government amounts to Kshs 1,841.3 billion comprised of Kshs 1,157.3 Billion for Recurrent expenditure and Kshs 684 billion for development expenditure. The Judiciary presented a budget of Kshs 18.9 billion comprised of Kshs 14.5 billion for recurrent expenditure and Kshs 4.4 billion for development expenditure. Parliament presented a budget of Kshs 43.6 billion, out of which Kshs 40.6 billion is for recurrent expenditure and Kshs 3.1 billion is for development expenditure. Consolidated Fund Services (CFS) was allocated Kshs 805.8 billion while County Governments were allocated Kshs 371.8 billion.

Table 1: National Budget over the MTEF (Ksh. Billions)

	2018/19	2019/20	2020/21	2021/22
National Government	**1,446.3**	**1,841.3**	**1,821.6**	**1,810.6**
recurrent	1063.9	1,157.3	1197.6	1203.6
development	382.4	684	624	607
Judiciary	**15.6**	**18.9**	**18.4**	**18.3**
recurrent	12.9	14.5	15.4	15.8
development	2.7	4.4	3.0	2.5
Parliament	**35.14**	**43.6**	**43.8**	**44.2**
recurrent	32.8	40.6	40.0	40.6
development	2.3	3.1	3.8	3.6
Consolidated Fund Services	**962.6**	**805.8**	**927.6**	**1,014.5**
County Allocation	**376.5**	**371.8**	**375.0**	**383.8**
Overall Budget	**2,836.1**	**3,080.8**	**3,186.4**	**3,271.2**
GDP	**9,990**	**10,765.7**	**12,168.8**	**13,807.5**
GJLOS excluding Interior and correctional services	33.3	37.3	-	-
GJLOS/Overall budget	1.2%	1.2%	-	-

Source: FY 2018/19 Estimate, National Treasury

3.2 Revenue Projection

20. The FY 2019/20 targets revenue collections including appropriation-in-aid of Ksh.2.116 trillion (19.7 per cent of GDP) supported by projected performance by ordinary revenue at Ksh.1.88 trillion .This revenue performance according to the government is on account of government implementation of far-reaching tax policy measures through amendments to the Tax Laws and the 2018 Finance Act as well as strengthening tax administration that is expected to seal loopholes while safeguarding the revenue base under the Kenya Revenue Administration Enhancement Initiative(REI) programme implemented by KRA.

21. However, it's important to note that projected revenue in the budget is higher than the revenue collection envisaged under the Budget Policy Statement (BPS). Furthermore, some of the measures indicated in the budget expected to boost revenue growth are mostly moving targets on whose achievement cannot be quantified.

22. Over the years, the government revenue targets has not been achieved and given sustained revenue under performances it not clear whether the projected revenue under the 2019/20 budget will be realistic to fund government spending priorities.

3.3 Budget Deficit

23. Given the projected expenditure and revenue collection, the fiscal deficit including grants in the FY 2019/2020 is projected at Ksh.607.8 billion (5.6 per cent GDP). The projected fiscal balance will be financed through net external financing of Ksh.324.3 billion, net domestic borrowing of Ksh.289.2 and other domestic receipts of Ksh.5.7 billion. The fiscal balance envisaged in the budget is higher than the approved deficit by Parliament in the BPS thus non-adherence by the National Treasury to the approved deficit as well as proposed expenditure plan has led to increasing deficit and debt accumulation by the government.

PART 4

4.0 BUDGET PERFORMANCE REVIEW AND PROPOSED BUDGET ESTIMATES FOR FY 2019/2020

4.1 JUDICIARY

24. Judiciary is established pursuant to Article 161 of the Constitution whose core mandate is the delivery of justice through resolution of disputes. It implements one program called Dispensation of Justice which has two sub-programs namely; Access to Justice and General administration, planning and support services.

4.1.1 Budget Performance Review FY 2015/2016 – 2017/18

25. The Judiciary Budget allocations in FY 205/16 was 14,799 million which grew by 16% to stand at Kshs 17,559 million in FY 2016/17 and declined by 17% to Kshs 14,279 million in FY 2017/18.

26. The actual expenditure attained in FY 2015/16 was Kshs 12,946 million which 87% of the years allocation. In the year 2016/17, the actual expenditure was Kshs 15.3 billion which is 89.7% of the year's allocation and in FY 2017/18 the actual expenditure was Kshs 12,718.3 million representing 89.1% of the allocation.

27. The departments did not fully absorb the allocated funds due to the following reasons: Delayed exchequer releases, long and tedious procurement processes, as well as IFMIS related challenges.

Table 2: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote & Vote Details	Approved Allocation			Actual Expenditure			Absorption Rates		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
1261 The Judiciary	14,799	17,109	14,279.5	12,946	15,302	12,718.3	87.5 %	89.4 %	89.1 %
205 Judicial Service Commission	472	450	283.5	403	431	207.1	85.38 %	95.78 %	73%
Total	**15,271**	**17,559**	**14,563**	**13,349**	**15,733**	**12,925.6**	**88.8 %**	**89.6 %**	**87.4 %**

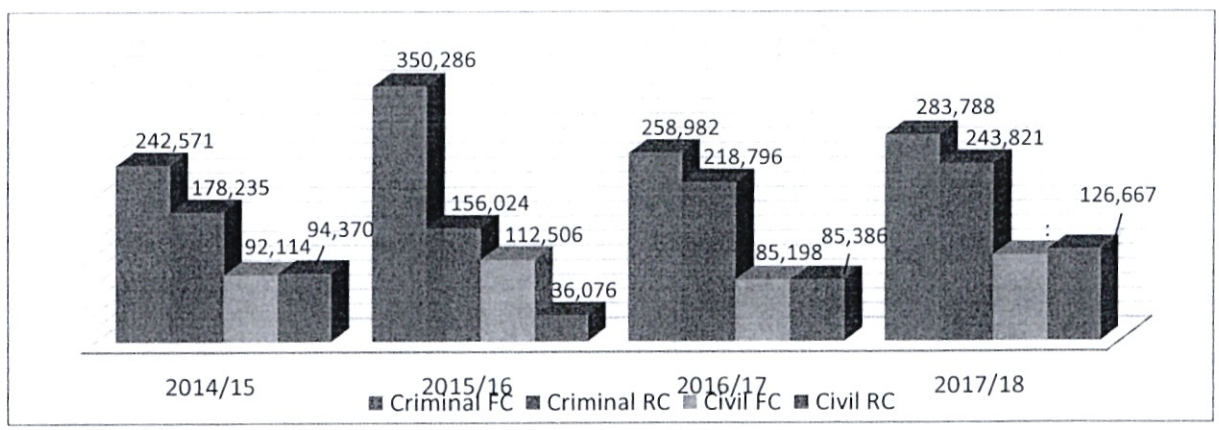
Source: National Treasury - Sector Reports 2019

28. The Judiciary's performance during the period under review will be accessed under the following topics-

(i) Access to Justice

29. The most visible quantitative indicator of service delivery of the justice system is the numerical turnover of cases. In the FY 2017/18, a total of 402,243 cases were filed in the Judiciary out of which 283,788 were criminal cases and 118,455 were civil cases. In the same period, a total of 370,488 cases were resolved in all courts which comprised 243,821 criminal cases and 126,667 civil cases.

Figure 1: Trend on Field and Resolved Cases in the Judiciary from FY 2015/16 to FY 2017/18.



Source: State of the Judiciary Report, 2017/18

30. **Case Clearance Rate** - the case clearance rate improved from 75.8% in FY 2015/16 to 87.4% in the FY 2016/17 and then to 93% in FY 2017/18. The steady improvement in the

case clearance rate can be attributed to a number of initiatives such as the Judiciary service weeks, mobile courts, and increased number of judicial officers and staff.

31. From Figure 1 Criminal cases remained the bulk of both filed and resolved cases over the years as compared to civil cases. In the FY 2017/18, the total resolved civil cases were more than the filed civil cases which points out those overall pending civil cases were reduced. However, more criminal cases were filed than resolved implying that by the end of the period under review, pending criminal cases increased. The specific information on filed and resolved cases for different court types for the last two FYs is given in Table 3.

Table 3: Trend on filed and resolved cases by Court and broad case type

Court	2016/17		2017/2018					
			Criminal		Civil			
	All FC	All RC	FC	RC	FC	RC	All FC	All RC
Supreme Court	38	16	-	-	61	39	61	39
Court of Appeal	1,578	1,052	485	166	1,528	1,029	2,013	1,195
High Court	20,553	27,987	11,898	8,179	13,151	29,503	25,049	37,682
ELRC	6,082	3,668	-	-	5,645	3,661	5,645	3,661
ELC	9,770	6,307	-	-	5,834	7,887	5,834	7,887
Magistrate Court	300,655	260,319	71,405	235,476	84,680	77,886	356,085	313,362
Kadhi's Court	5,504	4,833	-	-	7,556	6,662	7,556	6,662
All Courts	**344,180**	**304,182**	**83,788**	**243,821**	**118,455**	**126,667**	**402,243**	**370,488**

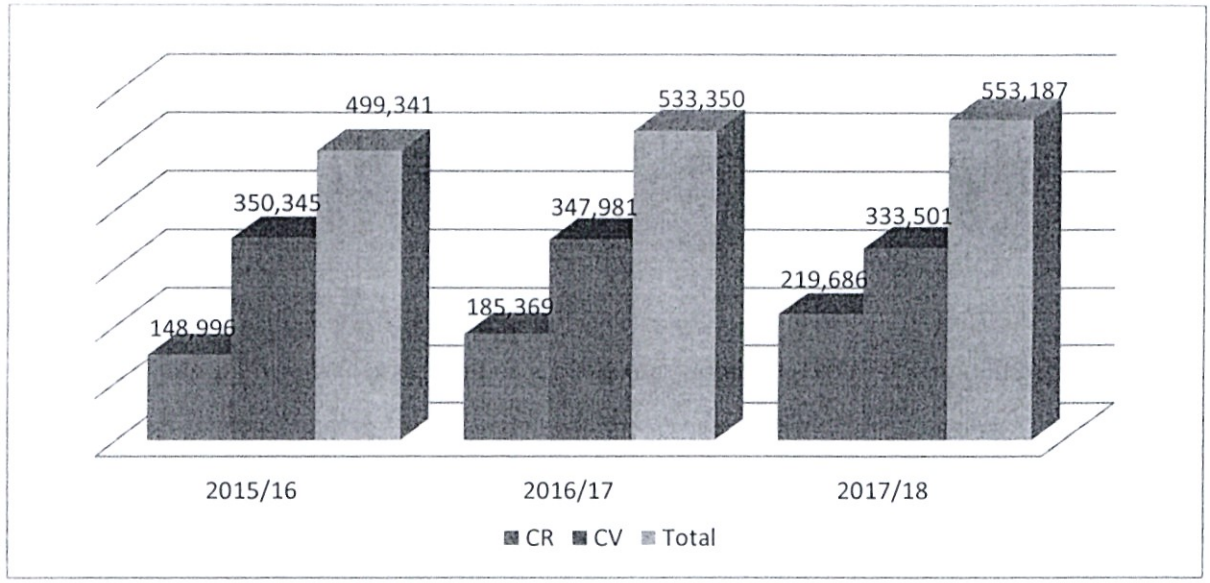
Source: State of the Judiciary Report, 2017/18

32. From Table 3 Filed cases in the Judiciary rose from 344,180 cases in the FY 2016/17 to 402,243 cases in the FY 2017/18. This marked a 15 per cent increase demonstrating rising confidence by the public in the Judiciary as an institution for resolving their disputes.

33. Pending cases refer to unresolved cases or cases where the final judicial decision in the case has not been made at the end of a given period. By the end of the FY 2017/18, there were 553,187 pending cases in the Judiciary, which comprised 219,686 criminal cases and 33,501

civil cases. The trend for pending cases in the Judiciary for the past three FYs by broad case type is illustrated in Figure 2.

Figure 2: Pending cases by broad cases type 2015/16 to 2017/18



Source: State of the Judiciary Report, 2017/18

34. From Figure 2, the total pending cases rose by 4 per cent from the 533,350 cases at the end of 2016/17 FY to 553,187 cases at the end of FY 2017/18. The growth was at a decreasing rate since the rise that was recorded between the FYs 2015/16 and 2016/17 was 7 per cent. Civil cases remained the bulk of the pending cases for the past three reporting periods. Detailed statistics on the trend for pending cases by court and case type is provided in Table 4.

Table 4: Pending cases by court and broad case type 2016/17 – 2017/18

Court	2016/17			2017/2018		
	CR	CV	All	CR	CV	All
Supreme Court	N/A	73	73	N/A	95	95
Court of Appeal	1,074	2,313	3,387	1,393	2,812	4,205
High Court	16,888	102,889	119,777	20,329	76,998	97,327
ELRC	N/A	13,723	13,723	N/A	15,733	15,733

Court	2016/17			2017/2018		
	CR	CV	All	CR	CV	All
ELC	N/A	27,242	27,242	N/A	24,380	24,380
Magistrate Court	167,407	198,726	366,133	197,964	209,667	407,631
Kadhi's Court	N/A	3,015	3,015	N/A	3,816	3,816
All Courts	**185,369**	**347,981**	**533,350**	**219,686**	**333,501**	**553,187**

Source: State of the Judiciary Report, 2017/18

35. Majority of the pending cases were in the Magistrate court at 407,631 cases followed by High Court at 97,327 cases. The least number of pending cases were in the Supreme Court at 95 cases. Out of all pending cases, 74 per cent were in Magistrate Courts, 18 per cent in High Court, 4 per cent in ELC and 2.8 per cent in ELRC. The other courts shared 1.52 per cent.

36. Case backlog refers to unresolved cases after the expiry of the set timelines. In Kenya, the maximum desirable timeline that a case ought to have been finalized from the date of filing is 1 year. At the end of the period under review, the total number of cases classified as backlog stood at 327,928 cases. Out of these cases, 205,762 cases which represent 55 per cent were aged between 1 and 3 years, 84,671 cases representing 23 per cent between 3 and 5 years and 22 per cent were over 5 years representing 82,495 cases. This is illustrated in Table 5.

Table 5: Cases backlog by age and court, 30th June 2018

Court	1-3 years	3-5 years	5 years and above	All Ages
Supreme Court	38	6	-	44
Court of Appeal	1,377	755	730	2,862
High Court	33,380	20,605	22,223	76,208
ELRC	8,079	2,310	754	11,143
ELC	8,802	6,751	5,314	20,867
Magistrate Court	152,935	54,244	53,474	260,653
Kadhi's Court	1,151	-	-	1,151
All Courts	**205,762**	**84,671**	**82,495**	**372,928**

Source: State of the Judiciary Report, 2017/18

37. The Magistrate Court and High Court had the highest case backlog at 260,653 and 76,208 cases respectively. By the end of period under review, the Supreme Court and Kadhis' court had no case backlog aged over 5 years.

38. In a bid to enhance Access to Justice and address the issue of backlog of cases, the Judiciary has established 17 new high court stations in Chuka, Garsen, Kabarnet, Kajiado, Kapenguria, Kiambu, Kitui, Lodwar, Marsabit, Nanyuki, Nyamira, Siaya, Makueni, Narok, Nyahururu, Bomet and Voi. This brings a total of 38 counties with high court stations. In addition, a High Court sub-registry was established in Thika and Kwale.

39. In addition, eight new Environment and Land Courts were established in Narok, Makueni, Thika, Garissa, Chuka, Kajiado, and Migori. Five new magistrate courts were also established at JKIA, Loitoktok, Mpeketoni, Ngong and Tononoka Children's court. Further, eleven Kadhi's courts were established at Balambala, Dadaab, Ijaara, Elwak, Takaba, Garbatulla, Merti, Bute, Faza, Msambweni and Eldas.

4.1.2 Judiciary's Proposed Budget Estimate 2019/2020

40. The Judiciary budget allocations in FY 2015/16 was Kshs 14.8 billion which grew by 16% to Kshs 17.1 billion in FY 2016/17 and declined by 17% to 14.6 billion in FY 2017/18. The decline in allocation in FY 2017/18 was due to austerity measures.

41. In FY 2019/20, the Judiciary's budget is set to increase by 18% from the 15.6 billion allocated in FY 2018/19. Over the medium term, Judiciary through the program of Dispensation of Justice intends to achieve the following: it plans to complete the construction and rehabilitation of 1 court of appeal, 12 high court stations, and 11 magistrate courts. In addition, the Judiciary plans to reduce backlog of cases by clearing 390, 000 cases in FY 2019/20, Conduct 15 Justice service week, resolve 700 cases through ADR, and establish 5 courts with automated proceedings.

Table 6: Programmes Allocation (FY 2016/17 – FY 2021/22)

Programme	Sub-programs	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Dispensation of Justice	Access to Justice	11,309	10,868	10,584	13,124	13,909	14,223
	General administration, planning and support services	5,800	3,814	3,872	3,737	4,025	4,160
	Total	**17,109**	**14,652**	**14,457**	**16,861**	**17,934**	**18,382**

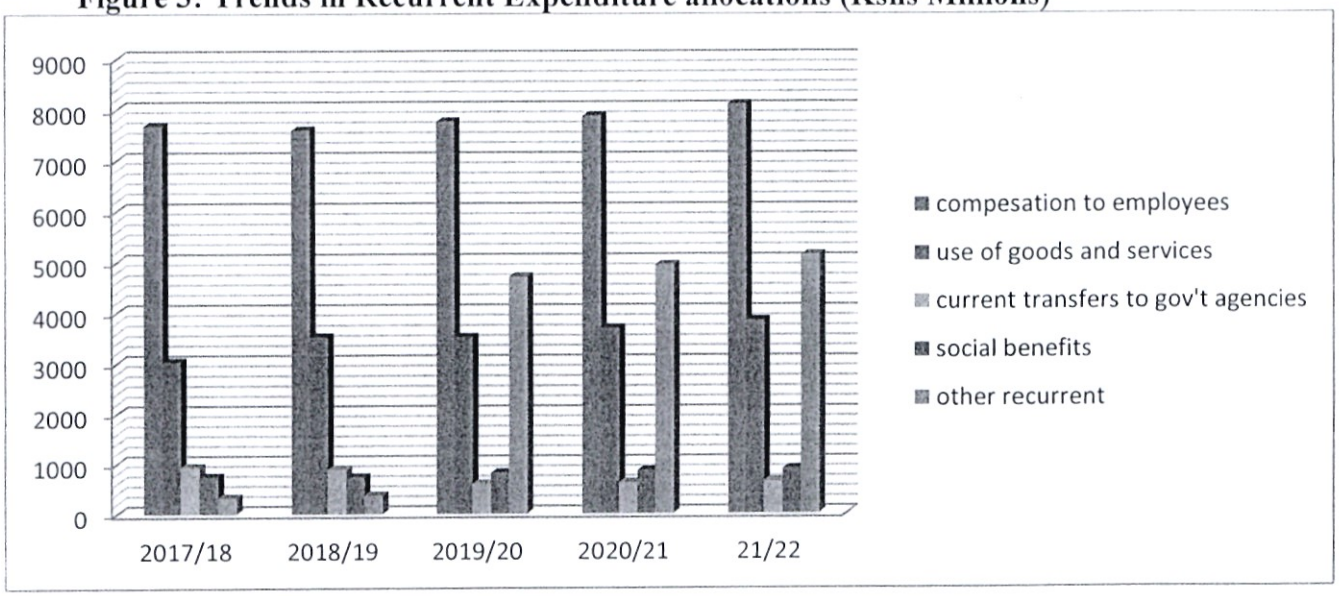
Source: FY 2019/20 Estimate, National Treasury

42. The budgetary allocation to the Judiciary in the FY 2019/20 is KSh. 18.5 billion comprised of Kshs. 14.1 billion for recurrent expenditure and Kshs 4.4 billion for development expenditure. The recurrent expenditure has increased slightly by 9.5% from an allocation of Kshs. 12.9 billion in 2018/19. The increase is largely due to enhanced allocation for the following items: acquisition of motor vehicles – Kshs 317 million, domestic loans to individuals and households – Kshs 550.4 million, and insurance costs – Kshs 180 million.

43. Under the development vote, the department's budget has been increased significantly by 60.7% from an allocation of Kshs. 2.73 billion in 2018/19. There is enhanced allocation for the projects funded through the exchequer from an allocation of Kshs 50 million in FY 2018/19 to Kshs 1.8 billion in FY 2019/20. In addition, the allocation for the World Bank has also increased from Kshs 1.5 billion in FY 2018/19 to Kshs 2.6 billion in FY 2019/20.

44. The trend in allocation shows that compensation to employees has increased slightly from Kshs 7.6 billion in FY 2018/19 to Kshs 7.8 billion in FY 2019/20 which can be attributed to the Commission's effort to improve its workforce capacity. There is an increase in allocation to Other Recurrent from Kshs. 368 million in 2018/19 to Kshs. 4.7 billion in FY 2018/19.

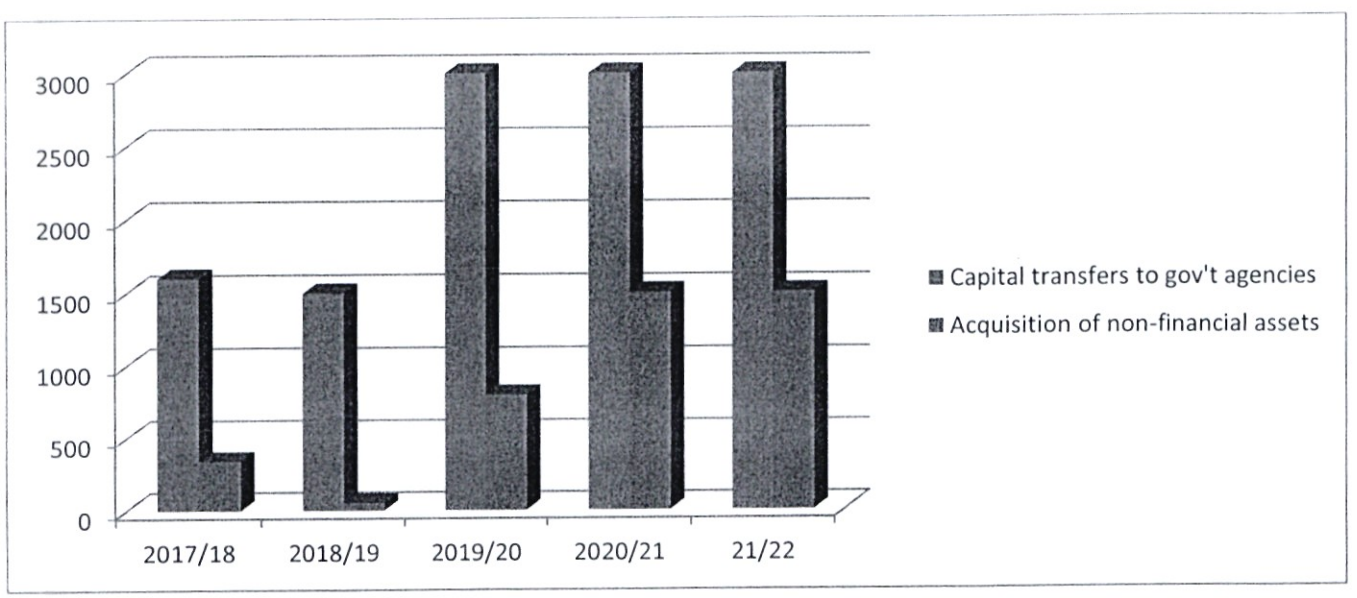
Figure 3: Trends in Recurrent Expenditure allocations (Kshs Millions)



Source: FY 2018/19 Estimate, National Treasury

45. Under the development vote, the allocations will be spent on capital transfers to government agencies as well as acquisition of non-financial assets (construction/rehabilitation of courts) as shown in figure 4.

Figure 4: Trends in Development Expenditure allocations (Kshs Millions)



Source: FY 2019/20 Estimate, National Treasury

i. Stalled Projects

46. It is important to note that the Judiciary had a total of twelve (12) stalled projects (court constructions) across the country whose estimated cost is Kshs 2.0 billion. As at the end of June, 2018, the actual expenditure towards those projects stood at Kshs 327 million. The outstanding project cost is Kshs 1.7 billion; however, it is important to note that all the projects will revived in the FY 2019/20 due to the enhanced budgetary allocation for the Judiciary.

Table 7: Stalled Projects

	Estimated project cost	Financing		Date		Implement ation stage	Actual expenditure	Outstanding project cost as at June 2018
		G.O.K	Foreign	Start date	End date			
1.0 Homabay law courts	367.3	367.3	-	13/3/17	30/7/18	32%	26.3	341
Kabarnet law courts	366.8	366.8	-	17/3/17	17/9/18	15%	21.2	345.6
2.0 Marsabit law courts	370.2	370.2	-	17/3/17	13/3/19	22%	30.1	340.2
3.0 Amagoro law courts	138	138		13/3/17	13/3/19	16%	9.8	128.2
4.0 Githongo law courts	130.9	130.9	-	4/5/17	4/4/19	44%	30.7	100.2
5.0 Kandara law courts	137.8	137.8	-	4/3/17	7/3/19	22%	16.1	121.7
6.0 Mbita law courts	148.3	148.3	-	15/3/17	14/3/18	46%	45.2	103.1
7.0 Habaswein law court	143.2	143.2	-	28/9/17	14/3/19	7%	10	133.2
8.0 Muranga law courts	62.1	62.1	-	19/5/15	17/8/18	65%	39.4	22.7
9.0 Wanguru law courts	81.7	81.7	-	15/1/13	30/12/18	70%	42.6	39.1
10. Mombasa court of appeal	51.8	51.8	-	18/11/14	29/6/18	75%	49	2.8
11.0 Karatina law courts	6.9	6.9	-	4/5/17	19/9/18	65%	2.6	4.3
12. Makadara law courts	9.9	9.9	-	23/7/17	13/10/17	60%	4.9	5.0
Total	**2,014.9**	**2,014.9**					**327.9**	**1,687.1**

Source: National Treasury

i. Pending Bills

47. During the period FY 2015/16– 2017/18, the pending bills due as at the end of the FY 2017/18 totaled to Kshs 528 million composed of Kshs 246 million under the recurrent account and Ksh. 282 from development expenditures.

48. The pending bills arose due to austerity measures in the middle of the financial year which caused non-payment of most of the existing contracts. This is compounded by frequent down time of IFMIS and delays in presentation of invoices by suppliers.

Table 8: Pending bills FY 2015/16 - 2017/18

Type/Nature	Due to lack of Exchequer			Lack of Provision			Total
FY	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2017/18
1. Recurrent							
Compensation to Employees	0	0	0	0	0	0	0
Use of goods & service	75	189	115	0	0	76	191
Social Benefits	0	0	0	0	0	0	0
Other recurrent expenses	202	282	55	0	0	0	55
Subtotal – Recurrent	**277**	**471**	**170**	**0**	**0**	**76**	**246**
2. Development							
Acquisition of Non-Financial Assets	188	140	31	0	0	0	31
Use of goods and services	0	0	0	0	0	0	0
Other development	0	0	5	0	0	246	251
Subtotal - Development	**188**	**140**	**36**	**0**	**0**	**246**	**282**

Source: Budget estimate – Judiciary

4.2 THE JUDICIAL SERVICE COMMISSION

49. The Judicial Service Commission (JSC) is a constitutional body established under Article 171(1) of the Constitution of Kenya. The Constitution confers upon the JSC an expansive and liberal mandate in the discharge of its functions. The mandate of the Commission as provided for under Article 172 (1) of the Constitution is to promote and facilitate the independence and accountability of the Judiciary and the efficient, effective and transparent administration of justice.

4.2.1 Budget Performance Review FY 2015/2016 – 2017/18

50. An analysis of the trends in absorption rate of the budget allocated for the Commission shows that the funds are not fully utilized with the average absorption rate from FY 2015/16 to FY 2017/18 being at 85.3%, 95.7%, and 73% respectively albeit a slight improvement from 85.3% in 2015/16 to 73% in 2017/18. The reasons why the departments do not fully absorb the allocated funds include the following: delayed exchequer releases, long and tedious procurement processes, as well as IFMIS-related challenges.

Table 9: Analysis of Approved Budget Vs Actual Expenditure in Ksh Million

Vote & Vote Details	Approved Allocation			Actual Expenditure			Absorption Rates		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Judicial Service Commission	472	450	283.5	403	431	207.1	85.3 %	95.7	73%
Total	**472**	**450**	**283.5**	**403**	**431**	**207.1**	**85.3 %**	**95.7**	**73%**

Source: Judicial service Commission

51. In the review period the Commission advertised and competitively recruited the Chief Justice, the Deputy Chief Justice, 43 High Court Judges, 19 ELC judges, 103 magistrates and 1,496 judicial staff were appointed to address the staffing needs of the Judiciary for effective service delivery.

52. In addition, the Judiciary Training Institute facilitated the training of judges and magistrates through holding Annual Judges, Magistrates and Kadhis Colloquia whose target is 100% attendance.

53. The Commission's several policy documents during the period under review and are at various completion stages. These include Development of Draft Rules and Guidelines on Alternative Dispute Resolution (ADS), Justice Needs Survey, Training Needs Assessment (TNA), Courts Administrators Hand-book, Kadhi's Court Handbook and Manual, Training policy, Employee Handbook and Induction Manual, Strategies to Clear Case Backlogs in

Superior Courts, Environmental Law Bench Book and Manual on complaints against Judicial Officers.

4.2.2 Proposed Budget Estimate FY 2019/2020

54. The Commission executes this mandate under **General administration; Planning and support services programme.** The Programme has two sub programmes namely: **Administration and Judicial Services,** and **Judicial Training.**

55. In the FY 2019/20, the proposed allocation to the Judicial Service Commission is **KSh. 480 million** which is an increment of 31.9% from **Kshs. 364** million allocated in 2018/19. However, the allocation for the Commission is significantly lower than its resource requirement of Kshs 1.2 billion.

56. The additional resources are required to fund critical areas such as recruitment of judicial officers and staff, equipping of enhanced court infrastructure, hearing and determination of complaints, finalization of pending policy documents and capacity development for judicial officers and staff aimed at ensuring enhanced access to justice.

Table 10: Proposed Budget Estimate FY 2019/20

Sector/ Vote/Programme/Details		2018/2019 Allocations	Resource Requirement	2019/2020 BPS Ceiling	2019/2020 Estimate
Judicial Service Commission	Current	364	1,228	480	480
	Capital	0	0	0	0
	Total	**364**	**1,228**	**480**	**480**

Source: Judicial Service Commission

3.2.1 Review of the Pending Bills

57. In the year 2017/18, the Commission had pending bills totaling KShs. 44 Million an increase from FY2016/17 which stood at KShs 14million. This was due to lack of exchequer.

Table 11: Summary of Pending bills by nature and Type (Kshs Million)

Type/Nature	Due to lack of exchequer			Due to lack of provision		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Recurrent	-	-		-	-	
Compensation of employees		-		-	-	
Use of goods and services	7	14	44	-	-	
Social benefits	-	-		-	-	
Other expense	-	-		-	-	
Development	-	-		-	-	
Acquisition of non -financial assets	-	-				
Use of goods and services	-	-		-	-	
others specify	-	-		-	-	
Total Pending Bills	**7**	**14**	**44**	**-**	**-**	

Source: Budget Estimates - Judicial Service Commission

4.3 STATE LAW OFFICE AND THE DEPARTMENT OF JUSTICE

58. The Office of the Attorney-General and the Department of justice is mandated to enhance protection and promotion of the rule of law, provide legal advice to the government and defend public interest. The Office has three programmes: *Legal Services; Governance, Legal Training and Constitutional Affairs; and General Administration, Planning and Support Services.*

4.3.1 Budget Performance Review FY 2015/2016 – 2017/18

59. The Departments' Budget allocations in FY 205/16 was 4,393.7 million which grew by 11.2% to stand at Kshs 4,884.2 million in FY 2016/17 and increased further 0.7% to Kshs 4,917.7 million in FY 2017/18.

60. The actual expenditure attained in FY 2015/16 was Kshs 4,002.6 million which 99.1% of the years allocation. In the year 2016/17, the actual expenditure was Kshs 4,002.6 Million which is 81.9% of the year's allocation and in FY 2017/18 the actual expenditure was Kshs 3,930.4 million representing 79.9% of the allocation.

Table 12: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
State Law Office & Dep't of Justice	4393.7	4884.2	4917.7	4354.7	4002.6	3930.4	99.1%	82.0%	79.9%

Source: Sector Reports – National Treasury

4.3.2 Proposed Budget Estimate FY 2019/2020

61. The allocations for the programme of legal services as well as the allocation for the programme of Governance, legal training and constitutional affairs have increased by Kshs 751.5 and Kshs 169.7 respectively.

Table 13: Allocations per programme (Kshs Millions)

	2018/19 Approved Estimate	2019/20 Proposed Estimate	2020/21 Projected Estimate	2021/22 Projected Estimate
Total Programmes	**4,690.3**	**5,308.5**	**5,644.9**	**5,871.8**
Legal Services	1,727.3	2,478.8	2,644.1	2,710.9
Governance, Legal Training and Constitutional Affairs	2,295.3	1992.2	1,957.4	2,042.3
General Administration, Planning and Support Services	667.8	837.5	1,043.4	1,118.6

Source: FY 2019/20 Estimate, National Treasury

62. The proposed allocation for the Office in FY 2019/20 is **Kshs. 5.3 billion** comprised of Kshs. 5.1 billion for recurrent expenditure and Kshs 0.2 billion for development expenditure. The allocation is an increase of 13.2% from **Ksh 4.7 Billion** allocated in the financial year 2018/19. The development budget has decreased from Kshs 614 million to Kshs 230 million;

however, the recurrent budget has significantly increased from Kshs 4.1 billion to Kshs 5.1 billion.

63. The reduction in the development budget is as a result of the completion of development projects such as the construction of ultra-modern library and moot court at the Kenya School of Law, the refurbishment of Sheria House and Company's Registry while the increase in the recurrent budget is on account of enhanced allocation for the civil ligation department as well as the international law division.

64. In the period 2018/19 - 2020/21, the Office will seek to finalize 1,200 cases each year filed against the government, conduct dispute resolutions programs in 17 counties in 2017/18, harmonize 100 existing laws with the Constitution, register 40,000 companies, and train 2200 law students. Other outputs include: operationalize one(1) regional office, enhance the compliance of Copyright Law by investigating and prosecuting 400 cases, and sensitize 12 counties each year on the Constitution.

65. The allocation to the various semi-autonomous agencies under the department is as shown in the table below.

Table 14: The Semi-Autonomous State Agencies allocations (Kshs Million)

SAGAs/Agencies	**2018/2019**	
	Gross Estimates (000)	Net Estimates(000)
Council of Legal Education	369.1	199.0
Auctioneer's licensing Board	24.7	24.7
Kenya School of Law	507.0	507..0
Kenya Law Reform Commission	299.9	298.4
National Council for law reporting	314.3	314.3
National Anti-Corruption Steering Committee;	103.7	103.7
National Crime Research Centre;	149.6	149.6
The Nairobi Center for International Arbitrations	111.4	111.4

SAGAs/Agencies	2018/2019	
Victims Compensation Fund	60.0	60.0
Asset Recovery Agency	223.8	223.8
Registrar of Companies	301.2	301.2
Totals	**2,464.6**	**2,094.1**

Source: FY 2019/20 Estimate, National Treasury

4.3.3 Review of the Pending Bills

66. During the period under review the Sector recorded pending bills amounting to Kshs. 21,206.43 Million of which Kshs. 11,661.42Million and Kshs. 9,545.01Million arose from recurrent and development expenditures respectively

Table 15: Departments Pending Bills

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
State Law Office & Dep't of Justice	Recurrent	56.4	104.6	105.8	-	-	-
	Development	2.9	15	85	-	-	-
Total		59.3	119.6	190.8	-	-	-

Source: Sector Reports – National Treasury

4.4 OFFICE OF THE REGISTRAR OF POLITICAL PARTIES (ORPP)

67. The Office of the Registrar of Political Parties (ORPP) is established by the Political Parties Act, 2011. The mandate of the Office is to register and regulate political parties and administer the Political Parties Fund.

4.4.1 Budget Performance Review FY 2015/2016 – 2017/18

68. The Departments Budget allocations in FY 205/16, FY 2016/17 and FY 2017/18 were Kshs 533.5 million, Kshs 826.9 million and Kshs 808.5 million indicating a gradual increase in budgetary provision during the period under review.

69. The actual expenditure attained in FY 2015/16 was Kshs 518.7 million which 97.2 % of the years allocation. In the year 2016/17, the actual expenditure was Kshs 638 Million which is 77.2% of the year's allocation and in FY 2017/18 the actual expenditure was Kshs 752.2 million representing 93% of the allocation.

Table 16: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
1311 Office of the Registrar of Political Parties	533.5	826.9	808.5	518.7	638.7	752.2	97.2%	77.2%	93.0%
Total	**533.5**	**826.9**	**808.5**	518.7	638.7	752.2	97.2%	77.2%	93.0%

Source: Sector Reports - National Treasury

4.4.2 Proposed Budget Estimate FY 2019/2020

70. In the Financial Year 2014/2015, the Office of the Registrar of Political Parties was allocated Kshs 466.9 Million of which Kshs 367.2 million was for Political Parties Fund. In 2015/2016 the Office was allocated Kshs 533.3 million (Kshs. 370.5 million for Political Parties Fund) while 2016/17 Financial Year, the Office was allocated Kshs 826.9 million of which Kshs 370.5 Million was for Political Parties Fund.

71. The proposed allocation for FY 2019/20 is **Kshs. 798.7 million** which is entirely recurrent expenditure. The allocation represents a slight increase of Kshs 1.7 from **Kshs. 796.99 million** allocated in FY 2018/19. In addition, the allocation towards the political parties fund has been maintained at **Kshs. 371.2 million** (46.5%) which ideally should be 0.3 percent of the revenue collected by the government.

72. During the next medium term period, the office will undertake the following: development of a guiding policy framework on political party primaries, inspections and monitoring of political parties to ensure compliance with the Political Parties Act, 2011, undertake reforms to strengthen legal and regulatory framework for political parties including the development of sanctions, and also modify and integrate the political parties membership data base with IEBC register.

4.4.3 Review of the Pending Bills

73. The departments' pending bills for the period under review stood at Kshs 16.9 Million. The pending bills are as a result of lack of exchequer and revision of budget due to austerity measures.

Table 17: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Registrar of Political Parties	Recurrent	3.8	8.7	4.4	-	-	-
	Development	-	-	-	-	-	-
Total		**3.8**	**8.7**	**4.4**	-	-	-

4.5 WITNESS PROTECTION AGENCY (WPA)

74. The Witness Protection Agency is mandated to provide special protection, on behalf of the State, to persons in possession of important information and who are facing potential risk due to their cooperation with the prosecution and other enforcement agencies. The Agency implements the witness protection programme.

4.5.1 Budget Performance Review FY 2015/2016 – 2017/18

75. The Witness Protection Agency's budgetary allocation rose over the medium term 2015/16-2017/18 from Kshs. 369.7 million to Kshs. 483.1 million in 2018/19 representing an average increase of 30% over the period.

76. The department's actual expenditure for the period was Kshs 359.6 million, Kshs 362.9 million and Kshs 412.2 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was impressive averaging at 94.6%.

Table 18: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Witness Protection Agency	369.7	388.4	442.3	359.6	362.9	412.2	97.26 %	93.42 %	93.18 %
Total	**369.7**	**388.4**	**442.4**	**359.6**	**362.9**	**412.2**	**97.3%**	**93.4%**	**93.2%**

Source: Sector Reports, National Treasury

4.5.2 Proposed Budget Estimate FY 2019/2020

77. In the FY 2019/20, the Agency has been allocated Kshs. 481.6 million which represents an increase of 1.7% from the Kshs. 473.4 million allocated in 2018/19. The budgetary allocation is entirely for recurrent expenditure. The increase in budget allocation is due to a decrease in the provision for use of goods and services.

Table 19: proposed Budgetary Allocations FY 2019/20

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Witness Protection Agency	454.3	388.44	442.4	473.4	481.6	495.5	512
Total	454.3	388.44	442.4	473.4	481.6	495.5	512

Source: Sector Reports, National Treasury

78. The major services/outputs to be provided in the FY 2019/20 and Medium Term budget include: continued admission of threatened witnesses, and maintenance and management of witnesses. The Agency projects to maintain a maximum of 65 witnesses and their related persons for the FY 2019/20, facilitate the administration of justice through testimonies in a court of law, resettlement and re-integration of witnesses and enhanced institutional capacity to support the programme.

4.6 KENYA NATIONAL COMMISSION ON HUMAN RIGHTS (KNCHR)

79. The Kenya National Commission on Human Rights' mandate is to ensure the promotion and protection of human rights. It is an independent Commission established under Article 59 of the Constitution. It implements the programme, promotes and protects human rights.

4.6.1 Budget Performance Review FY 2015/16 – 2017/18

80. The Commission's budgetary allocation has consistently been declining over the medium term 2015/16-2017/18 from Kshs. 459.1 million to Kshs. 398.8 million in 2018/19 representing an average a decrease of 13% over the period.

81. The department's actual expenditure for the period was Kshs 432.7 million, Kshs 413.3 million, and Kshs 389.4 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was impressive averaging at 96.7%.

TABLE 20: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Kenya National Commission on Human Rights	459.1	420.8	398.8	432.7	413.29	389.4	94.3%	98.2%	97.7%
Total	**459.1**	**420.8**	**398.8**	**432.7**	**413.29**	**389.4**	**94.3%**	**98.2%**	**97.7%**

Source: Sector Reports, National Treasury

4.6.2 Proposed Budgetary Estimate FY 2019/2020

82. The proposed allocation to the Commission in FY 2019/20 is **Kshs. 384.3 million** which is a decrease of 0.13% from the **Kshs. 398.8 million** allocated in FY 2018/19. The decrease in allocation is as a result of reduced provision for the allocation towards the mortgage scheme for the members of staff.

Table 21: Budgetary Allocation FY 2015/16 -2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Kenya National Commission on Human Rights	433.1	420.8	398.8	384.8	384.3	398.2	411.3
Total	**433.1**	**420.8**	**398.8**	**384.8**	**384.3**	**398.2**	**411.3**

Source: Budget Estimate, National Treasury

83. During MTEF period FY2018/19 - FY2020/21, the Commission plans to achieve the following: resolution of public complaints alleging human rights violations, enhance public awareness on human rights, review policies and legislation on human rights, research and produce thematic reports on human rights, conduct institutional audits for improved protection of human rights , increase redress on human rights through public interest litigation, amicus briefs, direct litigation and Alternative Dispute Resolution. With regards to 'Big four' agenda, the Commission will enhance the capacity of State and non-State actors on programming and implementing Economic, Social and Cultural Rights.

4.6.3 Pending Bills FY 2015/16 – 2017/18

84. The departments' pending bills for the period under review stood at Kshs 22 million. The pending bills are as a result of lack of exchequer and revision of budget due to austerity measures.

Table 22: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Registrar of Political Parties	Recurrent	8	-	14	-	-	-
	Development	-	-	-	-	-	-
Total		**8**	**-**	**14**	**-**	**-**	**-**

Source: Sector Reports, National Treasury

4.7 ETHICS AND ANTI-CORRUPTION COMMISSION (EACC)

85. The Ethics and Anti-Corruption Commission (EACC) has one programme, Anti-Corruption programme. It is mandated to fight and prevent corruption and economic crime in Kenya through law enforcement, preventive measures, public education and promotion of standards and practices of integrity.

4.7.1 Budget Performance Review FY 2015/16 – 2017/18

86. The Commission's budgetary allocation has consistently been increasing over the medium term 2015/16-2017/18 from Kshs. 2,957.2 million to Kshs. 4,336.5 million representing an increase of 46.6% over the period. The increase has been due to expenditures related to the acquisition of the Commission's Integrity Centre.

87. The department's actual expenditure for the period was Kshs 2,198.9 million, Kshs 3,429.6 million, and Kshs 4,314.3 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was impressive averaging at 91.8%.

Table 23: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Ethics & Anti-Corruption Commission	2957.2	3480.08	4336.54	2198.9	3429.62	4314.34	74.36%	98.55%	99.49%
Total	**2957.2**	**3480.08**	**4336.5**	**2198.9**	**3429.6**	**4314.3**	**74.4%**	**98.6%**	**99.5%**

Source: Sector Report, National Treasury

4.7.2 Proposed Budgetary Estimate FY 2019/2020

88. The allocation to the Commission in FY 2019/20 budget estimates is **Kshs. 2.9 billion** comprised of Kshs 2.7 billion for recurrent expenditure and Kshs 100 million for development expenditure. The Commission recorded a decrease of 34.2 when compared to Kshs. 4.3 billion allocated in 2016/17. The Kshs. 1.5 billion decrease is due to the one off provision for the purchase of the new office block for the Commission which was concluded in FY 2017/18. The proposed allocation of Kshs 100 million under the development vote is for refurbishment of the newly acquired Integrity Centre.

Table 24: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Ethics & Anti-Corruption Commission	2,972	3,480.08	4,336.5	2,926.5	2,966.6	3,055.7	3,155.6
Total	**2,972**	**3,480.08**	**4,336.5**	**2,926.5**	**2,966.6**	**3,055.7**	**3,155.6**

Source: Budget Estimate, National Treasury

89. In the FY 2019/20 and medium-term period, the Commission will undertake 1,720 investigations on corruption and economic crime cases and 4005 investigations on ethical

breaches; disrupt 60 corruption networks; undertake 84 asset tracing inquiries and recover assets valued at Kshs.66.6 billion; train, educate and enlist 100 million Kenyans to combat corruption; undertake 43 system review and examinations; and train, educate and enlist 100 million Kenyans to combat corruption.

4.7.3 Pending Bills FY 2015/16 – 2017/18

90. The Commission has not incurred pending bills for the period under review. This is an indication of the Commission's sound financial planning for the period under review.

4.8 OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTIONS (ODPP)

91. The Office of the Director of Public Prosecutions (ODPP) is an independent Constitutional Office established by Article 157 of the Constitution to ensure an independent, accountable and professional prosecution service. Its programme is Public Prosecution Services.

4.8.1 Budget Performance Review FY 2015/16 – 2017/18

92. The Agency's budgetary allocation in FY 2015/16, FY 2016/17, and FY 2017/18 was Kshs 2457 million, Kshs 2213 million and Kshs 1999.7 million representing a decrease of 18.6% over the period.

93. The department's actual expenditure for the period was Kshs 2,159 million, Kshs 2,213 million, and Kshs 1999.7 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was averaging at 88.4%.

Table 25: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Office of the Director of Public Prosecutions	2457	2213	1999.7	2159	1809	1913	87.87%	81.74%	95.66%
Total	**2457**	**2213**	**1999.7**	**2159**	**1809**	**1913**	**87.9%**	**81.7%**	**95.7%**

Source: Sector Report, National Treasury

4.8.2 Proposed Budgetary Estimate FY 2019/2020

94. The proposed allocation for the Office is **Kshs. 3.0 billion** in 2019/20 comprised of Kshs 2.9 billion for recurrent expenditure and Kshs 107.1 million for development expenditure representing an increase of 4.5% from the Kshs 2.9 billion allocated in FY 2018/19. The increased allocation under the recurrent vote is due to enhanced allocation for compensation of employees while the increased allocation under the development vote is due to construction of county offices in Wajir, Busia, Turkana and Kisii at a cost Kshs 107 million.

Table 26: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Office of the Director of Public Prosecutions	2,543	2213	1,949	2,912.3	3043.3	3,106.6	3,210.9
Total	**2,543**	**2213**	**1,949**	**2,912.3**	**3043.3**	**3,106.6**	**3,210.9**

Source: Budget Estimate, National Treasury

95. In the FY 2019/20 and medium-term period, the Office will operationalize the planned case management system as part of improving operational efficiency; expand the scope of the Prosecutors Training Institute (PTI) to ensure continuous capacity improvement; open new stations in line with the expansion of court stations across the country; construct additional offices in four County stations and continue with the programme of tooling prosecutors and improving their work environment to ensure that they are able to execute their work effectively.

4.8.3 Pending Bills FY 2015/16 – 2017/18

96. The departments' pending bills for the period under review stood at Kshs 41.2 Million. The pending bills are as a result of lack of exchequer and revision of budget due to austerity measures.

Table 27: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Office of the Director of Public Prosecution	Recurrent	21.4	11 9	7.9	-	-	-
	Development	-	-	-	-	-	-
Total		**21.4**	**11.9**	**7.9**	-	-	-

Source Sector Reports, National Treasury

4.9 INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION (IEBC)

97 IEBC is an independent constitutional commission and its role is to conduct or supervise referenda and elections as well as to manage the electoral process and review electoral boundaries. It implements one (1) programme Management of Electoral Process with an objective to deliver free, fair and credible elections.

4.9.1 Budget Performance Review FY 2015/16 – 2017/18

98. The Agencies budgetary allocation in FY 2015/16, FY 2016/17, and FY 2017/18 was Kshs 4,905 million, Kshs 23,617 million and Kshs 33,372.7 million representing an increase of 580.3% over the period. This is due to the expenditures related to the general election that was held in 2017/18.

99. The department's actual expenditure for the period was Kshs 4,191 million, Kshs 20,165 million, and Kshs 28,755.7 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively The absorption rate of the department was averaging at 85.6%.

Table 28: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Independent Electoral & Boundaries Commission	4905	23617	33372.7	4191	20165	28755.7	85.4%	85.4%	86.2%
Total	4905	23617	33372.7	4191	20165	28755.7	85.4%	85.4%	86.2%

Source: Budget Estimate – National Treasury

4.9.2 Proposed Budgetary Estimate FY 2019/20

100. In the FY 2019/20, the Commission was allocated **Kshs. 4.8 billion** comprised of Kshs 4.8 billion for recurrent expenditure and Kshs 0.043 billion for development expenditure. The allocation to the Commission has increased by Kshs 0.57 billion (13.5%) from Kshs 4.2 in FY 2018/19 to Kshs 4.8 billion in FY 2019/20.

Table 29: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Independent Electoral & Boundaries Commission	4976.2	23617	33,372.7	4,433.6	4,803.4	4,954	5,122.5
Total	4976.2	23617	33,372.7	4,433.6	4,803.4	4,954	5,122.5

Source: Budget Estimate, National Treasury

101. The enhanced allocations to IEBC will cater for the following areas: delimitation of boundaries – Kshs 134 million, maintenance of the Commission's ICT infrastructure - Kshs 351 million, and continuous voter registration – Kshs 16 million.

102. In the next medium-term period, the Commission will undertake continuous voter registration, bridge training and risk mapping in preparation for the 2022 elections, review of the boundaries legal framework and ground setting in preparation for the boundary delimitation and completion of the various Commission warehouses countrywide.

4.9.3 Pending Bills FY 2015/16 – 2017/18

103. The departments pending bills for the period under review stood at Kshs 4,731 Million The pending bills are as a result of lack of exchequer and lack of provision.

Table 30: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision			Total
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	
Independent Electoral & Boundaries Commission	Recurrent	89	-	2100	431	-	1730	4,731
	Development	-	-	-	-	-	-	-
Total		**89**	**-**	**2,100**	**431**	**-**	**1,730**	**4,731**

Source: Sector Reports, National Treasury

4.10 COMMISSION ON ADMINISTRATIVE JUSTICE (CAJ)

104. The Commission is established as envisaged under Article 59(4) of the Constitution and the Commission on Administrative Justice Act, 2011. Its mandate is to enforce administrative justice in the Public Sector by addressing mal-administration through effective complaints handling and alternative dispute resolution. It implements one (1) programme: Promotion of Administrative Justice.

4.10.1 Budget Performance Review FY 2015/16 – 2017/18

TABLE 31: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure				Absorption			
	2015/16	2016/17	2017/18	2014/15	2015/16	2016/17	2017/18	2014/15	2015/16	2016/17	2017/18
Commission on Administrative Justice	480.7	449	412.79	354.2	428	419.1	387.8	89.8 %	89.0 %	89.4 %	93.96 %
Total	**480.7**	**449**	**412.79**	**354.2**	**428**	**419.1**	**387.8**	**89.8 %**	**89.0 %**	**89.4 %**	**93.96 %**

Source: Budget Estimate, National Treasury

4.10.2 Proposed Budgetary Estimate FY 2019/2020

105. The Allocation to the Commission in the FY 2019/20 is **Kshs. 565 million,** an increase of 14.8% from Kshs. 492.1 million allocated in 2017/18. The increased allocation will cater for the acquisition of motor vehicles and furniture – Kshs 20.1 million, domestic travel – Kshs 12.8 million, and Kshs 30.7 million for employer contributions to the NSSF scheme.

Table 32: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
CAJ	506.8	449	412.8	492.1	565	583.7	602.6
Total	**506.8**	**449**	**412.8**	**492.1**	**565**	**583.7**	**602.6**

Source: Budget Estimate, National Treasury

106. During the 2018/19 – 2020/21 medium term period, the Commission will utilize the budgetary allocation on resolution of public complaints on maladministration, scaling-up the ombudsman service delivery points, outreach programmes, implementation of access to information Act, 2016 and monitoring service delivery at national and county levels

4.10.3 Pending Bills FY 2015/16 – 2017/18

107. The Commission has not incurred pending bills for the period under review. This is indication of the commission's sound financial planning for the period under review.

PART 5

5.0 COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS

5.1 Judiciary

Committee's Observations

a) The total resource requirement for the Judiciary for the FY 2019/20 amounts to Kshs. 23.3 Billion composed Kshs 16.992 Billion for recurrent expenditure and Kshs. 6.295 Billion for Development/Capital Expenditure. However, the Judiciary was allocated a budget of Kshs. 18.5 Billion composed of Kshs 14.1 Billion for recurrent expenditure and Kshs 4.39 Billion for development expenditure leading to a shortfall of Kshs 4.8 Billion.

b) The Judiciary has out of its shortfall of Kshs 4.8 Billion requested the Committee to consider an additional allocation of Kshs 882 Million composed of Kshs 288 Million for Judges' taxable car allowance and Kshs 594 Million for staff pension arrears.

c) The Committee has further observed that due to an enhanced budgetary provision for the Judiciary, seventeen of the Judiciary's stalled projects will be prioritized to be fully financed and completed in financial year 2019/20. An additional eight courts will also be prioritized in the Supplementary II Estimates for FY 2018/19.

d) While the development of adequate infrastructure for the Judiciary has been identified as a key pillar in the Judiciary's transformation. The Committee observed that there was need to rationalize and align the building designs of the courts with the projected traffic in courts. For instance, Nkubu Law Courts, a three (3) storied building was constructed at a cost of Kshs 85.9 million. However, the court was handling only 0.4% of the total cases filed in the country.

e) The Committee has also observed that there is acute shortage of Judges in the Environment and Land Court. However, the commission assured the Committee there are in the process of recruiting additional Judges to alleviate the situation.

f) The Committee further observed that there was need to fast-track the enactment of the Tribunal Bill in order to harmonize and bring fully the operations of the existing Tribunals under the Judiciary in line with the Constitution.

g) The Committee also observed that there is laxity on the part of the Judiciary Tin embracing and leveraging on Information and Communication technology (ICT) in digitizing its processes by introducing case tracking systems, transcription services and widening of internet coverage. The Committee further observed that ICT is a useful tool for the Judiciary in reducing corruption and safeguarding areas that are prone to corruption in its operations.

h) Case clearance: In the FY 2017/18, a total of 402,243 cases were filed in the Judiciary out of which 283,788 were criminal cases and 118,455 were civil cases. In the same period, a total of 370,488 cases were resolved in all courts which comprised 243,821 criminal cases and 126,667 civil cases However, as at the end of the FY 2017/18, there were 553,187 pending cases in the Judiciary, which comprised 219,686 criminal cases and 33,501 civil cases. To reduce the case backlog, Judiciary needs to come up with modern strategies primarily leveraging on ICT.

i) Construction and Establishment of Courts: - Judiciary is currently constructing 56 courts out of which 26 are financed through the World Bank loan and 30 projects are financed through the Exchequer. Therefore, it is critical for the Judiciary to prioritize and finish all the ongoing projects

j) Court Deposits - By June 30, 2018, the Judiciary held court deposits and other funds held in trust for third parties amounting to Kshs 5 1 Billion This was an increase from the Kshs 4.4 Billion that was held at the end of FY 2016/17. The funds are refundable as and when court orders are issued or after the six months liability period for retention monies. However, there has been concern about the magnitude of deposits yet it is not generating interest for the parties involved.

Committee's Recommendations

Financial recommendations

b) The Committee recommends an additional allocation of Kshs 882 million composed of Kshs 288 million for Judges' taxable car allowance and Kshs 594 million for staff pension arrears. It is important to note that the taxable car allowance is an entitlement for all constitutional office holders once they assume office.

Policy recommendations

a) The Committee also recommends that the Judiciary should come up with building designs that take into consideration the unique needs of every region so as to align the courts being constructed and the traffic in the court as well as the needs of the court stakeholders.

b) The Committee recommends the Judiciary to rationalize project coverage across the country when undertaking new court constructions over the medium giving particular emphasis to areas that are in far flung areas.

c) The Committee recommends that the Judiciary should not commence new projects before completion of the World Bank funded projects.

5.2 Judicial Service Commission

Committee's Observations

a) The total resource requirement for the Judicial Service Commission (JSC) for the FY 2019/20 amounts to Kshs. 1.2 Billion composed Kshs 628 Million for the Judicial Service Commission operations and Kshs. 600 Million for the Judicial Training Institute. However, the Commission was allocated a budget estimate of Kshs. 480 Million composed of Kshs 341 Million for the Judicial Service Commission and Kshs. 139 Million for the Judicial Training Institute leading to a shortfall of Kshs 775 Million.

b) The Judicial Service Commission requested the Committee to consider the allocation of Kshs 775 Million composed of Kshs 170 Million for Improving operational efficiency of

the JSC and the commissioners (To facilitate the commissioners with vehicles, office space and furniture); Kshs 85 Million for Recruitment of Judges, judicial Officers and judiciary staff to implement the reviewed organization review; Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute, Kshs 100 Million for Automation of JSC operations(E-recruitment Document management system, HRMS); and Kshs 70 Million for Complaints handling, Disciplinary Hearing and the fight against corruption.

c) The JSC requested a further Kshs 800 Million for the provision of land/ office premises for the proposed Judiciary Training Institute.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 775 Million to cater for the following areas; Kshs 170 Million for Improving operational efficiency of the JSC and the commissioners (To facilitate the commissioners with vehicles, office space and furniture); Kshs 85 Million for Recruitment of Judges, Judicial Officers and Judiciary staff to implement the reviewed organization review; Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute; Kshs 100 Million for Automation of JSC operations (E-recruitment Document Management System, HRMS), and Kshs 70 Million for Complaints handling, Disciplinary Hearing and fight against corruption.

Policy recommendations

a) The Committee recommends that there should be one training facility for all agencies under the Justice sector.

5.3 Office of the Attorney General and Department of Justice

Committee's Observation

a) The Committee observed that resource requirement for the office for the FY 2019/20 stood at Kshs 12.9 billion composed of Kshs 7.7 billion for recurrent expenditure and

Kshs 5.2 billion for development expenditure. However the office was allocated Kshs 5.3 billion comprised of Kshs 5.1 billion for recurrent expenditure and Kshs 0.2 billion for development expenditure leading to a shortfall of Kshs 7.6 billion.

b) The shortfall will affect the following areas; acquisition of office space for Office of the Attorney General & Department of Justice – Kshs 2.5 billion, training of fifty (50) state counsels in emerging areas of law over 3 years period – Kshs 100 million, development and implementation of an Enterprise Resource Planning system (ERP) – Kshs 145 million, Decentralization of National Legal Aid Service to five additional counties – Kshs 150 million, operationalization of victim protection board – Kshs 25 million, Acquisition of an office block for National Counsel for Law Reporting – Kshs 638 million, Development of National ADR Policy – Kshs 40 million, and development of government legal documentation center – Kshs 60 million among other projects.

c) The Committee also observed that the office was in the process of reviewing its staff structure and the remuneration of its officers. The Committee further observed that the office has been unable to retain staff legal counsels with experience and skills due to unfavorable terms of service. This issue has hampered the ability of the office to discharge its function properly and adequately leading to huge pending bills inform of court awards against the government.

d) The Committee further observed that there are suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, the awards against the government pending payment stand at approximately Kshs 300 billion and they are ranging from awards to victims of torture as well as business litigants against the State.

e) However, there have been positive steps taken in addressing the pending court awards through an inter-ministerial Committee chaired by the Solicitor General to address this perennial challenge.

f) The Committee observed that the Asset Recovery Agency is in the processing of setting up a Criminal Assets Recovery Fund whose source of revenue will be proceeds recovered from crime. The Regulations guiding the use of the Fund is currently being developed.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 3.7 billion to cater for the following items; acquisition of office space for Office of the Attorney General & Department of Justice – Kshs 2.5 billion, training of fifty (50) state counsels in emerging areas of law over 3 years period – Kshs 100 million, development and implementation of an enterprise resource planning system (ERP) – Kshs 145 million, Decentralization of National Legal Aid Service to five additional counties – Kshs 150 million, operationalization of victim protection board – Kshs 25 million, Acquisition of an office block for National Counsel for Law Reporting – Kshs 638 million, Development of National ADR Policy – Kshs 40 million, and development of government legal documentation center – Kshs 60 million among other projects.

5.4 Independent Electoral and Boundaries Commission

Committee's Observation

a) The Commission's resource requirement for FY 2019/20 is estimated to be Kshs 14.41 billion against an allocation of Kshs 4.803 billion resulting in a deficit of about Kshs. 9.297 billion for the next FY 2019/20.

b) The deficit will affect the settling of pending bills for goods and services including legal fees incurred in the FY 2017/2018 estimated to be Kshs 3.9 billion, the Proposed Uchaguzi Centre (Kshs. 1 billion), and Information Communication and Technology (ICT) Audit for existing electoral technologies (Kshs. 100 Million).

c) The Committee observed that there is need by the government to support the commission to maintain the existing electoral infrastructure until the next general election since it will be costly to acquire new equipment every general election. In this regard, the Committee

has noted there is a provision of Kshs of Kshs 178 million for the maintenance of the Commission's electoral infrastructure.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional funding for the Commission of Kshs 1.5 billion for settling the validated pending bills that have been processed by the Commission. The Committee further recommends an additional allocation of Kshs 500 million for the acquisition of land outside the Central Business District, commencement of preliminary works and provision of professional services for the construction of the Uchaguzi center since its current location has adversely affected businesses in the Central Business District during every election cycle.

5.5 Ethics and Anti-Corruption Commission

Committee's Observation

a) The total resource requirement for the Commission for the FY 2019/20 amounts to Kshs. 4.7 billion composed of Kshs 4.4 Billion for recurrent expenditure and Kshs. 0.3 billion for Development/Capital Expenditure. However, the Commission was allocated a budget ceiling of Kshs. 2.966 billion composed of Kshs 2.941 billion for recurrent expenditure and Kshs 25 million for development expenditure leading to a shortfall of Kshs 1.734 billion.

b) Consequently, the Commission will face a funding short fall of Kshs 1.734 Billion which will affect the following items - Recurrent expenditure composed of Compensation of employees (Kshs 560 million) and operations and maintenance (Kshs 930 million); and Development expenditure for the refurbishment of the EACC Headquarters (Kshs 275 million).

c) The Commission is also requesting for a further Kshs 1.6 Billion to cater for the automation of its business processes including investigation processes for enhanced accountability and efficiency among other functional areas.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 560 million for the Compensation of employees composed of Kshs 125 million to cater for a salary shortfall and Kshs 435 million for the recruitment of 350 additional staff; and Kshs 930 million for operations and maintenance.

5.6 Kenya National Commission on Human Rights

Committee's Observations

a) The Commission has been allocated Kshs. 384.3 Million in the FY 2019/20 against a resource requirement of Kshs. 600 million by the National Treasury. This leaves a resource gap of Kshs. 215.7 Million.

b) The Commission has requested the Committee to consider the allocation of Kshs 90 million to fund critical areas as follows- Kshs 30 million for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness creation on Human Rights among public institutions and state compliance to international obligations; Kshs 30 million for Staff mortgage and car loan scheme; and Kshs 30 million for the expansion of regional offices to enhance their presence in the counties with systemic human rights abuses.

c) The Committee has observed that the Commission's budget for ICT was moved to the Ministry of ICT in line with government policy on the acquisition of ICT infrastructure for government agencies. However, the Commission had not benefitted from its allocation under the Ministry of ICT.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 90 million to the Commission's budget to cover the following critical that are not funded; Kshs 30 million

for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness on Human Rights among public institutions and state compliance to international obligations; Kshs 30 million for Staff mortgage and car loan scheme; and Kshs 30 million for the expansion of regional offices to enhance their presence in the Counties with systemic human rights abuses.

5.7 Office of the Director of Public Prosecution

Committee's Observations

a) The Office resource requirement for FY 2019/20 is Kshs 4.9 billion composed of Kshs 4.8 billion for recurrent expenditure and Kshs 142 million for development expenditure. However, the ODPP was allocated Kshs. 3.0 billion composed of Kshs 2.9 billion for recurrent expenditure and Kshs 107 million for development expenditure hence a resource short fall of Kshs 1.921 billion.

b) The Committee further observed that the budgetary shortfall will affect the following areas; Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, provision to cater for attendance to Mobile courts – Kshs 50 million, ICT Networking and implementation of a case management system – Kshs 100 million, implementation of a new organizational structure and equipping of the office regional, County and sub-county offices and operationalizing prosecutors training institute – Kshs 100 million, purchase of additional vehicles – Kshs 100 million.

c) The Committee further observed that the ODPP has deferred construction of offices at a cost of Kshs 75 million in Busia, Wajir and Kisii in FY 2018/19 due to a delay in acquisition of titles for the properties. However, the same is budgeted for in FY 2019/20 at a cost of Kshs 107 million.

d) The ODPP has also informed the Committee that they made significant progress on the talks the office had with Salaries and Remuneration Commission regarding the review and harmonization of the remuneration of the Office staff in line with other independent offices.

Committee's Recommendations

Financial recommendations

e) The Committee recommends the approval of an additional allocation of Kshs 600 million to the ODPP to fund the following critical areas; Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, provision to cater for attendance to Mobile courts – Kshs 50 million, ICT Networking and implementation of a case management system – Kshs 100 million, implementation of new organizational structure and equipping of the office regional, County and sub-county offices and operationalizing prosecutors training institute – Kshs 100 million, purchase of additional vehicles – Kshs 100 million.

5.8 Commission for Administrative Justice

Committee's Observation

a) The Committee noted that the Commission allocation under the FY 2019/20 is Kshs 565 million against a resource requirement of Kshs 818 million leading to a shortfall of Kshs 253 million.

b) The shortfall will affect the following critical areas; Staff mortgage and car loan – Kshs 50 million, Recruitment of additional staff – Kshs 35 million, Public awareness and civic education – Kshs 30 million, Procurement of motor vehicles – Kshs 50 million, Access to Information activities – Kshs 40 million, Establishment of two County offices – Kshs 20 million, Fight against maladministration and impunity – Kshs 20 million and Systemic investigations and research – Kshs 20 million.

c) The Committee also observed that the Commission's ability to effectively undertake awareness has been hampered by the pooling of funds for advertisement under the Government Advertising Agency (GAA). Indeed, accessing the funds remained a challenge since the amount set aside for the Commission is not disclosed.

d) The Committee stressed the need for the Commission to create awareness on its mandate particularly in ensuring the citizen right to quality service both at the National and County level of government is not compromised.

e) The Committee observed that Commission on Administrative Justice is facing difficulties in accessing information from government agencies negating the gains made under the Access to Information Act (No.31 of 2016).

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 300 million to cater for Staff mortgage and car loan – Kshs 50 million for recruitment of additional staff – Kshs 35 million for public awareness and civic education – Kshs 30 million for procurement of motor vehicles – Kshs 50 million for Access to Information activities – Kshs 40 million for establishment of two county offices – Kshs 20 million for the fight against maladministration and impunity – Kshs 20 million for systemic investigations and research – Kshs 20 million.

Policy recommendations

a) The Committee recommends that Commission on Administrative Justice should consider establishing an inter-ministerial Committee which will ensure that information required by Commission is availed. The Commission should come up with an administrative and legislative framework to address the issue.

5.9 Witness Protection Agency

Committee's Observations

a) In the FY 2019/20, the Agency's proposed budget is Kshs 481.6 million against a resource requirement of Kshs 713.2 million. The Committee observed that the agency is underfunded significantly in the following areas; Witness protection programme – Kshs 150 million, witness protection fleet - Kshs 30 million, decentralization of witness protection services to Central and Rift Valley regions – Kshs 20 million, equipment and

furniture for the newly recruited staff – Kshs 10 million, and operationalization of a staff mortgage scheme – Kshs 20 million.

b) The Committee acknowledges the critical role the Agency plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses. Indeed the Committee noted the significant role the Agency has played in the prosecution of complex corruption and terrorism related cases.

Committee's Recommendations

Financial recommendations

a) The Committee recommends an additional allocation of Kshs 230 million to cater for the following underfunded areas; Witness protection programme – Kshs 150 million, witness protection fleet - Kshs 30 million, decentralization of witness protection services to Central and Rift Valley regions – Kshs 20 million, equipment and furniture for the newly recruited staff – Kshs 10 million, and operationalization of a staff mortgage scheme – Kshs 20 million.

5.10 Office of Registrar of Political Parties

Committee's Observations

a) The Office had requested Kshs. 4.9 billion out of which Kshs. 4.1 billion was to go towards the Political Parties Fund and the balance Kshs. 801.3 million was to cater for ORPP's operations. The Kshs. 4.1 billion was 0.3% of the projected national revenue for FY 2019/20.

b) However, In FY 2019/20, the office was Kshs 427.5 million is for office operations leading to a shortfall of Kshs 373.8 million.

c) The Office has also been allocated Kshs. 371.2 million for the Political Parties Fund leading to a shortfall of Kshs 3.8 billion. It is important to note that the allocation for the Political Parties Fund was the same in FY 2018/19.

d) Further the Committee has observed that the allocation to the Political Parties Fund of Kshs 371.2 million is not in compliance with the provisions of section 24 of the Political Parties Act (No. 11 of 2011) as well as the ruling of Justice Aburili in *Orange Democratic Movement v National Treasury & 5 others in the High Court of Nairobi in 2017* advising that from FY 2018/19 the Government should comply with the provisions of the Act.

Committee's Recommendations

Financial recommendations

a) The Committee recommends the allocation of an additional Kshs. 150 million to cater for the following items: purchase of two motor vehicles – Kshs 37 million, development of a policy on party primaries and undertake country wide stakeholder and public participation – Kshs 26 million, recruitment of nine (9) staff members – Kshs 15 million, inspection, Audit and monitoring of political parties to ensure compliance with the Political Parties Act – Kshs 13 million, Political Parties (Registration) Regulations and Political Parties (Funding) Regulation – Kshs 6 million, open and operationalize three (3) County offices (Kajiado, Garissa and Kisii Counties) – Kshs 5.4 million among other activities.

b) The Committee also recommends an additional allocation of Kshs 3.8 billion for the Political Parties Fund in compliance with the provisions of section 24 of the Political Parties Act (No. 11 of 2011) and in compliance with the ruling of Justice Aburili issued on 31st October 2017.

ANNEXURE 1

Minutes of Committee sittings on the budget scrutiny and the signed list of Members who attended the sittings that adopted the report.

MINUTES OF THE ONE 140TH SITTING OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS HELD ON THURSDAY 23RD MAY, 2019 AT 2.00 P.M. IN IVORY CONFERENCE ROOM, SAFARI PARK HOTEL

PRESENT-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2. Hon. John Olago Aluoch, M.P.
3. Hon. Peter Opondo Kaluma, M.P.
4. Hon. William K. Mwamkale, M.P.
5. Hon. John M. Wambugu, M.P.
6. Hon. Beatrice Adagala, M.P.
7. Hon. Anthony G. Kiai, M.P.
8. Hon. George G. Murugara, M.P.
9. Hon. Jennifer Shamalla, M.P.
10. Hon. Japheth Mutai, M.P.

ABSENT WITH APOLOGIES-

1. Hon. Alice Muthoni Wahome, M.P. - **Vice Chairperson**
2. Hon. Ben Momanyi, MP.
3. Hon. Roselinda Soipan Tuya, M.P.
4. Hon. Charles Gimose, M.P.
5. Hon. Gladys Boss Shollei, CBS, M.P.
6. Hon. Johana Ng'eno, M.P.
7. Hon. Zuleikha Hassan, M.P.
8. Hon. John Kiarie Waweru, M.P.
9. Hon. Adan Haji Yussuf, M.P.

IN ATTENDANCE-

COMMITTEE SECRETARIAT-

1. George Gazemba	-	Principal Clerk Assistant II
2. Salem Lorot	-	Legal Counsel II
3. Halima Hussein	-	Clerk Assistant III
4. Omar ABdirahim	-	Fiscal Analyst III
5. Fiona Musili	-	Research Officer III
6. Joseph Okong'o	-	Media Officer I
7. James Kimiti	-	Audio Office

MIN No.553/2019:- **PRELIMINARIES**

The meeting commenced at 2pm with a word of prayer by Hon. Beatrice Adagala.

MIN No.554/2019:- **ADOPTION OF THE REPORT ON THE FY 2019/2020 BUDGET ESTIMATES**

The Committee unanimously adopted its report on the FY 2019/2020 Budget Estimates The adoption was proposed by Hon. Shamalla and seconded by Hon Kamoti Mwamkale

The Committee unanimously adopted its report on the 2018/2019 Supplementary Budget II. The Adoption was proposed by Hon. George Murugara and seconded by Hon Munene Wambugu.

MIN No. 555/2019: **ADJOURNMENT**

There being no other business to transact, the meeting was adjourned at Four O'clock.

Signed.....
Chairperson

Date.....28.05.19.....

MINUTES OF THE ONE 139TH SITTING OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS HELD ON THURSDAY 23RD MAY, 2019 AT 9.00 A.M. IN IVORY CONFERENCE ROOM, SAFARI PARK HOTEL

PRESENT-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2. Hon. John Olago Aluoch, M.P.
3. Hon. Peter Opondo Kaluma, M.P.
4. Hon. William K. Mwamkale, M.P.
5. Hon. John M. Wambugu, M.P.
6. Hon. Beatrice Adagala, M.P.
7. Hon. Anthony G. Kiai, M.P.
8. Hon. George G. Murugara, M.P.
9. Hon. Jennifer Shamalla, M.P.
10. Hon. Japheth Mutai, M.P.

ABSENT WITH APOLOGIES-

1. Hon. Alice Muthoni Wahome, M.P - **Vice Chairperson**
2. Hon Ben Momanyi, MP.
3. Hon. Roselinda Soipan Tuya, M.P.
4. Hon. Charles Gimose, M.P.
5. Hon. Gladys Boss Shollei, CBS, M.P.
6. Hon. Johana Ng'eno, M.P.
7. Hon. Zuleikha Hassan, M.P.
8. Hon. John Kiarie Waweru, M.P.
9. Hon. Adan Haji Yussuf, M.P.

IN ATTENDANCE-

COMMITTEE SECRETARIAT-

1. George Gazemba	-	Principal Clerk Assistant II
2. Salem Lorot	-	Legal Counsel II
3. Halima Hussein	-	Clerk Assistant III
4. Omar ABdirahim	-	Fiscal Analyst III
5. Fiona Musili	-	Research Officer III
6. Joseph Okong'o	-	Media Officer I
7. James Kimiti	-	Audio Office

MIN No.550/2019:- **PRELIMINARIES**

The meeting commenced at 9am with a word of prayer by Chairperson

MIN No.551/2019:- **CONSIDERATION OF THE DRAFT REPORT ON THE FY 2019/2020 BUDGET ESTIMATES**

The Committee considered its draft report on the FY 2019/2020 Budget Estimates and made the following recommendations;

Judiciary

a) Approval of an additional allocation of Kshs 882 million composed of Kshs 288 million for Judges' taxable car allowance and Kshs 594 million for staff pension arrears be approved for the Judiciary

b) The Judiciary to come up with building designs that takes into consideration the unique needs of every region so as to align the courts being constructed and the traffic in the court as well as the needs of the court stakeholders.

c) The Judiciary to rationalize project coverage across the country when undertaking new court constructions over the medium giving particular emphasis to areas that are in far flung areas.

Judicial Service Commission

a) An additional allocation of Kshs 775 Million to cater for the following areas;
   (i) Kshs 170 Million for improving operational efficiency of the JSC and the commissioners
   (ii) Kshs 85 Million for Recruitment of Judges, Judicial Officers and Judiciary staff to implement the reviewed organization review
   (iii) Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute
   (iv) Kshs 100 Million for Automation of JSC operations (E-recruitment Document Management System, HRMS)

(v) Kshs 70 Million for Complaints handling, Disciplinary Hearing and fight against corruption.

Office of the Attorney General and Department of Justice

a) Approval of an additional allocation of Kshs 3.7 billion to cater for the following items;
   (i) Acquisition of office space for Office of the Attorney General & Department of Justice – Kshs 2.5 billion,
   (ii) training of fifty (50) state counsels in emerging areas of law over 3 years period – Kshs 100 million,
   (iii) Development and implementation of an enterprise resource planning system (ERP) – Kshs 145 million,
   (iv) Decentralization of National Legal Aid Service to five additional counties – Kshs 150 million, operationalization of victim protection board – Kshs 25 million,
   (v) Acquisition of an office block for National Counsel for Law Reporting – Kshs 638 million, Development of National ADR Policy – Kshs 40 million,
   (vi) Development of government legal documentation center – Kshs 60 million among other projects.

Independent Electoral and Boundaries Commission

a) An additional funding of Kshs 1.5 billion be approved for settling the validated pending bills that has been processed by the Commission and Kshs 500 million for the acquisition of land outside the Central Business District.

Ethics and Anti-Corruption Commission

a) An additional allocation of Kshs 560 million for Compensation of employees composed of Kshs 125 million to cater for a salary shortfall and Kshs 435 million for the recruitment of 350 additional staff; and Kshs 930 million for operations and maintenance.

Kenya National Commission on Human Rights

a) An additional allocation of Kshs 90 million be approved to the Commission's budget to cover the following critical that are not funded;

(i) Kshs 30 million for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness on Human Rights among public institutions and state compliance to international obligations;

(ii) Kshs 30 million for Staff mortgage and car loan scheme;

(iii)Kshs 30 million for the expansion of regional offices to enhance their presence in the Counties with systemic human rights abuses.

Office of the Director of Public Prosecution

a) An additional allocation of Kshs 600 million to the ODPP to fund the following critical areas;

(i) Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, provision to cater for attendance to Mobile courts

(ii) Kshs 50 million, ICT Networking and implementation of a case management system Kshs 100 million, implementation of new organizational structure and equipping of the office regional,

(iii)County and sub-county offices and operationalizing prosecutors training institute – Kshs 100 million,

(iv)Purchase of additional vehicles – Kshs 100 million.

Commission for Administrative Justice

a) Approval of an additional allocation of Kshs 300 million to cater for Staff mortgage and car loan – Kshs 50 million for recruitment of additional staff – Kshs 35 million for public awareness and civic education – Kshs 30 million for procurement of motor vehicles – Kshs 50 million for Access to Information activities – Kshs 40 million for establishment of two county offices – Kshs 20 million for the fight against maladministration and impunity – Kshs 20 million for systemic investigations and research – Kshs 20 million.

b) The Commission on Administrative Justice should consider establishing an inter-ministerial Committee which will ensure that information required by Commission is availed. The Commission should come up with an administrative and legislative framework to address the issue.

Witness Protection Agency

a) An additional allocation of Kshs 230 million to cater for the following underfunded areas; Witness protection programme – Kshs 150 million, witness protection fleet - Kshs 30 million, decentralization of witness protection services to Central and Rift Valley regions – Kshs 20 million, equipment and furniture for the newly recruited staff – Kshs 10 million, and operationalization of a staff mortgage scheme – Kshs 20 million.

Office of Registrar of Political Parties

a) Allocation of an additional Kshs. 150 million to cater for the following items: purchase of two motor vehicles – Kshs 37 million, development of a policy on party primaries and undertake country wide stakeholder and public participation – Kshs 26 million, recruitment of nine (9) staff members – Kshs 15 million, inspection, Audit and monitoring of political parties to ensure compliance with the Political Parties Act – Kshs 13 million, Political Parties (Registration) Regulations and Political Parties (Funding) Regulation – Kshs 6 million, open and operationalize three (3) County offices (Kajiado, Garissa and Kisii Counties) – Kshs 5.4 million among other activities.

b) Further additional allocation of Kshs 3.8 billion for the Political Parties Fund in compliance with the provisions of section 24 of the Political Parties Act (No. 11 of 2011) and in compliance with the ruling of Justice Aburili issued on 31st October 2017.

MIN No. 552/2019: **ADJOURNMENT**

There being no other business to transact, the meeting was adjourned at midday.

Signed.....
Chairperson

Date.....28.05.19.....

MINUTES OF THE ONE 138TH SITTING OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS HELD ON WEDNESDAY 22ND MAY, 2019 AT 2.00 P.M. IN IVORY CONFERENCE ROOM, SAFARI PARK HOTEL

PRESENT-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2. Hon. Peter Opondo Kaluma, M.P.
3. Hon. William K. Mwamkale, M.P.
4. Hon. John M. Wambugu, M.P.
5. Hon. Beatrice Adagala, M.P.
6. Hon. Anthony G. Kiai, M.P.
7. Hon. George G. Murugara, M.P.
8. Hon. Jennifer Shamalla, M.P.
9. Hon. Japheth Mutai, M.P.

ABSENT WITH APOLOGIES-

1. Hon. Alice Muthoni Wahome, M.P. - **Vice Chairperson**
2. Hon. John Olago Aluoch, M.P.
3. Hon. Ben Momanyi, MP.
4. Hon. Roselinda Soipan Tuya, M.P.
5. Hon. Charles Gimose, M.P.
6. Hon. Gladys Boss Shollei, CBS, M.P.
7. Hon. Johana Ng'eno, M.P.
8. Hon. Zuleikha Hassan, M.P.
9. Hon. John Kiarie Waweru, M.P.
10. Hon. Adan Haji Yussuf, M.P.

IN ATTENDANCE-

COMMITTEE SECRETARIAT-

1. George Gazemba - Principal Clerk Assistant II
2. Salem Lorot - Legal Counsel II
3. Halima Hussein - Clerk Assistant III
4. Omar ABdirahim - Fiscal Analyst III
5. Fiona Musili - Research Officer III
6. Joseph Okong'o - Media Officer I
7. James Kimiti - Audio Officer

IN ATTENDANCE

COMMISSION ON ADMINISTRATIVE JUSTICE

1. Hon.Florence Kajuju - Chairperson, CAJ
2. Mr. Washington Opiyo - Vice Chairperson
3. Mr. Leonard Ngaluma - CEO, CAJ
4. Mr Dan Karomo - Director, Corporate Services
5. Mr. Bernard Nyariki - Finance Manager
6. Mr. Vincent Chahale - Director Legal Advisory
7. Ms. Phoebe Nadupoi - Director Advocacy and Communications
8. Mr. Justus Munyasa - Administrative Assistant
9. Mr. Wilson Wainaina - Administrative Assistant

OFFICE OF THE REGISTRAR OF POLITICAL PARTIES

1. Ms. Ann Nderitu - Registrar of Political Parties
2. Ms. Juliet Murimi - Ag. Director Registration/Compliance
3. Mr. Joshua Kimulu - Deputy Chief Finance Officer
4. Mr. Douglas Wanjala - Chief Accountant

WITNESS PROTECTION AGENCY

1. Mr Andrew Tanui - Deputy Director
2. Mr. John Mwangi - Finance Manage
3. Mr. John Nyanzui - Chief Protection Officer
4. Paul Ouko - Senior Planning and Research Officer
5. Julie Wahonya - Senior Legal Officer

NATIONAL TREASURY

1. Felix Ouro - Budget Officer
2. Lemis Suke - Budget Officer
3. Suleiman Salim - Finance Officer III

MIN No.546/2019:- **PRELIMINARIES**

The meeting commenced at 2pm with a word of prayer by Chairperson

MIN No.547/2019:- **APPEARANCE BY THE COMMISSION ON ADMINISTRATIVE JUSTICE**

The Chairperson of the Commission Hon. Florence Kajuju presented the the Budget Estimates for the FY 2019/2020 and Supplementary Budegt II as follows;

(i) The Commission's proposed budget allocation for the FY 2019/20 is Kshs 565 million against a resource requirement of Kshs 818 million leading to a shortfall of Kshs 253 million

(ii) The shortfall will affect the critical areas like Staff mortgage and car loan – Kshs 50 million, Recruitment of additional staff – Kshs 35 million, Public awareness and civic education – Kshs 30 million, Procurement of motor vehicles – Kshs 50 million, Access to information activities – Kshs 40 million, Establishment of two county offices – Kshs 20 million, Fight against maladministration and impunity – Kshs 20 million and Systemic investigations and research – Kshs 20 million.

(iii) The Commission has no pending bills

(iv) The Commission has no stalled projects

The following critical areas require additional funding

a) Recruitment of additional staff
b) Public awareness and civic education
c) Procurement of motor vehicles
d) Establishment of two county offices
e) Access to information activities
f) African Ombudsman

MIN No.547/2019:- **OFFICE OF THE REGISTRAR OF POLITICAL PARTIES**

The Registrar of Political Parties presented the Budget Estimates for the FY 2019/2020 and Supplementary Budegt II as follows;

(i) The Office has been allocated Kshs. 798.7 Million out of which 427.52 Million was for ORPP operations while Kshs. 371.19 million for the PPF.

(ii) There was a reduction of Kshs. 25 million intended to recruit staff from Supplementary Budget II on the item of compensation to employees.

(iii) The Registrar requested additional funding Kshs. 798,710,000 for recurrent expenditure budget and Kshs. 150 million to effectively implement the following activities;

a) Development of policy on party primaries,
b) Public sensitization on regulations,
c) Reforms to strength the legal framework,
d) Modify and integrate the political parties' membership,
e) Open and operationalize three county offices,
f) Recruitment of staff, purchase of two motor vehicles,
g) Review and training of political parties on internal dispute resolution mechanism,
h) Political Parties Liaison Committee Dialogue Framework,
i) Establishment and operationalization of Resource Centre,

j) Internal dispute resolution mechanism,
k) Political Parties Liaison Committee Dialogue Framework, Establishment
l) Inspection, Audit and Monitoring of political parties to ensure compliance with the political Parties Act
m) Undertake consultative meetings on compliance with Political Parties
n) Training Political parties and candidates on their role and obligation

MIN No.548/2019:- **WITNESS PROTECTION AGENCY**

The Deputy Director, Mr. Andrew Tanui presented the presented the Budget Estimates for the FY 2019/2020 and Supplementary Budegt II as follows;

(i) In the FY 2019/20, the agency's proposed budget is Kshs 481.6 million against a resource requirement of Kshs 713.2 million.
(ii) The National Assembly appropriated Kshs. 883,086,280 and this was reduced to 473,409,030 in Supplementary Budget I. During the Supplementary Budget II the Agency budget has been reduced by Kshs. 40 Million.
(iii) The Deputy Director requested 10 million for the program to facilitate the incoming staff and cater for the constrained activities for the remaining two months of the current FY 2018/2019.
(iv) The Agency has been allocated a budget allocation of Kshs. 481,600,000 for the FY 2019/2020 compared to the current FY 2018/2019 allocation of Kshs. 473,408,730
(v) The Agency has no pending bills for FY 2017/2018

MIN No. 549/2019: **ADJOURNMENT**

There being no other business to transact, the meeting was adjourned at Four O'clock.

Signed.....
Chairperson

Date.....28/05/19.....

MINUTES OF THE ONE 137TH SITTING OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS HELD ON WEDNESDAY 22ND MAY, 2019 AT 10.00 A.M. IN IVORY CONFERENCE ROOM, SAFARI PARK HOTEL

PRESENT-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2. Hon. Peter Opondo Kaluma, M.P.
3. Hon. William K. Mwamkale, M.P.
4. Hon. John M. Wambugu, M.P.
5. Hon. Beatrice Adagala, M.P.
6. Hon. Anthony G. Kiai, M.P.
7. Hon. George G. Murugara, M.P.
8. Hon. Jennifer Shamalla, M.P.
9. Hon. Japheth Mutai, M.P.

ABSENT WITH APOLOGIES-

1. Hon. Alice Muthoni Wahome, M.P. - **Vice Chairperson**
2. Hon. Ben Momanyi, MP.
3. Hon. John Olago Aluoch, M.P.
4. Hon. Roselinda Soipan Tuya, M.P.
5. Hon. Charles Gimose, M.P.
6. Hon. Gladys Boss Shollei, CBS, M.P.
7. Hon. Johana Ng'eno, M.P.
8. Hon. Zuleikha Hassan, M.P.
9. Hon. John Kiarie Waweru, M.P.
10. Hon. Adan Haji Yussuf, M.P.

IN ATTENDANCE-

COMMITTEE SECRETARIAT-

1. George Gazemba	-	Principal Clerk Assistant II
2. Salem Lorot	-	Legal Counsel II
3. Halima Hussein	-	Clerk Assistant III
4. Omar ABdirahim	-	Fiscal Analyst III
5. Fiona Musili	-	Research Officer III
6. Joseph Okong'o	-	Media Officer I
7. James Kimiti	-	Audio Officer

IN ATTENDANCE

THE STATE LAW OFFICE AND THE DEPARTMENT OF JUSTICE

1. Mr. Nyabuti Ogeto	-	Solicitor General
2. Ms. Muthoni Kimani	-	Director, Asset Recovery Authority
3. Longet Terer	-	Chief Executive Officer,
4. Lawrence Ngugi	-	Chief Executive Officer Nairobi Center for International Arbitration
5. Caroline Amodi	-	Ag. Director, Office of the AG
6. Clare Omolo	-	Admin. Secretary, Office of the AG
7. Paul Masinde	-	Finance Manager, Office of the AG
8. Jacquline Muindi	-	Senior Principal State Counsel
9. Seth Masese	-	Senior Principal State Counsel
10. Catherine Bunyasi	-	Senior Principal State Counsel
11. John Mwangango	-	ANG, Office of the AG
12. Benjamin Odegi	-	Deputy Secretary, Office of the AG
13. Nyakweba George	-	Chief Legal Officer, KECOBO
14. Annah Kanuche	-	Assistant Director Advocate Training, Kenya School of law
15. Anyango JohnPaul	-	Finance Officer, Office of the AG
16. Caroline Nyaga	-	State Counsel
17 Cornelius Musangi	-	Finance Officer, KLRC
18. Margaret N. Nzioka	-	Chief Counsel, Office of the AG
19. Miginjo Richard	-	Deputy Chief Finance Officer
20. Peter Musyimi	-	Principal Legal Officer
21. James Njoroge	-	Economist, Office of the AG
22. Wako Jaldesa	-	Finance Officer, Office of the AG
23. George Nyakundi	-	Secretary Accounts, Office of the AG
24. Charles Mutinda	-	Deputy Chief State Counsel, OAG
25. Stephen Magwilu	-	CRMO, Office of the AG
26. Violet Kipkan	-	Internal Auditor, Office of the AG
27. Victor Wabutube	-	Senior State Counsel

THE OFFICE OF THE DIRECTOR OF THE PUBLIC PROSECUTIONS

1. Mr. Noordin Haji	-	Director Public Prosecutions
2. Ms. Dorcas Oduor	-	Secretary Public Prosecutions
3 Mr. Jacob Ondari	-	Deputy DPP, Head of Offences
4. Mr. Nicholas Mutuku	-	Deputy DPP
5. Mr. Kennedy Kimuyu	-	Deputy Director Central Facilitation
6. Mr. Kennedy Ndwiga	-	Finance Officer
7. Ms. Lillian Ogwora	-	Assistant Director of Public Prosecution
8 Ms. Miriam Wawira	-	Principal Human Resource Manager
9. Ms. Winnie Kabinga	-	Principal Counsel
10. Ms. Judy Thuguri	-	Principal Counsel

NATIONAL TREASURY

1. Felix Ouro - Budget Officer
2. Lemis Suke - Budget Officer
3. Suleiman Salim - Finance Officer III

MIN No.542/2019:- **PRELIMINARIES**

The meeting commenced at 10am with a word of prayer by Chairperson

MIN No.543/2019:- **BRIEFING BY THE BUDGET ANALYST ON THE 2018/2019 SUPPLEMENTARY BUDGET II AND 2019/2020 BUDGET ESTIMATES**

The Fiscal Analyst took the Committee through the highlights of the 2018/2019 Supplementary Budget II and 2019/2020 Budget Estimates for the State Law Office and the Department of Justice as follows;

(i) The proposed allocation for the FY 2019/20 was Kshs. 5.3 billion comprising of Kshs. 5.1 billion for recurrent expenditure and Kshs 0.2 billion for development expenditure. The allocation was an increase of 13.2% from Ksh 4.7 Billion allocated in the financial year 2018/19. The development budget has decreased from Kshs 614 million to Kshs 230 million; however, the recurrent budget has significantly increased from Kshs 4.1 billion to Kshs 5.1 billion.

(ii) During the period under review the Sector recorded pending bills amounting to Kshs. 21,206.43 Million of which Kshs. 11,661.42Million and Kshs. 9,545.01 Million that arose from recurrent and development expenditures respectively.

MIN No. 544/2019: **APPEARANCE BY THE STATE LAW OFFICE AND THE DEPARTMENT OF JUSTICE**

The Solicitor General, Mr. Nyabuti Ogeto presented the State Law Office and the Department of Justice Budget Estimates for the Financial Year 2019/2020 and 2018/2019 Supplementary Budget II as follows;

(i) During the FY 2019/2020 the Office of the Attorney General and Department of Justice was allocated Kshs. 5.08 billion in recurrent vote and Kshs. 230 million in the development vote against Kshs. 12 94 billion the Office requested.

(ii) Additional funding would be required for the following areas that would be affected by the reductions;

a) Acquisition of Office space for OAG & DOJ
b) To train 50 State Counsel in emerging areas of law over 3 years period
c) To subscribe to online library legal resources to facilitate research which will be networked with regional offices
d) Development and implementation of an Enterprise Resource Planning System (ERP)
e) To cater for increase in number of litigations arising from implementation of Big Four Agenda especially infrastructure and housing project and new courts established in regard of labour, land and environment cases
f) Operationalization of Victims Protection Board
g) National Legal Aid Service Management Information System
h) Decentralization of National Legal Aid Service to five additional Counties
i) Improvement of working environment for OAG & DOJ staff
j) Ensure participation in preparation of legislation within the East African Community and participation in other regional and international meetings
k) To cater for drafting of Agenda Four related legislations, Conflict of Interest Bill and review laws relating to Legal Education in Kenya
l) To cater for consultancy for trainers for Legislative Drafting course at the Kenya School of Law
m) Ensure representation of the Government in International litigation and arbitration matters
n) Development of an online Laws of Kenya publishing software
o) Extension of Company's Registry building
p) Acquisition of office space for National Council for Law Reporting
q) Modernization of OAG & DOJ Server Room/Upgrade Server Room to Tier II Data Centre
r) Development of Government Legal Documentation Centre at Sheria House

s) Development of National ADR Policy

t) Implementation of new approved organizational structure and establishment of 119 officers for KECOBO

u) Reductions in the SAGAs budget allocations for 2019/2020 by National Treasury

v) NCIA – Payment of Gratuity

(iii) The Office enabled the BIG FOUR transformative agenda of the government by indirectly contributing through vetting all the bilateral and multilateral treaties and agreement before execution of projects.

(iv) The State Law Office and the Department of Justice has no stalled projects

(v) The State Law Office and the Department of Justice had a pending bill amounting to Kshs. 12,647 due to lack of supporting documentations for payment. However, the Agency has set up inter-ministerial committee to look into the issue and come up with recommendation on how to reduce the increasing pending bills.

(vi) There were no enough resources for digitilization to reduce corruption and enhance efficiency; the Agency was in talk with National Treasury for fund

(vii) The Criminal Asset Recovery Regulations has been drafted in consultation with other investigatory agencies and relevant stakeholder for finalization and onward transmission to Parliament.

MIN No. 545/2019: **APPEARANCE BY THE OFFICE OF THE DIRECTOR OF THE PUBLIC PROSECUTIONS**

The Director of Public Prosecution, Mr. Noor Haji presented the FY 2019/2020 Budget Estimates and 2018/2019 Supplementary Budget II as follows;

(i) The office resource requirement for FY 2019/20 was Kshs 4.9 billion composed of Kshs 4.8 billion for recurrent expenditure and Kshs 142 million for development expenditure. However, the ODPP was allocated Ksh. 3.0 Billion composed of Kshs 2.9 billion for recurrent expenditure and Kshs 107 million for development expenditure hence a resource short fall of Ksh 1.921 Billion.

(ii) The Supplementary Budget II FY 2018/2019 was reduced from Kshs. 129,500, 000 to Kshs. 75,000,000. The reduction would affect the recurrent budget, development budget

(iii)The ODPP has differed construction of offices at a cost of Kshs 75 million in Busia, Wajir and Kisii in FY 2018/19 due to delay in acquisition of titles for the properties. However, the same is budgeted for in FY 2019/20 at a cost of Kshs 107 million.

(iv)The ODPP has also informed the Committee that they made significant progress on the talks the office had with salaries and remuneration commission regarding the review and harmonization of the remuneration of the office staff in line with other independent offices

(v) The Office has pending bills from FY 2017/2018 amounting to Kshs. 7,388,295.80

(vi)The Office has no stalled projects

(vii) The DDP requested additional Kshs. 600 million funding for the following area;

a) The Anti-Corruption and Terrorism initiative
b) Implementation of the new ODPP Organizational structure, Inspectorate Unit, Refurbishing and equipping of ODPP regional offices, County and Sub-county offices and Operationalization of the Prosecutors Training Institute.
c) Facilitation for Mobile Courts
d) Purchase of Motor vehicles

MIN No. 546/2019: **ADJOURNMENT**

There being no other business to transact, the meeting was adjourned at One O'clock.

Signed.....
Chairperson

Date.....28.05.19.....

MINUTES OF THE ONE 136TH SITTING OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS HELD ON TUESDAY 21ST MAY, 2019 AT 2.30 P.M. IN IVORY CONFERENCE ROOM, SAFARI PARK HOTEL

PRESENT-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2. Hon. Peter Opondo Kaluma, M.P.
3. Hon. William K. Mwamkale, M.P.
4. Hon. John M. Wambugu, M.P.
5. Hon. Beatrice Adagala, M.P.
6. Hon. Anthony G. Kiai, M.P.
7. Hon. George G. Murugara, M.P.
8. Hon. Jennifer Shamalla, M.P.
9. Hon. Japheth Mutai, M.P.

ABSENT WITH APOLOGIES-

1. Hon. Alice Muthoni Wahome, M.P. - **Vice Chairperson**
2. Hon. John Olago Aluoch, M.P.
3. Hon. Ben Momanyi, MP.
4. Hon. Roselinda Soipan Tuya, M.P.
5. Hon. Charles Gimose, M.P.
6. Hon. Gladys Boss Shollei, CBS, M.P.
7. Hon. Johana Ng'eno, M.P.
8. Hon. Zuleikha Hassan, M.P.
9. Hon. John Kiarie Waweru, M.P.
10. Hon. Adan Haji Yussuf, M.P.

IN ATTENDANCE-

COMMITTEE SECRETARIAT-

1. George Gazemba - Principal Clerk Assistant II
2. Salem Lorot - Legal Counsel II
3. Halima Hussein - Clerk Assistant III
4. Omar ABdirahim - Fiscal Analyst III
5. Fiona Musili - Research Officer III
6. Joseph Okong'o - Media Officer I

IN ATTENDANCE

INDEPENDENT ELECTORAL AND BOUNDAIRES COMMISSION

1. Mr. Marjan H. Marjan - Chief Executive Officer and Commission

			Secretary
2.	Mr. Obadiah Keitany	-	Director Finance
3.	Mr. Rasi Masudi	-	Dir. Voter Registration and Electoral Operation
4.	Mr. James Muhati	-	Director, ICT
5	Ms. Immaculate Kassait	-	Director Voter Education Program
6.	Ms. Shylla Jeptoo	-	Budget officer
7	Mr. Jason Akoyo	-	Manager Budget

ETHICS AND ANTI-CORRUPTION COMMISSION (EACC)

1	Bishop Eliud Wabukala	-	Chairperson, EACC
2.	Ms. Jeniffer Kimani	-	Director Finance, EACC
3.	Mr. Jackson Mue	-	Ag. Director Field Services, EACC
4.	Mr. Willis Warala	-	Deputy Director Budget and Policy
5	Mr. Abdi Mohamud	-	Director Investigation
6.	Mr. David Too	-	Director Legal Services
7.	Mr. Vincent Okong'o	-	Director Preventive Services
8.	Mr. Vincent Mutula	-	Deputy Director Internal Audit
9.	Ms. Lucy Kinuthia	-	Director Ethics and Investigations

KENYA NATIONAL COMMISSION ON HUMAN RIGHTS (KNCHR)

1.	Dr. Mogesa Bernard	-	Chief Executive Officer, KNHRC
2.	Wambui Gathathi	-	Deputy Chief Executive Officer
3.	John Wamwanga	-	Finance Manager

NATIONAL TREASURY

1.	Felix Ouro	-	Budget Officer
2	Lemis Suke	-	Budget Officer
3.	Suleiman Salim	-	Finance Officer III

MIN No.537/2019:- **PRELIMINARIES**

The meeting commenced at 2.30p.m with a word of prayer by Chairperson

MIN No. 538/2019: **APPEARANCE BY THE INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION**

The Acting Chief Executive Officer, Mr. Marjan Hussein presented the 2019/2020 Budget Estimates and Supplementary Budget II 2018/2019 for the Independent Electoral and Boundaries Commission as follows THAT;

(i) The Commission's allocation for the FY 2018/2019 was Kshs. 4,185,624,477 for recurrent vote and Kshs. 43,000,000 for development vote which has been revised to Kshs.4, 393,624,477 due to the recent by elections the commission conducted.

(ii) The Commission was in the process of preparing to conduct boundaries delamination

(iii) The General Election were funded over three financial years 2015/2016, 2016/2017 and 2017/2018 and the finances were obtained through the Medium Term Framework process.

(iv) The Commission requested funding of Kshs. 3,901,757,573 in the Supplementary Estimates II to cater for pending bills carried forward from 2017 election related.

(v) If the pending bills are not paid legal fees would be taxed upwards, suppliers would withdraw services and re-use of the technology would be compromised hence the cost of elections will be very high.

(vi) The Commission resource requirement for FY 2019/20 was estimated to be Kshs 14.41 billion against an allocation of Kshs 4.803 billion ceiling resulting in a deficit of about Kshs. 9.297 billion for the next FY 2019/20.

(vii) The deficit would affect the settling of pending bills for goods and services including legal fees incurred in the FY 2017/2018 estimated to be Kshs 3.9 billion, the Proposed Uchaguzi Centre (Kshs. 1 billion), and Information Communication and Technology (ICT) Audit for existing electoral technologies (Kshs. 100 Million).

(viii) The Acting Chief Executive Officer, Mr. Marjan Hussein also submitted the following request to the Committee;

a) To consider and allocate to the Commission's Supplementary Estimates II Budget for 2018/2019 Kshs. 3.9 billion to cater for suppliers of good and services including legal fees
b) Consider allocating Kshs. 100 Million for ICT Audit
c) Allocate Kshs. 1 billion for Uchaguzi Centre headquarter

MIN No. 539/2019: **APPEARANCE BY THE ETHICS AND ANTI-CORRUPTION COMMISSION (EACC)**

The Chairperson of the Bishop Eliud Wabukala presented the FY 2019/2020 Budget Estimates and Supplementary Budget II 2018/2019 as follows;

(i) The Commission's approved budget Estimates for FY 2018/2019 was Kshs. 2,801,540,000 and Kshs. 125,000,000 for recurrent and development budgets respectively.

(ii) Under the proposed Supplementary Estimates II, the Commission's recurrent budget has been increased by Kshs. 365,500,000 which was committed to pay staff salaries and payment of of goods and services incurred in FY 2018/2019.

(iii)The absorption rate of the Commission was 80% of the total amount allocated

(iv)The Chairperson stated the Commission anticipated that as part of the Integrity Centre Refurbishment and facelift since the building was over forty years old and in dire need for refurbishment and facelift

(v) The Commission has recurrent budget funding short fall of 1,490,000,000 and development budget shortfall of Kshs. 275,000,000

(vi)The Commission had no stalled projects and pending bills

a) The total resource requirement for the Commission for the FY 2019/20 amounts to Kshs. 4.7 Billion composed Kshs 4.4 Billion for recurrent expenditure and Kshs. 0.3 Billion for Development/Capital Expenditure. However, the Commission was allocated a budget ceiling of Kshs. 2.966 Billion composed of Kshs 2.941 Billion for recurrent expenditure and Kshs 25 Million for development expenditure leading to a shortfall of Kshs 1.734 Billion

b) The Chairperson requested allocation of additional funding of Kshs 1.6 Billion to cater for the automation of its business processes including investigation process for enhanced accountability and efficiency among other functional areas.

MIN No. 540/2019: **APPEARNCE BY THE KENYA NATIONAL COMMISSION ON HUMAN RIGHTS (KNCHR)**

The Chief Executive Officer, Kenya National Commission on Human Rights, Dr. Mogesa Bernard presented the FY 2019/2020 Budget Estimates and Supplementary Budget II 2018/2019 as follows;

i) The Commission has been allocated Kshs. 384.3 Million in the FY 2019/20 against a resource requirement of Kshs. 600 million by the National Treasury. This leaves a resource gap of about Kshs. 215.7 Million.

ii) The CEO requested the Committee to consider the allocation of Kshs 90 Million to fund critical areas as follows- Kshs 30 Million for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness on Human Rights among public institutions and state compliance to international obligations; Kshs 30 Million for Staff mortgage and car loan scheme; and Kshs 30 Million for the expansion of regional offices to enhance their presence in the counties with systemic human rights abuses.

MIN No. 541/2019: **ADJOURNMENT**

There being no other business to transact, the meeting was adjourned at Five O'clock.

Signed.....
Chairperson

Date.....28.05.19.....

MINUTES OF THE 135TH SITTING OF THE DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS HELD ON TUESDAY 21ST MAY, 2019 AT 9.30 A.M. IN IVORY CONFERENCE ROOM, SAFARI PARK HOTEL

PRESENT-

1. Hon. William Cheptumo, M.P. - **Chairperson**
2. Hon. Peter Opondo Kaluma, M.P.
3. Hon. William K. Mwamkale, M.P.
4. Hon. John M. Wambugu, M.P.
5. Hon. Beatrice Adagala, M.P.
6. Hon. Anthony G. Kiai, M.P.
7. Hon. George G. Murugara, M.P.
8. Hon. Jennifer Shamalla, M.P.
9. Hon. Japheth Mutai, M.P.

ABSENT WITH APOLOGIES-

1. Hon. Alice Muthoni Wahome, M.P. - **Vice Chairperson**
2. Hon Ben Momanyi, MP.
3. Hon. John Olago Aluoch, M.P.
4. Hon. Roselinda Soipan Tuya, M.P.
5. Hon. Charles Gimose, M.P.
6. Hon. Gladys Boss Shollei, CBS, M.P.
7. Hon. Johana Ng'eno, M.P.
8. Hon. Zuleikha Hassan, M.P.
9. Hon. John Kiarie Waweru, M.P.
10. Hon. Adan Haji Yussuf, M.P.

IN ATTENDANCE-

COMMITTEE SECRETARIAT-

1. George Gazemba	-	Principal Clerk Assistant II
2. Salem Lorot	-	Legal Counsel II
3. Halima Hussein	-	Clerk Assistant III
4. Omar Abdirahim	-	Fiscal Analyst III
5. Fiona Musili	-	Research Officer III
6. Joseph Okong'o	-	Media Officer I

IN ATTENDANCE

JUDICIARY AND JUDICIAL SERVICE COMMISSION

1. Mr. Paul N. Maina	-	Deputy Chief Registrar Judiciary
2. Mr. Steven Ikilena	-	Ag. Director ICT
3. Jeremiah K. Nthusi	-	Dir. Supply Chain Management
4. John F. Okello	-	Director Budget
5. Peter Wanyama	-	Deputy Chief Economist
6. Beatrice Kamau	-	Deputy Director Finance
7. Paul Kimalu	-	Ag. Dir. Planned & Organized
8. Emmah A. Orua	-	Deputy Director Finance and Accounting
9. Peter Mulwa	-	Registrar Magistrate Courts
10. Nancy Kanyago	-	Project Coordinator
11. David Rapando	-	Chief Finance Officer
12. Edwin Mureti Mbui	-	Finance Officer
13. John Ole Tambul	-	Senior Finance Officer
14. Hellen Musyoki	-	Senior Economist

NATIONAL TREASURY

1. Felix Ouro	-	Budget Officer
2. Lemis Suke	-	Budget Officer
3. Suleiman Salim	-	Finance Officer III

MIN No.533/2019:- **PRELIMINARIES**

The meeting commenced at 9.30a.m with a word of prayer by Hon. George Murugara, MP

MIN No. 534/2019: **BRIEFING BY THE BUDGET ANALYST ON THE 2018/2019 SUPPLEMENTARY BUDGET II AND 2019/2020 BUDGET ESTIMATES**

The Fiscal Analyst briefed the Committee on the highlights of the Judiciary and Judicial Service Commission FY 2019/2020 Budget Estimates as follows;

Judiciary

Judiciary budget performance review FY 2015/2016 -2017/2018

(i) Judiciary budget allocation in FY 20015/2016 was Kshs. 14,799 Million which grew by 16% to Kshs. 17,559 million in FY 2015/2017

(ii) Judiciary didn't fully utilized the allocated funds due to delayed exchequer releases, long and tedious procurement processes as well as IFMIS related challenges.

(iii)The case clearance rate improved from 75.8% in FY 2015/2016 to 87.4% in FY 2016/2017, this was attributed to the various initiatives the Judiciary undertook including

the judiciary service weeks, mobile courts and the increased number judicial officers and staff

(iv) To enhance access to justice and address backlog of cases the Judiciary established seventeen (17) new High Courts stations, eight (8) new Environments and Land Courts, five (5) new Magistrate Courts and eleven (11) Kadhi courts in various counties.

(v) Under ongoing construction as at 31st December, 2018, were thirteen (13) construction and rehabilitation projects were completed however; the projects that had large scopes of works were not completed on time due to various challenges that included delayed payment, lengthy procedure for approvals of variations, unfavorable weather conditions, poor performance by contractors and budgetary cuts.

(vi) There was mismatch between the huge court buildings being built by the judiciary vis a vis the traffic at the court for example Nkubu law court has been constructed at a cost of Kshs 85.9 million and composed of a 3 story tower building, however, the court was handling only 1,590 cases which is 0.4% of the total cases filed.

Judiciary's Proposed Budget Estimate 2019/20

(i) The judiciary budget allocations in FY 2015/16 was Kshs 14.8 billion which grew by 16% to Kshs 17.1 billion in FY 2016/17 and declined by 17% to 14.6 billion in FY 2017/18 due to austerity measures.

(ii) Under the development vote, the department's budget has been increased significantly by 60.7% from an allocation of Kshs. 2.73 billion in 2018/19.

(iii) judiciary programmed based budget was not in line with its itemized budget as submitted as the program based budget puts the judiciary budget at Kshs 16.7 billion while the itemized budget puts it Kshs 18.5 billion.

(iv) Judiciary had a total of twelve (12) stalled projects (court constructions) across the country whose estimated cost is Kshs 2.0 billion. As at the end of June, 2018, the actual expenditure towards those projects stood at Kshs 327 million. The outstanding project cost was Kshs 1.7 billion.

(v) The pending bills as at the end of the FY 2017/18 totaled to Kshs 528 million composed of Kshs 246 million under the recurrent account and Ksh. 282 from development expenditures due to austerity measures in the middle of the financial year which caused non-payment of most of the existing contracts

Judicial Service Commission

(i) The FY 2019/20, the proposed allocation to the Judicial Service Commission was KSh. 480 million which was an increment of 31.9% from Kshs. 364 million allocated in 2018/19. However, the allocation for the Commission was significantly lower than its resource requirement of Kshs 1.2 billion.

(ii) Additional resources were required to fund critical areas such as recruitment of judicial officers and staff; equipping of enhanced court infrastructure; hearing and determination of complaints; finalization of pending policy documents and capacity development for judicial officers and staff aimed at ensuring enhanced access to justice.

(iii)In the year 2017/18, the Commission had pending bills totaling to KShs. 44 Million an increase from FY2016/17 which stood at KShs 14million due to lack of exchequer.

MIN No. 535/2019: **APPEARANCE BY THE JUDICIARY AND JUDICIAL SERVICE COMMISSION**

The Judiciary Deputy Chief Registrar, Mr. Paul Maina conveyed the apologies of the Chief Registrar who was out of the country on official duties. Committee was concerned with the manner in which the Accounting Officer of the Judiciary the Chief Registrar communicated her absence from the meeting however, the Deputy Chief Registrar Judiciary was allowed to make the presentation on her behalf. Notwithstanding, the importance of the meeting should have merited her cancelling of other engagements to ensure that the position of the Judiciary on the Supplementary II and the proposed budget estimates for FY 2019/ 2020 was adequately presented.

The Judiciary Deputy Chief Registrar presented the Judiciary and Judicial Services Commission proposed Budget Estimates for the FY 2019/2020 and Supplementary Budget II 2018/2019 as follows;

Judiciary

(i) The total resource requirements for the Judiciary for the FY 2019/20 amounted to Kshs. 23.3 Billion composed of Kshs 16.992 Billion for recurrent expenditure and Kshs. 6.295 Billion for Development/Capital Expenditure. However, the Judiciary was allocated a budget ceiling of Kshs. 18.5 Billion which composed of Kshs 14.1 Billion for recurrent expenditure and Kshs 4.39 billion for development expenditure leading to a shortfall of Kshs 4.8 Billion.

(ii) The Judiciary has out of its shortfall of Kshs 4.8 Billion requested allocation of Kshs 3.4 billion composed of Kshs 1.5 billion for development expenditure and Kshs 1.9 billion for recurrent expenditure.

(iii)The additional allocation of Kshs 1.5 billion will enable the judiciary to successfully complete the ongoing projects in FY 2019/20.

(iv)The requested additional allocation under the recurrent vote would enable the judiciary to cater for the following critical areas;

a) Mortgages for judges and staff – Kshs 800 million,
b) Pension arrears – Kshs 479 million,
c) ICT Automation – Kshs 800 million,
d) Facilitation of existing mobile courts and Purchase of motor vehicles for judges
e) Court stations – Ksh 200 million.

Judicial Service Commission

(i) The total resource requirements for the Judicial Service Commission (JSC) for the FY 2019/20 amounts to Kshs. 1.2 Billion which composed of Kshs 628 Million for the Judicial Service Commission and Kshs. 600 Million for the Judicial Training Institute. However, the Commission was allocated a budget ceiling of Kshs. 480 Million which composed of Kshs 341 Million for the Judicial Service Commission and Kshs. 139 Million for the Judicial Training Institute leading to a shortfall of Kshs 775 Million.

(ii) The critical areas of the Commission that are underfunded include ; provision of land/ office premises for the Judiciary training institute – Kshs 800 million, capacity building and training for the new commissioners – 250 million, legal fees – Kshs 50 million.

(iii)The Deputy Chief Registrar Judiciary requested the following additional allocations;

a) Kshs 170 Million for improving operational efficiency of the JSC and the commissioners to facilitate the commissioners with vehicles, office space and furniture
b) Kshs 85 Million for Recruitment of Judges, judicial Officers and judiciary staff to implement the reviewed organization review;
c) Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute;
d) Kshs 100 Million for Automation of JSC operations for example E-recruitment Document management system, HRMS
e) Kshs 70 Million for Complaints handling, Disciplinary Hearing and fight against corruption.

f) Kshs 800 Million for the provision of land/ office premises for the proposed Judiciary Training Institute

(iv) The Deputy Chief Registrar informed the Committee that there are shortage of judges in the Environment and Land Court, However, the commission was in the process of recruiting additional judges to alleviate the situation

MIN No. 536/2019: **ADJOURNMENT**

There being no other business to transact, the meeting was adjourned at One O'clock.

Signed.....
Chairperson

Date.....28.05.19.....

KENYA NATIONAL ASSEMBLY

DEPARTMENTAL COMIITTEE ON JUSTICE AND LEGAL AFFAIRS

ATTENDANCE REGISTER FOR MEMBERS

DATE..23/5/2019..... **TIME**.....2PM.....

VENUE...Ivory Conference Room, Safari Park Hote

AGENDA...Adoption of the Reports on the Budget estima
2019/20 and Supplementary Budget II 2018/2019

NO.	NAME	SIGNATURE
1.	Hon. William Cheptumo, M.P. – **Chairperson**	
2.	Hon. Alice Wahome, MP. - **Vice Chairpserson**	
3.	Hon. John Olago Aluoch, MP.	
4.	Hon. Roselinda Soipan Tuya, MP.	
5.	Hon. Ben Momanyi,MP.	
6.	Hon. Mwamkale William Kamoti, MP.	
7.	Hon. Peter Opondo Kaluma, MP.	
8.	Hon. Charles Gimose, MP.	

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9.	Hon. Johana Ngeno Kipyegon, MP.	
10.	Hon. Zuleikha Hassan, MP.	
11.	Hon. John Kiarie Waweru, MP.	
12.	Hon. George Gitonga Murugara, MP.	
13.	Hon. Adan Haji Yussuf, MP.	
14.	Hon. Japheth Kiplangat Mutai, MP.	
15.	Hon. Anthony Githiaka Kiai, MP.	
16.	Hon. Jennifer Shamalla, MP.	
17.	Hon. Beatrice Adagala, MP.	
18.	Hon. John Munene Wambugu, MP.	
19.	Hon. Boss Shollei, CBS, MP.	

GEORGE GAZEMBA, ACIArb
For: CLERK OF THE NATIONAL ASSEMBLY

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ANNEXURE 2

List of projects funded by World Bank through the Judicial Performance Improvement Project (JPIP)

Table Annex 1: Details of projects funded by World Bank through the Judicial Performance Improvement Project (JPIP)

STATUS REPORT OF PROJECTS FUNDED BY WORLD BANK (THROUGH JPIP) AS AT 30TH JUNE 2018											
No.	Court	Court Station	Contractor Name	Contract Amount	Start Date	Initial Completion Date	Revised Completion Date	Initial Contract Period (Weeks)	% Completeness		Status Report
									FY 2016/17	FY 2017/18	
Ongoing Projects											
1	Kigumo Law Courts	Kigumo	Marimo Construction Ltd	94,160,933.00	29/06/15	29/06/16	18/09/18	52	98%	100%	Complete
2	Chuka Law Courts	Chuka	Philmark System Services Ltd	96,881,316.00	05/06/15	13/06/16	23/07/18	52	78%	87%	On-going
3	Engineer Law Courts	Engineer	Yomason Contractors Ltd	78,615,579.00	08/06/15	08/08/16	21/03/18	52	98%	99%	Practically complete
4	Vihiga Law Courts	Vihiga	Lunao Enterprises Ltd	78,476,529.00	16/09/15	14/09/16	14/11/18	52	88%	96%	On-going
5	Nyando Law Courts	Nyando	Philmark System Services Ltd	74,827,121.00	04/09/15	02/09/16	06/03/18	52	84%	99%	Practically complete
6	Molo Law Courts	Molo	Atlas Plumbers Ltd	99,910,995.00	19/06/15	17/06/16	24/05/18	52	98%	98%	Practically complete
7	Oyugis Law Courts	Oyugis	Sasah Contractors Ltd	109,731,080.00	29/06/15	28/06/16	21/09/18	52	88%	95%	On-going
8	Nyamira Law Courts	Nyamira	JN Investments Ltd	118,305,748.00	18/06/15	17/06/16	18/09/18	52	65%	90%	On-going
9	Muhoroni Law Courts (Tamu)	Tamu	Philmark System Services Ltd	74,879,919.00	06/09/15	08/06/16	30/09/18	52	75%	97%	On-going
10	Nakuru Law Courts	Nakuru	Diwafa Investments Ltd	347,765,950.00	18/02/16	18/08/17	18/10/18	110	80%	80%	On-going
11	Siaya Law Courts	Siaya	Nanchang/GL Williams JV	342,751,951.00	21/03/16	21/09/17	22/11/18	110	60%	70%	On-going
12	Garissa Law Courts	Garissa	Inshallah Ltd	351,323,457.00	22/01/16	22/07/17	11/05/18	110	40%	72%	On-going
13	Makindu Law Courts	Makindu	Gracan Construction Ltd	96,855,446.00	08/03/16	07/03/17	30/05/18	52	90%	100%	Complete
14	Nanyuki Law Courts	Nanyuki	Pinnie Agency Ltd	318,559,759.00	10/03/16	10/09/17	12/10/18	110	60%	76%	On-going
15	Kibera Law Courts	Nairobi	Havi Construction	137,649,133.00	13/04/16	13/04/17	30/06/18	52	40%	65%	On-going
16	Voi Law Courts	Voi	Concordia Building & Eng. Ltd	347,582,674.49	29/03/17	29/09/18		78	5%	45%	On-going

Table Annex 1: Details of projects funded by World Bank through the Judicial Performance Improvement Project (JPIP)

STATUS REPORT OF PROJECTS FUNDED BY WORLD BANK (THROUGH JPIP) AS AT 30TH JUNE 2018											
No.	**Court**	**Court Station**	**Contractor Name**	**Contract Amount**	**Start Date**	**Initial Completion Date**	**Revised Completion Date**	**Initial Contract Period (Weeks)**	**% Completeness**		**Status Report**
									FY 2016/17	**FY 2017/18**	
17	Kapenguria Law Courts	Kapenguria	County Builders Ltd	400,880,621.00	21/03/17	21/09/18		78	5%	40%	On-going
18	Maralal Law Courts	Maralal	Debroso Construction Ltd	378,745,872.00	23/03/17	23/09/18		78	8%	35%	On-going
19	Kwale Law Courts	Kwale	Inforserve Networks Ltd	389,998,592.00	05/06/17	11/06/18		78	5%	32%	On-going
New Projects											
20	Isiolo Law Court	Isiolo	Dallo Holdings Ltd	379,082,160.90	04/10/17	10/10/18		78	8%	46%	On-going
21	Wajir Law Courts	Wajir	Anole Construction Co. Ltd	369,567,057.00	27/09/17	27/03/19		78	0%	6%	On-going
22	Ol-Kalou Law Courts	Ol-Kaluo	Nelliwa Builders	399,323,129.00	18/09/17	17/03/19		78	0%	16%	On-going
23	Kakamega Law Courts	Kakamega	Hashit Construction & General Sup. Ltd	387,664,343.33	21/09/17	21/03/19		78	0%	20%	On-going
24	Mukurweini Law Courts	Mukurweini	One Source Company Ltd	158,978,307.00	19/09/17	18/09/18		52	0%	20%	On-going
25	Mombasa Law Courts	Mombasa	Bashash Ltd	445,173,322.65	28/09/17	28/03/19		78	0%	20%	On-going
26	Makueni Law Courts	Makueni	Admo Ltd	410,099,717.10	25/09/17	25/03/19		78	0%	20%	On-going
27	Kangema Law Courts (Phase II)	Kangema	High Octane Engineering Ltd	42,992,271.57	20/09/17	18/09/18		52	0%	38%	On-going
28	Kajiado Law Courts	Kajiado	Misbah Networks Ltd	398,407,995.00	15/03/18	15/09/19		78	0%	8%	On-going
Tender Evaluation											
29	Kapsabet Law Courts	Kapsabet						120	0%	0%	Tender evaluation

ANNEXURE 3

Details of projects funded by the Government of Kenya

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	**Project**	**Court Station**	**Contractor's Name**	**Contract Amount (Ksh.)**	**Start Date**	**Initial Completion Date**	**Projected**	**Initial**	**% Completeness**		**Status Reports**
									FY 2016 -2017	**FY 2017 -2018**	
Ongoing projects											
1	Homabay Law Courts	Homabay	Pepeta Holdings Limited	367,308,473.46	13/03/17	30/07/18		72	4%	26%	Contractor on site, slow progress
2	Kabarnet Law Courts	Kabarnet	Badole Construction Limited	366,798,387.60	17/03/17	17/09/18		72	6%	15%	Contractor not on site, slow progress
3	Marsabit Law Courts	Marsabit	Dido and Sons Limited	370,222,599.79	17/03/17	17/09/18		72	6%	18%	Contractor on site, good progress
4	Amagoro Law Courts	Amagoro	Sow Contractors Limited	137,988,040	13/03/17	13/03/18	13/03/19	54	1%	15%	Contractor on site, slow progress
5	Githongo Law Courts	Githongo	Nash Investments Limited	130,895,657.00	04/05/17	04/04/18	04/04/19	54	5%	26%	Contractor on site, slow progress
6	Kandara Law Courts	Kandara	Microsoft Construction Limited	137,817,417.00	04/03/17	04/04/18	17/03/19	54	8%	22%	Contractor on site, good progress
7	Machakos Law Courts	Machakos	Manyota Ltd	34,084,690.00	18/05/17	18/11/17	18/05/18	24	20%	65%	Contractor on site, good progress
8	Marsabit Law Courts	Marsabit	Precision Civil Eng. Limited	10,888,254.42	02/05/17	17/10/17	13/03/19	72	20%	75%	Contractor on site, good progress
9	Supreme Court	Nairobi	Dapalk Contractors Limited	21,538,285.00	04/04/17	04/10/17	15/01/18	16	90%	98%	Completed and awaiting handing over.
10	Kiambu law Law Courts	Kiambu	Outlet Branding Limited	7,510,360.00	31/05/17	08/01/18	08/07/18	24	55%	95%	Contractor on site, good progress
11	Mbita Law Courts	Mbita	Derow Construction Limited	148,325,073.00	15/03/17	14/03/18	14/03/19	52	10%	29%	Contractor on site, slow progress
12	Hamisi Law Courts	Hamisi	Pendeza Contractors	55,199,905.00	04/12/15	13/11/16	11/04/18	48	85%	95%	Contractor on site, slow progress
13	Embu Law Courts	Embu	Manyota Limited	178,932,022.32	15/01/15	15/09/16	18/10/17	84	97%	100%	Contractor on site, slow progress
			Jufex-Auto Hardware Co. Limited	9,555,546.40	15/01/15	15/09/16		84	87%	100%	Contractor on site, slow progress

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	**Project**	**Court Station**	**Contractor's Name**	**Contract Amount (Ksh.)**	**Start Date**	**Initial Completion Date**	**Projected**	**Initial**	**% Completeness**		**Status Reports**
									FY 2016 -2017	**FY 2017 -2018**	
			Masterpiece Electricals Limited	8,058,350.00	15/01/15	15/09/16		84		100%	Completed
			Muga Electrical Contractors Limited	19,279,228.00	15/01/15	15/09/16		84	90%	100%	Completed
			Manyota Ltd (Lift installations)	13,500,000.00	15/01/15	15/09/16		84	90%	100%	Completed
			Pluton Ltd (ICT installations)	23,578,502.00					60%	100%	Contractor on site, slow progress
14	Nkubu Law Courts	Nkubu	Just In Time Africa Limited	85,958,760.80	12/01/15	30/12/16		78	98%	100%	Completed and handed over to Client on 1st Nov. 2017.
15	Muranga Law Courts	Muranga	Volcanic General SC Limited	62,086,413.20	19/05/15	20/02/16	17/08/18	36	70%	75%	Contractor on site, poor progress
16	Mandera Law Courts	Mandera	El-Yumo Contractors	107,034,445.00	19/05/15	20/02/16	30/12/18	52	60%	65%	Contractor on site, slow progress
17	Narok Law Courts-Phase II	Narok	Resjos Contractors Limited	65,194,539.00	26/10/15	04/07/16	30/12/18	36	70%	80%	Contractor not on site.
			The Insta-Pumps Engineering	6,496,900.00	26/10/15				70%	70%	
			PowerPoint Systems Limited	2,330,270.00	26/10/15				0%	0%	
18	Butali Law Courts	Butali	Dynamic Green Technologies	32,690,725.60	09/03/15	04/03/16	18/10/18	52	80%	83%	Contractor on site, good progress
19	Eldama Ravine Law Courts	Eldama Ravine	Green Heights Ventures	81,882,269.70	04/02/15	03/03/16		52	80%	95%	Practically complete
20	Port Victoria Law Courts	Port Victoria	Nolads Engineering Limited	46,529,557.00	12/02/15	12/02/16	27/06/18	52	85%	93%	Poor progress.
21	Eldoret Law Courts	Eldoret	Sudafric Group Limited	38,095,640.00	23/02/15	27/06/16		18	85%	85%	Contractor not on site
22	Othaya Law Courts	Othaya	Economic Housing Group	81,664,580.00	15/01/13	31/05/16	30/12/18		70%	95%	Practically complete

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	**Project**	**Court Station**	**Contractor's Name**	**Contract Amount (Ksh.)**	**Start Date**	**Initial Completion Date**	**Projected**	**Initial**	**% Completeness**		**Status Reports**
									FY 2016 -2017	**FY 2017 -2018**	
23	Wanguru Law Courts	Wanguru		81,664,580.00	15/01/13	31/05/16	30/12/18		70%	70%	No progress
24	Marimanti Law Courts	Marimanti		81,664,580.00	15/01/13	31/05/16	30/12/18		80%	80%	No progress
25	Bomet Law Courts	Bomet		81,664,580.00	15/01/13	31/05/16	30/12/18		90%	100%	Complete
26	Runyenjes Law Courts	Runyenjes	Timsales Limited	99,959,218.00	23/01/13	31/05/16	30/12/18		85%	90%	Contractor on site, slow progress
27	Tawa Law Courts	Tawa		99,959,218.00	23/01/13	31/05/16	30/12/18		85%	90%	Contractor on site, slow progress
28	Mombasa Court of Appeal	Mombasa	Dantax Enterprises	33,940,580.00	19/11/14	19/03/15	29/06/18	16	75%	85%	Contractor on site, slow progress
			Kaminara Agencies Limited	11,465,680.00	19/11/14	19/03/15	29/06/18	16	75%	85%	Slow progress
			HotPoint Appliances Limited	6,385,539.00	19/11/14	19/03/15	29/06/18	16	75%	85%	Slow progress
29	Nyeri Court of Appeal	Nyeri	Thwama Building Services Limited	18,482,123.00	17/04/14	02/10/15	30/12/18	24		95%	Contractor on site, slow progress
30	Siaya Law Courts	Siaya	Nyobu Enterprises Limited	9,720,800.00	03/11/15	03/05/16		26	90%	100%	Completed and handed over to Client.
31	Karatina Law Courts	Karatina	Web Commercial Systems Limited	6,911,255.00	04/05/17	15/09/18		54	60%	65%	Contractor on site, slow progress
New projects											
32	Habasweini Law Courts	Habasweini	E-world International Limited	143,192,128.00	28/9/17	27/09/18		52	0%	7%	Contractor on site, slow progress
33	JSC offices	Nairobi	Gracan Limited	13,748,982.00	18/08/17	15/11/17		24	0%	85%	Contractor on site, slow progress
34	Makadara Law Courts	Makadara	Automark Engineering Limited	9,895,300.00	23/07/17	13/10/17	23/06/18	16	0%	60%	Contractor not on site.
35	Competitions Tribunal	Nairobi	Ready Go Limited	4,694,150.00	23/07/17	23/09/17		8	60%	100%	Complete
36	Mpeketoni	Mpeketoni	Centurion Eng. Limited	34,327,784.00	01/04/15	30/10/15		24	95%	100%	Complete

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	**Project**	**Court Station**	**Contractor's Name**	**Contract Amount (Ksh.)**	**Start Date**	**Initial Completion Date**	**Projected**	**Initial**	**% Completeness**		**Status Reports**
									FY 2016 -2017	**FY 2017 -2018**	
	Law Courts										
37	Ukwala Law Courts	Ukwala	Ambe General Merchants	4,590,833	30/05/17	26/09/17		16	75%	100%	Complete
38	Competitions Tribunal	Nairobi	Ready Go Limited	4,694,150.00	23/06/17	18/8/17		8	60%	100%	Complete

ANNEXURE 4

Awards against the Government

Annex 3: Awards against the Government

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS
AGRICULTURE					**7,685,694,175.00**		
AG/MOA/6/86	NRB HCCC 1655/86	HALAL MEAT PRODUCTS LTD	AGRICULTURE	LAND CLAIM	7,434,462,350.00		AWAITING DIRECTION
AG/ARB/MOA/1187/11	NRB CIVIL APPEAL 9/12	ERAD SUPPLIERS	AGRICULTURE	BREACH OF CONTRACT	238,677,382.00		PENDING PAYMENT
AG/GC/MOA/196/02	NKU HCCC 267/02	TABITHA KAIRU	AGRICULTURE	ACCIDENT	11,349,000.00		PENDING PAYMENT
AG/MOA/16/96	EMBU PMCC 92/96	PATRICK MUKUNDI	AGRICULTURE	RTA	754,192.00	6/12/2005	PENDING PAYMENT
AG/MOA/10/96	NRB SPMCC 8624/96	EUNICE KOGI	AGRICULTURE	RTA	271,721.00	7/7/1998	PENDING PAYMENT
AG/ARB/MLD/5/12	NRB HC MISC 238/15	ASSOCITED ARCHITECH	AGRICULTURE	BREACH OF CONTRACT	179,530.00		PENDING PAYMENT
CULTURE					**1,080,010.00**		
AG/GC/MCSS/451/09	MWINGI SPMCC	CECILIA MUINGO	CULTURE	ACCIDENT	1,080,010.00		PENDING PAYMENT
DEFENCE					**2,118,707,351.30**		
AG/CPT/DOD/30/11	NRB HCPT38/11	TORINO ENTERPRISES	DEFENCE	LAND TRESPASS	1,500,000,000.00		PENDING PAYMENT
AG/LIC/DOD/27/12	NRB 2212/12	SAMUEL CHEGE GITAU	DEFENCE	DISMISSAL	284,000,000.00		INTENDING TO APPEAL
AG/CPT/DOD/75/08	NRB HCPT 228/08	KARIUKI KINGARU	DEFENCE	TORTURE	75,000,000.00		PENDING PAYMENT
AG/CPT/DOD/75/08	NRB ICC 49/12	CAPTAIN KARIUKI&I KINGARU	DEFENCE	DISMISSAL 1982 COUP	72,820,868.00		INTENDING TO APPEAL
AG/CPT/DOD/263/12	NRB HCPT340/12	DAVID GITAU	DEFENCE	TORTURE	52,000,000.00		PENDING PAYMENT
AG/DOD/12/06	NRB HCPT 403/06	PETER M.KARIUKI	DEFENCE	DISMISSAL 1982 COUP	48,975,443.40		APPEAL PENDING
AG/CPT/DOD/120/05	NRB HCPT 1656/05	JAMES WANYOIKE	DEFENCE	TORTURE	38,138,185.00	15/01/2012	PENDING PAYMENT
AG/DOD/26/96	NRB HCC 1051/96	ISIAH ODUOR OCHANDA	DEFENCE	POLICE PROSECUTION	24,491,518.90	3/3/2010	INTENDING TO APPEAL
AG/L&E/DOD/138/09	NRB HC ELC 168/09	EUNICE MAKORI	DEFENCE	LAND TRESPASS	17,901,930.00		PENDIG APPEAL
AG/CPT/DOD/195/14	NRB PET 261/14	ROBERT NJERU NYAGA	DEFENCE	DISMISSAL 1982 COUP	2,517,500.00		PENDING PAYMENT
AG/GC/DOD/35/01	NRB HCC 2230/01	CT.COL BENJAMIN	DEFENCE	DISMISSAL	1,400,000.00		PENDING

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS
		MWEMA					APPEAL
AG/DOD/11/06	NRB HCCC 417/07	R.M.KINYANJUI	DEFENCE	TAXED COSTS	693,987.00		PENDING PAYMENT
AG/DOD/6/00	NRB CMCC 2917/00	WILLIAM M.MURIITHI	DEFENCE	RTA	359,124.00	9/12/2001	PENDING PAYMENT
AG/GC/DOD/200/02	NRB CMCC 500/02	SIMON M. KARIUKI	DEFENCE	RTA	205,860.00	20/11/2003	PENDING PAYMENT
AG/GC/DOD/467/04	NAIVA CMCC 690/11	MARY W.KARANJA	DEFENCE	RTA	202,935.00	10/2/2015	PENDING PAYMENT
DEVOLUTION					**477,230,766.96**		
AG/CAR/MDP/17&18/10	NRB HCCC 597&598/10	SPENCON K.LTD	DEVOLUTION	BREACH OF CONTRACT	474,701,830.96		PENDING PAYMENT
AG/CAR/MDP/14	ARBITRATION	AFRICAN PROJECT	DEVOLUTION	BREACH OF CONTRACT	2,528,936.00		PENDING PAYMENT
EDUCATION					**29,199,643,375.90**		
AG/GC/TSC/638/06	NKU HCCC 65/06	SIMON P KAMAU	EDUCATION	RETIREMENT DUES	27,610,666,670.00		PENDING PAYMENT
AG/GC/TSC/638/06	NKU HCCC 65/06	SIMON P KAMAU	EDUCATION	RETIREMENT DUES	1,100,000,000.00		PENDING PAYMENT
AG/GC/TSC/638/06	NKU HCCC 65/06	SIMON P KAMAU	EDUCATION	RETIREMENT DUES	382,600,000.00		PENDING PAYMENT
AG/GC/EDU/173/02	NRB HCC 5415/02	DANIEL KIMITHI	EDUCATION	INFERNO	40,950,000.00		INTENDING TO APPEAL
AG/CAR/EDU/9/06	NRB HCCC 238/12	NGOTHO ARCHITECTS	EDUCATION	BREACH OF CONTRACT	37,202,057.10		PENDING PAYMENT
AG/COA/EDU/2/15	NRB COA 4/15	BOG NGINYA GIRLS	EDUCATION	BREACH OF CONTRACT	26,873,133.80		PENDING PAYMENT
AG/GC/EDU/325/08	KITUI PMCC 516/08	MBULA MUTUA	EDUCATION	RTA	815,775.00	12/7/2011	PENDING PAYMENT
AG/GC/EDU/549/07	KSM CMCC 474/07	GEORGE OCHIENG ONYANGO	EDUCATION	ACCIDENT	535,740.00		PENDING PAYMENT
ENERGY					**5,300,000.00**		
AG/MERD/3/93	NRB HCCC 3695/93	HORT LTD	ENERGY	BREACH OF LEASE	5,300,000.00	29/02/2016	APPEAL PENDING
ENVIRONMENT					**56,489,755.00**		
AG/CAR/MENR/3/01	NRB HCCC 1312/01	JOHN WANJOHI(T/AMETRO LABOR	ENVIRONMENT	BREACH OF CONTRACT	56,489,755.00		PRE-TRIAL

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS
HEALTH					**24,641,609,090.99**		
AG/MOH/13/99	NRB HCCC 159/11	EQUIP AGENCIES	HEALTH	BREACH OF CONTRACT	22,298,744,118.80		PENDING PAYMENT
AG/CAR/MOH/05/08	NRBHCCC1361/00	VULCAN LTD	HEALTH	BREACH OF CONTRACT	1,588,093,972.54		PENDING PAYMENT
AG/CAR/MOH/6/09	NRB HCCC267/09	DOL INTERNATIONAL LTD	HEALTH	BREACH OF CONTRACT	712,025,015.00		PENDIND APPEAL
AG/CAR/MOH/16/15	NRB HCMA 208/15	PROVINCIAL CONSTRUCTION	HEALTH	HEALTH	22,162,305.20		PENDING PAYMENT
AG/MLG/ARB/1/11	NRB HC MISC 579/14	PUT SARAJEVO GENERAL ENGI.	HEALTH	BREACH OF CONTRACT	17,512,553.45		PENDING PAYMENT
AG/GC.MOH/532/07	MERU CMCC 185/07	MILICENT MUTHONI	HEALTH	MED.NEGLIGENCE	1,510,621.00	17/05/2011	PENDING PAYMENT
AG/GC/MOH/402/03	LIMURU SPMCC 297/03	ROSE WANGUI WAGICHU	HEALTH	ACCIDENT	1,061,052.00		PENDING PAYMENT
AG/CAR/MOW/5/15	NRB HC MISC 149/13	PAUL OTIENO OKENO	HEALTH	BREACH OF CONTRACT	499,453.00		PENDING PAYMENT
INSPECTOR GENERAL					**269,410,696.80**		
AG/LIC/IG/81/14	NRB ICC 212/14	KENYA COUNCIL EMP.&MIGRTIO IG	IG	RECRUITMENT	91,500,000.00		APPEAL PENDING
AG/CPT/CP/133/08	NRB HCPT 822/08	SALIM AWADH	IG	LEGAL FEES	48,214,632.00	31/07/2013	PENDING PAYMENT
AG/CP/136/91	NRB HCC 5491/91	KOIGI WAMWERE	IG		25,000,000.00		PENDING APPEAL
AG/GC/CP/289/04	NRB HCCC1246/04	ABUBAKAAR AHMED ABDULRAHMAI	IG		24,350,000.00		PENDING PAYMENT
AG/CP/141/96	NRB HCC 2966/96	JAMES KOROSO	IG	POLICE PROSECUTION	21,000,000.00		PENDING APPEAL
AG/GC/CP/129/02	NRB HCC 1585/02	HASMUKH SHAMJI HALAL	IG	POLICE PROSECUTION	15,657,500.00		PENDING PAYMENT
AG/GC/CP/385/09	NRB HCC 679/09	GEOFFREY ASANYO &OTHERS	IG	POLICE PROSECUTION	11,000,000.00		PENDING APPEAL
AG/CPT/CP/54/09	NRB HCPT 737/09	RICHARD KHAEMBA WEKESA	IG	POLICE PROSECUTION	10,500,000.00		PENDING PAYMENT
AG/CP/40/11	NRB HCPT 57/11	ZEITUN JUMA HASSAN	IG	POLICE PROSECUTION	4,564,916.00		PENDING PAYMENT
AG/GC/CP/18/16	NRB HCCC 531/06	KAVATA MWANZI	IG	IMPOUDING M/V	4,441,165.20	8/4/2011	PENDING PAYMENT
AG/JRP/CP/28/14	NRB HCC 47/14	MICHAEL DANSON MAHUGU	IG	POLICE PROSECUTION	3,182,843.00		PENDING PAYMENT

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS
AG/CPT/CP/354/12	NRB HCPT 429/12	RICHARD WASILWA WAFULA	IG	POLICE PROSECUTION	2,439,659.00	14/04/2014	PENDING PAYMENT
AG/GC/IG/524/09	KSM HCCA 125/09	MICHAEL OCHIENG ODERA	IG	POLICE PROSECUTION	1,825,000.00	6/11/2012	PENDING PAYMENT
AG/CP/164/97	NRB HCC 7810/97	RUMBA KINUTHIA	IG	POLICE PROSECUTION	1,500,000.00		PENDING APPEAL
AG/JRP/IG/175/14	NRB HCIR 3208/14	TIMOTHY K.MUTIE	IG	IMPOUDING M/V	1,456,675.00	17/02/2012	PENDING PAYMENT
AG/JRP/IG/144/15	NRB HCIR 269/15	ALICE ACHIENG	IG		718,540.00		PENDING PAYMENT
AG/GC/CP/570/08	BUNGOMA CMCC 315/08	TITUS WALIULA KISANGANI &OTHE	IG		613,000.00	3/6/2010	PENDING PAYMENT
AG/GC/CP/639/06	MERU CMCC 135/06	MWABIRISI KARAMBU	IG	POLICE PROSECUTION	569,940.00		PENDING PAYMENT
AG/GC/CP/173/11	MKS CMCC 489/11	MUTUKU NGUNDO	IG	POLICE PROSECUTION	509,751.00		PENDING PAYMENT
AG/GC/CP/319/07	NRB RMCC 5987/07	EZEKIEL ODUK	IG	POLICE PROSECUTION	367,075.60	18/07/2006	PENDING PAYMENT
					67,000,000.00		
AG/CAR/MIB/2/14	NRB HCCC 169/1	WAMBUGU MOTENDE	INFORMATION	LEGAL FEES	67,000,000.00		PENDING APPEAL
LABOUR					**636,320.00**		
AG/GC/ML/376/11	NYAHURURU PMCC 129/11	WAWERU GATAMU	LABOUR	ACCIDENT	636,320.00		PENDING PAYMENT
LANDS					**16,174,055,940.96**		
AG/ELD/MLS/23/13	ELD HCPT 1/13	NATHAN TIROP KOECH	LANDS	LAND CLAIM	8,300,000,000.00		APPEAL PENDING
AG/MLS/87/04	NRBHCCC876/04	ORBIT CHEMICAL LTD	LANDS	LAND CLAIM	6,000,000,000.00		APPEAL PENDING
AG/CPT/MLS/13/13	NRB HCPT 15/13	ANNAGHERRY LTD	LANDS	LAND CLAIM	1,084,240,197.00	17/10/2014	PENDING PAYMENT
AG/L&E/MLS/247/13	ELDHCELC 20/13	HARJIT SINGH	LANDS	LAND CLAIM	350,000,000.00		APPEAL PENDING
AG/JRP/MLS/102/15	NRB HCCC 690/12	ONGATA WORKS LTD	LANDS	BREACH OF CONTRACT	232,991,818.18		PENDING PAYMENT
AG/CAR/MOW/5/15	ARBITRATION	ITABUILD IMPORTERS	LANDS	BREACH OF CONTRACT	105,723,338.11		PENDING PAYMENT
AG/MLS/87/97	NRB HCC 152/12	CITY FINANCE BANK	LANDS		40,000,000.00		PENDING PAYMENT

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS
AG/CPT/MLS/205/13	NRB HCPT 356/13	JUNE SEVENTEEN	LANDS		34,867,158.00		PENDING PAYMENT
AG/JRP/MOW/138	NRB HC MISC.125/15	ITABUILD IMPORTERS LIMITED	LANDS	BREACH OF CONTRACT	14,637,813.07		PENDING PAYMENT
AG/CAR/MOW/18/05	NRB HCCC 130/05	ROBERT MUTAHI	LANDS	BREACH OF CONTRACT	11,595,616.60		PENDING PAYMENT
OFFICE OF THE PRESIDENT					**1,677,986,513.00**		
AG/CPT/OP/327/12	NRB HCCC 617/12	AFRISON EXPORT&IMPORT LTD	OP	LAND CLAIM	750,000,000.00		PENDING APPEAL
AG/CIV/361/09	NRBHCCC1060/09	KENNETH KIPLAGAT	OP	ABRITRATION	600,341,251.00		PENDING APPEAL
AG/CPT/OP/222/11	EMBU HCPT 1/11	IBRAHIM SANGOR	OP	EVICTIONS	244,600,000.00		PENDING PAYMENT
AG/L&/EMLS/59/00	MSAHCMA 18/00	EVANSON J.KAMAU	OP	PARTY COSTS	58,424,174.00	18/01/2016	PENDING PAYMENT
AG/CPT/OP/70/06	EMBU HCPT 56/09	MUSA MOHAMED DAGANE	OP		16,035,240.00		PENDING PAYMENT
AG/CPT/OP/134/08	NBI HCPT 780/08	ODUNGI RAND ONGOMBE	OP	TOURTURE	3,213,550.00	30/07/2012	PENDING PAYMENT
AG/GC/OP/13/03	KISII CMCC 1264/04	MONICA O.SAMSON	OP	ROAD TRAFFIC ACCIDENT	1,886,899.00	3/2/2006	PENDING PAYMENT
AG/GC/OP/111/09	KAK.CMCC290/12	VINCENT ALKHULA MALIKA	OP	ROAD TRAFFIC ACCIDENT	1,419,450.00	15/07/2015	PENDING PAYMENT
AG/GC/OP/440/10	MURANGA PMCC 96/10	SALOME WANJIKU MUCHEKE	OP		766,885.00		PENDING PAYMENT
AG/OP/121/88	MERU CMCC 1163/98	BAARI WATHITWA	OP	POLICE PROSECUTION	667,046.00	12/2/2004	PENDING PAYMENT
AG/GC/OP/11/04	NRB CMCC 11896/04	NELSON MUIA	OP	DISMISSAL	632,018.00	7/9/2012	PENDING PAYMENT
PUBLIC WORKS					**5,632,495,267.51**		
AG/MOW/19/12	NRB HCC855/09	KIRINYAGA CONSTRUTION CO.LTD	PUBLIC WORKS	TAX DEDUCTION	321,986,586.00		PENDING PAYMENT
AG/JRP/MOW/236/16	NRB HCC 43/02	BIO MEDICAL LABORATORIES LTD	PUBLIC WORKS	PARTY COSTS	42,804,535.00		PENDING PAYMENT
AG/CAR/MOW/4/90	NRBHCCC2832/90	KISYA INVESTMENT	PUBLIC WORKS		3,679,330,718.51		PENDING PAYMENT
AG/ARB/MOW/9/13	ARBITRATION	ISSAIAS &CO.KENYA LTD	PUBLIC WORKS	BREACH OF CONTRACT	949,029,564.00		PENDING PAYMENT
AG/GC/MOW/168/11	NBI HC ELC 480/11	VERENDRA RAMJI GUDKA	PUBLIC WORKS	BYPASS DEMOLITION	582,213,873.30	14/02/2014	PENDING PAYMENT

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS
AG/ARB/MOW/6/08	ARBITRATION	MESSER KENAFRIC BUILDERS	PUBLIC WORKS	BREACH OF CONTRACT	57,129,990.70	7/5/2015	PENDING PAYMENT
					3,068,088.50		
AG/CAR/MERD/17/12	NRB HCMA 472/12	N.K.BROTHERS LTD	REGIONAL DEV.	BREACH OF CONTRACT	3,068,088.50		PENDING PAYMENT
					43,832,671.86		
AG/JRP/MOW/82/14	NRB HC MISC 174/14	TOTEM SERVICE STATION	TRANSPORT	BREACH OF CONTRACT	28,546,740.00		PENDING PAYMENT
AG/CAR/MOW/5/06	NRB HCC 704&705	COASTAL KENYA INTERPRISES	TRANSPORT	BREACH OF CONTRACT	15,285,931.86		PENDING PAYMENT
					88,007,339,263.42		

ANNEXURE 5

Agencies' Attendance Lists

KENYA NATIONAL ASSEMBLY

RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Suleiman Salim	The National Treasury	Finance Officer III	Ssuleimanm7@yahoo.com	
2.	Lamis Sukka	The National Treasury	Budget Officer	salma77@gmail.com	
3.	Felix Oulo	The National Treasury	Budget Officer	foulo@ymail.com	

4.	Hellen Musyoki	Judiciary	Senior Economist	hellen.musyoki@judiciary.go.ke	
5.	John o/o Tambul	Judiciary	Senior Finance Offic	John.tambul@judiciary.go.ke	
6.	Edwin Mureti mbui	JSC	finance officer	edwin.mureti@gmail.com	
7.	David Rapando	Judiciary	CFO	david.rapando@court.ho.ke	
8.	Emmah A. Orua	JSC	DDF&A	emmah.orua@court.go.ke	
9.	Paul Kimalu	Judiciary	Ag. Director Planning & organizational performance	Paul.Kimalu@court.go.ke	
10.	Nancy Kanyago	IPIP	Project Coordinator	Kanyago.nancy@gmail.com	
11.	Peter Mulwa	Judiciary	Registrar Magistrates Courts	pmulwa@court.go.ke	

12.	Judy Omanga	Judiciary	Registrar, [illegible]	judith.omanga@court.go.ke	
13.	Beatrice Kamau	Judiciary	Deputy Director Finance	beatrice.kamau@court.go.ke	
14.	Peter Wanjama	Judiciary	Deputy chief Economist	Peter.Wanjama@court.go.ke	
15.	John F. Okello	Judiciary	Director Building	john.okello@court.go.ke	
16.	Jeremiah K. Nthusi	Judiciary	Director, Supply Chain Mgt	jkenthusi@court.go.ke	
17.	STEVEN IKILENH	JUDICIARY	Ag Director ICT	steven.ikileng@court.go.ke	
18.	PAUL N. MATINA	Judiciary	DCRJ	dcrj@court.go.ke	
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KENYA NATIONAL ASSEMBLY

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RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Sulaiman Salim	TNT	Budget Officer	ssulaiman14@yahoo.com	
2.	Lewis Suka	TNT	Budget Officer	sukalm77@gmail.com	
3.	Felix Oulo	The National Treasury	Budget Officer	foulo@ymail.com	

	NAME	ORGANIZATION	DESIGNATION	EMAIL/TEL	SIGN
4.	CORNELIUS MUSANGI	KLRC	FD	Cornelius.musangi@klrc.go.ke	
5.	Caroline Nyaga	OAG & DOJ - LAD	SC	Caroline.nyaga@ag.go.ke	
6.	OMYAMGO JUTHIPAUL	OAG & DOJ FINANCE	FINANCE-OFFICER	jpaulmyango778@gmail.com 0706003310	
7.	Annah Konucho	KSL	AD, ATP & PS	akonucho@ksl.ac.ke 0722492823	
8.	CATHERINE BUNYASSI KATHURIA	OAG & DOJ	SPSC	bckathuria@gmail.com 0721531116	
9.	Ken ogeto	AG's Chamber SG	SG	Ken ogeto	
10.	BENJAMIN OYILE ODEGI	OAG & DOJ	DEPUTY SECRETARY	oyile.odegi@ag.go.ke 0722310744	
11.	NYAKWEBA GEORGE	KECOBO	CHIEF LEGAL	nmogesgee@gmail.com 0723511068	

	NAME	ORGANIZATION	DESIGNATION	EMAIL/TEL	SIGN:
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KENYA NATIONAL ASSEMBLY

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RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

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NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Margaret N. Nzioka	OAG & DOJ	DSG/ Chief Parliamentary Counsel	mnnzioka@yaho.com	
2.	Migiyo Richard ~~Addero~~	OAG & DOJ	DCTO	richardmigiyo@gmail.com	
3.	Peter Musyimi	KLRC	PLO	ptrmusyimi@gmail.c	

	NAME	ORGANIZATION	DESIGNATION / ~~EMAIL~~ / ~~TELEPHONE~~	EMAIL / TEL.	SIGN.
4.	Longet Terer	National Council for Law Reporting	~~Editor~~/CEO	Lterer@kenyalaw.org 0722 858 144	
5.	Lawrence Njugi	Nairobi Centre for International Arbitration	Registrar/CEO	lmuiruri@ncia.or.ke	
6.	Multoni Kimani	Asset Recovery Agency	Director	mutnoni.kimani@ag.go.ke	
7.	Claire Omolo	ADMINISTRATION OAG & DOJ	SECRETARY ADMINISTRATION	claomolo18@gmail.com	
8.	Fatuma M Masudi	OAG/DOJ	FIN	masudi@icpa.	
9.	JACQUELINE MUINDI	DAG & DOJ	SPSC	Jacqueline.Muindi@ag.go.ke	
10.	John Mwangangi Makai	DAG & DOJ	AAG	Mwangangi.k@yahoo.com	
11.	Seth N. Masese	OAG & DOJ	SPSC	nyamweyaseth@gmail.com	

	NAME	ORGANIZATION	DESIGNATION	EMAIL / TEL	SIGN.
12.	James Njonge	OAG&DOJ	Economist	james.njonge@ag.go.ke	
13.	Wako Faldasa	OAG&DOJ	Finance	wakodav@gmail.com	
14.	GEORGE NYAKUNDI	OAG+DOJ	Secretary ACL	george.nyakundi@ag.go.ke	
15.	CHARLES MUTINDA	AG&DOJ	Deputy Chief State Counsel	Charles.Mutinda@...go.ke	
16.	STEPHEN MWAGWILU	OAG DOJ	CRMO	stevemagwilu@gmail.com	
17.	CAROLINE AMONDI	OAG & DOJ	Ag. Director	carolamondi@gmail.com	
18.	Violet Kipkan	Internal Audit	Senior assistant internal Auditor General	violetkipkanikatwa@gmail	
19.	Faynie Mwakio	OAG+DOJ	PPCO	faynie.mwakio@ag.go.ke	
20.	VICTOR MABUTUBE	OAG & DOJ	S.S.C	victorkcanssc@gmail.com	

KENYA NATIONAL ASSEMBLY

DPP

RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Noordin Haji	ODPP	DPP		
2.	Doras Odeny	ODPP	SPP	dagiks@dpp.go.ke	
3.	Kennedy Kimuyu	ODPP	DDCFS	K.Kimuyu@dpp.go.ke	

4.	Kennedy Ndwiga	ODPP	Finance Officer	Kmndwiga@gmail.com	
5.	Jacob ONDARI	ODPP	DDPP	nyakundijacob@yahoo.com	
6.	Pichles K. Mutuku	ODPP	DDPP	akilatya@yahoo.com	
7.	LILLIAN OGWORA	ODPP	ADPP	liloguora@yahoo.com	Lillian
8.	Miriam Wawira	ODPP	PHRMO	miriam.wawira@gmail.com	
9.	Winnie Kabinga	ODPP	PC	winniekabinga@yahoo.com	
10.	Judy Thuguri	ODPP	PC	blissthugun@gmail.com	
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12.	Suleiman Salim	TNT	Budget Officer	Ssuleimanj7@yahoo.com	
13.	Felix Oulo	The National Treasury	Budget Officer	fouloo@ymail.com	
14.	Lewis Suke	The National Treasury	Budget Officer	sukelm77@gmail.com	
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KENYA NATIONAL ASSEMBLY

IEBC

RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Maryan H. Maryan	IEBC	CEO/CS	hmaryan@iebc.or.ke	
2.	Obadiah Keitany	IEBC	Director Finance	Okeitany@iebc.or.ke	
3.	Rasi Maswdi	IGBC	DVREO	rmaswdi@iebc.or.ke	

4.	Shylla Ilo	IEBC	Budget officer	Sylla@iebc.or.ke	
5.	James Mulati	IEBC	Director ICTC	JMulati@iebc.or.ke	
6.	Jason Akoyo	IEBC	Manager Budget	Jakoyo@iebc.or.ke	
7.	Immaculate Kassait	IEBC.	Director VEP&C	IKassait@iebc.or.ke	
8.	felix Ouo	The National Treasury	Budget officer	fouko@ymail.com	
9.	Lewis Suka	The National Treasury	Budget officer	sakalm77@gmail.com	
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KNCHR

12.	[illegible]	KNCHR	Finance Manager	[illegible]	[illegible]
13.	Dr Mogesa Bernard	KNCHR	CEO	bmogesa@knchr.org	[illegible]
14.	Nambuni Gathathi	KNCHR	Deputy CEO	ngathathi@knchr.org	[illegible]
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KENYA NATIONAL ASSEMBLY

EACC

RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Elind Wabwoba	EACC	Chair		
2.	Jennifer Kimani	EACC	Director Finance & Planning	Jkimani@integrity.go.ke	
3.	Jackson Mue	EACC	Ag. Director Field Services	Jmue@integrity.go.ke	

4.	Willis Wanalu	EACC	DD-R&P	Wmalu@integrity.go.ke	
5.	Abd. Mohamud	EACC	Director Investigation		
6.	Daud Too	EACC	Director Legal Services	dtoo@integrity.go.ke	
7.	Vincent Okongo	EACC	Director Preventive Services	vokongo@integrity.go.ke	
8.	Vincent Mutlangi	EACC	Deputy Director Internal Audit	vmutlangi@integrity.go.ke	
9.	Lucy Kinuthia	EACC	Director Ethics and Integrity	lkinuthia@integrity.go.ke	
10.	Felix Ouko	The National Treasury	Budget Officer	fouko@ymail.com	
11.	Lewis Suke	TNT	Budget Officer	sukelm77@gmail.com	
12	Suleiman Salim	TNT	Budget Officer	Sulemanm74@yahoo.com	

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KENYA NATIONAL ASSEMBLY

CAJ

RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

NO.	NAME	ORGANIZATION	DESIGNATION	EMAIL ADDRESS/TEL NO.	SIGNATURE
1.	Washington OPUYO	Commission on Administrative Justice OMBUDSMAN	Vice-Chair Person	W.sati@ombudsman.go.ke 0723270416	
2.	FLORENCE KAJUJU	CAJ.	CHAIRPER-SON	Chair@ombudsman.go.ke 0722302378	
3.	Leonard Ngaluma	CAJ	CEO	lngaluma@caiudiciary.go.ke	

4.	JAN KAROMO	CAJ	DIRECTOR CORPORATE SERVICES	d.karomo@ombudsman.go.ke	
5.	Bernard Nyariki	CAJ	FM	bnyariki@ombudsman.go.ke	
6.	Vincent Chahale	CAJ	DIRECTOR LEGAL/ADVOC	vchahale@ombudsman.go.ke	
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11.	Lewis Suke	TNT	Budget officer	Sukelm77@gmail.com	

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KENYA NATIONAL ASSEMBLY

ORPP

RETREAT BETWEEN DEPARTMENTAL COMMITTEE ON JUSTICE AND LEGAL AFFAIRS AND AGENCIES/INSTITUTIONS IT OVERSIGHT TO CONSIDER THE 2018/2019 SUPLIMENTARY BUDEGT II AND 2019/2020 BUDGET ESTIMATES AT SAFARI PARK HOTEL -21ST TO 23RD MAY, 2019

REGISTER FOR INSTITUTIONS/AGENCIES

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WPA

	NAME	ORGANIZATION	DESIGNATION	MAIL / TEL	SIGN
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19.					
20.					

ANNEXURE 6

1. Unfunded needs

2. Submission by PBO

3. Proposed capital projects for Judiciary

4. Summary of allocations proposed

SUMMARY OF KEY UNFUNDED AREARS 2019/20

AGENCY	UNFUNDED AREARS	TOTAL AMOUNT
Judiciary	✓ Kshs 288 Million for Judges' taxable car allowance ✓ Kshs 594 Million for staff pension arrears.	Kshs 882 Million
Judicial Service Commission	✓ Kshs 170 Million for improving operational efficiency of the JSC and the Commissioners. ✓ Kshs 85 Million for Recruitment of Judges, judicial Officers and judiciary staff to implement the reviewed organization review; ✓ Kshs 350 Million for Building capacity of the Judges, Judicial officers and staff through Judiciary Training Institute; ✓ Kshs 100 Million for Automation of JSC operations (E-recruitment Document management system, HRMS); and ✓ Kshs 70 Million for Complaints handling, Disciplinary Hearing and the fight against corruption. ✓ Kshs 800 Million for the provision of land/ office premises for the proposed Judiciary Training Institute.	Kshs 1,575 Million
Attorney General and Department of Justice	✓ Acquisition of office space for Office of the Attorney General & Department of Justice – Kshs 2.5 billion, ✓ Training of fifty (50) state counsels in emerging areas of law over 3 years period – Kshs 100 million, ✓ Development and implementation of an Enterprise Resource Planning system (ERP) – Kshs 145 million, ✓ Decentralization of National Legal Aid Service to five additional counties – Kshs 150 million, ✓ Operationalization of victim protection board – Kshs 25 million, ✓ Acquisition of an office block for National Counsel for Law Reporting – Kshs 638 million, ✓ Development of National ADR Policy – Kshs 40 million, and ✓ Development of government legal documentation center – Kshs 60 million.	Kshs 3,658 Million
Independent Electoral and Boundaries Commission	✓ Pending bills for goods and services including legal fees incurred in the FY 2017/2018 estimated to be Kshs 3.9 billion, ✓ the Proposed Uchaguzi Centre (Kshs. 1 billion), and ✓ Information Communication and Technology (ICT) Audit for existing electoral technologies (Kshs. 100 Million).	5,000 Million
Ethics and Anti-Corruption Commission	✓ Compensation of employees - Kshs 560 million ✓ Operations and maintenance - Kshs 930 million; ✓ Refurbishment of the EACC Headquarters - Kshs 275 million.	Kshs 1,765 million
Kenya National Commission on Human Rights	✓ Kshs 30 million for programmatic interventions in various areas including- Public complaints and investigation of alleged human rights violations, awareness creation on Human Rights among public institutions and state compliance to international obligations; ✓ Kshs 30 million for Staff mortgage and car loan scheme;	Kshs 90 Million

	✓ Kshs 30 million for the expansion of regional offices to enhance their presence in the counties with systemic human rights abuses	
Office of the Director of Public Prosecution	✓ Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, ✓ provision to cater for attendance to Mobile courts – Kshs 50 million, ✓ ICT Networking and implementation of a case management system – Kshs 100 million, ✓ Implementation of a new organizational structure and equipping of the office regional, County and sub-county offices and operationalizing prosecutors training institute – Kshs 100 million, ✓ Purchase of additional vehicles – Kshs 100 million.	Kshs 600 Million
Commission for Administrative Justice	✓ Staff mortgage and car loan – Kshs 50 million, ✓ Recruitment of additional staff – Kshs 35 million, ✓ Public awareness and civic education – Kshs 30 million, ✓ Procurement of motor vehicles – Kshs 50 million, ✓ Access to Information activities – Kshs 40 million, ✓ Establishment of two County offices – Kshs 20 million, ✓ Fight against maladministration and impunity – Kshs 20 million and ✓ Systemic investigations and research – Kshs 20 million.	Kshs 265 Million
Witness Protection Agency	✓ Witness protection programme – Kshs 150 million, ✓ Witness protection fleet - Kshs 30 million, ✓ Decentralization of witness protection services to Central and Rift Valley regions – Kshs 20 million, ✓ Equipment and furniture for the newly recruited staff – Kshs 10 million, and ✓ Operationalization of a staff mortgage scheme – Kshs 20 million.	Kshs 230 Million
Office of Registrar of Political Parties	✓ Purchase of two motor vehicles – Kshs 37 million, ✓ Development of a policy on party primaries and undertake country wide stakeholder and public participation – Kshs 26 million, ✓ Recruitment of nine (9) staff members – Kshs 32.6 million, ✓ Inspection, Audit and monitoring of political parties to ensure compliance with the Political Parties Act – Kshs 13 million, ✓ Political Parties (Registration) Regulations and Political Parties (Funding) Regulation – Kshs 6 million, ✓ Open and operationalize three (3) County offices (Kajiado, Garissa and Kisii Counties) – Kshs 35.4 million among other activities.	Kshs 150 million
Total		**Kshs 14,215 Million**



REPUBLIC OF KENYA

PARLIAMENT OF KENYA

NATIONAL ASSEMBLY- THIRD SESSION

ANALYSIS OF THE FY 2019/20 BUDGET ESTIMATE AND THE MEDIUM TERM PRESENTED TO THE DEPARTMENTAL COMMITTEE ON JUSCTICE AND LEGAL AFFAIRS

MAY 2019

1.0 Introduction

1. The proposed estimates of revenues and expenditures were submitted and tabled before the National Assembly on Tuesday 30th April, 2019 pursuant to Article 221 of the Constitution and section 37 of the Public Finance Management Act, 2012.
2. The legislature has made great strides in the oversight of the budget since the enactment of the Constitution 2010. The Constitution backed by the Public Finance Management Act section 38 and 39 gives parliament the mandate to review the budget estimates and make recommendations before the budget is approved.
3. The Standing Orders 235 of the National Assembly Provides that the Estimates, upon being laid in the House, are deemed to have been committed to the respective Departmental Committees, after which the Committees shall consider, discuss and review the estimates according to their mandates and make recommendation to the Budget and Appropriations Committee of the National Assembly.
4. The legislative scrutiny of the budget estimate promotes good governance, fiscal transparency and accountability, and is expected to facilitate effective allocation and mobilization of resources and ensure that fiscal policies are unbiased and effectively implemented.

1.1 Spending Agencies under the Purview of the Committee

5. The Second Schedule of the Standing Orders for the National Assembly assigns the Departmental Committee on Justice and Legal Affairs (JLA) the mandate to consider matters related to Constitutional Affairs, the administration of law and justice, public prosecutions, elections, ethics, integrity and anti-corruption and human rights.
6. The brief presents an analysis of the FY 2019/20 budget proposals for the following spending agencies under the purview of the Departmental Committee:
   (i) Judiciary

(ii) Judicial Service Commission (JSC)

(iii) Office of the Attorney General and the Department of Justice (OAG&DJ)

(iv) Ethics and Anti-corruption Commission (EACC)

(v) Directorate of Public Prosecutions (DPP)

(vi) Registrar of Political Parties (RPP)

(vii) Witness Protection Agency (WPA)

(viii) Kenya National Commission on Human Rights (KNCHR)

(ix) Independent Electoral and Boundary Commission (IEBC)

(x) Commission on Administrative Justice (CAJ)

1.2 Sector Environment under which the Budget was prepared.

7. The FY 2019/20 budget has been prepared at a time when, there are renewed efforts in the fight against corruption by the agencies under the GJLOS sector. There has been better coordination between the office of the Director of Public Prosecution and the Director of Criminal Investigation in the fight against corruption leading to a number of prosecutions both at the National and County level.

8. In addition, there has been significant progress with the judiciary's physical infrastructure across the country. In total there are 56 projects that are ongoing out of which 26 are funded under the World Bank loan while remaining 30 projects are funded under the exchequer. It is important to note that the government has secured an extension of the World Bank loan for the Judicial Performance Improvement Project (JPIP) up to October 2020 to enable the Judiciary complete the ongoing projects under the programme. In the FY 2019/20 the Judiciary has been allocated Kshs 2.995 billion for the JPIP projects.

9. Court awards against the government - There are pending suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, there are awards against the government pending payment which stand at Kshs 88.1 billion and they are ranging from awards to victims of torture as well as business litigants against the state (see annex 3). However there doesn't seem to be a

lasting solution for this issue despite the financial risks posed by this pending court awards.

2.0 Highlights of the 2019/2020 Budget Estimates

2.1 Overall Budget

10. The overall budget for the FY 2019/20 amounts to Kshs 3,080.8 billion up from the Kshs 2,836.1 billion allocated in the FY 2018/19. The allocation to the National Government amounts to Kshs 1,841.3 billion comprised of Kshs 1,157.3 Billion for Recurrent expenditure and Kshs 684 billion for development expenditure. The Judiciary presented a budget of Kshs 18.9 billion comprised of Kshs 14.5 billion for recurrent expenditure and Kshs 4.4 billion for development expenditure.
11. In addition, Parliament Presented a budget of Kshs 43.6 billion, out of which Kshs 40.6 billion is for recurrent expenditure and Kshs 3.1 billion is for development expenditure, CFS – Kshs 805.8 billion, and County Government allocation of Kshs 371.8 billion.

Table 1: National Budget over the MTEF (Ksh. Billions)

	2018/19	2019/20	2020/21	2021/22
National Government	1,446.3	1,841.3	1,821.6	1,810.6
recurrent	1063.9	1,157.3	1197.6	1203.6
development	382.4	684	624	607
Judiciary	15.6	18.9	18.4	18.3
recurrent	12.9	14.5	15.4	15.8
development	2.7	4.4	3.0	2.5
Parliament	35.14	43.6	43.8	44.2
recurrent	32.8	40.6	40.0	40.6
development	2.3	3.1	3.8	3.6
Consolidated Fund Services	962.6	805.8	927.6	1,014.5
County Allocation	376.5	371.8	375.0	383.8
Overall Budget	2,836.1	3,080.8	3,186.4	3,271.2
GDP	9,990	10,765.7	12,168.8	13,807.5
GJLOS excluding Interior and correctional services	33.3	37.3	-	-

GJLOS/Overall budget	1.2%	1.2%	-	-

Source: FY 2018/19 Estimate, National Treasury

2.2 Revenue Projection

12. The FY 2019/20 Targets revenue collections including appropriation in aid of Ksh.2.116 trillion (19.7 per cent of GDP) supported by projected performance by ordinary revenue at Ksh.1.88 trillion .this revenue performance according to the government is on account of government implementation of far reaching tax policy measures through the amendments to the tax laws and the 2018 finance Act as well as strengthening tax administration that is expected to seal loopholes while safeguarding revenue base under the Kenya Revenue Administration Enhancement Initiative(REI) programme implemented by KRA.
13. However, it's important to note that projected revenue in the budget is higher than the revenue collection envisaged under the Budget Policy Statement (BPS) furthermore, some of the measures indicated in the budget expected to boost revenue growth are mostly moving targets on whose achievement cannot be quantified.
14. Over the years, the government revenue targets has not been achieved and given sustained revenue under performances it not clear whether the projected revenue under the 2019/20 budget will be realistic to fund government spending priories.

2.3 Budget Deficit

15. Given the projected expenditure and revenue collection, the fiscal deficit including grants in the FY 2019/2020 is projected at Ksh.607.8 billion (5.6 per cent GDP). The projected fiscal balance will be financed through net external financing of Ksh.324.3 billion, net domestic borrowing of Ksh.289.2 and other domestic receipts of Ksh.5.7 billion. The fiscal balance envisaged in the budget is higher than the approved deficit by parliament in the BPS thus non-adherence by the National Treasury to the approved deficit as well as proposed expenditure plan has led to increasing deficit and debt accumulation by the government.

3.0 Budget Performance Review and Proposed Budget Estimate FY 2019/20

3.1 Judiciary

16. Judiciary is creation of Article 161 of the constitution and is one of the arms of Government whose core mandate is the delivery of justice through resolution of disputes. It implements one program called Dispensation of Justice which has two sub-programs namely; Access to Justice and the general administration, planning and support services.

3.1.1 Budget Performance Review FY 2014/2015 – 2017/18

17. The Judiciary Budget allocations in FY 205/16 was 14,799 million which grew by 16% to stand at Kshs 17,559 million in FY 2016/17 and declined by 17% to Kshs 14,279 million in FY 2017/18.
18. The actual expenditure attained in FY 2015/16 was Kshs 12,946 million which 87% of the years allocation. In the year 2016/17, the actual expenditure was Kshs 15.3 billion which is 89.7% of the year's allocation and in FY 2017/18 the actual expenditure was Kshs 12,718.3 million representing 89.1% of the allocation.
19. The department's didn't not fully absorb the allocated funds include the following; delayed exchequer releases, long and tedious procurement processes, as well as IFMIS related challenges.

Table 2: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote & Vote Details	Approved Allocation			Actual Expenditure			Absorption Rates		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
1261 The Judiciary	14,799	17,109	14,279.5	12,946	15,302	12,718.3	87.5%	89.4%	89.1%
205 Judicial Service Commission	472	450	283.5	403	431	207.1	85.38 %	95.78 %	73%
Total	15,271	17,559	14,563	13,349	15,733	12,925.6	88.8%	89.6%	87.4%

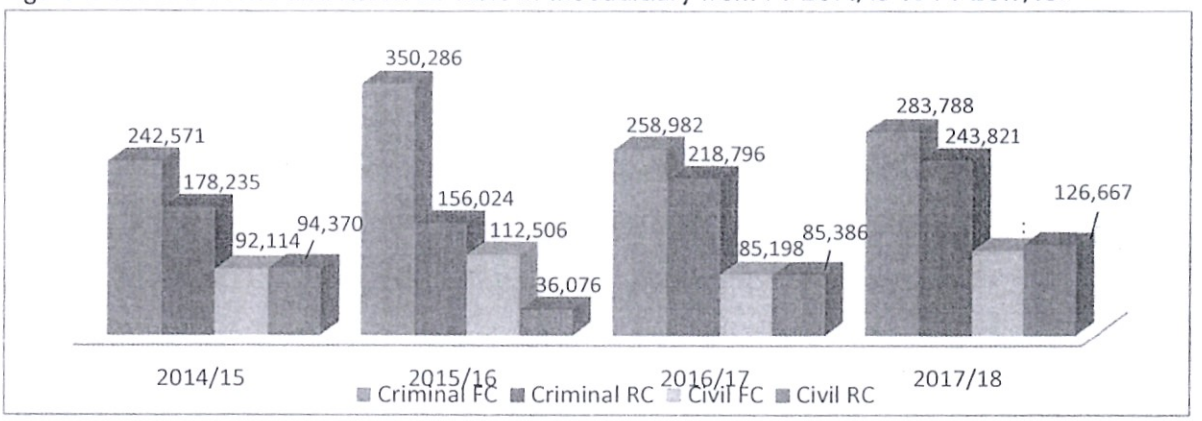
Source: National Treasury - Sector Reports 2019

20. The judiciary's performance during the period under review will be accessed under the following topics;

i. ACCESS TO JUSTICE

21. The most visible quantitative indicator of service delivery of the justice system is the numerical turnover of cases. The total number of cases filed is an important indicator of people's confidence in the court. In the FY 2017/18, a total of 402,243 cases were filed in the Judiciary out of which 283,788 were criminal cases and 118,455 were civil cases. In the same period, a total of 370,488 cases were resolved in all courts which comprised 243,821 criminal cases and 126,667 civil cases.

Figure 1: Trend on Field and Resolved Cases in the Judiciary from FY 2014/15 to FY 2017/18.



Source: state of the judiciary report, 2017/18

22. **Case Clearance Rate** - the case clearance rate improved from 75.8% in FY 2015/16 to 87.4% in the FY 2016/17 and then to 93% in FY 2017/18. The steady improvement in the case clearance rate can be attributed to a number of initiatives such as the judiciary service weeks, mobile courts, and increased number of judicial officers and staff.

23. From Figure 1 Criminal cases remained the bulk of both filed and resolved cases over the years as compared to civil cases. In the FY 2017/18, the total resolved civil cases were more than the filed civil cases which points out those overall pending civil cases were reduced. However, more criminal cases were filed than resolved implying that by the end of the period under review, pending criminal cases increased. The specific information on filed and resolved cases for different court types for the last two FYs is given in Table 3.

Table 3: Trend on filed and resolved cases by Court and broad case type

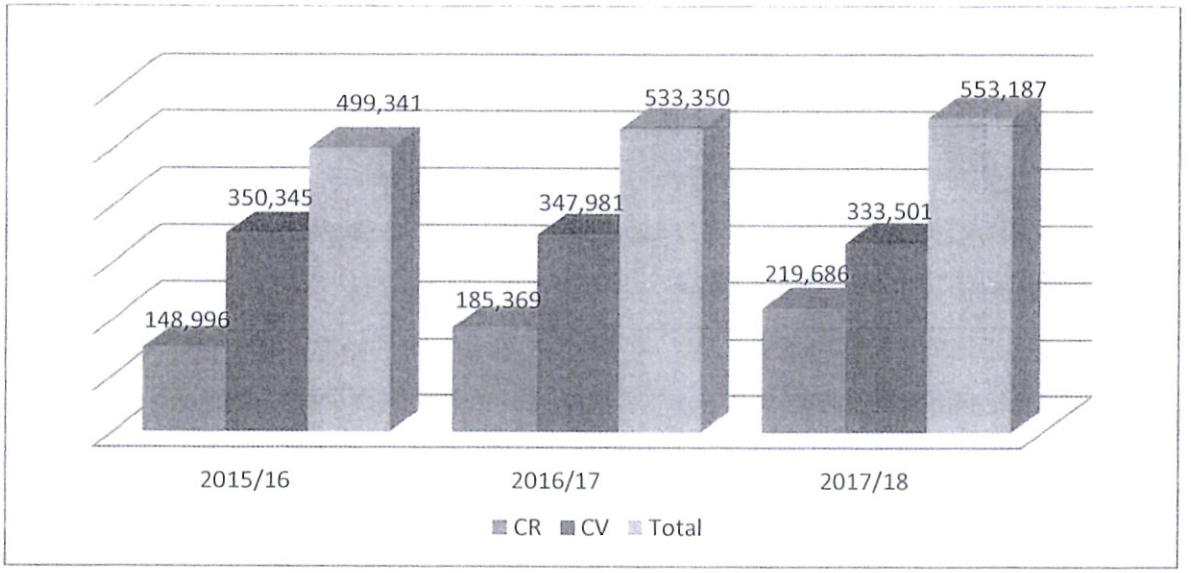
Court	2016/17		2017/2018					
			Criminal		Civil			
	All FC	All RC	FC	RC	FC	RC	All FC	All RC
Supreme Court	38	16	-	-	61	39	61	39
Court of Appeal	1,578	1,052	485	166	1,528	1 029	2,013	1,195
High Court	20,553	27,987	11 898	8 179	13 151	29,503	25,049	37,682
ELRC	6,082	3,668	-	-	5 645	3,661	5,645	3,661
ELC	9,770	6,307	-	-	5,834	7,887	5,834	7,887
Magistrate Court	300,655	260,319	71,405	235,476	84,680	77,886	356,085	313,362
Kadhi's Court	5,504	4 833	-	-	7 556	6,662	7,556	6,662
All Courts	344,180	304,182	83,788	243,821	118,455	126,667	402,243	370,488

Source: State of the Judiciary Report, 2017/18

24 From Table 3 Filed cases in the Judiciary rose from 344,180 cases in the FY 2016/17 to 402,243 cases in the FY 2017/18 This marked a 15 per cent increase demonstrating rising confidence by the public in the Judiciary as an institution for resolving their disputes.

25. Pending cases refer to unresolved cases or cases where the final judicial decision in the case has not been made at the end of a given period. By the end of the FY 2017/18, there were 553,187 pending cases in the Judiciary, which comprised 219,686 criminal cases and 33,501 civil cases The trend for pending cases in the Judiciary for the past three FYs by broad case type is illustrated in Figure 2.

Figure 2: Pending cases by broad cases type 2015/16 to 2017/18



Source: State of the Judiciary Report, 2017/18

26. From Figure 2, the total pending cases rose by 4 per cent from the 533,350 cases at the end of 2016/17 FY to 553,187 cases at the end of FY 2017/18. The growth was at a decreasing rate since the rise that was recorded between the FYs 2015/16 and 2016/17 was 7 per cent. Civil cases remained the bulk of the pending cases for the past three reporting periods. Detailed statistics on the trend for pending cases by court and case type is provided in Table 4.

Table 4: Pending cases by court and broad case type 2016/17 – 2017/18

Court	2016/17			2017/2018		
	CR	CV	All	CR	CV	All
Supreme Court	N/A	73	73	N/A	95	95
Court of Appeal	1,074	2,313	3,387	1,393	2,812	4,205
High Court	16,888	102,889	119,777	20,329	76,998	97,327
ELRC	N/A	13,723	13,723	N/A	15,733	15,733
ELC	N/A	27,242	27,242	N/A	24,380	24,380
Magistrate Court	167,407	198,726	366,133	197,964	209,667	407,631
Kadhi's Court	N/A	3,015	3,015	N/A	3,816	3,816
All Courts	**185,369**	**347,981**	**533,350**	**219,686**	**333,501**	**553,187**

Source: State of the Judiciary Report, 2017/18

27. Majority of the pending cases were in the magistrate court at 407,631 cases followed by High Court at 97,327 cases. The least number of pending cases were in the Supreme Court at 95 cases. Out of all pending cases, 74 per cent were in Magistrate Courts, 18 per cent in High Court, 4 per cent in ELC and 2.8 per cent in ELRC. The other courts shared 1.52 per cent.
28. Case backlog refers to unresolved cases after the expiry of the set timelines. In Kenya, the maximum desirable timeline that a case ought to have been finalized from the date of filing is 1 year. At the end of the period under review, the total number of cases classified as backlog stood at 327,928 cases. Out of these cases, 205,762 cases which represent 55 per cent were aged between 1 and 3 years, 84,671 cases representing 23 per cent between 3 and 5 years and 22 per cent were over 5 years representing 82,495 cases. This is illustrated in Table 5

Table 5: Cases backlog by age and court, 30th June 2018

Court	1-3 years	3-5 years	5 years and above	All Ages
Supreme Court	38	6	-	44
Court of Appeal	1,377	755	730	2,862
High Court	33,380	20,605	22,223	76,208
ELRC	8,079	2,310	754	11,143
ELC	8,802	6,751	5,314	20,867
Magistrate Court	152,935	54,244	53,474	260,653
Kadhi's Court	1,151	-	-	1,151
All Courts	**205,762**	**84,671**	**82,495**	**372,928**

Source: State of the Judiciary Report, 2017/18

29. The Magistrate and High Court had the highest case backlog at 260,653 and 76,208 cases respectively. By the end of period under review, the Supreme Court and Kadhis' court had no case backlog aged over 5 years.
30. In a bid to enhance access to justice and address the issue of backlog of cases, the judiciary has established 17 new high court stations in Chuka, Garsen, Kabarnet, Kajiado, Kapengiria, Kiambu, Kitui, Lodwar, Marsabit, Nanyuki, Nyamira, Siaya, Makueni, Narok, Nyahururu, Bomet and Voi. This brings a total of 38 counties

with high court stations. In addition, a High Court sub-registry was established in Thika and Kwale.

31. In addition, eight new Environment and Land Courts were established in Narok, Makueni, Thika, Garissa, Chuka, Kajiado, and Migori. Five new magistrate courts were also established at JKIA, Loitoktok, Mpeketoni, Ngong and Tononoka Children's court. Further, eleven Kathi courts were established at Balambala, Dadaab, Ijaara, Elwak, Takaba, Garbatulla, Merti, Bute, Faza, Msambweni and Eldas.

ii. Progress of Judiciary's Projects

32. According to the Sustainability Judiciary Transformation (SJT) blueprint, infrastructure development is a major pillar in the transformation of the Judiciary. Presently, 102 court construction and rehabilitation works are at various stages of progress. Once completed, these courts are expected to provide adequate infrastructure that will improve physical access to courts and reduce the distance travelled in search of justice.
33. To initiate and guide new infrastructure projects, the Institution developed a long-term Judiciary Infrastructure Master Plan. This master plan maps out the areas the institution envisages to establish and build new courts in the coming 10 years. It also provides basic expectations in a standard court that guides the Directorate of Building Services in the designs.
34. The tables annexed below give the status of the Judiciary projects as at the 31st December, 2018:
    i. Ongoing construction and rehabilitation of 54 courts - Annex 1
    ii. New construction and rehabilitation of 13 courts - Annex 2

i. Ongoing construction

35. As the end of 31st December, 2018, 13 construction and rehabilitation projects were completed; Kigumo, Bomet, Nyando, Molo, Engineer, Othaya, Nkubu, Makindu, Competitions tribunal, Mpeketoni, Ukwala, Siaya and JSC offices. On overage the remaining 41 projects are 73% complete.

36. The projects that had large scopes of works were not completed on time due to various challenges that included delayed payment, lengthy procedure for approvals of variations, unfavourable weather conditions, poor performance by contractors and budgetary cuts.

ii. New Construction and rehabilitation

37. In FY 2017/18, the Judiciary commenced construction of new buildings in order to bring justice closer to the people. The buildings are based on the model designs developed by its Directorate of Building Services and will have eight court rooms and 12 chambers for the High Court model and four court rooms and five chambers for the magistrate court model. Other features for both models are registries, service bays, lactation rooms, ramps, gender separated cells, public washrooms, advocates lounge and offices. The new constructions commenced in the reporting period include Habasweini, Isiolo, Wajir, Ol-Kalou, Kakamega, Mukurweini, Mombasa, Makueni, Kangema and Kajiado.

38. While the development of adequate infrastructure for the judiciary has been identified as a key pillar in the judiciary's transformation. There has been concern about the mismatch between the huge court buildings being built by the judiciary vis a vis the traffic at the court. It seems the building designs are not linked with the traffic at the court i.e Nkubu law court has been constructed at a cost of Kshs 85.9 million and it is composed of a 3 story tower building. However, the court is handling only 1,590 cases which is 0.4% of the total cases filed.

3.1.2 Judiciary's Proposed Budget Estimate 2019/20

39. The judiciary budget allocations in FY 2015/16 was Kshs 14.8 billion which grew by 16% to Kshs 17.1 billion in FY 2016/17 and declined by 17% to 14.6 billion in FY 2017/18. The decline in allocation in FY 2017/18 was due to austerity measures.

40. In FY 2019/20, the judiciary's budget is set to increase by grow 18% from the 15.6 billion allocated in FY 2018/19. Over the medium term, Judiciary through the program of Dispensation of Justice intends to achieve the following: it plans to complete the construction and rehabilitation of 1 court of appeal, 12 high court stations, and 11 magistrate courts. In addition, the judiciary plans to reduce backlog of cases by clearing 390, 000 cases in FY 2019/20, Conduct 15 justice service week, resolve 700 cases through ADR, and establish 5 courts with automated proceedings.

Table 6: Programmes Allocation (FY 2016/17 – FY 2021/22)

Programme	Sub-programs	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Dispensation of Justice	Access to Justice	11,309	10,868	10,584	13,124	13,909	14,223
	General administration, planning and support services	5,800	3,814	3,872	3,737	4,025	4,160
	Total	17,109	14,652	14,457	16,861	17,934	18,382

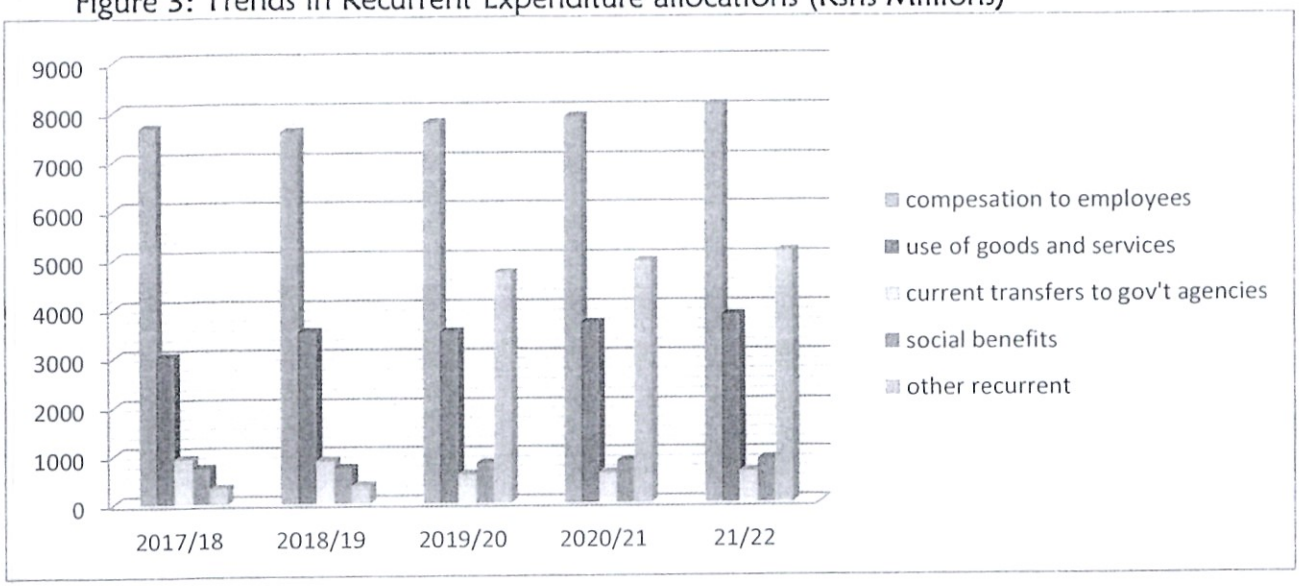
Source: FY 2019/20 Estimate, National Treasury

41. The budgetary allocation to the Judiciary in the FY 2019/20 is KSh. 18.5 billion comprised of Kshs. 14.1 billion for recurrent expenditure and Kshs 4.4 billion for development expenditure. The recurrent expenditure has increased slightly by 9.5% from an allocation of Kshs. 12.9 billion in 2018/19. The increase is largely due to enhanced allocation for the following items; acquisition of motor vehicles – Kshs 317 million, domestic loans to individuals and households – Kshs 550.4 million, and insurance costs – Kshs 180 million.
42. Under the development vote, the department's budget has been increased significantly by 60.7% from an allocation of Kshs. 2.73 billion in 2018/19. There is enhanced allocation for the projects funded through the exchequer from an allocation of Kshs 50 million in FY 2018/19 to Kshs 1.8 billion in FY 2019/20. I

addition the allocation for the world bank has also increased from Kshs 1.5 billion in FY 2018/19 to Kshs 2.6 billion in FY 2019/20.

43. The trend in allocation shows that compensation to employees has increased slightly from Kshs 7.6 billion in FY 2018/19 to Kshs 7.8 billion in FY 2019/20 which can be attributed to the Commission's effort to improve its workforce capacity. There is an increase in allocation to Other Recurrent from Kshs. 368 million in 2018/19 to Kshs. 4.7 billion in FY 2018/19.

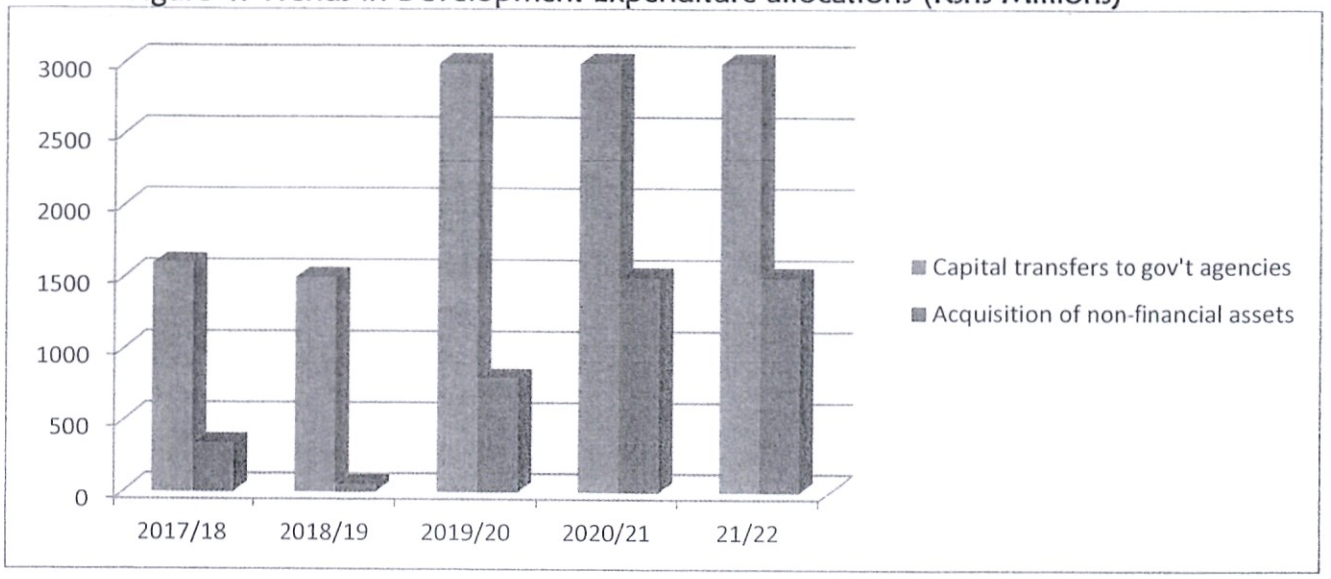
Figure 3: Trends in Recurrent Expenditure allocations (Kshs Millions)



Source: FY 2018/19 Estimate, National Treasury

44. Under the development vote, the allocations will be spent on capital transfers to government agencies as well as acquisition of non-financial assets (construction/rehabilitation of courts) as shown in figure 4.

Figure 4: Trends in Development Expenditure allocations (Kshs Millions)



Source: FY 2019/20 Estimate, National Treasury

45. It should be noted that the judiciary programmed based budget is not in line with its itemized budget as submitted. The programme based budget puts the judiciary budget at Kshs 16.7 billion while the itemized budget puts it Kshs 18.5 billion. Therefore is need by judiciary to clarify its correct proposed budget.

3.1.3 Stalled Projects

46. It is important to note that the Judiciary has a total of twelve (12) stalled projects (court constructions) across the country whose estimated cost is Kshs 2.0 billion. As at the end of June, 2018, the actual expenditure towards those projects stood at Kshs 327 million. The outstanding project cost is Kshs 1.7 billion therefore it is important for the government to hasten the completion of those projects in order to realize value for the funds expended towards those projects so far.

Table 7: Stalled Projects

	Estimated project cost	financing		Date		Implementation stage	Actual expenditure	Outstanding project cost as at June 2018
		G.O.K	Foreign	Start date	End date			
1.0 Homabay law courts	367.3	367.3	-	13/3/17	30/7/18	32%	26.3	341

Kabarnet law courts	366.8	366.8	-	17/3/17	17/9/18	15%	21.2	345.6
2.0 Marsabit law courts	370.2	370.2	-	17/3/17	13/3/19	22%	30.1	340.2
3.0 Amagoro law courts	138	138		13/3/17	13/3/19	16%	9.8	128.2
4.0 Githongo law courts	130.9	130.9	-	4/5/17	4/4/19	44%	30.7	100.2
5.0 Kandara law courts	137.8	137.8	-	4/3/17	7/3/19	22%	16.1	121.7
6.0 Mbita law courts	148.3	148.3	-	15/3/17	14/3/18	46%	45.2	103.1
7.0 Habaswein law court	143.2	143.2	-	28/9/17	14/3/19	7%	10	133.2
8.0 Muranga law courts	62.1	62.1	-	19/5/15	17/8/18	65%	39.4	22.7
9.0 Wanguru law courts	81.7	81.7	-	15/1/13	30/12/18	70%	42.6	39.1
10. Mombasa court of appeal	51.8	51.8	-	18/11/14	29/6/18	75%	49	2.8
11.0 Karatina law courts	6.9	6.9	-	4/5/17	19/9/18	65%	2.6	4.3
12. Makadara law courts	9.9	9.9	-	23/7/17	13/10/17	60%	4.9	5.0
Total	2,014.9	2,014.9					327.9	1,687.1

Source: National Treasury

3.1.4 Pending Bills

47. During the period FY 2015/16– 2017/18, the pending bills due as at the end of the FY FY 2017/18 totaled to Kshs 528 million composed of Kshs 246 million under the recurrent account and Ksh. 282 from development expenditures.
48. The pending bills arose due to austerity measures in the middle of the financial year which caused non-payment of most of the existing contracts. This is compounded by frequent down time of IFMIS and delays in presentation of invoices by suppliers.

Table 8: Pending bills FY 2015/16 - 2017/18

Type/Nature	Due to lack of Exchequer			Lack of Provision			Total
FY	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2017/18
1. Recurrent							
Compensation to Employees	0	0	0	0	0	0	0
Use of goods & service	75	189	115	0	0	76	191
Social Benefits	0	0	0	0	0	0	0
Other recurrent expenses	202	282	55	0	0	0	55
Subtotal – Recurrent	277	471	170	0	0	76	246
2. Development							

Acquisition of Non-Financial Assets	188	140	31	0	0	0	31
Use of goods and services	0	0	0	0	0	0	0
Other development	0	0	5	0	0	246	251
Subtotal - Development	**188**	**140**	**36**	**0**	**0**	**246**	**282**

Source: Budget estimate – Judiciary

3.1.5 Summary of Key issues and policy options

49. **Case clearance:** The most visible quantitative indicator of service delivery of the justice system is the numerical turnover of cases. The total number of cases filed is an important indicator of people's confidence in the court. In the FY 2017/18, a total of 402,243 cases were filed in the Judiciary out of which 283,788 were criminal cases and 118,455 were civil cases. In the same period, a total of 370,488 cases were resolved in all courts which comprised 243,821 criminal cases and 126,667 civil cases. However, as at the end of the FY 2017/18, there were 553,187 pending cases in the Judiciary, which comprised 219,686 criminal cases and 33,501 civil cases. To reduce the case backlog, Judiciary needs to do come up with modern strategies while leveraging on ICT.
50. **Construction and Establishment of Courts: -** Judiciary is currently constructing 56 courts out of which 26 are financed through the World Bank loan and 30 projects are financed through the exchequer. The judiciary also intends to initiate new projects such as the construction of a court of appeal at a cost of Ksh 1.5 billion in FY 2019/20. However, it is critical for the Judiciary to prioritize and finish all the ongoing projects rather than initiating new projects while ongoing projects are yet to be completed.
51. **Court Building Designs -** There has been concern about the mismatch between the huge court buildings being built by the judiciary vis a vis the traffic at the court. It seems the building designs are not linked with the traffic at the court i.e Nkubu law court has been constructed at a cost of Kshs 85.9 million and it is composed of a 3 story tower building. However, the court is handling only 1,590 cases which is 0.4% of the total cases filed.
52. **Court Deposits -** By June 30, 2018, the Judiciary held court deposits and other funds held in trust for third parties amounting to KShs. 5,126,896,135. This was an increase from the KShs 4,367,834,191 that was held at the end of FY 2016/17. The funds are refundable as and when court orders are issued or after six months liability period for

retention monies. However, there has been concern about the magnitude of deposit yet it is not generating interest for the parties involved.

53. **Programme Based Budget** - It should be noted that the judiciary programmed based budget is not in line with its itemized budget as submitted. The programme based budget puts the judiciary budget at Kshs 16.7 billion while the itemized budget puts it Kshs 18.5 billion. Therefore is need by judiciary to clarify its correct proposed budget.

3.2 Judicial Service Commission

54. The Judicial Service Commission (JSC) is a constitutional body established under Article 171(1) of the Constitution of Kenya. The Constitution confers upon the JSC an expansive and liberal mandate in the discharge of its functions. The mandate of the Commission as provided for under Article 172 (1) of the Constitution is to promote and facilitate the independence and accountability of the Judiciary and the efficient, effective and transparent administration of justice.

3.2.1 Budget Performance Review FY 2015/2016 – 2017/18

55. An analysis of the trends in absorption rate of the budget allocated for the Commission shows that the funds are not fully utilized with the average absorption rate from FY 2015/16 to FY 2017/18 being at 85.3%, 95.7%, and 73% respectively albeit a slight improvement from 85.3% in 2015/16 to 73% in 2017/18. The reasons why the departments' do not fully absorb the allocated funds include the following; delayed exchequer releases, long and tedious procurement processes, as well as IFMIS related challenges.

Table 9: Analysis of Approved Budget Vs Actual Expenditure in Ksh Million

Vote & Vote Details	Approved Allocation			Actual Expenditure			Absorption Rates		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Judicial Service Commission	472	450	283.5	403	431	207.1	85.3 %	95.7	73%
Total	472	450	283.5	403	431	207.1	85.3 %	95.7	73%

Source: Judicial service Commission

56. In the review period the commission advertised and competitively recruited the Chief Justice, the Deputy Chief Justice, 43 High Court Judges, 19 ELC judges, 103 magistrates and 1,496 judicial staff were appointed to address the staffing needs of the Judiciary for effective service delivery.
57. In addition, the Judiciary Training Institute facilitated the training of judges and magistrates through holding Annual Judges, Magistrates and Kadhis Colloquia whose target is 100% attendance.
58. The commission several policy documents during the period under review and are at various completion stages. These include Development of Draft Rules and Guidelines on Alternative Dispute Resolution (AJS), Justice Needs Survey, Training Needs Assessment (TNA), Courts Administrators Hand-book, Kadhi's Court Handbook and Manual, Training policy, Employee Handbook and Induction Manual, Strategies to clear case backlogs in superior courts, environmental law bench book and Manual on complaints against Judicial Officers.

3.2.2 Proposed Budget Estimate FY 2019/20

59. The Commission executes this mandate under **General administration; Planning and support services programme.** The Programme has two sub programmes namely: **Administration and Judicial Services;** and **Judicial Training.**
60. In the FY 2019/20, the proposed allocation to the Judicial Service Commission is **KSh. 480 million** which is an increment of 31.9% from **Kshs. 364** million allocated in 2018/19. However, the allocation for the commission is significantly lower than its resource requirement of Kshs 1.2 billion.
61. The additional resources are required to fund critical areas such as recruitment of judicial officers and staff; equipping of enhanced court infrastructure; hearing and determination of complaints; finalization of pending policy documents and capacity development for judicial officers and staff aimed at ensuring enhanced access to justice.

Table 10: Proposed Budget Estimate FY 2019/20

Sector/ Vote/Programme/Details		2018/2019 Allocations	Resource Requirement	2019/2020 BPS Ceiling	2019/2020 Estimate
Judicial Service Commission	Current	364	1,228	480	480
	Capital	0	0	0	0
	Total	364	1,228	480	480

Source: Judicial Service Commission

3.2.3 Review of the Pending Bills

62. In the year 2017/18, the commission had pending bills totaling KShs. 44 Million an increase from FY2016/17 which stood at KShs 14million. This was due to lack of exchequer.

Table 11: Summary of Pending bills by nature and Type (KShs Million

	Due to lack of exchequer			Due to lack of provision		
Type/Nature	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Recurrent	-	-		-	-	
Compensation of employees		-		-	-	
Use of goods and services	7	14	44	-	-	
Social benefits	-	-		-	-	
Other expense	-	-		-	-	
Development	-	-		-	-	
Acquisition of non -financial assets	-	-				
Use of goods and services	-	-		-	-	
others specify	-	-		-	-	
Total Pending Bills	7	14	44	-	-	

Source: Budget Estimates - Judicial Service Commission

3.3 STATE LAW OFFICE AND THE DEPARTMENT OF JUSTICE

63. The office of the Attorney General and the Department of justice is mandated to enhance protection and promotion of the rule of law, provide legal advice to the government and defend public interest. The Office has three programmes:

Legal Services; Governance, Legal Training and Constitutional Affairs; and General Administration, Planning and Support Services.

3.3.1 Budget Performance Review FY 2015/2016 – 2017/18

64. The Departments Budget allocations in FY 205/16 was 4,393.7 million which grew by 11.2% to stand at Kshs 4,884.2 million in FY 2016/17 and increased further 0.7% to Kshs 4,917.7 million in FY 2017/18.

65. The actual expenditure attained in FY 2015/16 was Kshs 4,002.6 million which 99.1% of the years allocation. In the year 2016/17, the actual expenditure was Kshs 4,002.6 Million which is 81.9% of the year's allocation and in FY 2017/18 the actual expenditure was Kshs 3,930.4 million representing 79.9% of the allocation.

Table 12: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
State Law Office & Dep't of Justice	4393.7	4884.2	4917.7	4354.7	4002.6	3930.4	99.1%	82.0%	79.9%

Source: Sector Reports – National Treasury

3.3.2 Proposed Budget Estimate FY 2019/20

66. The allocations for the progarmme of legal services as well as the allocation for the programme of Governance, legal training and constitutional affairs have increased by Kshs 751.5 and Kshs 169.7 respectively.

Table 13: Allocations per programme (Kshs Millions)

	2018/19 Approved Estimate	2019/20 Proposed Estimate	2020/21 Projected Estimate	2021/22 Projected Estimate
Total Programmes	**4,690.3**	**5,308.5**	**5,644.9**	**5,871.8**
Legal Services	1,727.3	2,478.8	2,644.1	2,710.9
Governance, Legal Training and Constitutional Affairs	2,295.3	1992.2	1,957.4	2,042.3

General Administration, Planning and Support Services	667.8	837.5	1,043.4	1,118.6

Source: FY 2019/20 Estimate, National Treasury

67. The proposed allocation for the Office in FY 2019/20 is **Kshs. 5.3 billion** comprised of Kshs. 5.1 billion for recurrent expenditure and Kshs 0.2 billion for development expenditure. The allocation is an increase of 13.2% from **Ksh 4.7 Billion** allocated in the financial year 2018/19. The development budget has decreased from Kshs 614 million to Kshs 230 million; however, the recurrent budget has significantly increased from Kshs 4.1 billion to Kshs 5.1 billion.

68. The reduction in the development budget is as a result of the completion of development projects such as the construction of Ultra-modern library and moot court at the Kenya School of Law, the refurbishment of Sheria House and Company's Registry while the increase in the recurrent budget is on account of enhanced allocation for the civil ligation department as well as the international law division.

69. In the period 2018/19 - 2020/21, the Office will seek to finalize 1,200 cases each year filed against the government, Conduct dispute resolutions programs in 17 Counties in 2017/18, harmonize 100 existing laws with the Constitution, register 40,000 companies, and train 2200 law. Other outputs includes; Operationalize one(1) regional office, enhance the compliance of Copyright Law by investigating and prosecuting 400 cases, and sensitize 12 counties each year on the Constitution.

70. The allocation to the various semi-autonomous agencies under the department is as shown in the table below.

Table 14: The Semi-Autonomous State Agencies allocations (Kshs Million)

SAGAs/Agencies	2018/2019	
	Gross Estimates (000)	Net Estimates(000)

Council of Legal Education	369.1	199.0
Auctioneer's licensing Board	24.7	24.7
Kenya School of Law	507.0	507..0
Kenya Law Reform Commission	299.9	298.4
National Council for law reporting	314.3	314.3
National Anti-Corruption Steering Committee;	103.7	103.7
National Crime Research Centre;	149.6	149.6
The Nairobi Center for International Arbitrations	111.4	111.4
Victims Compensation Fund	60.0	60.0
Asset Recovery Agency	223.8	223.8
Registrar of Companies	301.2	301.2
Totals	2,464.6	2,094.1

Source: FY 2019/20 Estimate, National Treasury

3.3.3 Stalled projects

3.3.4 Review of the Pending Bills

71. During the period under review the Sector recorded pending bills amounting to Kshs. 21,206.43 Million of which Kshs. 11,661.42Million and Kshs. 9,545.01Million arose from recurrent and development expenditures respectively

Table 15: Departments Pending Bills

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
State Law Office & Dep't of Justice	Recurrent	56.4	104.6	105.8	-	-	-
	Development	2.9	15	85	-	-	-
Total		59.3	119.6	190.8	-	-	-

Source: Sector Reports – National Treasury

3.3.5 Summary of Key Issues and Policy Options

72. **Court awards against the government** - There are pending suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, there are awards against the government pending payment which stand at Kshs 88.1 billion and they are ranging from awards to victims of torture as well as business litigants against the state (see annex 3). Therefore it is important for the committee to find a lasting solution to this issue.

3.4 Office of the Registrar of Political Parties (ORPP)

73. The Office of the Registrar of Political Parties (ORPP) is established by the Political Parties Act, 2011. The mandate of the Office is to register and regulate political parties and administer the Political Parties Fund.

3.4.1 Budget Performance Review FY 2015/2016 – 2017/18

74. The Departments Budget allocations in FY 205/16, FY 2016/17 and FY 2017/18 were Kshs 533.5 million, Kshs 826.9 million and Kshs 808.5 million indicating a gradual increase in budgetary provision during the period under review.
75. The actual expenditure attained in FY 2015/16 was Kshs 518.7 million which 97.2 % of the years allocation. In the year 2016/17, the actual expenditure was Kshs 638 Million which is 77.2% of the year's allocation and in FY 2017/18 the actual expenditure was Kshs 752.2 million representing 93% of the allocation.

Table 16: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
1311 Office of the Registrar of Political Parties	533.5	826.9	808.5	518.7	638.7	752.2	97.2%	77.2%	93.0%
Total	533.5	826.9	808.5	518.7	638.7	752.2	97.2%	77.2%	93.0%

Source: Sector Reports - National Treasury

3.4.1 Proposed Budget Estimate FY 2019/20

76. In the financial year 2014/2015, the Office of the Registrar of Political Parties was allocated Kshs 466.9 Million of which Kshs 367.2 million was for Political Parties Fund. In 2015/2016 the Office was allocated Kshs 533.3 million (Kshs. 370.5 million for Political Parties Fund) while 2016/17 Financial Year, the Office was allocated Kshs 826.9 million of which Kshs 370.5 Million was for Political Parties Fund.
77. The proposed allocation for FY 2019/20 is **Kshs. 798.7 million** which is entirely recurrent expenditure. The allocation represents a slight increase of Kshs 1.7 from **Kshs. 796.99 million** allocated in FY 2018/19. In addition, the allocation towards the political parties fund has been maintained at **Kshs. 371.2 million** (46.5%) which ideally should be 0.3 percent of the revenue collected by the government.
78. During the next medium term period, the office will undertake the following; development of a guiding policy framework on political party primaries, inspections and monitoring of political parties to ensure compliance with the political parties act, 2011, undertake reforms to strengthen legal and regulatory framework for political parties including the development of sanctions, and also modify and integrate the political parties membership data base with IEBC register.

3.4.3 Review of the Pending Bills

79. The departments pending bills for the period under review stood at Kshs 16.9 Million. The pending bills are as a result of lack of exchequer and revision of budget due to austerity measures.

Table 17: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Registrar of	Recurrent	3.8	8.7	4.4	-	-	-

Political Parties	Development	-	-	-	-	-	-
Total		3.8	8.7	4.4	-	-	-

3.4.4 Summary of Key Issues and Policy Options

80. The allocation of **Kshs 371.2 Million** to the Political Parties Fund is not in compliance with the requirement of the political parties act as well as the ruling of Justice Aburili who advised going forward the government should comply with the provision of the Act.

3.5 Witness Protection Agency (WPA)

81. The witness protection agency is mandated to provide special protection, on behalf of the state, to persons in possession of important information and who are facing potential risk due to their cooperation with the prosecution and other enforcement agencies. The Agency implements the witness protection programme.

3.5.1 Budget Performance Review FY 2015/2016 – 2017/18

82. The Witness Protection Agency's budgetary allocation rose over the medium term 2015/16-2017/18 from Kshs. 369.7 million to Kshs. 483.1 million in 2018/19 representing an average increase of 30% over the period.
83. The department's actual expenditure for the period was Kshs 359.6 million, Kshs 362.9 million and Kshs 412.2 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was impressive averaging at 94.6%.

Table 18: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Witness Protection Agency	369.7	388.4	442.3	359.6	362.9	412.2	97.26%	93.42%	93.18%

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Total	369.7	388.4	442.4	359.6	362.9	412.2	97.3%	93.4%	93.2%

Source: Sector Reports, National Treasury

3.5.2 Proposed Budget Estimate FY 2019/20

84. In the FY 2019/20, the Agency has been allocated Kshs. 481.6 million which represents an increase of 1.7% from the Kshs. 473.4 million allocated in 2018/19. The budgetary allocation is entirely for recurrent expenditure. The increase in budget allocation is due to a decrease in the provision for use of goods and services.

Table 19: proposed Budgetary Allocations FY 2019/20

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Witness Protection Agency	454.3	388.44	442.4	473.4	481.6	495.5	512
Total	454.3	388.44	442.4	473.4	481.6	495.5	512

Source: Sector Reports, National Treasury

85. The major services/outputs to be provided in the FY 2019/20 and Medium Term budget include; continued admission of threatened witnesses; and maintenance and management of witnesses. The Agency projects to maintain a maximum of 65 witnesses and their related persons for the FY 2019/20; facilitate the administration of justice through testimonies in a court of law; resettlement and re-integration of witnesses and enhanced institutional capacity to support the programme.

3.5.3 Summary of Key Issues and policy Issues

86. The agency target to admit an additional 138 witnesses in FY 2019/20 and the number is set to rise over the medium term to 167 witnesses. However, there

should be a strict criteria for admitting the witnesses into programme since the sustainability of the programme will be jeopardized if there is a drastic increase in the number of witnesses.

3.6 Kenya National Commission on Human Rights

87. The Kenya National Commission on Human Rights mandate is to ensure the promotion and protection of human rights It is an independent commission established under Article 59 of the Constitution. It implements the programme; Promotion and Protection of Human Rights.

3.6.1 Budget Performance Review FY 2015/16 – 2017/18

88 The Commission's budgetary allocation has consistently been declining over the medium term 2015/16-2017/18 from Kshs 459.1 million to Kshs. 398.8 million in 2018/19 representing an average a decrease of 13% over the period.

89 The department's actual expenditure for the period was Kshs 432.7 million, Kshs 413.3 million, and Kshs 389.4 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was impressive averaging at 96.7%

TABLE 20: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Kenya National Commission on Human Rights	459 1	420.8	398 8	432 7	413 29	389 4	94 3%	98 2%	97 7%
Total	**459.1**	**420.8**	**398.8**	**432.7**	**413.29**	**389.4**	**94.3%**	**98.2%**	**97.7%**

Source Sector Reports, National Treasury

3.6.2 Proposed Budgetary Estimate FY 2019/20

90. The proposed allocation to the Commission in FY 2019/20 is **KSh. 384.3 million** which is a decrease of 0.13% from the **Kshs. 398.8 million** allocated in FY 2018/19 The decrease in allocation is as a result of reduced provision for the allocation towards the mortgage scheme for the members of staff.

Table 21: Budgetary Allocation FY 2015/16 -2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Kenya National Commission on Human Rights	433.1	420.8	398.8	384.8	384.3	398.2	411.3
Total	**433.1**	**420.8**	**398.8**	**384.8**	**384.3**	**398.2**	**411.3**

Source: Budget Estimate, National Treasury

91. During MTEF period FY2018/19 - FY2020/21, the Commission plans to achieve the following: resolution of public complaints alleging human rights violations, enhance public awareness on human rights, review policies and legislation on human rights, research and produce thematic reports on human rights, conduct institutional audits for improved protection of human rights , increase redress on human rights through public interest litigation, amicus briefs, direct litigation and Alternative Dispute Resolution. With regards to 'Big four' agenda, the Commission will enhance the capacity of State and non-State actors on programming and implementing Economic, Social and Cultural Rights.

3.6.3 Pending Bills FY 2015/16 – 2017/18

92. The departments pending bills for the period under review stood at Kshs 22 Million. The pending bills are as a result of lack of exchequer and revision of budget due to austerity measures.

Table 22: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Registrar of Political Parties	Recurrent	8	-	14	-	-	-
	Development	-	-	-	-	-	-
Total		8	-	14	-	-	-

Source: Sector Reports, National Treasury

3.6.4 Summary of Key Issues and Policy Options

93. The consistent reduction of the commissions consistently over the years is likely to hamper the delivery of the department's budget. The commission's budget has further been decreased in FY 2019/20 to Kshs 384.3 from Kshs 384.8 in FY 2018/19.

3.7 Ethics and Anti-Corruption Commission (EACC)

94. The Ethics and Anti-Corruption Commission (EACC) has one programme, Anti-Corruption programme. It is mandated to fight and prevent corruption and economic crime in Kenya through law enforcement, preventive measures, public education and promotion of standards and practices of integrity.

3.7.1 Budget Performance Review FY 2015/16 – 2017/18

95. The Commission's budgetary allocation has consistently been increasing over the medium term 2015/16-2017/18 from Kshs. 2,957.2 million to Kshs. 4,336.5 million representing an increase of 46.6% over the period. The increase has been due to expenditures related to the Acquisition of the Commission's integrity centre.

96. The department's actual expenditure for the period was Kshs 2,198.9 million, Kshs 3,429.6 million, and Kshs 4,314.3 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was impressive averaging at 91.8%.

Table 23: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Ethics & Anti-Corruption Commission	2957.2	3480.08	4336.54	2198.9	3429.62	4314.34	74.36%	98.55%	99.49%
Total	2957.2	3480.08	4336.5	2198.9	3429.6	4314.3	74.4%	98.6%	99.5%

Source: Sector Report, National Treasury

3.7.2 Proposed Budgetary Estimate FY 2019/20

97. The allocation to the commission in FY 2019/20 budget estimates is **KSh. 2.9 billion** comprised of Kshs 2.7 billion for recurrent expenditure and Kshs 100 million for development expenditure. The commission recorded a decrease of 34.2 when compared to KSh. 4.3 billion allocated in 2016/17. The Kshs. 1.5 billion decrease is due to the one off provision for the purchase of the new office block for the commission which was concluded in FY 2017/18. The proposed allocation of Kshs 100 million under the development vote is for refurbishment of the newly acquired integrity centre.

Table 24: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Ethics & Anti-Corruption Commission	2,972	3,480.08	4,336.5	2,926.5	2,966.6	3,055.7	3,155.6
Total	**2,972**	**3,480.08**	**4,336.5**	**2,926.5**	**2,966.6**	**3,055.7**	**3,155.6**

Source: Budget Estimate, National Treasury

98. In the FY 2019/20 and medium-term period, the Commission will undertake 1,720 investigations on corruption and economic crime cases and 4005 investigations on ethical breaches; disrupt 60 corruption networks; undertake 84 asset tracing inquiries and recover assets valued at Kshs.66.6 billion; train, educate and enlist 100 million Kenyans to combat corruption; undertake 43 system review and examinations; and train, educate and enlist 100 million Kenyans to combat corruption.

3.7.3 Pending Bills FY 2015/16 – 2017/18

99. The commission has not incurred pending bills for the period under review. This is indication of the commission's sound financial planning for the period under review.

3.8 Office of the Director of Public Prosecutions (DPP)

100. The Office of the Director of Public Prosecutions (ODPP) is an independent Constitutional Office established by Article 157 of the Constitution to ensure an independent, accountable and professional prosecution service. Its programme is Public Prosecution Services.

3.8.1 Budget Performance Review FY 2015/16 – 2017/18

101. The Agencies budgetary allocation in FY 2015/16, FY 2016/17, and FY 2017/18 was Kshs 2457 million, Kshs 2213 million and Kshs 1999.7 million representing a decrease of 18.6% over the period.

102. The department's actual expenditure for the period was Kshs 2,159 million, Kshs 2,213 million, and Kshs 1999.7 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was averaging at 88.4%.

Table 25: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Office of the Director of Public Prosecutions	2457	2213	1999.7	2159	1809	1913	87.87%	81.74%	95.66%
Total	2457	2213	1999.7	2159	1809	1913	87.9%	81.7%	95.7%

Source: Sector Report, National Treasury

3.8.2 Proposed Budgetary Estimate FY 2019/20

103. The proposed allocation for the Office is **KSh. 3.0 billion** in 2019/20 comprised of Kshs 2.9 billion for recurrent expenditure and Kshs 107.1 million for development expenditure representing an increase of 4.5% from the Kshs 2.9 billion allocated in FY 2018/19. The increased allocation under the recurrent vote is due to enhanced allocation for compensation of employees while the increased allocation under the development vote is due to construction of county offices in Wajir, Busia, Turkana and Kisii at a cost Kshs 107 million.

Table 26: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Office of the Director of Public Prosecutions	2,543	2213	1,949	2,912.3	3043.3	3,106.6	3,210.9
Total	2,543	2213	1,949	2,912.3	3043.3	3,106.6	3,210.9

Source: Budget Estimate, National Treasury

104. In the FY 2019/20 and medium-term period, the Office will operationalize the planned case management system as part of improving operational efficiency; expand the scope of the Prosecutors Training Institute (PTI) to ensure continuous capacity improvement; open new stations in line with the expansion of court stations across the country; construct additional offices in four County stations and continue with the programme of tooling prosecutors and improving their work environment to ensure that they are able to execute their work effectively.

3.8.3 Pending Bills FY 2015/16 – 2017/18

105. The departments pending bills for the period under review stood at Kshs 41.2 Million. The pending bills are as a result of lack of exchequer and revision of budget due to austerity measures.

Table 27: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision		
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Office of the Director of Public Prosecution	Recurrent	21.4	11.9	7.9	-	-	-
	Development	-	-	-	-	-	-
Total		21.4	11.9	7.9	-	-	-

Source: Sector Reports, National Treasury

3.9 Independent Electoral and Boundaries Commission (IEBC)

106. IEBC is an independent constitutional commission and its role is to conduct or supervise referenda and elections as well as to manage the electoral process and review electoral boundaries. It implements one (1) programme; Management of Electoral Process with an objective to deliver free, fair and credible elections.

3.9.1 Budget Performance Review FY 2015/16 – 2017/18

107. The Agencies budgetary allocation in FY 2015/16, FY 2016/17, and FY 2017/18 was Kshs 4,905 million, Kshs 23,617 million and Kshs 33,372.7 million representing an increase of 580.3% over the period. This is due to the expenditures related to the general election that was held in 2017/18.

108. The department's actual expenditure for the period was Kshs 4,191 million, Kshs 20,165 million, and Kshs 28,755.7 million in FY 2015/16, FY 2016/17 and FY 2017/18 respectively. The absorption rate of the department was averaging at 85.6%.

Table 28: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure			Absorption		
	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	2015/16	2016/17	2017/18
Independent Electoral & Boundaries Commission	4905	23617	33372.7	4191	20165	28755.7	85.4%	85.4%	86.2%
Total	4905	23617	33372.7	4191	20165	28755.7	85.4%	85.4%	86.2%

Source: Budget Estimate – National Treasury

3.9.2 Proposed Budgetary Estimate FY 2019/20

109. In the FY 2019/20, The Commission was allocated **Ksh. 4.8 billion** comprised of Kshs 4.8 billion for recurrent expenditure and Kshs 0.043 billion for development expenditure. The allocation to the commission has increased by Kshs 0.57 billion (13.5%) from Kshs 4.2 in FY 2018/19 to Kshs 4.8 billion in FY 2019/20.

Table 29: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Independent Electoral & Boundaries Commission	4976.2	23617	33,372.7	4,433.6	4,803.4	4,954	5,122.5
Total	4976.2	23617	33,372.7	4,433.6	4,803.4	4,954	5,122.5

Source: Budget Estimate, National Treasury

110. The enhanced allocations to IEBC will cater for the following areas; Delimitation of boundaries – Kshs 134 million, maintenance of the Commission's ICT infrastructure - Kshs 351 million, and continuous voter registration – Kshs 16 million.

111. In the next medium-term period, the Commission will undertake continuous voter registration, bridge training and risk mapping in preparation for the 2022 elections, review of the boundaries legal framework and ground setting in preparation for the boundary delimitation and completion of the various commission warehouses countrywide.

3.9.3 Pending Bills FY 2015/16 – 2017/18

112. The departments pending bills for the period under review stood at Kshs 4,731 Million. The pending bills are as a result of lack of exchequer and lack of provision.

Table 30: Agencies Pending Bills FY 2015/16 – 2017/18 Kshs Millions

Vote	FY	Due to lack of liquidity			Due to lack of provision			Total
		2015/16	2016/17	2017/18	2015/16	2016/17	2017/18	
Independent Electoral & Boundaries Commission	Recurrent	89	-	2100	431	-	1730	4,731
	Development	-	-	-	-	-	-	-
Total		89	-	2,100	431	-	1,730	4,731

Source: Sector Reports, National Treasury

4.0 Commission on Administrative Justice (CAJ)

113. The Commission is established as envisaged under Article 59(4) of the Constitution and the Commission on Administrative Justice Act, 2011. Its mandate is to enforce administrative justice in the Public Sector by addressing mal-administration through effective complaints handling and alternative dispute resolution. It implements one (1) programme; Promotion of Administrative Justice.

4.1.1 Budget Performance Review FY 2015/16 – 2017/18

TABLE 31: ANALYSIS OF APPROVED BUDGET VS ACTUAL EXPENDITURE AMOUNT IN KSH MILLION

Vote	Approved Allocation			Actual Expenditure				Absorption			
	2015/16	2016/17	2017/18	2014/15	2015/16	2016/17	2017/18	2014/15	2015/16	2016/17	2017/18
Commission on Administrative Justice	480.7	449	412.79	354.2	428	419.1	387.8	89.8%	89.0%	89.4%	93.96%
Total	480.7	449	412.79	354.2	428	419.1	387.8	89.8%	89.0%	89.4%	93.96%

Source: Budget Estimate, National Treasury

4.1.2 Proposed Budgetary Estimate FY 2019/20

114. The Allocation to the Commission in the FY 2019/20 is **KSh. 565 million,** an increase of 14.8% from Kshs. 492.1 million allocated in 2017/18. The increased allocation will cater for the acquisition of motor vehicles and furniture – Kshs 20.1 million, domestic travel – Kshs 12.8 million, and Kshs 30.7 million for employer contributions to the NSSF scheme.

Table 32: Proposed Budget Estimate FY 2019/20 Kshs Millions

Vote	Approved Allocation				Proposed Allocation	Projections	
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22

Commission on Administrative Justice	506.8	449	412.8	492.1	565	583.7	602.6
Total	**506.8**	**449**	**412.8**	**492.1**	**565**	**583.7**	**602.6**

Source: Budget Estimate, National Treasury

115. During the 2018/19 – 2020/21 medium term period, the Commission will utilize the budgetary allocation on resolution of public complaints on maladministration, scaling-up the ombudsman service delivery points, outreach programmes, implementation of access to information Act, 2016 and monitoring service delivery at national and county levels.

4.1.3 Pending Bills FY 2015/16 – 2017/18

116. The commission has not incurred pending bills for the period under review. This is indication of the commission's sound financial planning for the period under review.

Table Annex 1: Details of projects funded by World Bank through the Judicial Performance Improvement Project (JPIP)

STATUS REPORT OF PROJECTS FUNDED BY WORLD BANK (THROUGH JPIP) AS AT 30TH JUNE 2018											
No.	Court	Court Station	Contractor Name	Contract Amount	Start Date	Initial Completion Date	Revised Completion Date	Initial Contract Period (Weeks)	% Completeness		Status Report
									FY 2016/17	FY 2017/18	
Ongoing Projects											
1	Kigumo Law Courts	Kigumo	Marimo Construction Ltd	94,160,933.00	29/06/15	29/06/16	18/09/18	52	98%	100%	Complete
2	Chuka Law Courts	Chuka	Philmark System Services Ltd	96,881,316.00	05/06/15	13/06/16	23/07/18	52	78%	87%	On-going
3	Engineer Law Courts	Engineer	Yomason Contractors Ltd	78,615,579.00	08/06/15	08/08/16	21/03/18	52	98%	99%	Practically complete
4	Vihiga Law Courts	Vihiga	Lunao Enterprises Ltd	78,476,529.00	16/09/15	14/09/16	14/11/18	52	88%	96%	On-going
5	Nyando Law Courts	Nyando	Philmark System Services Ltd	74,827,121.00	04/09/15	02/09/16	06/03/18	52	84%	99%	Practically complete
6	Molo Law Courts	Molo	Atlas Plumbers Ltd	99,910,995.00	19/06/15	17/06/16	24/05/18	52	98%	98%	Practically complete
7	Oyugis Law Courts	Oyugis	Sasah Contractors Ltd	109,731,080.00	29/06/15	28/06/16	21/09/18	52	88%	95%	On-going
8	Nyamira Law Courts	Nyamira	JN Investments Ltd	118,305,748.00	18/06/15	17/06/16	18/09/18	52	65%	90%	On-going
9	Muhoroni Law Courts (Tamu)	Tamu	Philmark System Services Ltd	74,879,919.00	06/09/15	08/06/16	30/09/18	52	75%	97%	On-going
10	Nakuru Law Courts	Nakuru	Diwafa Investments Ltd	347,765,950.00	18/02/16	18/08/17	18/10/18	110	80%	80%	On-going
11	Siaya Law Courts	Siaya	Nanchang/GL Williams JV	342,751,951.00	21/03/16	21/09/17	22/11/18	110	60%	70%	On-going
12	Garissa Law Courts	Garissa	Inshallah Ltd	351,323,457.00	22/01/16	22/07/17	11/05/18	110	40%	72%	On-going
13	Makindu Law Courts	Makindu	Gracan Construction Ltd	96,855,446.00	08/03/16	07/03/17	30/05/18	52	90%	100%	Complete
14	Nanyuki Law Courts	Nanyuki	Pinnie Agency Ltd	318,559,759.00	10/03/16	10/09/17	12/10/18	110	60%	76%	On-going
15	Kibera Law Courts	Nairobi	Havi Construction	137,649,133.00	13/04/16	13/04/17	30/06/18	52	40%	65%	On-going
16	Voi Law Courts	Voi	Concordia Building & Eng. Ltd	347,582,674.49	29/03/17	29/09/18		78	5%	45%	On-going

Table Annex 1: Details of projects funded by World Bank through the Judicial Performance Improvement Project (JPIP)

STATUS REPORT OF PROJECTS FUNDED BY WORLD BANK (THROUGH JPIP) AS AT 30TH JUNE 2018											
No.	Court	Court Station	Contractor Name	Contract Amount	Start Date	Initial Completion Date	Revised Completion Date	Initial Contract Period (Weeks)	% Completeness		Status Report
									FY 2016/17	FY 2017/18	
17	Kapenguria Law Courts	Kapenguria	County Builders Ltd	400,880,621.00	21/03/17	21/09/18		78	5%	40%	On-going
18	Maralal Law Courts	Maralal	Debroso Construction Ltd	378,745,872.00	23/03/17	23/09/18		78	8%	35%	On-going
19	Kwale Law Courts	Kwale	Inforserve Networks Ltd	389,998,592.00	05/06/17	11/06/18		78	5%	32%	On-going
New Projects											
20	Isiolo Law Court	Isiolo	Dallo Holdings Ltd	379,082,160.90	04/10/17	10/10/18		78	8%	46%	On-going
21	Wajir Law Courts	Wajir	Anole Construction Co. Ltd	369,567,057.00	27/09/17	27/03/19		78	0%	6%	On-going
22	Ol-Kalou Law Courts	Ol-Kaluo	Nelliwa Builders	399,323,129.00	18/09/17	17/03/19		78	0%	16%	On-going
23	Kakamega Law Courts	Kakamega	Hashit Construction & General Sup. Ltd	387,664,343.33	21/09/17	21/03/19		78	0%	20%	On-going
24	Mukurweini Law Courts	Mukurweini	One Source Company Ltd	158,978,307.00	19/09/17	18/09/18		52	0%	20%	On-going
25	Mombasa Law Courts	Mombasa	Bashash Ltd	445,173,322.65	28/09/17	28/03/19		78	0%	20%	On-going
26	Makueni Law Courts	Makueni	Admo Ltd	410,099,717.10	25/09/17	25/03/19		78	0%	20%	On-going
27	Kangema Law Courts (Phase II)	Kangema	High Octane Engineering Ltd	42,992,271.57	20/09/17	18/09/18		52	0%	38%	On-going
28	Kajiado Law Courts	Kajiado	Misbah Networks Ltd	398,407,995.00	15/03/18	15/09/19		78	0%	8%	On-going
Tender Evaluation											
29	Kapsabet Law Courts	Kapsabet						120	0%	0%	Tender evaluation

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	Project	Court Station	Contractor's Name	Contract Amount (Ksh.)	Start Date	Initial Completion Date	Projected	Initial	% Completeness		Status Reports
									FY 2016 -2017	FY 2017 -2018	
Ongoing projects											
1	Homabay Law Courts	Homabay	Pepeta Holdings Limited	367,308,473.46	13/03/17	30/07/18		72	4%	26%	Contractor on site, slow progress
2	Kabarnet Law Courts	Kabarnet	Badole Construction Limited	366,798,387.60	17/03/17	17/09/18		72	6%	15%	Contractor not on site, slow progress
3	Marsabit Law Courts	Marsabit	Dido and Sons Limited	370,222,599.79	17/03/17	17/09/18		72	6%	18%	Contractor on site, good progress
4	Amagoro Law Courts	Amagoro	Sow Contractors Limited	137,988,040	13/03/17	13/03/18	13/03/19	54	1%	15%	Contractor on site, slow progress
5	Githongo Law Courts	Githongo	Nash Investments Limited	130,895,657.00	04/05/17	04/04/18	04/04/19	54	5%	26%	Contractor on site, slow progress
6	Kandara Law Courts	Kandara	Microsoft Construction Limited	137,817,417.00	04/03/17	04/04/18	17/03/19	54	8%	22%	Contractor on site, good progress
7	Machakos Law Courts	Machakos	Manyota Ltd	34,084,690.00	18/05/17	18/11/17	18/05/18	24	20%	65%	Contractor on site, good progress
8	Marsabit Law Courts	Marsabit	Precision Civil Eng. Limited	10,888,254.42	02/05/17	17/10/17	13/03/19	72	20%	75%	Contractor on site, good progress
9	Supreme Court	Nairobi	Dapalk Contractors Limited	21,538,285.00	04/04/17	04/10/17	15/01/18	16	90%	98%	Completed and awaiting handing over.
10	Kiambu law Law Courts	Kiambu	Outlet Branding Limited	7,510,360.00	31/05/17	08/01/18	08/07/18	24	55%	95%	Contractor on site, good progress
11	Mbita Law Courts	Mbita	Derow Construction Limited	148,325,073.00	15/03/17	14/03/18	14/03/19	52	10%	29%	Contractor on site, slow progress
12	Hamisi Law Courts	Hamisi	Pendeza Contractors	55,199,905.00	04/12/15	13/11/16	11/04/18	48	85%	95%	Contractor on site, slow progress
13	Embu Law Courts	Embu	Manyota Limited	178,932,022.32	15/01/15	15/09/16	18/10/17	84	97%	100 %	Contractor on site, slow progress
			Jufex-Auto Hardware Co. Limited	9,555,546.40	15/01/15	15/09/16		84	87%	100 %	Contractor on site, slow progress

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	Project	Court Station	Contractor's Name	Contract Amount (Ksh.)	Start Date	Initial Completion Date	Projected	Initial	% Completeness		Status Reports
									FY 2016 -2017	FY 2017 -2018	
			Masterpiece Electricals Limited	8,058,350.00	15/01/15	15/09/16		84		100 %	Completed
			Muga Electrical Contractors Limited	19,279,228.00	15/01/15	15/09/16		84	90%	100 %	Completed
			Manyota Ltd (Lift installations)	13,500,000.00	15/01/15	15/09/16		84	90%	100 %	Completed
			Pluton Ltd (ICT installations)	23,578,502.00					60%	100 %	Contractor on site, slow progress
14	Nkubu Law Courts	Nkubu	Just In Time Africa Limited	85,958,760.80	12/01/15	30/12/16		78	98%	100 %	Completed and handed over to Client on 1st Nov. 2017.
15	Muranga Law Courts	Muranga	Volcanic General SC Limited	62,086,413.20	19/05/15	20/02/16	17/08/18	36	70%	75%	Contractor on site, poor progress
16	Mandera Law Courts	Mandera	El-Yumo Contractors	107,034,445.00	19/05/15	20/02/16	30/12/18	52	60%	65%	Contractor on site, slow progress
17	Narok Law Courts-Phase II	Narok	Resjos Contractors Limited	65,194,539.00	26/10/15	04/07/16	30/12/18	36	70%	80%	Contractor not on site.
			The Insta-Pumps Engineering	6,496,900.00	26/10/15				70%	70%	
			PowerPoint Systems Limited	2,330,270.00	26/10/15				0%	0%	
18	Butali Law Courts	Butali	Dynamic Green Technologies	32,690,725.60	09/03/15	04/03/16	18/10/18	52	80%	83%	Contractor on site, good progress
19	Eldama Ravine Law Courts	Eldama Ravine	Green Heights Ventures	81,882,269.70	04/02/15	03/03/16		52	80%	95%	Practically complete
20	Port Victoria Law Courts	Port Victoria	Nolads Engineering Limited	46,529,557.00	12/02/15	12/02/16	27/06/18	52	85%	93%	Poor progress.
21	Eldoret Law Courts	Eldoret	Sudafric Group Limited	38,095,640.00	23/02/15	27/06/16		18	85%	85%	Contractor not on site
22	Othaya Law	Othaya	Economic Housing	81,664,580.00	15/01/13	31/05/16	30/12/18		70%	95%	Practically

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	Project	Court Station	Contractor's Name	Contract Amount (Ksh.)	Start Date	Initial Completion Date	Projected	Initial	% Completeness		Status Reports
									FY 2016 -2017	FY 2017 -2018	
	Courts		Group								complete
23	Wanguru Law Courts	Wanguru		81,664,580.00	15/01/13	31/05/16	30/12/18		70%	70%	No progress
24	Marimanti Law Courts	Marimanti		81,664,580.00	15/01/13	31/05/16	30/12/18		80%	80%	No progress
25	Bomet Law Courts	Bomet		81,664,580.00	15/01/13	31/05/16	30/12/18		90%	100 %	Complete
26	Runyenjes Law Courts	Runyenjes	Timsales Limited	99,959,218.00	23/01/13	31/05/16	30/12/18		85%	90%	Contractor on site, slow progress
27	Tawa Law Courts	Tawa		99,959,218.00	23/01/13	31/05/16	30/12/18		85%	90%	Contractor on site, slow progress
28	Mombasa Court of Appeal	Mombasa	Dantax Enterprises	33,940,580.00	19/11/14	19/03/15	29/06/18	16	75%	85%	Contractor on site, slow progress
			Kaminara Agencies Limited	11,465,680.00	19/11/14	19/03/15	29/06/18	16	75%	85%	Slow progress
			HotPoint Appliances Limited	6,385,539.00	19/11/14	19/03/15	29/06/18	16	75%	85%	Slow progress
29	Nyeri Court of Appeal	Nyeri	Thwama Building Services Limited	18,482,123.00	17/04/14	02/10/15	30/12/18	24		95%	Contractor on site, slow progress
30	Siaya Law Courts	Siaya	Nyobu Enterprises Limited	9,720,800.00	03/11/15	03/05/16		26	90%	100 %	Completed and handed over to Client.
31	Karatina Law Courts	Karatina	Web Commercial Systems Limited	6,911,255.00	04/05/17	15/09/18		54	60%	65%	Contractor on site, slow progress
New projects											
32	Habasweini Law Courts	Habasweini	E-world International Limited	143,192,128.00	28/9/17	27/09/18		52	0%	7%	Contractor on site, slow progress
33	JSC offices	Nairobi	Gracan Limited	13,748,982.00	18/08/17	15/11/17		24	0%	85%	Contractor on site, slow progress
34	Makadara Law Courts	Makadara	Automark Engineering Limited	9,895,300.00	23/07/17	13/10/17	23/06/18	16	0%	60%	Contractor not on site.

Annex 2: Details of projects funded by Government of Kenya

STATUS REPORT OF PROJECTS FUNDED BY GOK AS AT 30TH JUNE 2018											
No.	Project	Court Station	Contractor's Name	Contract Amount (Ksh.)	Start Date	Initial Completion Date	Projected	Initial	% Completeness		Status Reports
									FY 2016 -2017	FY 2017 -2018	
35	Competitions Tribunal	Nairobi	Ready Go Limited	4.694.150.00	23/07/17	23/09/17		8	60%	100 %	Complete
36	Mpeketoni Law Courts	Mpeketoni	Centurion Eng. Limited	34.327.784.00	01/04/15	30/10/15		24	95%	100 %	Complete
37	Ukwala Law Courts	Ukwala	Ambe General Merchants	4.590.833	30/05/17	26/09/17		16	75%	100 %	Complete
38	Competitions Tribunal	Nairobi	Ready Go Limited	4.694.150.00	23/06/17	18/8/17		8	60%	100 %	Complete

Annex 3: Allocations by Programme (Kshs Million)

Sector/ Vote/Programme Details	2017/18 Allocations			2018/19 Allocation			2019/20 Estimate			2020/21 Projections		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
1252 State Law Office & Dept. of Justice	**4,382**	**343**	**4,725**	**4,642**	**1,634**	**6,276**	**5,066**	**1,659**	**6,725**	**5,183**	**1,671**	**6,854**
606000 Legal Services	1,954	3	1,957	2,074	106	2,180	2,261	109	2,370	2,326	102	2,428
0607000 Governance, Legal Training & Constitutional Affairs	1,747	315	2,062	1,788	1,450	3,238	2,011	1,370	3,381	2,045	1,370	3,415
609000 General Admin., Planning & Support Services	681	25	706	779	78	857	793	180	973	812	199	1,011
1261 The Judiciary	**12,361**	**3,248**	**15,609**	**13,255**	**4,049**	**17,304**	**15,441**	**4,099**	**19,540**	**16,031**	**1,000**	**17,031**
0610000 P 1: Dispensation of Justice	12,361	3,248	15,609	13,255	4,049	17,304	15,441	4,099	19,540	16,031	1,000	17,031
1271 Ethics & Anti-Corruption Commission	**3,068**	**1,268**	**4,336**	**2,852**	**120**	**2,972**	**2,940**	**40**	**2,980**	**3,000**	**30**	**3,030**
611000 Ethics & Anti-Corruption	3,068	1,268	4,336	2,852	120	2,972	2,940	40	2,980	3,000	30	3,030
1291 Office of the Director of Public Prosecutions	**1,944**	**2**	**1,946**	**2,400**	**143**	**2,543**	**2,816**	**83**	**2,899**	**2,919**	**83**	**3,002**
612000 Public Prosecution Services	1,944	2	1,946	2,400	143	2,543	2,816	83	2,899	2,919	83	3,002
1311 Office of Registrar of Political Parties	**798**	**-**	**878**	**905**	**-**	**905**	**952**	**-**	**952**	**976**	**-**	**976**

0614000 Registration, Regulation & Funding of Political Parties	798	-	878	905	-	905	952	-	952	976	-	976
1321 Witness Protection Agency	**311**	**-**	**432**	**463**	**-**	**463**	**524**	**-**	**524**	**541**	**-**	**541**
615000 Witness Protection	311	-	432	463	-	463	524	-	524	541	-	541
201 Kenya National Commission on Human Rights	**389**	**-**	**450**	**457**	**-**	**457**	**517**	**-**	**517**	**534**	**-**	**534**
0616000 P 1: Protection & Promotion of Human Rights	450	-	450	457	-	457	517	-	517	534	-	534
203 Independent Electoral & Boundaries Commission	**30,860**	**712**	**31,572**	**5,030**	**400**	**5,430**	**5,340**	**357**	**5,697**	**5,486**	**357**	**5,844**
617000: Management of Electoral Processes	30,860	712	31,572	5,030	400	5,430	5,200	357	5,557	5,236	357	5,594
Delimitation of electoral boundaries							140	-	140	250	-	250
205 Judicial Service Commission	**183**	**-**	**183**	**480**	**-**	**480**	**534**	**-**	**534**	**544**	**-**	**544**
619000 General Admin., Planning & Support Services	183	-	183	480	-	480	534	-	534	544	-	544
Total	54,296	5,573	60,131	30,484	6,346	36,830	34,130	6,238	40,368	35,214	3,141	38,356

Annex 3: Awards against the Government

REF.NO.	CASE NO	PARTIES	CLIENT MINISTRY	NATURE	JUDGEMENT	JG-DATE	STATUS

AGRICULTURE					**7,685,694,175.00**		
AG/MOA/6/86	NRB HCCC 1655/86	HALAL MEAT PRODUCTS LTD	AGRICULTURE	LAND CLAIM	7,434,462,350.00		AWAITING DIRECTION
AG/ARB/MOA/1187/11	NRB CIVIL APPEAL 9/12	ERAD SUPPLIERS	AGRICULTURE	BREACH OF CONTRACT	238,677,382.00		PENDING PAYMENT
AG/GC/MOA/196/02	NKU HCCC 267/02	TABITHA KAIRU	AGRICULTURE	ACCIDENT	11,349,000.00		PENDING PAYMENT
AG/MOA/16/96	EMBU PMCC 92/96	PATRICK MUKUNDI	AGRICULTURE	RTA	754,192.00	6/12/2005	PENDING PAYMENT
AG/MOA/10/96	NRB SPMCC 8624/96	EUNICE KOGI	AGRICULTURE	RTA	271,721.00	7/7/1998	PENDING PAYMENT
AG/ARB/MLD/5/12	NRB HC MISC 238/15	ASSOCITED ARCHITECH	AGRICULTURE	BREACH OF CONTRACT	179,530.00		PENDING PAYMENT
CULTURE					**1,080,010.00**		
AG/GC/MCSS/451/09	MWINGI SPMCC	CECILIA MUINGO	CULTURE	ACCIDENT	1,080,010.00		PENDING PAYMENT
DEFENCE					**2,118,707,351.30**		
AG/CPT/DOD/30/11	NRB HCPT38/11	TORINO ENTERPRISES	DEFENCE	LAND TRESPASS	1,500,000,000.00		PENDING PAYMENT
AG/LIC/DOD/27/12	NRB 2212/12	SAMUEL CHEGE GITAU	DEFENCE	DISMISSAL	284,000,000.00		INTENDING TO APPEAL
AG/CPT/DOD/75/08	NRB HCPT 228/08	KARIUKI KINGARU	DEFENCE	TORTURE	75,000,000.00		PENDING PAYMENT
AG/CPT/DOD/75/08	NRB ICC 49/12	CAPTAIN KARIUKI&I KINGARU	DEFENCE	DISMISSAL 1982 COUP	72,820,868.00		INTENDING TO APPEAL
AG/CPT/DOD/263/12	NRB HCPT340/12	DAVID GITAU	DEFENCE	TORTURE	52,000,000.00		PENDING PAYMENT
AG/DOD/12/06	NRB HCPT 403/06	PETER M.KARIUKI	DEFENCE	DISMISSAL 1982 COUP	48,975,443.40		APPEAL PENDING
AG/CPT/DOD/120/05	NRB HCPT 1656/05	JAMES WANYOIKE	DEFENCE	TORTURE	38,138,185.00	15/01/2012	PENDING PAYMENT

AG/DOD/26/96	NRB HCC 1051/96	ISIAH ODUOR OCHANDA	DEFENCE	POLICE PROSECUTION	24,491,518.90	3/3/2010	INTENDING TO APPEAL
AG/L&E/DOD/138/09	NRB HC ELC 168/09	EUNICE MAKORI	DEFENCE	LAND TRESPASS	17,901,930.00		PENDIG APPEAL
AG/CPT/DOD/195/14	NRB PET 261/14	ROBERT NJERU NYAGA	DEFENCE	DISMISSAL 1982 COUP	2,517,500.00		PENDING PAYMENT
AG/GC/DOD/35/01	NRB HCC 2230/01	CT.COL BENJAMIN MWEMA	DEFENCE	DISMISSAL	1,400,000.00		PENDING APPEAL
AG/DOD/11/06	NRB HCCC 417/07	R.M.KINYANJUI	DEFENCE	TAXED COSTS	693,987.00		PENDING PAYMENT
AG/DOD/6/00	NRB CMCC 2917/00	WILLIAM M.MURIITHI	DEFENCE	RTA	359,124.00	9/12/2001	PENDING PAYMENT
AG/GC/DOD/200/02	NRB CMCC 500/02	SIMON M. KARIUKI	DEFENCE	RTA	205,860.00	20/11/2003	PENDING PAYMENT
AG/GC/DOD/467/04	NAIVA CMCC 690/11	MARY W.KARANJA	DEFENCE	RTA	202,935.00	10/2/2015	PENDING PAYMENT
DEVOLUTION					**477,230,766.96**		
AG/CAR/MDP/17&18/10	NRB HCCC 597&598/10	SPENCON K.LTD	DEVOLUTION	BREACH OF CONTRACT	474,701,830.96		PENDING PAYMENT
AG/CAR/MDP/14	ARBITRATION	AFRICAN PROJECT	DEVOLUTION	BREACH OF CONTRACT	2,528,936.00		PENDING PAYMENT
EDUCATION					**29,199,643,375.90**		
AG/GC/TSC/638/06	NKU HCCC 65/06	SIMON P KAMAU	EDUCATION	RETIREMENT DUES	27,610,666,670.00		PENDING PAYMENT
AG/GC/TSC/638/06	NKU HCCC 65/06	SIMON P KAMAU	EDUCATION	RETIREMENT DUES	1,100,000,000.00		PENDING PAYMENT
AG/GC/TSC/638/06	NKU HCCC 65/06	SIMON P KAMAU	EDUCATION	RETIREMENT DUES	382,600,000.00		PENDING PAYMENT
AG/GC/EDU/173/02	NRB HCC 5415/02	DANIEL KIMITHI	EDUCATION	INFERNO	40,950,000.00		INTENDING TO APPEAL
AG/CAR/EDU/9/06	NRB HCCC 238/12	NGOTHO ARCHITECTS	EDUCATION	BREACH OF CONTRACT	37,202,057.10		PENDING PAYMENT

AG/COA/EDU/2/15	NRB COA 4/15	BOG NGINYA GIRLS	EDUCATION	BREACH OF CONTRACT	26,873,133.80		PENDING PAYMENT
AG/GC/EDU/325/08	KITUI PMCC 516/08	MBULA MUTUA	EDUCATION	RTA	815,775.00	12/7/2011	PENDING PAYMENT
AG/GC/EDU/549/07	KSM CMCC 474/07	GEORGE OCHIENG ONYANGO	EDUCATION	ACCIDENT	535,740.00		PENDING PAYMENT
ENERGY					**5,300,000.00**		
AG/MERD/3/93	NRB HCCC 3695/93	HORT LTD	ENERGY	BREACH OF LEASE	5,300,000.00	29/02/2016	APPEAL PENDING
ENVIRONMENT					**56,489,755.00**		
AG/CAR/MENR/3/01	NRB HCCC 1312/01	JOHN WANJOHI(T/AMETRO LABOR	ENVIRONMENT	BREACH OF CONTRACT	56,489,755.00		PRE-TRIAL
HEALTH					**24,641,609,090.99**		
AG/MOH/13/99	NRB HCCC 159/11	EQUIP AGENCIES	HEALTH	BREACH OF CONTRACT	22,298,744,118.80		PENDING PAYMENT
AG/CAR/MOH/05/08	NRBHCCC1361/00	VULCAN LTD	HEALTH	BREACH OF CONTRACT	1,588,093,972.54		PENDING PAYMENT
AG/CAR/MOH/6/09	NRB HCCC267/09	DOL INTERNATIONAL LTD	HEALTH	BREACH OF CONTRACT	712,025,015.00		PENDIND APPEAL
AG/CAR/MOH/16/15	NRB HCMA 208/15	PROVINCIAL CONSTRUCTION	HEALTH	HEALTH	22,162,305.20		PENDING PAYMENT
AG/MLG/ARB/1/11	NRB HC MISC 579/14	PUT SARAJEVO GENERAL ENGI.	HEALTH	BREACH OF CONTRACT	17,512,553.45		PENDING PAYMENT
AG/GC.MOH/532/07	MERU CMCC 185/07	MILICENT MUTHONI	HEALTH	MED.NEGLIGENCE	1,510,621.00	17/05/2011	PENDING PAYMENT
AG/GC/MOH/402/03	LIMURU SPMCC 297/03	ROSE WANGUI WAGICHU	HEALTH	ACCIDENT	1,061,052.00		PENDING PAYMENT
AG/CAR/MOW/5/15	NRB HC MISC 149/13	PAUL OTIENO OKENO	HEALTH	BREACH OF CONTRACT	499,453.00		PENDING PAYMENT
INSPECTOR					**269,410,696**		

GENERAL					.80		
AG/LIC/IG/81/14	NRB ICC 212/14	KENYA COUNCIL EMP.&MIGRTIO IG	IG	RECRUITMENT	91,500,000.00		APPEAL PENDING
AG/CPT/CP/133/08	NRB HCPT 822/08	SALIM AWADH	IG	LEGAL FEES	48,214,632.00	31/07/2013	PENDING PAYMENT
AG/CP/136/91	NRB HCC 5491/91	KOIGI WAMWERE	IG		25,000,000.00		PENDING APPEAL
AG/GC/CP/289/04	NRB HCCC1246/04	ABUBAKAAR AHMED ABDULRAHMAI	IG		24,350,000.00		PENDING PAYMENT
AG/CP/141/96	NRB HCC 2966/96	JAMES KOROSO	IG	POLICE PROSECUTION	21,000,000.00		PENDING APPEAL
AG/GC/CP/129/02	NRB HCC 1585/02	HASMUKH SHAMJI HALAL	IG	POLICE PROSECUTION	15,657,500.00		PENDING PAYMENT
AG/GC/CP/385/09	NRB HCC 679/09	GEOFFREY ASANYO &OTHERS	IG	POLICE PROSECUTION	11,000,000.00		PENDING APPEAL
AG/CPT/CP/54/09	NRB HCPT 737/09	RICHARD KHAEMBA WEKESA	IG	POLICE PROSECUTION	10,500,000.00		PENDING PAYMENT
AG/CP/40/11	NRB HCPT 57/11	ZEITUN JUMA HASSAN	IG	POLICE PROSECUTION	4,564,916.00		PENDING PAYMENT
AG/GC/CP/18/16	NRB HCCC 531/06	KAVATA MWANZI	IG	IMPOUDING M/V	4,441,165.20	8/4/2011	PENDING PAYMENT
AG/JRP/CP/28/14	NRB HCC 47/14	MICHAEL DANSON MAHUGU	IG	POLICE PROSECUTION	3,182,843.00		PENDING PAYMENT
AG/CPT/CP/354/12	NRB HCPT 429/12	RICHARD WASILWA WAFULA	IG	POLICE PROSECUTION	2,439,659.00	14/04/2014	PENDING PAYMENT
AG/GC/IG/524/09	KSM HCCA 125/09	MICHAEL OCHIENG ODERA	IG	POLICE PROSECUTION	1,825,000.00	6/11/2012	PENDING PAYMENT
AG/CP/164/97	NRB HCC 7810/97	RUMBA KINUTHIA	IG	POLICE PROSECUTION	1,500,000.00		PENDING APPEAL
AG/JRP/IG/175/14	NRB HCIR 3208/14	TIMOTHY K.MUTIE	IG	IMPOUDING M/V	1,456,675.00	17/02/2012	PENDING PAYMENT
AG/JRP/IG/144/15	NRB HCIR 269/15	ALICE ACHIENG	IG		718,540.00		PENDING PAYMENT

AG/GC/CP/570/08	BUNGOMA CMCC 315/08	TITUS WALIULA KISANGANI &OTHE	IG		613,000.00	3/6/2010	PENDING PAYMENT
AG/GC/CP/639/06	MERU CMCC 135/06	MWABIRISI KARAMBU	IG	POLICE PROSECUTION	569,940.00		PENDING PAYMENT
AG/GC/CP/173/11	MKS CMCC 489/11	MUTUKU NGUNDO	IG	POLICE PROSECUTION	509,751.00		PENDING PAYMENT
AG/GC/CP/319/07	NRB RMCC 5987/07	EZEKIEL ODUK	IG	POLICE PROSECUTION	367,075.60	18/07/2006	PENDING PAYMENT
					67,000,000.00		
AG/CAR/MIB/2/14	NRB HCCC 169/1	WAMBUGU MOTENDE	INFORMATION	LEGAL FEES	67,000,000.00		PENDING APPEAL
LABOUR					**636,320.00**		
AG/GC/ML/376/11	NYAHURURU PMCC 129/11	WAWERU GATAMU	LABOUR	ACCIDENT	636,320.00		PENDING PAYMENT
LANDS					**16,174,055,940.96**		
AG/ELD/MLS/23/13	ELD HCPT 1/13	NATHAN TIROP KOECH	LANDS	LAND CLAIM	8,300,000,000.00		APPEAL PENDING
AG/MLS/87/04	NRBHCCC876/04	ORBIT CHEMICAL LTD	LANDS	LAND CLAIM	6,000,000,000.00		APPEAL PENDING
AG/CPT/MLS/13/13	NRB HCPT 15/13	ANNAGHERRY LTD	LANDS	LAND CLAIM	1,084,240,197.00	17/10/2014	PENDING PAYMENT
AG/L&E/MLS/247/13	ELDHCELC 20/13	HARJIT SINGH	LANDS	LAND CLAIM	350,000,000.00		APPEAL PENDING
AG/JRP/MLS/102/15	NRB HCCC 690/12	ONGATA WORKS LTD	LANDS	BREACH OF CONTRACT	232,991,818.18		PENDING PAYMENT
AG/CAR/MOW/5/15	ARBITRATION	ITABUILD IMPORTERS	LANDS	BREACH OF CONTRACT	105,723,338.11		PENDING PAYMENT
AG/MLS/87/97	NRB HCC 152/12	CITY FINANCE BANK	LANDS		40,000,000.00		PENDING PAYMENT
AG/CPT/MLS/205/13	NRB HCPT 356/13	JUNE SEVENTEEN	LANDS		34,867,158.00		PENDING PAYMENT

AG/JRP/MOW/138	NRB HC MISC.125/15	ITABUILD IMPORTERS LIMITED	LANDS	BREACH OF CONTRACT	14,637,813.07		PENDING PAYMENT
AG/CAR/MOW/18/05	NRB HCCC 130/05	ROBERT MUTAHI	LANDS	BREACH OF CONTRACT	11,595,616.60		PENDING PAYMENT
OFFICE OF THE PRESIDENT					**1,677,986,513.00**		
AG/CPT/OP/327/12	NRB HCCC 617/12	AFRISON EXPORT&IMPORT LTD	OP	LAND CLAIM	750,000,000.00		PENDING APPEAL
AG/CIV/361/09	NRBHCCC1060/09	KENNETH KIPLAGAT	OP	ABRITRATION	600,341,251.00		PENDING APPEAL
AG/CPT/OP/222/11	EMBU HCPT 1/11	IBRAHIM SANGOR	OP	EVICTIONS	244,600,000.00		PENDING PAYMENT
AG/L&/EMLS/59/00	MSAHCMA 18/00	EVANSON J.KAMAU	OP	PARTY COSTS	58,424,174.00	18/01/2016	PENDING PAYMENT
AG/CPT/OP/70/06	EMBU HCPT 56/09	MUSA MOHAMED DAGANE	OP		16,035,240.00		PENDING PAYMENT
AG/CPT/OP/134/08	NBI HCPT 780/08	ODUNGI RAND ONGOMBE	OP	TOURTURE	3,213,550.00	30/07/2012	PENDING PAYMENT
AG/GC/OP/13/03	KISII CMCC 1264/04	MONICA O.SAMSON	OP	ROAD TRAFFIC ACCIDENT	1,886,899.00	3/2/2006	PENDING PAYMENT
AG/GC/OP/111/09	KAK.CMCC290/12	VINCENT ALKHULA MALIKA	OP	ROAD TRAFFIC ACCIDENT	1,419,450.00	15/07/2015	PENDING PAYMENT
AG/GC/OP/440/10	MURANGA PMCC 96/10	SALOME WANJIKU MUCHEKE	OP		766,885.00		PENDING PAYMENT
AG/OP/121/88	MERU CMCC 1163/98	BAARI WATHITWA	OP	POLICE PROSECUTION	667,046.00	12/2/2004	PENDING PAYMENT
AG/GC/OP/11/04	NRB CMCC 11896/04	NELSON MUIA	OP	DISMISSAL	632,018.00	7/9/2012	PENDING PAYMENT
PUBLIC WORKS					**5,632,495,267.51**		
AG/MOW/19/12	NRB HCC855/09	KIRINYAGA CONSTRUTION CO.LTD	PUBLIC WORKS	TAX DEDUCTION	321,986,586.00		PENDING PAYMENT
AG/JRP/MOW/236/16	NRB HCC 43/02	BIO MEDICAL LABORATORIES LTD	PUBLIC WORKS	PARTY COSTS	42,804,535.00		PENDING PAYMENT

AG/CAR/MOW/4/90	NRBHCCC2832/90	KISYA INVESTMENT	PUBLIC WORKS		3,679,330,718.51		PENDING PAYMENT
AG/ARB/MOW/9/13	ARBITRATION	ISSAIAS &CO.KENYA LTD	PUBLIC WORKS	BREACH OF CONTRACT	949,029,564.00		PENDING PAYMENT
AG/GC/MOW/168/11	NBI HC ELC 480/11	VERENDRA RAMJI GUDKA	PUBLIC WORKS	BYPASS DEMOLITION	582,213,873.30	14/02/2014	PENDING PAYMENT
AG/ARB/MOW/6/08	ARBITRATION	MESSER KENAFRIC BUILDERS	PUBLIC WORKS	BREACH OF CONTRACT	57,129,990.70	7/5/2015	PENDING PAYMENT
					3,068,088.50		
AG/CAR/MERD/17/12	NRB HCMA 472/12	N.K.BROTHERS LTD	REGIONAL DEV.	BREACH OF CONTRACT	3,068,088.50		PENDING PAYMENT
					43,832,671.86		
AG/JRP/MOW/82/14	NRB HC MISC 174/14	TOTEM SERVICE STATION	TRANSPORT	BREACH OF CONTRACT	28,546,740.00		PENDING PAYMENT
AG/CAR/MOW/5/06	NRB HCC 704&705	COASTAL KENYA INTERPRISES	TRANSPORT	BREACH OF CONTRACT	15,285,931.86		PENDING PAYMENT
					88,007,339,263.42		

ANNEXVII: PROJECTS DETAILS

FY 2019/20 AND MTEF PROJECTIONS

Ministry/ Department/Agency.....

1261 - JUDICIARY

Project Code &Project Title	Financing	Actual Cumulative Expe up to 31st December 2018(b)	Outstanding Project Cost as at 31st December 2018 (c)=(a)-(b)	Project Completion % as at 31st December 2018	Approved Allocation for 2018/19 Budget		Requirements for 2019/20 Budget		Earmarked Allocation for 2019/20		Allocation for 2020/21 Budget		Allocation for 2021/22 Budget	
	Est Cost of Project (a)				GOK	Foreign	GOK	Foreign	GOK	Foreign	GOK	Foreign	GOK	Foreign
	Ksh Million													
Constructions (on-going)														
Homabay Law Courts	367.31	26.29	341.02	32%	0.00	0.00	207.83	0.00	97.83	0.00	110.00	0.00	0.00	0.00
Kabarnet Law Courts	366.80	21.16	345.64	15%	0.00	0.00	157.36	0.00	52.19	0.00	105.17	0.00	0.00	0.00
Marsabit Law Courts	370.22	30.07	340.15	22%	0.00	0.00	164.98	0.00	85.00	0.00	79.98	0.00	0.00	0.00
Amagoro Law Courts	137.99	9.80	128.19	16%	9.90	0.00	59.14	0.00	37.31	0.00	21.83	0.00	0.00	0.00
Githongo Law Courts	130.90	30.71	100.19	44%	0.00	0.00	50.09	0.00	50.00	0.00	0.00	0.00	50.19	0.00
Kandara Law Courts	137.82	16.15	121.67	22%	4.10	0.00	117.57	0.00	50.00	0.00	67.57	0.00	0.00	0.00
Machakos Law Courts	34.08	20.24	13.85	75%	9.00	0.00	13.85	0.00	13.85	0.00	0.00	0.00	0.00	0.00
Marsabit Law Courts (Residence)	10.89	5.02	5.86	75%	3.20	0.00	5.86	0.00	8.56	0.00	0.00	0.00	0.00	0.00
Kiambu law courts	7.51	3.71	3.80	95%	0.00	0.00	3.80	0.00	3.80	0.00	0.00	0.00	0.00	0.00
Mbita Law Courts	148.33	45.24	103.09	46%	0.00	0.00	103.09	0.00	66.25	0.00	36.84	0.00	0.00	0.00
Habasweini Law Courts	143.19	10.03	133.16	7%	0.00	0.00	133.16	0.00	44.16	0.00	89.00	0.00	0.00	0.00
Embu Law Courts	252.90	202.00	50.90	98%	0.00	0.00	50.90	0.00	50.90	0.00	0.00	0.00	0.00	0.00
Muranga Law Courts	62.09	47.26	14.83	65%	7.90	0.00	14.83	0.00	14.83	0.00	0.00	0.00	0.00	0.00
Mandera Law Courts	107.03	90.17	16.87	85%	0.00	0.00	16.87	0.00	16.87	0.00	0.00	0.00	0.00	0.00
Narok Law Courts-Phase II	74.02	33.32	40.70	80%	12.15	0.00	40.70	0.00	40.70	0.00	0.00	0.00	0.00	0.00
Eldama Ravine Law Courts	81.88	69.58	12.30	85%	0.00	0.00	12.30	0.00	12.30	0.00	0.00	0.00	0.00	0.00
Eldoret Law Courts	38.10	30.68	7.42	80%	0.00	0.00	7.42	0.00	7.42	0.00	0.00	0.00	0.00	0.00
Othaya Law Courts	81.66	53.05	26.21	80%	2.40	0.00	26.21	0.00	26.21	0.00	0.00	0.00	0.00	0.00
Wanguru Law Courts	81.66	42.61	39.06	70%	0.00	0.00	39.06	0.00	39.06	0.00	0.00	0.00	0.00	0.00
Marimanti Law Courts	81.66	44.35	37.31	80%	0.00	0.00	37.31	0.00	37.31	0.00	0.00	0.00	0.00	0.00
Bomet Law Courts	81.66	55.04	26.63	100%	4.70	0.00	26.63	0.00	26.63	0.00	0.00	0.00	0.00	0.00
Garsen Law Courts	99.96	90.24	9.72	100%	0.00	0.00	9.72	0.00	9.72	0.00	0.00	0.00	0.00	0.00
Runyenjes Law Courts	99.96	60.14	39.82	95%	0.00	0.00	39.82	0.00	39.82	0.00	0.00	0.00	0.00	0.00
Tawa Law Courts	99.96	60.14	39.82	90%	0.00	0.00	39.82	0.00	39.82	0.00	0.00	0.00	0.00	0.00
Iten Law Courts	13.16	16.48	4.19	100%	0.00	0.00	11.69	0.00	4.19	0.00	7.50	0.00	0.00	0.00
Karatina Law Courts	6.91	2.57	4.34	65%	0.00	0.00	4.34	0.00	4.34	0.00	0.00	0.00	0.00	0.00
Makadara Law Courts	9.90	4.89	5.01	60%	0.00	0.00	5.01	0.00	5.01	0.00	0.00	0.00	0.00	0.00
Lodwar Law Courts	814.79	101.30	713.49	Stalled@30%	0.00	0.00	292.50	0.00	0.00	0.00	292.50	0.00	0.00	0.00

Refurbishment (On-going)														
Supreme court - Refurbishment	21.54	16.39	5.15	98%	50.00	0.00	15.24	0.00	50.00	0.00	0.00	0.00	0.00	0.00
Refurbishment of Forodha House	160.00	0.00	160.00	0%	50.00	0.00	110.00	0.00	112.00	0.00	-2.00	0.00	0.00	0.00
ICT														
ICT Hardware and Infrastructure	2,500.00	0.00	2500.00	Continuous	0.00	0.00	1,200.00	0.00	400.00	0.00	800.00	0.00	0.00	0.00
Constructions - New														
Court of Appeal Complex	1,600.00	0.00	1600.00	New	0.00	0.00	1,600.00	0.00	100.00	0.00	300.00	0.00	1,200.00	0.00
Construction - Meru High Court	650.00	0.00	650.00	New	0.00	0.00	150.00	0.00	40.00	0.00	110.00	0.00	300.00	0.00
Construction - Kisii High Court	650.00	0.00	650.00	New	0.00	0.00	150.00	0.00	40.00	0.00	110.00	0.00	300.00	0.00
Construction - Eldoret Law Courts	650.00	0.00	650.00	New	0.00	0.00	0.00	0.00	40.00	0.00	100.00	0.00	300.00	0.00
Sub-Total	**10,173.89**	**1,238.63**	**8,940.36**		**153.35**	**0.00**	**4,917.09**	**0.00**	**1,666.05**	**0.00**	**2,228.41**	**0.00**	**2,150.19**	**0.00**
Refurbishments - New														
Kajiado Residential	10.00	0.00	0.00	New	0.00		10.00	0.00	10.00	0.00	0.00	0.00	0.00	0.00
Nyahururu Law Courts	150.00	0.00	0.00	New	0.00		20.00	0.00	20.00	0.00	20.00	0.00	25.60	0.00
Milimani Law Courts	58.00	0.00	0.00	New	0.00		58.00	0.00	30.00	0.00	28.00	0.00	0.00	0.00
Nyeri Law Courts	5.70	0.00	0.00	New	0.00		5.70	0.00	5.70	0.00	0.00	0.00	0.00	0.00
Mpeketoni	5.00	0.00	0.00	New	0.00		5.00	0.00	5.00	0.00	0.00	0.00	0.00	0.00
Winam LC - Asbestos	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Kapsabet LC - Asbestos	4.20	0.00	4.20	New	0.00		4.20	0.00	4.20	0.00	20.00	0.00	20.00	0.00
Isiolo LC - Asbestos	4.20	0.00	4.20	New	0.00		4.20	0.00	4.20	0.00	20.00	0.00	20.00	0.00
Kerugoya LC - Asbesto	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Maralal LC - Asbestos	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Machakos LC - Asbestos	4.20	0.00	4.20	New	0.00		4.20	0.00	4.20	0.00	20.00	0.00	20.00	0.00
Nanyuki LC - Asbestos	3.15	0.00	3.15	New	0.00		3.15	0.00	3.15	0.00	0.00	0.00	0.00	0.00
Kikuyu LC - Asbestos	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Kwale LC - Asbestos	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Maua LC - Asbestos	1.05	0.00	1.05	New	0.00		1.05	0.00	1.05	0.00	20.00	0.00	20.00	0.00
Kisii LC - Asbestos	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Kaloleni LC - Asbestos	3.15	0.00	3.15	New	0.00		3.15	0.00	3.15	0.00	10.00	0.00	10.00	0.00
Ukwala LC - Asbestos	2.10	0.00	2.10	New	0.00		2.10	0.00	2.10	0.00	20.00	0.00	20.00	0.00
Mutomo Law Courts	0.00	0.00	0.00	New	0.00		40.00	0.00	0.00	0.00	20.00	0.00	20.00	0.00
Moyale Law Courts	0.00	0.00	0.00	New	0.00		80.00	0.00	0.00	0.00	40.00	0.00	40.00	0.00
Keroka Law Courts	0.00	0.00	0.00	New	0.00		20.00	0.00	0.00	0.00	10.00	0.00	10.00	0.00
Kimilili Law Courts	0.00	0.00	0.00	New	0.00		40.00	0.00	0.00	0.00	20.00	0.00	20.00	0.00
Mumias Law Courts	0.00	0.00	0.00	New	0.00		20.00	0.00	0.00	0.00	10.00	0.00	10.00	0.00
Kilungu Law Courts	0.00	0.00	0.00	New	0.00		20.00	0.00	0.00	0.00	10.00	0.00	10.00	0.00
Construction of Toilets														
Ngong Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Kwale Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00

Kithimani Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Wajir Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Mwingi Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Thika Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Kangundo Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Webuye Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Migori Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Baricho Law Courts	2.40	0.00	0.00	New	0.00		2.40	0.00	2.40	0.00	0.00	0.00	0.00	0.00
Sub-Total	**58.65**	**0.00**	**34.65**	**0.00**	**0.00**	**0.00**	**278.65**	**0.00**	**129.35**	**0.00**	**340.00**	**0.00**	**340.00**	**0.00**
TOTAL GOK	**10,232.54**	**1,238.63**	**8,975.01**		**153.35**	**0.00**	**5,195.74**	**0.00**	**1,795.40**	**0.00**	**2,568.41**	**0.00**	**2,490.19**	**0.00**
JPIP PROJECTS														
Nakuru Law Courts	347.77	274.40	73.36	80%		24.56		48.80	0.00	48.80	0.00	0.00	0.00	0.00
Siaya Law Courts	342.75	208.39	134.36	70%		70.09		64.28	0.00	64.28	0.00	0.00	0.00	0.00
Garissa Law Courts	351.32	230.61	120.71	72%		43.79		76.92	0.00	76.92	0.00	0.00	0.00	0.00
Nanyuki Law Courts	318.56	182.74	135.82	76%		75.12		60.70	0.00	60.70	0.00	0.00	0.00	0.00
Voi Law Courts	347.58	99.22	248.36	45%		82.79		165.57	0.00	165.57	0.00	0.00	0.00	0.00
Kapenguria Law Courts	400.88	43.25	357.63	40%		119.21		238.42	0.00	238.42	0.00	0.00	0.00	0.00
Maralal Law Courts	378.75	57.13	321.62	32%		107.21		214.41	0.00	214.41	0.00	0.00	0.00	0.00
Isiolo Law Court	379.08	102.31	276.77	46%		108.87		167.90	0.00	167.90	0.00	0.00	0.00	0.00
Kwale Law Courts	390.00	22.90	367.10	32%		83.80		221.30	0.00	221.30	0.00	62.00	0.00	0.00
Wajir Law Courts	369.57	0.00	369.57	6%		76.41		93.15	0.00	93.15	0.00	0.00	0.00	0.00
Ol-Kalou Law Courts	399.32	27.55	371.77	16%		84.86		196.91	0.00	196.91	0.00	90.00	0.00	0.00
Kakamega Law Courts	387.66	37.81	349.86	20%		116.06		183.80	0.00	183.80	0.00	50.00	0.00	0.00
Mukurweini Law Courts	158.98	27.04	131.94	20%		60.60		71.34	0.00	71.34	0.00	0.00	0.00	0.00
Mombasa Law Courts	445.17	99.56	345.62	20%		99.81		190.57	0.00	190.57	0.00	55.24	0.00	0.00
Makueni Law Courts	410.10	59.99	350.11	20%		103.71		176.41	0.00	176.41	0.00	70.00	0.00	0.00
Kangema Law Courts (Phase II)	42.99	14.26	28.74	38%		25.86		2.87	0.00	2.87	0.00	0.00	0.00	0.00
Kajiado Law Courts	398.41	250.00	398.41	8%		137.43		190.98	0.00	190.98	0.00	70.00	0.00	0.00
JPIP PMU - Administration								230.67		230.67		48.00		
Sub-Total JPIP	**6,929.19**	**2709.57**	**4469.62**		**0.00**	**1508.05**	**0.00**	**2,594.99**	**0.00**	**2595.00**	**0.00**	**445.24**	**0.00**	**0.00**
TOTAL D1261	**17,161.73**	**3948.20**	**13444.63**	**0%**	**153.35**	**1508.05**	**5,195.74**	**2,594.99**	**1795.40**	**2595.00**	**2,568.41**	**445.24**	**2,490.19**	**0.00**

SUMMARY OF ALLOCATIONS

Vote	Programmes		Proposed Allocations (Ksh. Billions)	Proposed Additional Allocations (Ksh. Billions)	Recommended Allocations (Ksh. Billions)
Judiciary	Dispensation of Justice	*Recurrent*	14.1	0.88	14.98
		Development	4.40	0	4.4
		Total	**18.5**	**0.88**	**19.38**
Judicial Service Commission	General Administration, Planning and Support Services	*Recurrent*	0.48	0.77	1.25
		Development	0	0	0
		Total	**0.48**	**0.77**	**1.25**
Attorney General and Department of Justice	Legal Services Governance, Legal Training and Constitutional Affairs General Administration, Planning and Support Services	*Recurrent*	5.1	0.3	5.4
		Development	0.2	3.40	3.6
		Total	**5.3**	**3.7**	**9.0**
Ethics and Anti-Corruption Commission	Ethics and Anti-Corruption	*Recurrent*	2.94	0.56	3.50
		Development	0.02	0	0.02
		Total	**2.96**	**0.56**	**3.52**
Office of the Director of Public Prosecution	Public Prosecution Services	*Recurrent*	2.90	0.30	3.2
		Development	0.1	0.30	0.4
		Total	**3.0**	**0.60**	**3.6**
Office of the Registrar of Political Parties	Registration, Regulation and Funding of Political Parties	*Recurrent*	0.79	3.9	4.69
		Development	0	0	0
		Total	**0.79**	**3.9**	**4.69**
Commission on Administrative Justice		*Recurrent*	0.56	0.30	0.86
		Development	0	0	0
		Total	**0.56**	**0.30**	**0.86**
Kenya National Commission on Human Right	Protection and Promotion of Human Rights	*Recurrent*	0.38	0.06	0.44
		Development	0	0.03	0.03
		Total	**0.38**	**0.09**	**0.47**
Witness Protection Agency	Witness Protection	*Recurrent*	0.48	0.23	0.71
		Development	0	0	0
		Total	**0.48**	**0.23**	**0.71**
Independent Electoral and Boundaries Commission	Management of Electoral Processes Delimitation of Electoral Boundaries	*Recurrent*	4.76	1.50	6.26
		Development	0.04	0.50	0.54
		Total	**4.80**	**2.00**	**6.80**

REPUBLIC OF KENYA



THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH

REPORT ON THE CONSIDERATION OF THE 2019/2020 FY BUDGET ESTIMATES FOR THE MINISTRY OF EDUCATION AND THE TEACHERS SERVICE COMMISSION

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PART I

1.0 PREFACE

1.1 Introduction

1. This is the report of the Departmental Committee on Education and Research on its consideration of the FY2019/2020 Budget Estimates for the Education Sector. The report is as a result of deliberations between the Committee and the officials from the Ministry of Education and the Teachers Service Commission.

2. The report contains the discussions, observations and recommendations of the Committee as regards the proposed 2019/2020 Budget Estimates for the Ministry of Education and the Teachers Service Commission.

1.2 Mandate and Membership of the Committee

1. The Departmental Committee on Education and Research is established under Standing Order 216 and mandated to consider all matters relating to the Education Sector. Thus, in terms of budget oversight, the Committee covers the Ministry of Education and the Teachers Service Commission.

2. Therefore, this report covers the proposed 2019/2020 Budget Estimates for the Education Sector which consists of the Ministry of Education which is made up of four (4) State Departments and one independent Commission as indicated below:

    i. State Department for Early Learning and Basic Education;
    ii. State Department for Vocational and Technical Training;
    iii. State Department for University Education and Research;
    iv. State Department for Post Training and Skills Development; and,
    v. Teachers Service Commission.

3. The Education Committee was constituted by the House on Thursday 14th December, 2017 and comprises the following Members;

Name	Party	Constituency/County
1. Hon. Julius Melly, MP - **Chairperson**	JP	Tinderet
2. Hon. Amos Kimunya, EGH, MP- **Vice-Chairperson**	JP	Kipipiri
3. Hon. Moses Malulu Injendi, MP	JP	Malava
4. Hon. Geoffrey Makokha Odanga, MP	ODM	Matayos
5. Hon. (Dr.) Pamela Ochieng, MP	ODM	Migori
6. Hon. (Eng.) Nzambia Thuddeus Kithua, MP	WDM-K	Kilome

The youth training Programme has been allocated Kshs 2.1 Billion and this allocation is a conditional grant to counties to support Vocational and Training Centres (VTC's).

2.3 The State Department for University Education and Research

1. The 2019/20 proposed budget is Kshs 113.1 Billion out of which Kshs 104.3 billion is the proposed recurrent budget and Kshs 8.7 Billion is the proposed development budget as indicated below: -

Programmes	2019/20		
	Recc	Dev	Total
University Education	101,786	8,551	110,337
Research, Science, Technology and Innovation	2,232	218	2,450
General Administration, Planning and Support Services	303	-	303
Total	**104,321**	**8,769**	**113,090**

2. The University Education Programme has been allocated Kshs 110.3 Billion and this allocation is majorly on the universities (both public and private) to support government sponsored students through capitation and students loan through HELB.

3. The Research, Science, Technology and Innovation Programme has also been prioritized where it has been allocated Kshs 2.4 Billion which is largely allocations towards research affiliated institutions such as National Research Fund, NACOSTI and Kenya Innovation Agency (KENIA).

2.4 The State Department for Post Training and Skills Development

1. The 2019/20 proposed budget for this State Department is Kshs 200 million which is entirely a recurrent budget. The proposed allocation per programme is as indicated below: -

Programmes	2019/20		
	Current	Capital	Total
General Administration	107.5	-	107.5
Workplace readiness services	48.5	-	48.5
Post training Information Management	44.4	-	44.4
Total	**200.4**	**-**	**200.4**

2.5 The Teachers Service Commission

1. The 2019/20 proposed budget for TSC is Kshs 251.7 billion out of which Kshs 244.5 Billion is the proposed recurrent budget and Kshs 54 million is the proposed development budget. The programme which has been given priority is the Teacher Resource management programme, where apart from the normal compensation to employees, there is a Kshs 2 billion allocated to recruit 5,000 secondary school teachers.

Programmes	2019/20		
	Recc	Dev	Total
Teacher Resource Management	244,526	-	244,526
Governance and Standards	420	-	420
General Administration, Planning and Support Services	6,752	54	6,806
Total	**251,698**	**54**	**251,752**

3.0 Submissions by the Ministry of Education and the Teachers Service Commission

1. The Ministry of Education led by the Cabinet Secretary appeared before the Committee on Thursday 23rd May, 2019. The Cabinet Secretary informed the Committee that education and training are critical in promoting political, social and economic development of any country. The Committee was further informed that the provision of meaningful and adequate education and training is fundamental to Kenya's overall development strategy.

2. As regards the 2019/20 Budget Estimates, the various State Departments made presentations through the respective Principal Secretaries. **Annexes II-V** provides the various presentations made by the various State Departments within the Ministry of Education.

3. Similarly, the Teachers Service Commission also appeared before the Committee and made a presentation on their proposed 2019/20 budget estimates. **Annex VI** provides the presentation made by the TSC.

4. The various State Departments in the Ministry and the TSC highlighted some critical areas in the sector which have not been adequately funded in 2019/20. Whereas the Committee made efforts to reallocate resources within the sector to try and fund some of the areas which are underfunded, there are still areas which have not adequately been funded **(see Committee recommendations on financial re-allocations for details).**

5. Therefore, the Committee seeks the indulgence of the Budget and Appropriations Committee to allocate resources to the unfunded areas to ensure the sector delivers on its mandate.

PART III

4.0 Committee Observations

1. The Committee having scrutinized the 2019/20 proposed budget for the sector and also having considered the various submissions during the scrutiny of the 2019/20 budget estimates, made the following observations : -

a. State Department for Early Learning and Basic Education

i. That the School feeding programme is a critical programme aimed at retaining learners in primary schools in ASAL areas. The Committee is concerned that due to the change of the country to a middle income status, the World Food Programme (WFP) that used to support this programme is no longer supporting it and thus currently it is the entirely the government which is funding this programme. The Committee also observed that this programme only covers the ASAL areas thus leaving out other deserving areas in the country.

ii. That there is inadequacy of capitation grants to both secondary and primary school learners. The resources set aside is not adequate to match the number of learners in both levels of learning (primary and secondary). The Committee further observes that given that the NEMIS platform which captures the number of learners, the correct resources for capitation should be easily provided.

iii. That the distribution of textbooks to schools has been adequately covered given that more than 10 million books have be distributed so far. Thus, focus should now be on provision of other learning materials such as laboratory equipment in schools.

iv. That the digital literacy programme has shifted to phase two where the government intends to construct computer laboratories in primary schools. Further, the Committee observes that a summative report in phase 1 on the provision of tablets has performed has not been provided.

v. That in every financial year, resources have been provided towards infrastructure improvement in both primary and secondary schools. However, there are still infrastructural challenges in many public schools evidenced by many public schools missing basic educational facilities. Further, most schools located in rural areas are affected by the distribution of this funds which is obviously skewed. This questions the adequacy of the policy used to allocate/distribute this infrastructural funds to public schools.

b. State Department for Vocational and Technical Training

i. A number of the Technical Training Institutes (TTI's) which are at an advanced level of construction are incomplete due to challenges between the Ministry and the National Government Constituency Development Fund (NGCDF) as well as insecurity in some of the areas which this institutions are located. Regrettably, this TTI's have been classified as stalled projects.

ii. Given the enrolment number in TVET institutions which currently stands at 183,688 and will continue to increase due to their acceptance among the youth, the capitation of Kshs 2.5 Billion allocated to the students in the proposed budget is inadequate and requires to be topped up by an additional Kshs 3 Billion to cover all TVET students.

c. State Department for University Education and Research

i. That in the recent past, there has been an upsurge of public Universities which have exerted expenditure pressures on the government. The Committee observes that there is an ongoing exercise to rationalize the Universities which needs to be supported by all stakeholders.

ii. That the demand for HELB loans among students has been on an upward trend especially with increased population and access to TVET institutions. However, the allocation to HELB has largely remained static.

iii. The projected internal revenues collected by the public universities are highly exaggerated and may not be achieved. Whereas, the committee is aware this is meant to ensure adequate reporting of AIA and sealing of revenue leakages, this institutions are put under unnecessary pressures.

iv. That some public universities are struggling financially whereas they hold strategic resources such as land which are more often than not idle yet they can be used for productive purposes to diversify their internal revenues stream.

d. State Department for Post Training and Skills Development

Given the proposed allocation in the State Department for Post Training and Skills Development of Kshs 200 million, their planned target of puttig 1,500 graduates under internships/apprenticeship may not be achieved. The Committee further observes that this

Department exhibits potential but has not been packaged well in terms of its mandate and functions.

e. Teachers Service Commission (TSC)

The Teachers Service Commission has been allocated Kshs 2 Billion to recruited 5,000 secondary school teachers in the proposed 2019/20 budget. However, the teacher resource gap is still wide at the two levels of learning thus compromising the quality of Education in the public schools. The Committee observes that at least Kshs 10 Billion is required to recruit 23,000 teachers as envisaged by TSC as a result of lack of funds for recruitment of teachers in the last two financial years.

5.0 Committee Recommendations

The Committee having received submissions from the Ministry of Education and the Teachers Service Commission, makes the following recommendations regarding the 2019/2020 Budget for the Education Sector: -

I. Overall Policy Recommendation

The Committee recommends that given that most of the key strategic interventions in the Education sector such as capitation in all levels of learning are guided by numbers, the Ministry should prioritize allocation of resources to these areas at the sector working group level to minimize any funding gaps.

(a) State Department for Early Learning and Basic Education

i. That the State Department for Early Learning engages the National Treasury with a view of securing adequate resources to fill the gap created by the development partners in support of the School Feeding Programme. Strategies should be developed with the local communities and the county governments to come up with modalities on how this programme can be cost shared.

ii. That the Ministry of Education should conduct an infrastructural audit in all public schools within the next three months to identify infrastructural gaps and prepare a plan of action aimed at ensuring the distribution of the funds is equitable and priority accorded to schools located in rural areas. Further, the Committee recommends that the State Department submits quarterly reports on how the infrastructural funds have been utilized.

iii. That the Department prioritizes the provision of adequate resources towards capitation based on the number of students to ensure all learners are in schools are capitated since this is one of its strategic deliverables.

iv. That the Department provides a full summative report on the provision of tablets to primary school learners before embarking on provision of computer laboratories to schools in the phase 2 of the project.

(b) State Department for Vocational and Technical Training

i. That the Ministry of Education, the Ministry of Interior and Coordination of National Government and the National Government Constituency Fund (NGCDF) management should initiate modalities within the next three months to ensure that the stalled Technical Training Institutes (TTI's) projects are completed.

(c) State Department for Post Training and Skills Development

i. That this is a new State Department whose roles and mandates should be clearly defined in order to attract resources both from the government, the private sector as well as by development partners.

(d) State Department for Research and University Education

i. The Committee recommends the Government speedily concludes the on-going reforms within this sub sector which will guide the rationalization of existing universities as well as establishment of new public universities.

ii. The Committee recommends Kenya Universities and Colleges Central Placement Services put a cap on the number of government sponsored students who can join private universities based on the funds available from the government for private universities.

iii. The Committee recommends that the Government re-vitalizes the HELB given the demand for education loans from both TVET and university students. The re-engineering should set the pace for the transformation of this institution to an Education Loan bank as envisaged in the Parastatals taskforce reform committee in order to attract resources from both domestic and foreign investors.

iv. The Committee recommends that the public universities make adequate utilization some of their strategic resources such as land in order to diversify their sources of local revenues. This will stop these institutions from over relying on national government support.

(e) Teachers Service Commission

i. The Committee recommends that the Ministry of Education and the Commission finalizes on the teacher internship policy within the next three months to allow provision of resources to recruit the intern teachers in order to address the shortage of teachers in the country.

II. Financial recommendations

a) Proposed reallocations

i. Proposed reductions

Programme	Sub-Programme	Item/Delivery unit	2019/20 Allocation (Kshs)	Proposed reduction (Kshs)	Justification
Primary Education	ICT capacity development	Digital Literacy Program-construction of computer labs.	1.5 Billion (Development)	1.5 Billion	A summative report on phase 1 of the project has not been provided to inform the implementation of the phase 2 of this project.
Secondary Education	Secondary Bursary Management Services	Secondary and Tertiary Education HQ administrative services- Strategic Intervention (Internships for teachers)	1.2 Billion (Recurrent)	1.2 Billion	Given that the policy for intern teachers is not yet ready, this allocation under the state Department for Basic Education be transferred to TSC for recruitment of primary school teachers.
Research, Science, Technology and Innovation	Research Management and development	Science and Technology programme activities-Construction of NACOSTI HQs	150 million (Development)	150 Million	This projected was completed and inaugurated in 2018. The pending bills as claimed should be audited first before payments are done.
University Education	University Education	University of Eldoret-construction of a wall	51 million (Development)	40 Million	The University should prioritize strategic projects.
		Total Reductions		**2,890 million**	

ii. Proposed increments

Programme	Sub Programme	Delivery unit/Item	2019/20 Allocation	Proposed increments	Justification
Technical Vocational Education and Training	Technical Trainers and Instructors Services	Directorate of Technical Education-Capitation to TVET students	2.5 Billion (Recurrent)	1.5 billion (Recurrent)	To bridge the gap for capitation to TVET students
Teacher Resource Management	Teacher Resource Management-Primary	Teacher Resource Management-Recruitment of primary school teachers (approx. 3,000)	-	1.2 Billion (Recurrent)	To reduce the teacher resources gap in primary schools
University Education	University Education	Moi University-construction of science laboratories	-	100 million (development)	Stalled project
		Embu University College-Construction of tuition blocks	Kshs 70 Million (Development)	50 Million (development)	Additional support to this key projects for these two universities
		Kisii University-construction of ICT centre	62 Million (Development)	40 Million (Development)	
		Total increases		**2,890 Million**	

The Committee also recommends that the Budget and Appropriations Committee consider allocating **Kshs 29.3 Billion** to fund the following critical areas within the Education sector which are underfunded.

Critical underfunded areas in 2019/20 proposed budget for Education sector			
Programme	**Sub programme**	**Funding Gaps**	**Amount**
University Education	University Education	Funding for government students in private universities	Kshs 800 million
University education	University Education	Allocation to HELB for TVET and university students	Kshs 11.5 Billion
Secondary Education	Free Day Secondary Education	Infrastructural gaps due to 100% transition	Kshs 1.7 Billion
Secondary Education	Secondary Bursary Management Services	Capitation deficits to cover 350,000 learners as a result of 100% transition	Kshs 7.7 Billion
Technical Vocational Education and Training	Technical Trainers and Instructors Services	Capitation to TVET students	Kshs 1.5 Billion
Primary Education	School health, Nutrition and meals	School feeding programme	Kshs 500 million
Teacher Resource Management	Teacher resource management-primary Teacher resource management-secondary	Teacher recruitment -10,000	Kshs 5.6 Billion
Total requests for consideration			**29.3 Billion**

Given the reallocations made by the Committee within the Sector, the Committee recommends that the Budget and Appropriations Committee approves the 2019/20 budget for the educator sector under the various spending agencies as follows:

1. State Department for Early Learning and Basic Education

State Department for Early Learning and Basic Education									
Programmes	2019/20 Proposed Estimates			Committee Adjustments			2019/20 Revised Estimates		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Primary Education	17,754,844,096	2,277,913,140	20,032,757,236	-	(1,500,000,000)	(1,500,000,000)	17,754,844,096	777,913,140	18,532,757,236
Secondary Education	64,605,567,696	5,049,017,853	69,654,585,549	(1,200,000,000)	-	(1,200,000,000)	63,405,567,696	5,049,017,853	68,454,585,549
Quality Assurance and Standards	4,438,152,077	314,000,000	4,752,152,077	-	-	-	4,438,152,077	314,000,000	4,752,152,077
General Administration	4,616,136,131	122,550,000	4,738,686,131	-	-	-	4,616,136,131	122,550,000	4,738,686,131
Total	**91,414,700,000**	**7,763,480,993**	**99,178,180,993**	**(1,200,000,000)**	**(1,500,000,000)**	**(2,700,000,000)**	**90,214,700,000**	**6,263,480,993**	**96,478,180,993**

REPUBLIC OF KENYA



THENATIONAL ASSEMBLY

TWELFTH PARLIAMENT – THIRD SESSION

THE DEPARTMENTAL COMMITTEEON LANDS

REPORT ON THE SCRUTINY OF THE 2019/2020 BUDGET ESTIMATES FOR THE FOLLOWING SPENDING AGENCIES:

Vote 1112- Ministry of Lands and Physical Planning
Vote 2021- The National Land Commission

DIRECTORATE OF COMMITTEE SERVICES
CLERKS CHAMBERS
PARLIAMENT BUILDINGS
NAIROBI **MAY 2019**

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PART I

1.0 PREFACE

Mr. Chairman,

1. On behalf of the Departmental Committee on Lands and pursuant to provisions of Standing Order 235, it is my pleasant privilege and honor to present to the Budget and Appropriation Committee, the report of the Committee on its consideration of the Annual Estimates of the FY 2019/2020 and the medium term for the Ministry of Land and the National Land Commission

1.1 Mandate of the Committee

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

   (i) Make reports and recommendations to the House as often as possible, including recommendation of proposed legislation;

   (ii) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned Ministries and departments;

   (iii) Study the programme and policy objectives of Ministries and departments and the effectiveness of the implementation;

   (iv) Study, access and analyze the relative success of the Ministries and departments as measured by the results obtained as compared with their stated objectives;

   (v) Investigate and inquire into all matters relating to the assigned Ministries and departments as they may deem necessary, and as may be referred to them by the House or a Minister.

   (vi) Study and review all legislation referred to it.

1.2 Oversight

3. The Committee oversights:

   i. The Ministry of Lands and Physical Planning; and

   ii. The National Land Commission.

1.3 Committee membership

4. The Committee membership comprises: -

Member	Constituency	Party
Hon. Dr. Rachael Nyamai, MP - **Chairperson**	Kitui South	Jubilee Party
Hon. Khatib Mwashetani, MP – **V/Chairperson**	Lungalunga	Jubilee Party
Hon. Jayne Wanjiru Kihara, MP	Naivaisha	Jubilee Party
Hon Joshua KutunySerem, MP	Cherangany	Jubilee Party
Hon. Kimani Ngunjiri, MP	Bahati	Jubilee Party
Hon. MishiMboko, MP	Likoni	ODM
Hon. Omar Mwinyi, MP	Changamwe	ODM
Hon. Ali Mbogo, MP	Kisauni	WDP
Hon. Babu Owino, MP	Embakasi East	ODM
Hon. Caleb Kipkemei Kositany, MP	Soy	Jubilee Party
Hon. Catherine Waruguru, MP	Laikipia County	Jubilee Party
Hon George Aladwa, MP	Makadara	ODM
Hon George Risa Sunkuyia, MP	Kajiado West	Jubilee Party
Hon. Jane WanjukiNjiru, MP	Embu County	Jubilee Party
Hon. Josphat Gichunge Kabeabea, MP	Tigania East	PNU
Hon. Owen Yaa Baya, MP	Kilifi North	ODM
Hon. Samuel Kinuthia Gachobe, MP	Subukia	Jubilee Party
Hon. Simon Nganga Kingara, MP	Ruiru	Jubilee Party
Hon. Teddy Mwambire, MP	Ganze	ODM

1.4 Committee secretariat

5. The Committee secretariat comprises: -

Clerk Assistant I	Mr. Leonard Machira
Clerk Assistant III	Mr. Ahmed Guliye
Legal Counsel I	Ms. Jemimah Waigwa
Researcher III	Mr. Joseph Tiyan
Fiscal Analyst III	Mr. Adan Abdi
Media Relations Officer III	Ms. Winnie Kizia
Audio Officer	Mr. Nimrod Ochieng
Sergeant-At-Arms	Ms. Peris Kaburi

1.5 **Overview of the examination of the Estimates**

6. According to the Public Finance Management Act, 2012, the Cabinet Secretary for the National Treasury is to table the Estimates of Revenue and Expenditure in the House on or before 30th of April of every year. Pursuant to the provisions of the Standing Order No 235 (4), the estimates of Revenue and Expenditure subsequently 'shall stand committed to each Departmental Committee without question put'.

7. Following the tabling of the Estimates, the Departmental Committee on Lands held a briefing meeting by the Parliamentary Budget Office and subsequently held consultative meetings with the Principal Secretary Ministry of Lands and Physical Planning and the Ag. Chief Executive National Land Commission and thereafter adopted this report. The committee meetings took place on Wednesday 22nd May 2019 and Thursday 23rd May 2019.

8. The Committee observed that two projects account for 76% of the Development Budget of the Ministry of Land & Physical Planning. The Registration of Title Deeds project has been allocated Kshs. 2 billion, while the Digitization of Land Transactions has been allocated 750 million. The Ministry needs to give priority to equally important projects.

9. The Committee further observed that there is need for the Ministry of Lands and Physical Planning to prioritize resource allocation to three stalled projects namely; Renovation of Land Registries, Survey, Inspection, &Maintenance of National and International Boundaries and Infrastructure Improvement at the Kenya Institute of Surveying and Mapping, which has a combined medium-term (2017/18 – 20121/22) resource requirement of Kshs. 6 billion. However, the three projects would receive a combined allocation of Kshs. 344 million in the medium-term (2017/2018 – 2021/2022). Therefore, the completion of the said projects is doubtful.

10. The Committee also noted that the National Land Commission has a resource shortfall of Kshs. 519 million for staff gratuity and Kshs. 128 million for pension arrears. The shortfall occurred due to a decision made by the former commissioners to convert contracted staff to permanent and pensionable terms in the middle of the 2018/2019 Financial Year. Although the Commission requested funds to cater for the same in the Supplementary Estimates II 2018/2019, it only received 29 million to cater for employees' pension contribution for staff who were converted to permeant and pensionable terms.

1.0 PART II

1.1 INTRODUCTION

20. On Tuesday, 30th April 2019, the Estimates of Revenue and Expenditure was laid on the floor of the House by the Majority Leader pursuant to Article 221 of the Constitution, Section 37 of the Public Finance Management Act, 2012 and the provisions of the Standing Order No. 235 of the Kenya National Assembly.

21. According to Article 221 of the Constitution, the Cabinet Secretary for the National Treasury is to submit to the National Assembly Estimates of Revenue and Expenditure on or before 30th April every year. The same provision has been provided for in the Public Finance Act, Section 37. Pursuant to the provisions of the Standing Order No 235 (4), the Estimates subsequently 'shall stand committed to each Departmental Committee without question put'.

22. The Standing Order No 235 (4) further provides that the Departmental Committee is to deliberate on the Estimates according to its mandate and make recommendations to the Budget and Appropriations Committee within 21 days. In considering the Estimates, the Budget and Appropriations Committee shall consult each Departmental Committee and table a report containing its recommendations on the statement to the House for consideration.

23. Following the tabling of the Estimates, the Departmental Committee on Lands held a briefing meeting with the Parliamentary Budget Office and subsequently held consultative meetings with the Ministry of Lands and Physical Planning and the National Lands Commission which it exercises oversight. The committee meetings took place on Wednesday 22nd May 2019 and Thursday 23rd May 2019 to consider the Estimates and thereafter adopted this report.

24. The Ministry and Agency under the purview of the Committee are-

    (i) Ministry of Lands and Physical Planning
    (ii) National Lands Commission

25. The deliberations which proceeded during the meetings, together with the contents of the Estimates, informed the Committee's compilation of this report regarding the proposed allocation of the resources among the Sub-programs and projects.

3.0 SUBMISSIONS

3.1 Briefing by the Parliamentary Budget Office

26. The Committee held a briefing session with the Parliamentary Budget Office on Wednesday 22nd May 2019.The Office informed the Committee that: -
27. The proposed gross total current and capital expenditure estimates for vote 1112 Ministry of Lands and Physical Planning in the FY 2019/20 is Kshs. 6.613 billion comprising of Kshs. 3.016 billion for current expenditures and Kshs. 3.597 billion for capital expenditures. The total gross expenditure estimates for the Ministry represent an increment of approximately 9.9 percent which is Kshs 596.4 million compared to the revised total expenditure estimate of Kshs. 6.017.4 billion in the FY 2018/2019.

28. In the FY 2019/2020, the Ministry plans to implement one programme namely: Land Policy and Planning. The objective of the programme is to e ensure efficient and effective administration and sustainable management of land resources. The budget programme has five sub-programmes namely: Development Planning and Reforms, Land Information Management, Land Survey, Land use, and Land Settlement.

29. The Ministry's proposed allocation for 2019/20 financial year amounts to **KSh. 6.613 billion** comprising of **KSh. 3.016 billion** for recurrent and **KSh. 3.597 billion** for development. While the BPS is the basis of allocations, an analysis of the proposed allocations reveals that the proposed allocation to the program has surpassed the House Resolutions on the BPS by 14.3 percent.

30. An analysis of recurrent expenditure reveals that County Land Offices has been proposed to receive **KSh.175.6 million** up from **KSh. 74.4 million** in the FY 2018/19, showing an increment of **136 percent**, Department of Lands will receive 678.4 million up from Ksh 594.3 million showing an increment of 14.1 percent. Other heads with significant proposed allocations include Headquarters Administrative Services at KSh.581.7 million, adjudication and settlement services at Ksh 528.9 million, National Bulk Titling Centre at Kshs 652.7 million, Kenya Institute of Survey and Mapping at Kshs 220.0 million and Department of Physical Planning at Kshs 166.3 million.

31. The recurrent resources for the Ministry of Lands and Physical Planning will largely go towards Compensation to Employees and Use of goods and Services. An analysis of the trend in the components of recurrent expenditure reveals that Compensation to Employees and the use of goods and services are the highest consumers of recurrent expenditures. Compensation to employees has marginally gone up and is proposed to remain the same in the financial year 2019/20.
32. The Ministry of Lands and Physical Planning will be implementing a total of 12 projects for the year ending 30th June 2020. The total estimated cost of all the projects in the FY 2019/20 and the medium-term amounts to KSh. 22.4 billion against a projected allocation of Kshs. 11.4 billion over the medium term. This shows that there are limited resources for capital projects and therefore they may not be completed as scheduled. However, the ministry does not intend to implement any new project.

33. The proposed total allocation to development projects in FY 2019/20 amounts to **Kshs. 3.59 billion**. Projects with key allocations include processing and registration of title deeds at Kshs. 2 billion and digitization of land registries at Kshs 750 million. The two projects account for 76 percent of development budget estimate for the financial year 2019/20. Construction of land registries has been reduced by about 50 percent from its allocation in 2018/19 financial year.

34. According to the National Treasury, the Ministry has 3 stalled projects whose total costs amounts to Kshs 6.0 Billion. Some of the reasons advanced for stalling of these projects include budget cuts on development ceiling. It is noted that some of these projects have been allocated funds in the 2019/20 proposed development budget for the Ministry but considering the timelines the proposed allocations remain low.

35. The proposed gross total current estimates for vote 2021 National Land Commission in the FY 2019/20 is Kshs. 1.308 billion for current expenditures. The NLC has not been allocated financing for capital expenditure estimates. The total gross proposed expenditure estimates for the Commission represent a slight increase of Ksh. 98.2 million or approximately 7.5 percent compared to the revised total expenditure estimate of Kshs. 1.210 billion in the FY 2018/2019.
36. The marginal increase means that the requirements of the Commission at the time of the Budget Policy Statement persist specially on the request of Kshs 200 million to hasten historical land injustices.

3.2 Submissions by the Ministry and Agency

3.2.1 Ministry of Lands and Physical Planning

37. The Committee held a meeting with the Ministry of Lands and Physical Planning officials led by the Principal Secretary Dr. Nicolas Muraguri on Wednesday 22nd May 2019. On the Budget Performance for FY 2018/2019, the Principal Secretary informed the Committee that: -

38. The actual budget expenditure up to third quarter for financial year 2018/2019 (as at 31st March 2019) was Kshs. 4,552,898,804 out of which recurrent expenditure was Kshs. 1,666,180,113 and development expenditure was Kshs. 2,886,718,691. This translates to absorption rate of 62% in recurrent and 86% in development.

39. On the estimates for FY. 2019/20, the Principal Secretary informed the meeting that the proposed allocation shall be spent as shown in the table below.

Economic Classification	**Baseline Estimates 2018/2019 Kshs.**	**Estimates 2019/2020 Kshs.**
Compensation to Employees	2,414,000,000	2,414,000,000
Operations and Maintenance	258,185,671	602,200,000
Current Expenditure	**2,672,185,671**	**3,016,200,000**

	Projects	**Approved estimates FY 2018/19 (Kshs.Million)**	**Prosed Supplementary II Estimates FY 2018/19 (Kshs. Million)**	**Proposed estimates FY 2019/20 (Kshs.Million)**
1.	Registration and Issuance of Title Deeds	1,515	1,275	2,000
2.	Development of Geospatial Data	202	159	76
3.	Geo - referencing of land parcels countrywide	15	15	81
4.	Digitization of land registries	750	490	750
5.	National Physical Planning (Implementation and Dissemination of the National Spatial Plan	145	112	112

	(NSP)and National Land Use Policy (NLUP)			
6.	Development of a National Land Value Index	120	73	80.6
7.	Settlement of landless	391	391	291
8.	Development of Hydrographic Database	45	45	30
9.	Construction of Land Registries	134	64	64
10.	Improvement of infrastructure at Kenya Institute of Surveying & Mapping	28	28	28
11.	Renovation of Land Offices	_	_	70
12.	Survey, inspection and maintaining National and international boundaries	_	_	15
	TOTAL	**3,345**	**2,652**	**3,569.6**

3.2.2 National Land Commission

40. The Committee held a meeting with the Chief Executive Officer National Land Commission on Thursday 23rd May 2019. On the estimates the Commission Acting Chief Executive Officer informed the meeting that;

41. The Commission requested for resource requirements for the Financial Year 2019/2020 of Kshs 2,592 million during the sector working group meetings. The request was made up of Recurrent Budget Kshs 2,192 million and Development budget Kshs 400 million .Unfortunately the Commission was allocated only Kshs 1,308 million being recurrent budget while Development budget was allocated through the Ministry of ICT in line with the Cabinet decision that any MDA developing an ICT related system its budget will be allocated through the ICT ministry.

42. The Commission development budget through the ICT Ministry is **Kshs 150 million** for financial year 2019/20.

43. The proposed allocation shall be spent as shown in the table below.

Table 2: Vote 2021 National Land Commission Summary of Expenditure Estimates for the FY 2018/2019 And 2019/2020

	FY 2018/2019			FY 2019/2020		
Programmes & Sub-	**Gross Current**	**Gross Capital**	**Gross Total**	**Gross Current**	**Gross Capital**	**Gross Tota**
Land Administration	1,210.0	0	1,210.0	1,308.2	0	1,308.2
General Administration,	1,023.5	0	1,023.5	1,164.4	0	1,164.4
Land	119.3	0	119.3	89.4	0	89.4
Public Land Information	11.9	0	11.9	6.5	0	6.5
Land Disputes and	55.1	0	55.1	47.8	0	47.8

Source: National Treasury (Programme Based Budget Estimates April, 2019)

4.0 COMMITTEE OBSERVATIONS

44. The Committee made the following observations:

4.1 Ministry of Lands and Physical Planning

i. Two projects account for 76% of the Development Budget of the Ministry of Land & Physical Planning. The Registration of Title Deeds project has been allocated Kshs. 2 billion, while the Digitization of Land Transactions has been allocated 750 million. The Ministry needs to give priority to equally important projects;

ii. There is need for the Ministry of Lands and Physical Planning to prioritize resource allocation to three stalled projects namely; Renovation of Land Registries, Survey, Inspection, &Maintenance of National and International Boundaries and Infrastructure Improvement at the Kenya Institute of Surveying and Mapping, which have a combined medium-term (2017/18 – 20121/22) resource requirement of Kshs. 6 billion. However, the three projects would receive a combined allocation of Kshs. 344 million in the medium-term (2017/18 – 20121/22). Therefore, the completion of the said projects is doubtful;

iii. There is need to enhance the budgetary allocation for the Construction of Land Registries given that the state of the registries throughout the country is deplorable, particularly in Naivasha where the registry was reportedly housed in a dilapidated building and in Samburu, where residents were reportedly forced to travel to Nyahururu to access services. The construction of land registries would also facilitate the successful implementation of the Digitization of Land Transactions project by providing for a secure and conducive working environment;

4.2 National Land Commission

iv. The National Land Commission is grossly underfunded. The Commission has a resource shortfall of Kshs. 519 million for staff gratuity. The shortfall occurred due to a decision made by the former commissioners to convert contracted staff to permanent and pensionable terms in the middle of the 2018/2019 Financial Year. Although the Commission requested funds to cater for the same in the Supplementary Estimates II 2018/2019, it only received 29 million to cater for employ pension contribution for staff who were converted to permeant and pensionable terms. Therefore, there is need to provide additional resources to the National Land Commission to cater for staff gratuity and pension, since this is a statutory requirement;

v. The implementation of the Public Land Information Management System (PLIMS) project has stalled due bureaucratic challenges posed by the decision made by the government to domicile all ICT related projects in the Ministry of ICT. The Commission is not able to

access part of the Kshs. 150 million that was allocated to the Ministry of ICT to cater for the development of the system in the current financial year. The project has a total resource requirement of Kshs. 1.5 billion within the mediumterm and it was reported 33% complete having consumed Kshs. 550 million between the 2015/16 to the 2017/18 Financial Years before the resource allocation for the implementation of the project was transferred to the Ministry of ICT. Therefore, there is need for the government to rethink its decision to centralize the implementation of ICT related projects in the Ministry of ICT.

vi. Although the government has embarked on a program to title all public schools in order to protect and secure the land against illegal conversion to private, auditing of public land has only been undertaken in 24 out of the 47 countries partly due to the in ability of the commission to work on the program on a full time basis. There is need for the National Land Commission and other partners such as the Ministry of Lands & Physical Planning to fast track the audit of public land in all counties to facilitate the issuance of title deeds to public schools.



PART III

5.0 COMMITTEE RECOMMENDATIONS

a) **Structural Recommendations**

The Committee recommends that:

i. **The Ministry of Lands and Physical Planning should ensure that resource allocation is based on predictable allocation towards all priority projects unlike the current strategy of increased budgeting towards two projects which may ultimately tilt the balance in terms of achieving the overall goal; and**

ii. **The Ministry of Lands and Physical Planning should also give priority to completing stalled projects such as renovation of land registries, survey and inspection of national and international boundaries and Infrastructure improvement at the Kenya Institute of Surveying and Mapping. This will ensure value for money already expended.**

b) **Financial recommendations**

The Committee recommends that the House approves the following allocations for the Financial Year 2019/2020:

i. **Kshs1,308,200,000 for Vote 2021: - the National Land Commission; and**
ii. **Kshs 6,613,800,000 for Vote 1112: - Ministry of Lands and Physical Planning.**

c) **Reductions**

The Committee recommends that:

Kshs. 200, 000,000 be reduced from the Digitization of Land Transactions project under the Land Policy and Planning Program (0101000) in Vote 1112: - Ministry of Lands and Physical Planning.

d) **Increases**

The allocation for the Construction of Land Registries project under the Land Policy and Planning Program (0101000) in Vote 1112: - Ministry of Lands and Physical Planning be increased by Kshs. 200, 000,000

e) **Reallocations**

Ksh.200, 000,000 reduced from Digitization of land registries under the Land Policy and Planning Program (0101000) in Vote 1112: - Ministry of Lands and Physical Planning and reallocated to Construction of Land Registries project within the same program to cater for the construction of five land registries.

f) Other recommendations

An additional Kshs. 519,000,000 be allocated to the Land program under Vote 2021 - National Land Commission to cater for staff gratuity for contacted staff who were converted to permanent and pensionable terms.

Signed.....

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

Date.....29/5/2019.....

2.1 The State Department for Early Learning and Basic Education

1. The 2019/20 proposed budget is Kshs 99.2 Billion out of which Kshs 91.4 is the proposed recurrent budget and Kshs 7.8 Billion is the proposed development budget. Through this allocation, the State Department is implementing 4 programmes as indicated below: -

Programmes	2019/20		
	Current	Capital	Total
Primary Education	17,754	2,277	20,031
Secondary Education	64,605	5,049	69,654
Quality Assurance and Standards	4,438	314	4,752
General Administration	4,616	123	4,739
Total	**91,413**	**7,763**	**99,176**

2. The Secondary education programme which has been allocated Kshs 69.6 Billion and this allocation is majorly on the Free Day Secondary Education sub programme where the set target is to support 2.97 Million learners in secondary schools through capitation. The Primary Education Programme has also been prioritized where it has been allocated Kshs 20 Billion which is largely on the free primary education sub programme to support 9 Million primary school learners.

2.2 The State Department for Technical and Vocational Education and Training

1. The proposed 2019/20 budget is Kshs 23.3 Billion out of which Kshs 14.4 Billion is the proposed recurrent budget and Kshs 8.8 Billion is the proposed development budget. The State Department is implementing three programmes as indicated below: -

Programmes	2019/20		
	Recc	Dev	Total
Technical Vocational Education and Training	14,230	6,829	21,059
Youth Training and Development	45	2,049	2,094
General Administration, Planning and Support Services	164	-	164
Total	**14,439**	**8,878**	**23,317**

2. The programmes which have received priority in terms in the 2019/20 Budget allocation are the Technical Vocational Education and Training Programme which has been allocated Kshs 21.1 billion.

3. The allocation under this programme are mainly meant to support the TVET sub sector through capitation to students, compensation of TVET instructors as well as infrastructure development.

PART II

2.0 Broad overview of the 2019/2020 Budget Estimates for the Education Sector

1. The 2019/20 the proposed budget for the Education sector is Kshs 487.5 Billion. The allocation is spread across the five (5) spending agencies which are implementing a total of sixteen (16) programmes as indicated below:

MDA	Programmes	Proposed allocation 2019/20	%
Department for Early Leaning and Basic Education	4	99,179	20.34
Department for Vocational and Technical Training	3	23,318	4.78
Department for University Education and Research	3	113,089	23.2
Department for Post Training and Skills Development	3	200	0.04
Teachers Service Commission	3	251,751	51.64
Total	**16**	**487,537**	**100**

2. The programmes which have received priority in terms of budget allocations in the 2019/20 in the various spending agencies in the sector are primary education, secondary education, university education, technical education as well as teacher resource management. Some of the areas funded in 2019/20 are summarized below: -

2019/20 Key area of Funding	Allocation (Blns)
Free Primary Education	13.4
School feeding programme	1.8
Digital Literacy programme and CBC	2.4
Primary school infrastructure	0.3
KNEC Waiver	4
Free Day Secondary Education	59.4
Secondary School infrastructure	1.25
Construction and equipping of TTI's	6.8
Support to VTC's	2
Universities	96.4
HELB	12.8
Recruitment of Teachers	2

3. The following sections indicate how the proposed 2019/20 budget of Kshs 487 billion has been allocated to various votes within the sector: -

4. State Department for Vocational and Technical Training

Programmes	2019/20 Proposed Estimates			Committee Adjustments			2019/20 Revised Estimates		
	Recc	Dev	Total	Recc	Dev	Total	Recc	Dev	Total
Technical Vocational Education and Training	14,230,102,734	6,829,000,000	21,059,102,734	1,500,000,000	-	1,500,000,000	15,730,102,734	6,829,000,000	22,559,102,734
Youth Training and Development	-	2,049,600,000	2,049,600,000	-	-	-	-	2,049,600,000	2,049,600,000
General Administration, Planning and Support Services	164,025,309	-	164,025,309	-	-	-	164,025,309	-	164,025,309
Total	**14,394,128,043**	**8,878,600,000**	**23,272,728,043**	**1,500,000,000**	-	**1,500,000,000**	**15,894,128,043**	**8,878,600,000**	**24,772,728,043**

5. Teachers Service Commission

Programmes	2019/20 Proposed Estimates			Committee Adjustments			2019/20 Revised Estimates		
	Recc	Dev	Total	Recc	Dev	Total	Recc	Dev	Total
Teacher Resource Management	244,525,880,386	-	244,525,880,386	1,200,000,000	-	1,200,000,000	245,725,880,386	-	245,725,880,386
Governance and Standards	419,501,366	-	419,501,366	-	-	-	419,501,366	-	419,501,366
General Administration, Planning and Support Services	6,751,618,248	54,000,000	6,805,618,248	-	-	-	6,751,618,248	54,000,000	6,805,618,248
Total	**251,697,000,000**	**54,000,000**	**251,751,000,000**	**1,200,000,000**	-	**1,200,000,000**	**252,897,000,000**	**54,000,000**	**252,951,000,000**

2. State Department for Post Training and Skills Development

Programmes	2019/20 Proposed Estimates			Committee Adjustments			2019/20 Revised Estimates		
	Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
General Administration	107,530,000	-	107,530,000	-	-	-	107,530,000	-	107,530,000
Workplace readiness services	48,500,000	-	48,500,000	-	-	-	48,500,000	-	48,500,000
Post training Information Management	44,470,000	-	44,470,000	-	-	-	44,470,000	-	44,470,000
Total	**200,500,000**	-	**200,500,000**	-	-	-	**200,500,000**	-	**200,500,000**

3. State Department for University Education and Research

Programmes	2019/20 Proposed Estimates			Committee Adjustments			2019/20 Revised Estimates		
	Recc	Dev	Total	Recc	Dev	Total	Recc	Dev	Total
University Education	101,785,692,842	8,551,098,809	110,336,791,651	-	150,000,000	150,000,000	101,785,692,842	8,701,098,809	110,486,791,651
Research, Science, Technology and Innovation	2,231,983,523	217,601,191	2,449,584,714	-	(150,000,000)	(150,000,000)	2,231,983,523	67,601,191	2,299,584,714
General Administration, Planning and Support Services	302,862,888	-	302,862,888	-		-	302,862,888	-	302,862,888
Total	**104,320,539,253**	**8,768,700,000**	**113,089,239,253**	-	-	-	**104,320,539,253**	**8,768,700,000**	**113,089,239,253**

11. The implementation of the Public Land Information Management System (PLIMS) project has stalled due to bureaucratic challenges posed by the resolution made by the government to domicile all ICT related projects in the Ministry of ICT. The Commission is not able to access part of the Kshs. 150 million that was allocated to the Ministry of ICT to cater for the development of the system in the current financial year. The project has a total resource requirement of Kshs. 1.5 billion and it was reported 33% complete having consumed Kshs. 550 million between 2015/2016 to 2017/2018 Financial Years before the resource allocation for the implementation of the project was transferred to the Ministry of ICT. Therefore, there is need for the government to rethink its decision to centralize the implementation of ICT projects in the Ministry of ICT.

12. Although the government has embarked on a program to title all public schools in order to protect and secure the land against illegal conversion to private, auditing of public land has only been undertaken in 24 out of the 47 countries partly due to the in ability of the commission to work on the program on a full time basis. There is need for the National Land Commission and other partners such as the Ministry of Lands & Physical Planning to fast track the audit of public land in all counties to facilitate the issuance of title deeds to the schools.

Structural recommendations

13. The Ministry of Lands and Physical Planning should ensure that resource allocation is based on predictable allocation towards all priority projects unlike the current strategy of increased budgeting towards two projects which may ultimately tilt the balance in terms of achieving the overall goal.
14. The Ministry should also give priority to completing stalled projects such as renovation of land registries, survey and inspection of national and international boundaries and Infrastructure improvement at the Kenya Institute of Surveying and Mapping. This will ensure value for money already expended.

Financial recommendations

Reductions

15. The Committee recommends that Kshs. 200,000,000 be reduced from the Digitization of Land Transactions project under the Land Information Management Sub-Program in Vote 1112: - Ministry of Lands and Physical Planning.

Increments

16. The Committee further recommends that the proposed Kshs.200,000,000 reduced from Digitization of land registries project under the Land Information Management Sub-

Program in Vote 1112: -Ministry of Lands and Physical Planning be reallocated to the Construction of Land Registries project within the same Sub-program to cater for the construction of land registries.

17. Finally, the Committee recommends that the House approves the following allocations;

i. Kshs 6,613,800,000 for Vote 1112: - Ministry of Lands and Physical Planning.
ii. Kshs. 1,308,200,000 for the National Lands Commission.

Other recommendations

18. An additional Kshs. 519,000,000 be allocated to the Land Administration and Management under Vote 2021 - National Land Commission to cater for staff gratuity for contracted staff who were converted to permanent and pensionable terms.

1.6 Acknowledgements

19. The Committee is grateful to the Offices of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee wishes to thank the Principal Secretary Ministry of Lands & Physical Planning and the Ag. Chief Executive National Land Commission and the officers from the two institutions for their participation during the Committee scrutiny of the Budget Estimates at a retreat held in Mombasa on Wednesday 22nd and Thursday 23rd May 2019.

Signed.....

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

Date.....29/5/2019.....

7. Hon. (Prof.) Zadoc Abel Ogutu, MP	IND	Bomachonge Borabu
8. Hon. Catherine Wambilyanga, MP	Ford-K	Bungoma
9. Hon. Eric Muchangi Njiru, MP	JP	Runyenjes
10. Hon. Eve Obara, MBS, MP	ODM	Kabondo Kasipul
11. Hon. Jackson Lekumontare, MP	KANU	Samburu East
12. Hon. Jerusha Mongina Momanyi, MP	JP	Nyamira
13. Hon. John Oroo Oyioka, MP	PDP	Bonchari
14. Hon. Joseph Kipkosgei Tonui, MP	JP	Kuresoi South
15. Hon. Lilian Cheptoo Tomitom, MP	JP	West Pokot
16. Hon. Omboko Milemba, MP	ANC	Emuhaya
17. Hon. Peter Lochakapong, MP	JP	West Pokot
18. Hon. Wilson Sossion, MP	ODM	Nominated
19. Hon. Wilson Kipng'etich Kogo, MP	JP	Chesumei

Abbreviations and Acronyms – Political Parties

ANC	-	Amani National Congress
Ford-K	-	Ford Kenya
IND	-	Independent
JP	-	Jubilee Party
KANU	-	Kenya National African Union
ODM	-	Orange Democratic Party
PDP	-	Peoples Democratic Party
WDMK	-	Wiper Democratic Party of Kenya

1.3 Committee Secretariat

1. The Committee secretariat comprises the following officers: -

2. Mr. Daniel Mutunga - Principal Clerk Assistant I
3. Mr. Philip Lekarkar - Clerk Assistant III
4. Ms. Christine Odhiambo - Legal Counsel I
5. Mr. Eric Kanyi - Fiscal Analyst III
6. Ms. Annceta Gacheri - Research Officer III
7. Ms. Winnie Kiziah - Media Relations Officer III
8. Mr. Mutai Kibet - Audio Officer
9. Ms. Catherine Mukunyi - Serjeant-At-Arms

1.4 Overview on the Examination of the proposed 2019/2020 Budget Estimates

1. The 2019/2020 Budget Estimates were submitted and tabled in the National Assembly pursuant to Article 221 of the Constitution and Section 37 of the Public Finance Management Act 2012. The Constitution of Kenya and the Public Finance Management Act 2012 gives the National Assembly the mandate to review the Budget Estimates and make recommendations before the budget is approved.

2. Standing Order No. 235(3) provides that after being laid in the House, the Budget Estimates are committed to each Departmental Committee to deliberate upon according to their respective mandates. The Standing Orders also allows the Departmental Committees of the National Assembly to review and consider the Budget Estimates for the various spending agencies within their purview and make recommendations to the Budget and Appropriation Committee.

3. During the consideration of the 2019/2020 Budget Estimates for the Education Sector, the Committee was briefed by the Parliamentary Budget Officer on Wednesday 22nd May 2019 on the contents and key issues regarding the 2019/2020 Budget Estimates under the various votes in the Education Sector.

4. Afterwards, on Thursday 23rd May 2019, the Committee retreated to hold discussions with the Ministry of Education and the Teachers Service Commission. During the entire period of the budget scrutiny the Committee held seven (7) sittings both within and without the precincts of Parliament.

1.5 Acknowledgement

The Committee is thankful to the Office of the Speaker and the Clerk of the National Assembly for the logistical and technical support accorded to it during its sittings. The Committee is also thankful to Members of the Committee and the Secretariat for their dedication and useful expertise and insights during the scrutiny of the 2019/2020 Budget Estimates.

On behalf of the Departmental Committee on Education and Research and pursuant to provisions of Standing Order 207(6), it is my pleasant privilege and honor to present to the Budget and Appropriations Committee the Report of the Committee on its consideration of the proposed 2019/2020 Budget Estimates for the Ministry of Education and the Teachers Service Commission.

SIGNED ..... **DATE** 28/05/2019

HON. JULIUS MELLY, MP
(CHAIRPERSON, DEPARTMENTAL COMMITTEE ON EDUCATION AND RESEARCH)