



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

**NATIONAL GOVERNMENT
BUDGET IMPLEMENTATION
REVIEW REPORT**

**FIRST QUARTER
FY 2016/17**



NOVEMBER, 2016



THE REPUBLIC OF KENYA

PARLIAMENT
OF KENYA
LIBRARY

OFFICE OF THE CONTROLLER OF BUDGET

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FOREWORD

The Office of the Controller of Budget is pleased to present the National Government Budget Implementation Review Report (NG BIRR) for the first quarter of the 2016/17 financial year (FY). The report covers the period July to September 2016 and has been prepared in accordance with Article 228(6) of the Constitution of Kenya, 2010 and section 9 of the Controller of Budget Act, 2016, which require the Controller of Budget (COB) to submit to Parliament reports on the implementation of the budgets of both the National and the County Governments every four months.

This report provides the status on exchequer issues, expenditure performance by the National Government Ministries, Departments and Agencies (MDAs), and analysis of receipts into the Consolidated Fund. Performance is compared to that of a similar period in FY 2015/16 and the Approved Budget of FY 2016/17. The analysis presented in this report is based on financial reports submitted by the MDAs and those generated from the Integrated Financial Management Information System (IFMIS) by the Office.

Through this report, the Office aims at enhancing provision of information on budget implementation to Parliament, policy makers and the Public at large. It is expected that this will ultimately improve financial management practices in the Public Sector. The Office remains committed to publishing and publicising regular reports on budget implementation in fulfilment of Article 35 of the Constitution of Kenya, 2010.

While implementation of the FY 2016/17 Budget is generally smooth, the Office has noted low levels of MDAs' development and recurrent expenditure, which, if not addressed may affect realization of the FY 2016/17 Budget objectives as stipulated in the Budget Policy Statement (BPS) 2016. Further, the Office implores all MDAs to ensure prudence in the use of public finances in order to ensure effective delivery of budgeted activities.

I urge the readers of this report to effectively use the information contained in this report in seeking accountability from all players in budget implementation. It is also my hope that the report will inform policy decisions and ultimately contribute to improvement of budget performance in the Country.



Mrs. Agnes Odhiambo, CBS
Controller of Budget

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LIST OF ABBREVIATIONS AND ACRONYMS

A-I-A	Appropriations in Aid
AIDS	Acquired Immune Deficiency Syndrome
AMISOM	Africa Union Mission in Somali
AR & UD	Agricultural Rural and Urban Development
Bn	Billion
BIRR	Budget Implementation Review Report
BPS	Budget Policy Statement
CBK	Central Bank of Kenya
CFS	Consolidated Fund Services
COB	Controller of Budget
COB Act	Controller of Budget Act
CRA	Commission on Revenue Allocation
DPP	Directorate of Public Prosecutions
EACC	Ethics and Anti-Corruption Commission
EI & ICT	Energy Infrastructure and Information Communication Technology
ERC	Energy Regulatory Commission
EWNR	Environment Protection, Water and Natural Resources
FY	Financial Year
GDP	Gross Domestic Product
GECA	General Economic and Commercial Affairs
GJLOS	Governance, Justice, Law and Order Sector
HIV	Human Immunodeficiency Virus
IEBC	Independent Electoral and Boundaries Commission
IFMIS	Integrated Financial Management Information System
IPOA	Independent Policing Oversight Authority

IPPD	Integrated Personnel Payment Data
JSC	Judicial Service Commission
KEMRI	Kenya Medical Research Institute
KEMSA	Kenya Medical Supplies Agency
KMTC	Kenya Medical Training College
KNCHR	Kenya National Commission for Human Rights
KNH	Kenyatta National Hospital
Kshs.	Kenya Shillings
MDA(s)	Ministries Departments and Agencies
MoLPP	Ministry of Lands and Physical Planning
NACC	National Aids Control Council
NGEC	National Gender and Equality Commission
NHIF	National Hospital Insurance Fund
NIS	National Intelligence Service
NLC	National Land Commission
NPSC	National Police Service Commission
NT	National Treasury
OCOB	Office of the Controller of Budget
O&M	Operations and Maintenance
PAIR	Public Administration and International Relations
PFM Act	Public Finance Management Act
RPP	Registrar of Political Parties
SAGAs	Semi-Autonomous Government Agencies
SPCR	Social Protection, Culture and Recreation
TSC	Teachers Service Commission
WPA	Witness Protection Agency

EXECUTIVE SUMMARY

This is the first National Government Budget Implementation Review Report for the FY 2016/17 and covers the period July to September 2016. The report is prepared in line with Article 228(6) of the Constitution of Kenya, 2010 and Section 9 of the Controller of Budget Act, 2016, which require the Controller of Budget to submit to Parliament reports on the implementation of the budgets of both the National and the County Governments every four months.

During the period under review, actual receipts into the Exchequer Account amounted to Kshs.459.6 billion, representing 22.8 per cent of the annual target (Kshs.2,019.3 billion). The receipts represented a 45.3 percent growth over a similar period of FY 2015/16 when receipts amounted to Kshs.316.4 billion.

The total exchequer issues to MDAs and County Governments amounted to Kshs.390.14 billion, representing 19.3 per cent of the annual net estimates. The issues comprised of Kshs.41.8 billion for MDAs' development expenditure, Kshs.165.6 billion for recurrent expenditure, Kshs.127.4 billion towards Consolidated Fund Services (CFS), and Kshs.55.3 billion to the County Governments.

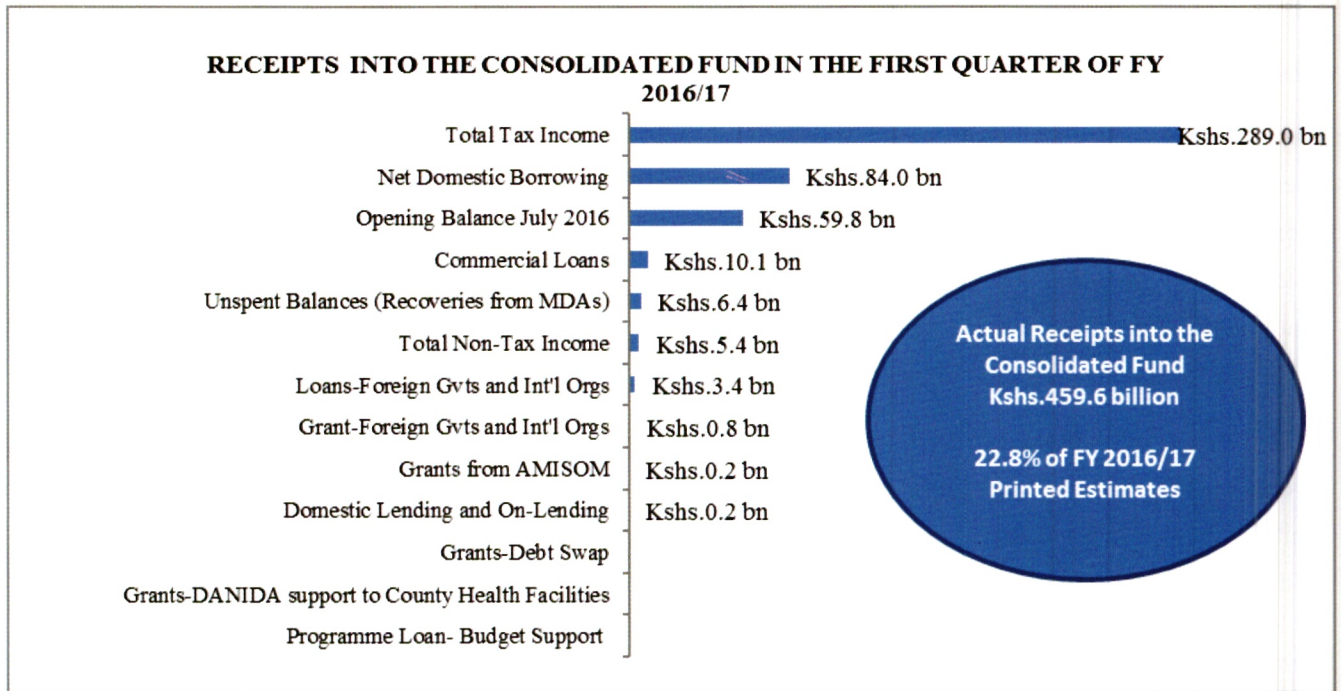
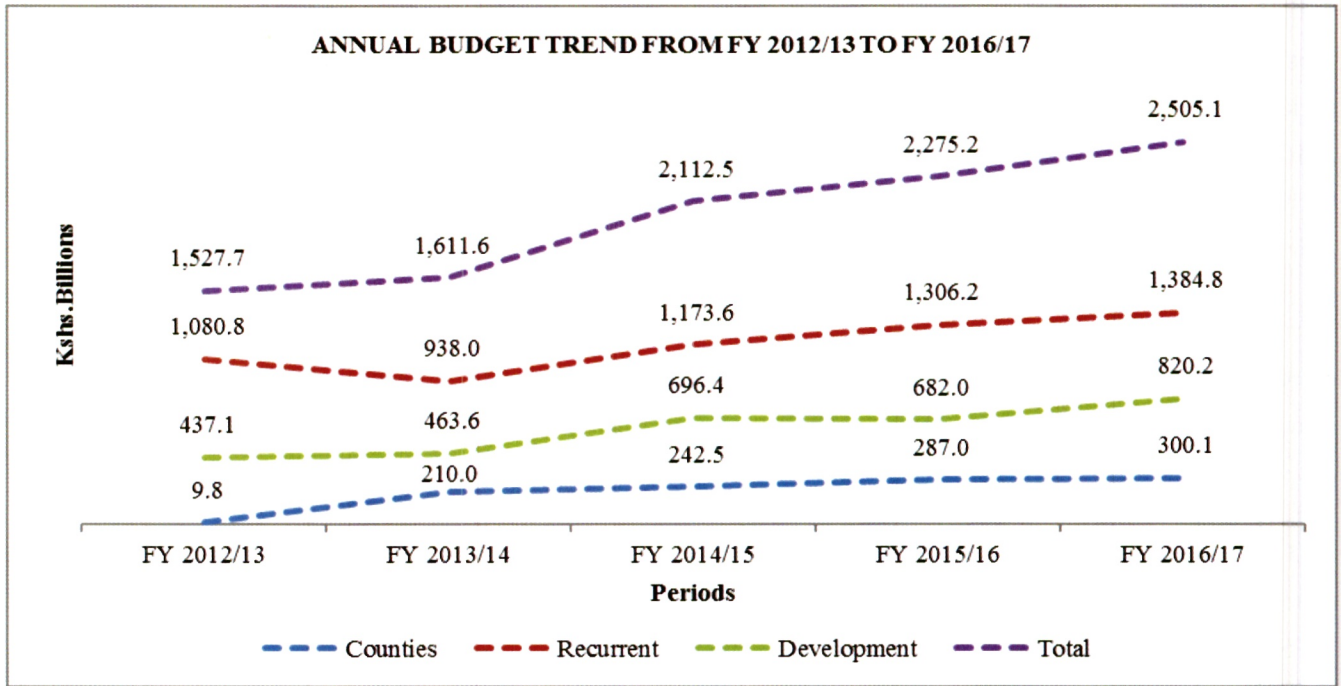
Actual expenditure by the MDAs amounted to Kshs.257.9 billion, representing 15.4 per cent of the annual gross estimates. Analysis of this expenditure shows that Kshs.164.9 billion was spent on recurrent programmes, representing 19.2 per cent of the annual gross estimates of recurrent expenditure. This is a decline compared to the 22.7 per cent recorded in the same period of FY 2015/16. A total of Kshs.74.0 billion, 44.9 per cent of the annual gross recurrent expenditure, was spent on personnel emoluments.

Further analysis of the recurrent expenditure shows that the Teachers Service Commission (TSC) had the highest expenditure on Personnel Emoluments (PE) at Kshs.45.4 billion, which translated to 61.3 per cent of the aggregate PE expenditure by the MDAs. The second highest expenditure category was current transfers to Semi-Autonomous Government Agencies (SAGAs) at Kshs.62.4 billion, or 37.8 per cent of the total recurrent expenditure. The domestic and foreign travel expenditure category incurred the third highest expenditure, consisting of foreign travel costs of Kshs.2.1 billion and domestic travel costs at Kshs.1.5 billion, respectively.

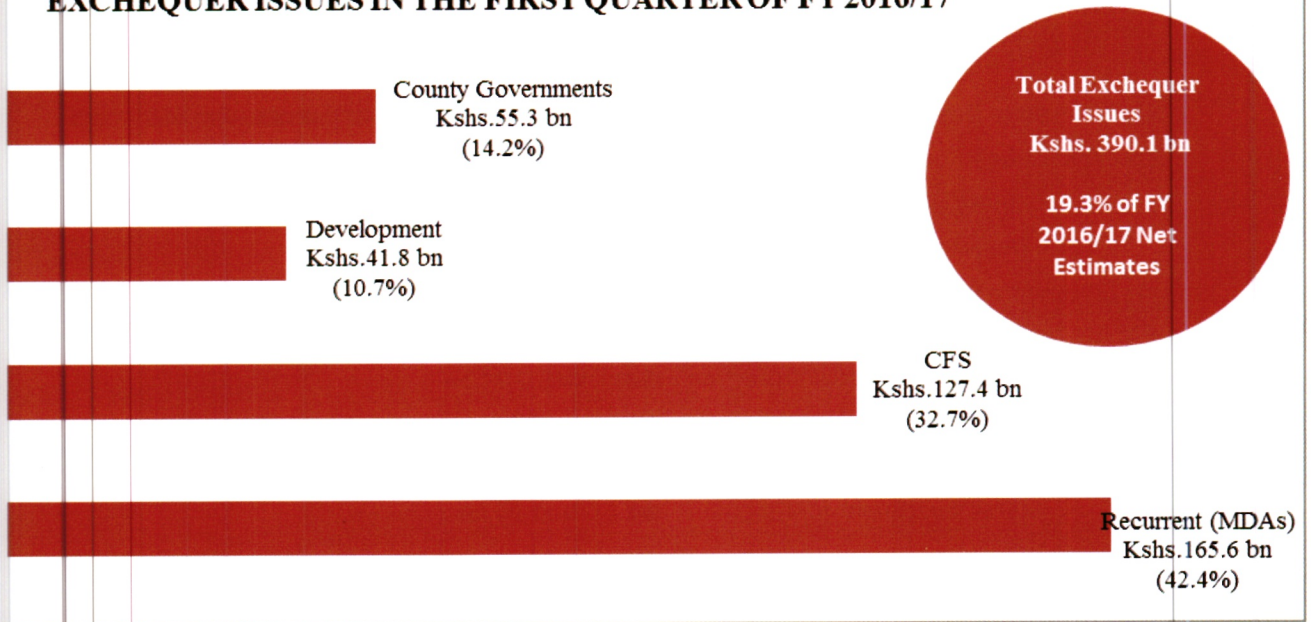
The gross development expenditure was Kshs.93.0 billion, representing an absorption rate of 11.3 per cent, an increase compared to 10.7 per cent achieved in the same period of FY 2015/16. Under the development expenditure, Capital Transfers to SAGAs recorded the highest expenditure at Kshs.49.0 billion, followed by refurbishment of buildings at Kshs.31.8 billion, which represented 34.2 per cent of the gross development expenditure.

There were challenges that hampered effective budget implementation and financial management in the reporting period. The Office identified the following challenges; delay in submission of quarterly financial reports by some MDAs which affected timely production of this report, low levels of both development and recurrent expenditure which affected implementation of planned activities, and the need for guidelines on the accounting treatment of capital and recurrent transfers to Semi-Autonomous Government Agencies (SAGAs) in line with International Best Practices. These challenges should be addressed in order to improve budget implementation. The Office will monitor and report on implementation of corrective measures aimed at addressing these challenges.

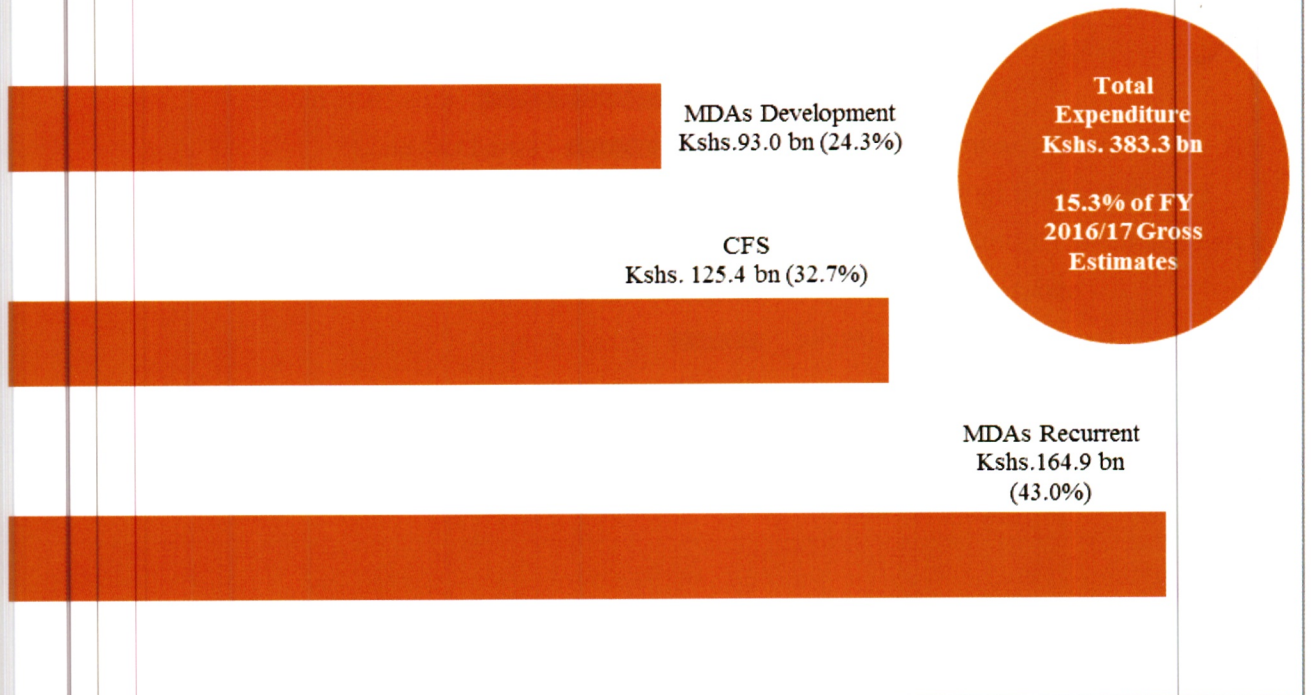
KEY HIGHLIGHTS



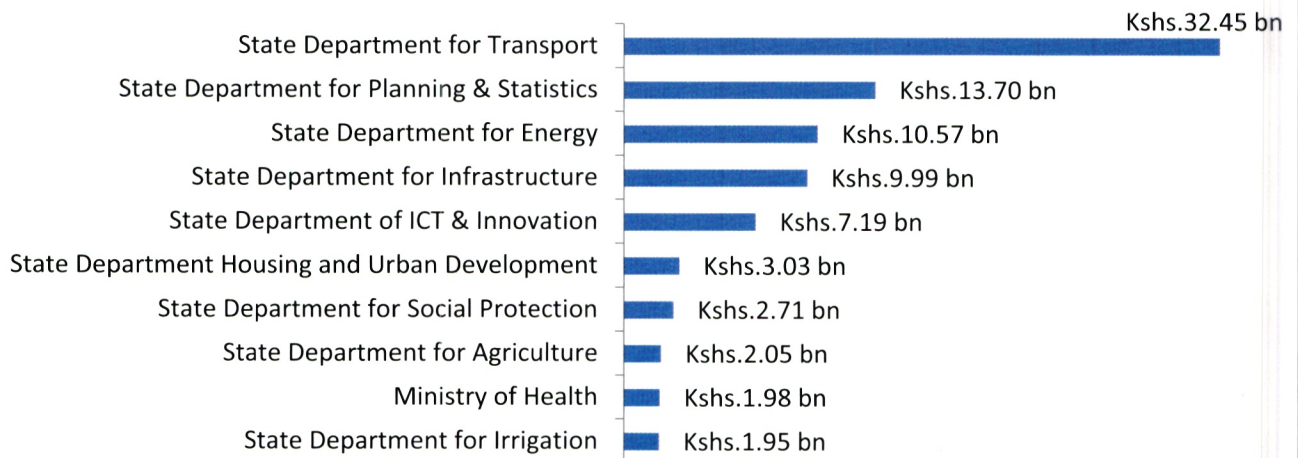
EXCHEQUER ISSUES IN THE FIRST QUARTER OF FY 2016/17



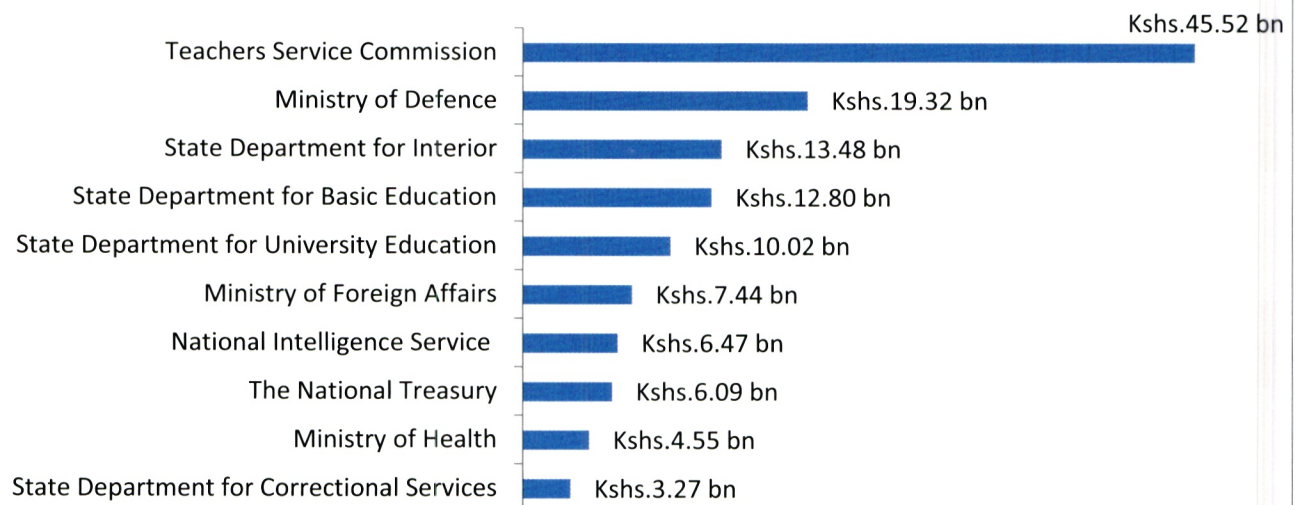
TOTAL EXPENDITURE IN THE FIRST QUARTER OF FY 2016/17



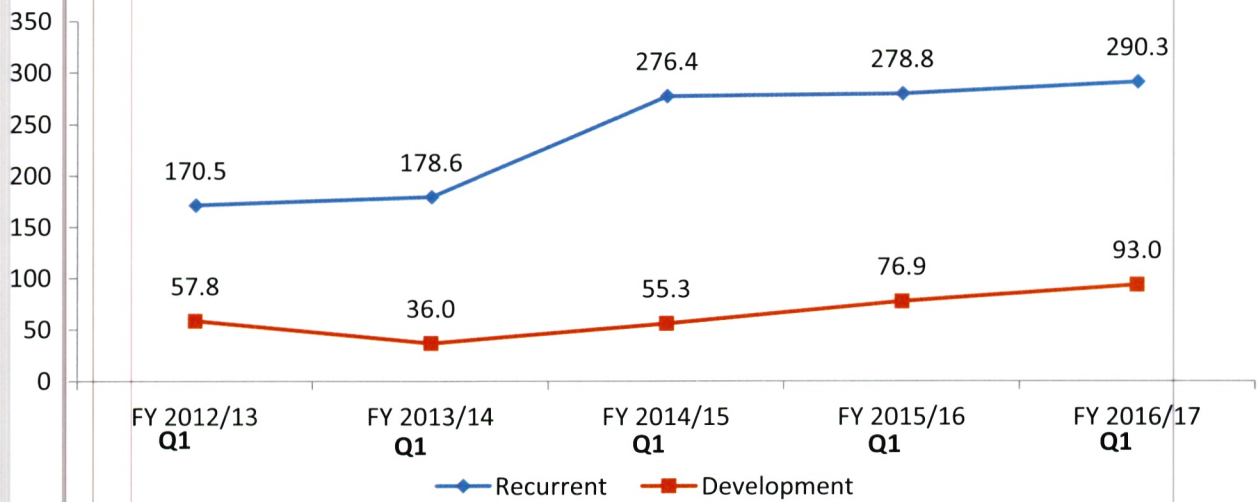
Top 10 Spending MDAs - in the First Quarter of FY 2016/2017 Development Expenditure



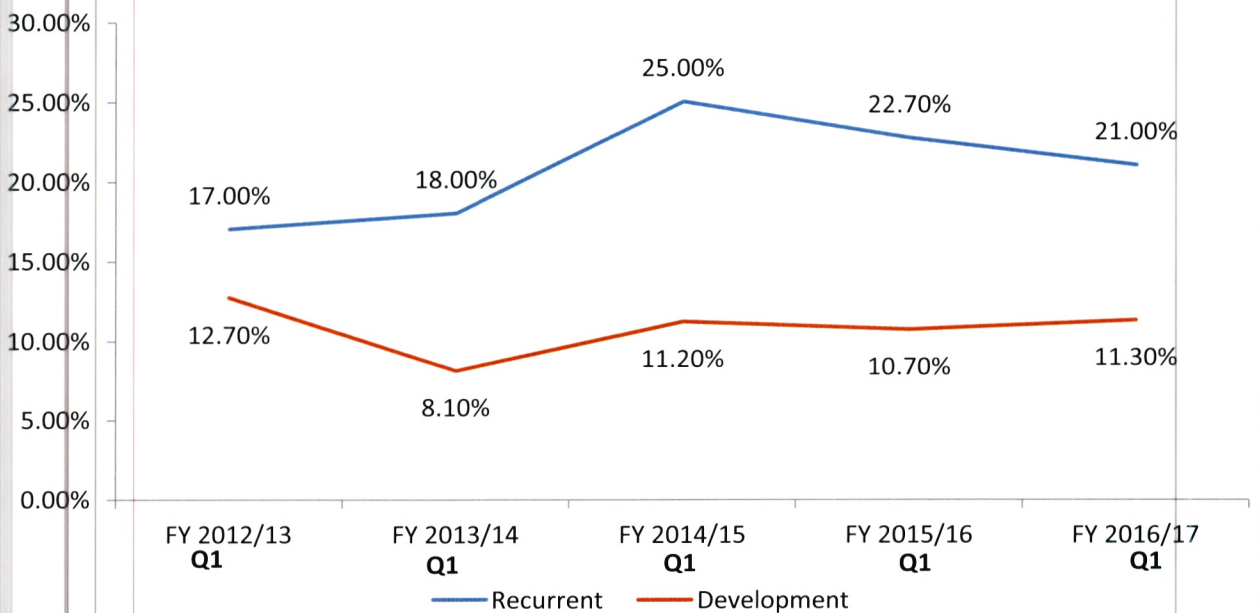
Top 10 Spending MDAs - in the First Quarter of FY 2016/2017 Recurrent Expenditure



**FIRST QUARTER TREND IN DEVELOPMENT AND RECURRENT EXPENDITURE
FY 2012/13 TO FY 2016/17**



**FIRST QUARTER TREND IN DEVELOPMENT AND RECURRENT EXPENDITURE
ABSORPTION RATES FY 2012/13 TO FY 2016/17**





1 INTRODUCTION

The Office of the Controller of Budget is established by Article 228 of the Constitution of Kenya, 2010 and is mandated to oversee budget implementation by both the National and County Governments. Specifically, the Office is required to authorize withdrawals from public funds and to report on the implementation of the budgets by both the National and County Governments every four months.

In line with the mandate stipulated by the Constitution, the OCOB has prepared the First Quarter Budget Implementation Review Report for FY 2016/17, covering the period July to September, 2016. This report presents Parliament with the status of budget implementation during the reporting period. It also aims at sensitizing other stakeholders and members of the public on matters pertaining to budget implementation by the National Government Entities in fulfilment of Article 35 of the Constitution of Kenya, 2010, Section 39(8) of the Public Finance Management (PFM) Act, 2012 and Section 9(6) of the Controller of Budget (COB) Act, 2016. The report presents the performance of sixty five (65) MDAs which is an increase compared to the fifty two (52) MDAs in the FY 2015/16 Budget calendar. The increase in MDAs was occasioned by the reorganization of government functions as per the Executive Order No. 1 of May 2016.

This report is organised into seven chapters. Chapter two provides analysis of receipts into the consolidated fund, and compares the receipts against the annual revenue targets. This performance is also compared with that attained in a similar period of FY 2015/16. Other pertinent information provided in this chapter includes; withdrawals from the Consolidated Fund approved by the COB in line with Article 228(4). The withdrawals are categorized by exchequer issues to MDAs and County Governments for implementation of various programmes, and exchequer issues towards Consolidated Fund Services (CFS).

Chapter Three provides an analysis of actual expenditure by MDAs against the annual gross budget estimates of recurrent and development expenditure as well as CFS, which captures repayment of public debt, pensions and gratuities, salaries and allowances for Constitutional Office holders and subscriptions to International Organisations. Expenditure is expressed as a percentage of gross budget estimates to show the level of budget absorption of development budget and percentage of expenditure for recurrent budget. The absorption rate and percentage of recurrent expenditure are compared to those attained in a similar period of FY 2015/16. Recurrent expenditure is further disaggregated by the major economic items of Personnel Emoluments (PE), Domestic and Foreign Travel, Printing and advertising, Rentals and rates for non-residential, Training, Hospitality, transfers to Semi-Autonomous Government Agencies (SAGAs) and other expenses. Development expenditure is analysed by the following major expenditure categories of; Maintenance of motor vehicles and other assets, Capital transfers to SAGAs, Civil works and construction of major and residential buildings, Refurbishment of buildings, Purchase of specialized plant, Equipment and machinery, Pre-feasibility studies and other development expenditure.

Chapter Four presents expenditure by Sector while chapter five presents budget performance by programmes for each of the Sectors. Chapter six highlights cross-cutting issues that hampered budget execution in the reporting period and also provides recommendations on how to address the identified challenges. Finally, Chapter seven provides the conclusion of the report.

2 ANALYSIS OF RECEIPTS AND EXCHEQUER ISSUES

2.1 Introduction

This chapter presents an overview of budget financing in the first three months of FY 2016/17. It also provides the total exchequer issues to the MDAs for both development and recurrent expenditure. The MDAs are categorised by Sector.

2.2 Analysis of Revenue Estimates and Receipts into the Consolidated Fund

This section provides an analysis of the revenue estimates and actual receipts into the Consolidated Fund for the first quarter of FY 2016/17.

2.2.1 FY 2016/17 Revenue Estimates

The overall Government Budget Estimates for FY 2016/17 was Kshs.2.02 trillion, and is to be financed through ordinary revenue, grants, and loans from both internal and external sources.

The National Treasury targeted to raise Kshs.2.02 trillion to finance the budget from the following revenue categories; Tax income (Kshs.1.33 trillion), Non-tax income (Kshs.44.4 billion), Net Domestic borrowing (Kshs.406.6 billion), Commercial Loan (Kshs.153.8 billion), Loans from Foreign Governments and International Organisations (Kshs.50.45 billion). Other sources of exchequer revenue included; Grants from Foreign Governments and International Organisations (Kshs.16.8 billion), Grants from AMISOM (Kshs.6.4 billion), Domestic Lending (Kshs.4.0 billion), and Kshs.4.8 billion which comprised of Kshs.3.9 billion, Kshs.0.4 billion and Kshs.0.5 billion from programme loan – budget support, grants from DANIDA, and debt swap respectively.

2.2.2 Receipts into the Consolidated Fund

The receipts into the Consolidated Fund comprised of tax income, non-tax income, net domestic borrowing, Loans-Foreign Governments and International Organisations, programme loan-budget support, domestic lending and on-lending, grants from foreign governments and international organisations, DANIDA support to county health facilities, debt swap, grants from AMISOM, commercial loans, and unspent balances brought forward from the previous financial year. Table 2.1 presents Statement of Receipts into the Consolidated Fund for the period July to September 2016.

Table 2.1 Statement of Receipts into the Consolidated Fund First quarter of FY 2016/17 (Kshs.Billions)

RECEIPTED	Gross Estimates	Actual Receipts	Performance Against Annual Target (%)	Contribution by Category (%)	Actual Receipts September 2015	Increase / (Decrease) over FY 2015/16
Opening Balance 01.07.2016	-	59.8	-	13	0.2	59.6
Total Tax Income	1,332.00	289.0	21.7	62.9	257.9	31.1
Total Non-Tax Income	44.5	5.4	12.1	1.2	2.7	2.7
Net Domestic Borrowing	406.6	84.0	20.7	18.3	46.1	37.9
Loans-Foreign Governments and International Organisations	50.4	3.4	6.7	0.7	6.5	(3.1)
Programme Loan- Budget Support	3.9	-	-	-	-	-
Domestic Lending and On-Lending	4	0.2	5	0	-	0.2
Grant-Foreign Governments and International Organisations	16.8	0.8	4.8	0.2	1.1	(0.3)
Grants-DANIDA support to County Health Facilities	0.4	-	-	-	-	-
Grants-Debt Swap	0.5	-	-	-	-	-
Grants from AMISOM	6.4	0.2	3.1	0	1.5	(1.3)
Commercial Loans	153.8	10.1	6.6	2.2	-	10.1
Unspent Balances	-	6.4	-	1.4	0.4	6.0
Total Receipts	2,019.30	459.6	22.8	100	316.4	143.2

Source: National Treasury

2.3 FY 2016/17 Overall Budget

The approved budget for FY 2016/17 is Kshs.2.5 trillion comprising of Kshs.1.38 trillion for recurrent expenditure, Kshs.820.2 billion for development expenditure and Kshs.300 billion towards financing county governments.

2.4 Exchequer Issues to the MDAs and County Governments

During the reporting period, total exchequer issues approved by the Controller of Budget amounted to Kshs.390.1 billion. Table 2.2 presents a summary of the Annual Budget Estimates for FY 2016/17 and exchequer issues for the period July to September, 2016.

Table 2.2 Summary of Exchequer Issues for the Period July to September 2016 (Kshs. Billions)

Vote Category	Gross Estimates	Net Estimates	Exchequer Issues	% of Exch. Issues to Net Estimates	% of Exchequer issues to total Issues
Recurrent: (MDAs)	857.5	790.8	165.6	20.9	42.4
: CFS	527.3	527.3	127.4	24.2	32.7
Development (MDAs)	820.2	416.4	41.8	10.0	10.7
County Governments	300.1	284.7	55.3	19.4	14.2
Total	2,505.1	2,019.2	390.1	19.3	100

Source: National Treasury & OCOB

Total exchequer issues in the first quarter of FY 2016/17 of Kshs.390.1 billion representing 19.3 per cent of the annual net estimates. From the analysis, Consolidated Fund Services received the highest proportion of exchequer issues to net estimates at 24.2 per cent whereas the development vote received the least proportion at 10.7 per cent. From the total exchequer issues, the MDAs' recurrent expenditure votes received the highest proportion of exchequer issues at 42.4 per cent while development expenditure votes had the lowest proportion at 10.7 per cent.

Table 2.3 shows a summary of exchequer issues by Sector for the period July to September, 2016

Table 2.3 Annual Estimates and Exchequer Issues for the Period July to September 2016 (Kshs. Billions)

Sector	First Quarter, FY 2016/17				First Quarter, FY 2015/16			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. To N. Est.
Agriculture, Rural & Urban Development	46.5	35.5	3.5	9.8	79.7	66.6	8.8	13.2
Education	339.9	314.4	69.3	22	336.3	313.2	40.1	12.8
Energy, Infrastructure and Information Communications Technology (EI & ICT)	529.2	185	23.3	12.6	404.7	109.6	7.6	6.9
Environmental Protection, Water and Natural Resources	89.0	40.8	4.1	10.1	63.0	34.9	3.4	9.7
General Economic & Commercial Affairs (GECA)	23.7	22.2	3.9	17.4	21.3	20.8	2.7	13
Governance, Justice, Law and Order (GJLOS)	195.5	193.6	28.7	14.8	154	152.9	23.1	15.1
Health	60.3	45.8	7.5	16.4	59.2	44.2	7.7	17.4
Public Administration and International Relations (PAIR)	224.9	203.7	39.4	19.4	243.4	220.1	27.5	12.5
National Security	124.0	124	21.5	19.8	112.5	112.5	17.2	15.3

Social Protection, Culture and Recreation	44.6	42.1	3.2	8.3	31.5	31.2	3.8	12.3
Sub -Total for MDAs	1,677.70	1,207.30	207.4	17.2	1,505.50	1,106.10	141.8	12.8
Consolidated Fund Services	527.3	527.3	127.4	24.2	441.5	441.5	137	31
County Governments	300.1	284.7	55.3	19.4	287	264.2	31.4	11.9
Grand Total	2,505.1	2,019.30	390.1	19.3	2,234.00	1,811.80	310.3	17.1

Source: National Treasury & OCOB

The total exchequer issues in the period under review of Kshs.390.1 billion, represent 19.3 per cent of the net estimates, an increase from Kshs.310.3 billion (17.1 per cent of the net estimates) released in the first quarter of FY 2015/16. The Education Sector received the highest proportion of exchequer issues to net estimates at 22 per cent while the Social Protection, Culture and Recreation Sector received the lowest at 8.3 per cent.

2.4.1 Recurrent Exchequer Issues by Sector

During the period under review, the total exchequer issues to MDAs for recurrent expenditure amounted to Kshs.165.6 billion, representing 21 per cent of the annual net recurrent estimates, an increase compared to 16.4 per cent (Kshs.117.4 billion) recorded in the same period of FY 2015/16.

Table 2.4 shows Sectoral recurrent estimates and exchequer issues for July to September, 2016.

Table 2.4 Sectoral Recurrent Estimates and Exchequer issues, July to September, 2016 (Kshs. Billions)

Sector	First Quarter, FY 2016/17				First Quarter, FY 2015/16			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	15.8	15.7	2.4	15.3	16.7	16.2	2.8	17.5
Education	315.7	297.4	68.8	23.1	299.6	280.6	40.1	14.3
Energy, Infrastructure and Information Communications Technology (EI & ICT)	41.9	9.9	2.0	20.5	40.8	7.9	1.5	19.1
Environmental Protection, Water and Natural Resources	19.6	9.9	2.2	21.9	17.8	9.4	2.6	27.5
General Economic and Commercial Affairs (GECA)	12.6	11.6	2.5	21.3	7.1	7.0	1.7	23.4
Governance, Justice, Law and Order (GJLOS)	165.8	165.0	28.7	17.4	133.5	132.7	22.9	17.2
Health	29.0	25.0	5.6	22.4	28.5	24.5	4.7	19.3
Public Administration and International Relations (PAIR)	114.9	114.1	26.3	23.1	115.5	114.1	20.2	17.7
National Security	124.0	124.0	24.5	19.8	112.5	112.5	17.2	15.3
Social Protection, Culture and Recreation	18.2	18.1	2.5	13.9	12.3	12.1	3.7	30.6
Total	857.5	790.8	165.6	21.0	784.2	717.0	117.4	16.4

Source: National Treasury & OCOB

Analysis of the approved withdrawals towards MDAs recurrent activities indicated that, the Education and PAIR Sectors received the highest percentage of exchequer releases to net estimates at 23.1 per cent. On the other hand, the Social Protection, Culture and Recreation Sector received the lowest proportion of recurrent issues to net estimates at 13.9 per cent, a decline compared to 30.6 per cent recorded in a similar period of FY 2015/16.

2.4.2 Exchequer Issues to Consolidated Fund Services in the first quarter of FY 2016/17

In FY 2016/17, the CFS was allocated Kshs.527.3 billion, representing 21 per cent of the overall national budget. Table 2.5 shows the annual allocation and exchequer issues for CFS in the period July to September 2016.

Table 2.5 CFS Estimates and Exchequer Issues for the period July to September, 2016 (Kshs. Millions)

Consolidated Fund Services (CFS)	Net Estimates	Exchequer Issues	% to the Net Estimates
Public Debt	466,514.0	112,892.9	24.2
Pensions and Gratuities	55,691.1	14,043.6	25.2
Salaries, Allowances & Miscellaneous	5,101.2	490.0	9.6
Subscriptions to International Organizations	0.5	-	
Total	527,306.8	127,426.5	24.2

Source: National Treasury and OCOB

In the period under review, the total exchequer issues for CFS amounted to Kshs.127.4 billion, representing 24.2 per cent of the annual net estimates. Pensions and gratuities received the highest proportion of exchequer issues to net estimates while salaries, allowances and miscellaneous expenditure received the lowest at 9.6 per cent. No releases were made towards subscriptions to international organizations.

2.4.3 Development Exchequer Issues by Sector

The total exchequer issues released to MDAs towards development activities in the reporting period amounted to Kshs.41.8 billion, representing 10.1 per cent of the annual net development estimates, an increase compared to 6.3 per cent (Kshs.24.5 billion) recorded in a similar period of FY 2015/16. Table 2.6 shows Sectoral development estimates and exchequer issues for the period July to September 2016.

Table 2.6: Sectoral Development Estimates and Exchequer Issues for the Period July to September 2016
(Kshs. Billions)

Name of the Sector	First Quarter, FY 2016/17				First Quarter, FY 2015/16			
	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.	Gross Est.	Net Est.	Exch. Issues	% of Exch. to N. Est.
Agriculture, Rural & Urban Development	30.8	19.8	1.1	5.4	63.0	50.4	6.0	11.9
Education	24.2	17.0	0.4	2.6	36.7	32.6	0.01	0.03
Energy, Infrastructure and Information Communications Technology (EI & ICT)	487.2	175.1	21.3	12.2	363.8	101.7	6.1	6.0
Environmental Protection, Water and Natural Resources	69.4	30.9	1.9	6.3	45.2	25.5	0.8	3.2
General Economic and Commercial Affairs (GECA)	11.1	10.7	1.4	13.1	14.2	13.8	1.0	7.4
Governance, Justice, Law and Order (GJLOS)	29.7	28.5	-	-	20.6	20.2	0.2	0.9
Health	31.3	20.8	1.9	9.1	30.7	19.6	2.9	14.8
Public Administration and International Relations (PAIR)	110.0	89.6	13.1	14.6	127.9	106.1	7.4	6.9
Social Protection, Culture and Recreation	26.4	24.0	0.7	2.7	19.2	19.1	0.1	0.6
Total	820.2	416.4	41.8	10.1	721.3	389.1	24.5	6.3

Source: National Treasury & OCOB

The PAIR Sector received the highest development exchequer issues to net estimates at 14.6 per cent, an improvement from 6.9 per cent received in a similar period of FY 2015/16. On the other hand, the GJLOS Sector did not receive any funds for development activities.

3 NATIONAL GOVERNMENT OVERALL EXPENDITURE ANALYSIS

3.1 Introduction

This chapter presents expenditure analysis for the first quarter of FY 2016/17 for both development and recurrent expenditure by the MDAs. The Consolidated Fund Services (CFS) is discussed under recurrent expenditure.

3.2 Overall Government Budget Performance

In the FY 2016/17, the aggregate budget for the government was Kshs.2.5 trillion.

Table 3.1 Overall Government Budget Performance for the First quarter of FY 2016/17 and FY 2015/16 (Kshs. Billion)

VOTE	FY 2016/17						FY 2015/16					
	Gross Estimates	Net Estimates	Cumulative Exchequer	Expenditure	% of Exchequer to Net Est.	Absorption Rate (%)	Rev. Gross Estimates	Rev. Net Estimates	Exchequer Issues	Expenditure	% Exchequer to Net Est.	Absorption rate (%)
Recurrent	1384.8	1318.1	293.0	290.3	22.2	21.0	1,225.7	1158.5	254.4	278.8	22.0	22.7
<i>MDAs</i>	857.5	790.8	165.6	164.9	20.9	19.2	784.2	717.0	117.4	140.7	16.4	17.9
<i>CFS</i>	527.3	527.3	127.4	125.4	24.2	23.8	441.5	441.5	137.0	138.0	31.0	31.3
Development	820.1	416.4	41.8	93.0	10.0	11.3	721.3	389.1	24.5	76.9	6.3	10.7
County Governments	300.1	284.7*	55.3	56.6**	19.7	18.8	287.1	264.2	31.4	44.3	11.9	15.4
Total	2,505.1	2,014.8	390.1	439.8	19.4	17.6	2,234.0	1811.8	310.3	399.9	17.1	17.9

Source: NT, OCOB, MDAs & County Treasuries

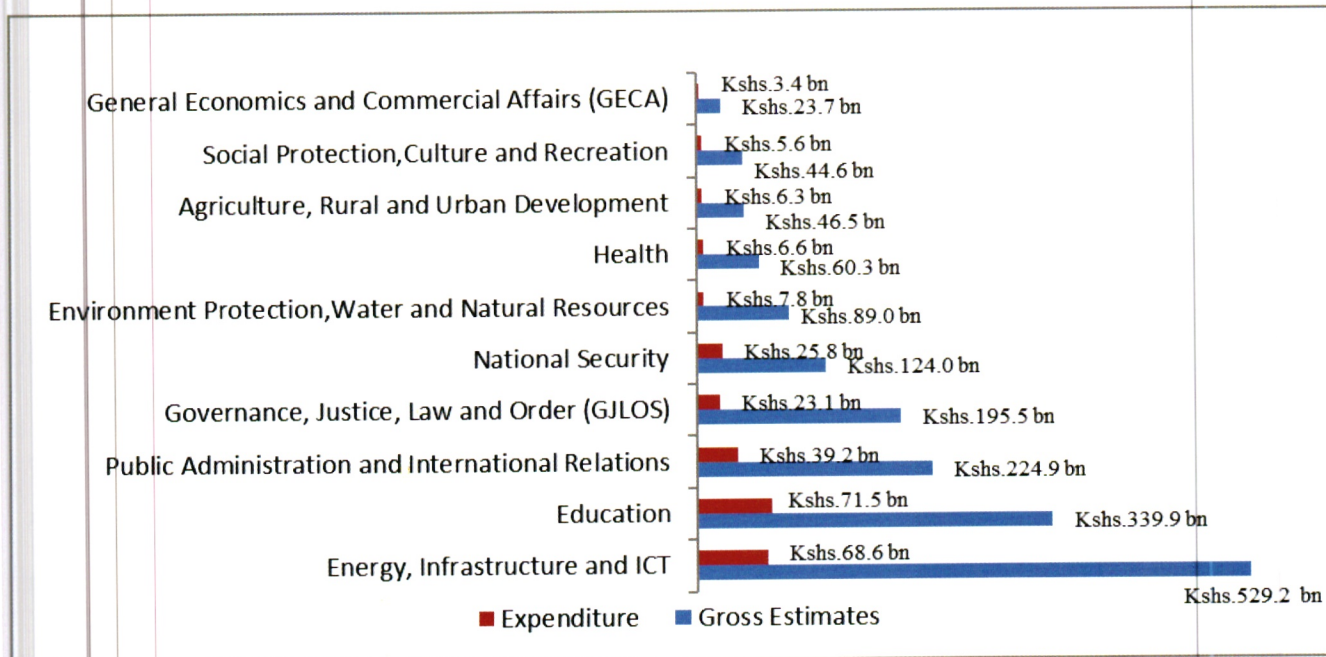
*Refers to shareable revenue exchequer issues.

** The difference between the Exchequer Issues of Kshs.55.3 billion and expenditure of Kshs.56.6 billion was financed by revenue from local sources and opening cash balance.

The total exchequer issues in the first quarter of FY 2016/17 amounted to Kshs.390.1 billion, representing 19.3 per cent of the net estimates, an improvement from 17.1 per cent issued in a similar period in FY 2015/16. The issues comprised of Kshs.293.0 billion for recurrent expenditure, Kshs.41.8 billion for development expenditure, and Kshs.55.3 billion for County governments. Overall expenditure for both the National and County Governments was Kshs.439.8 billion (Kshs.290.3 billion on recurrent, Kshs.93.0 billion on development, and Kshs.56.6 billion by County Governments), representing an overall absorption rate of 17.6 per cent, a slight decrease compared to 17.9 per cent recorded in a similar period of FY 2015/16.

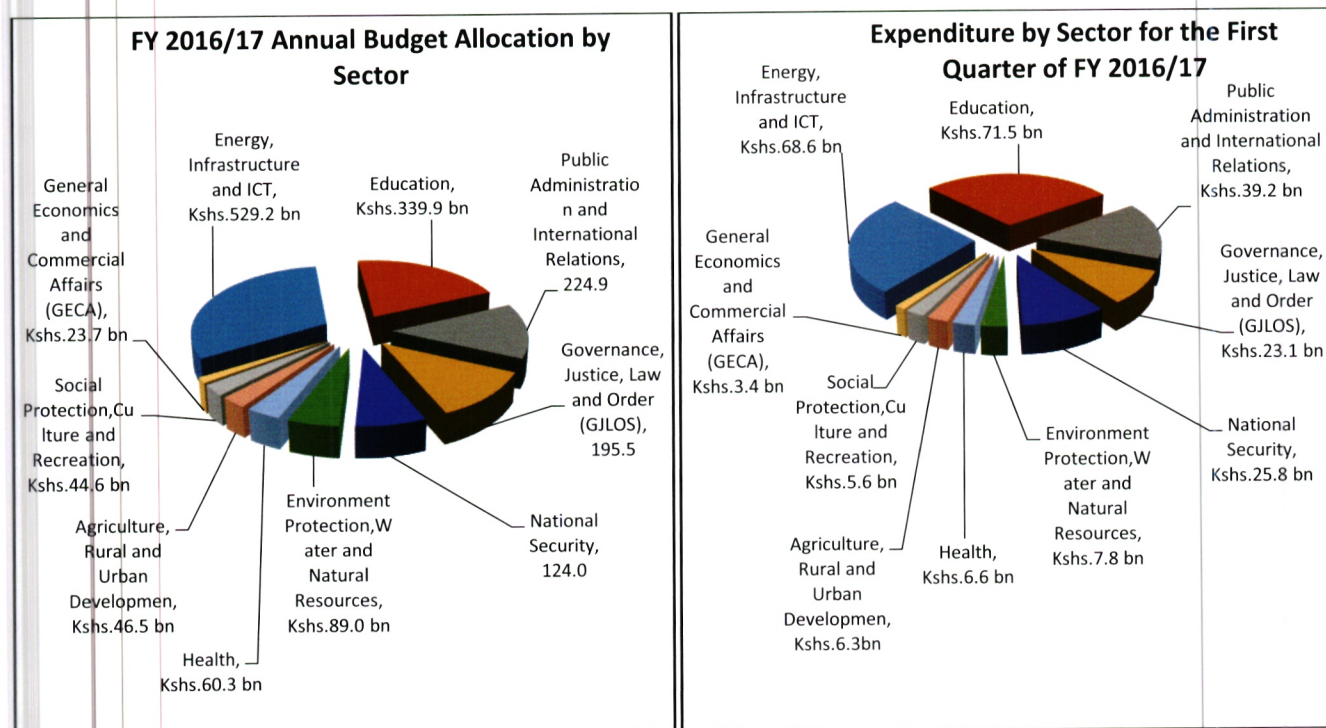
Figures 3.1 and 3.2 below show a comparison of Sector budget allocations and expenditure for FY 2016/17.

Figure 3.1: Comparison of FY 2016/17 Gross Annual Budget Allocations and Expenditure by Sector for the First Quarter of FY 2016/17



Source: MDAs & National Treasury

Figure 3.2: FY 2016/17 Annual Budget Allocation and Expenditure by Sector for the First Quarter of FY 2016/17



Source: MDAs & National Treasury



3.3 Consolidated Fund Services (CFS)

The CFS consists of funds allocated towards: (i) Repayment of public debt (domestic and foreign debt, and government guaranteed loans to parastatals), (ii) Pensions and gratuities, (iii) Salaries and allowances to Constitutional Office holders, and (iv) Subscriptions to International Organizations.

Table 3.2 presents a summary on CFS exchequer issues and expenditure performance in the first quarter of FY 2016/17.

Table 3.2: FY 2016/17 Annual Budget for CFS and Cumulative Expenditure for the First Quarter of FY 2016/17 (Kshs. Millions)

Consolidated Fund Services (CFS)	Gross Estimates	Net Estimates	Exchequer Releases	Actual Expenditure	Expenditure as a % of Gross Estimates
Public Debt	466,514.0	466,514.0	112,892.9	111,602.0	23.9
Pensions and Gratuities	55,691.1	55,691.1	14,043.6	13,061.6	23.5
Salaries, Allowances	3,956.0	3,956.0	490.0	602.0	15.2
Subscriptions to International Organizations	0.5	0.5	-	-	-
Miscellaneous Services	128.0	128.0	-	-	-
Guaranteed Debt	1,017.2	1,017.2	-	164.0	16.1
Total	527,306.8	527,306.8	127,426.5	125,429.6	23.8

Source: National Treasury & OCOB

In the period under review, total exchequer releases to CFS totalled Kshs.127.4 billion, representing 24.2 per cent of the annual net estimates. The overall CFS expenditure amounted to Kshs.125.4 billion, representing a decrease of 9.1 per cent from Kshs.138.0 billion spent in a similar period of FY 2015/16.

3.3.1 Public Debt

In the FY 2016/17, Kshs.466.5 billion was allocated towards settlement of public debt. The total exchequer issues for the first quarter amounted to Kshs.112.9 billion representing 24.2 per cent of the annual net estimates. Actual expenditure during the same period was Kshs.111.6 billion, representing 23.9 per cent of the gross estimates.

3.3.2 Guaranteed Debt to State Parastatals

In the FY 2016/17, Kshs.1.02 billion was allocated towards settlement of guaranteed loans. The guaranteed loans vote did not receive exchequer issues in the period under review despite incurring an expenditure of Kshs.164.0 million, representing 16.1 per cent of the annual gross estimates.

3.3.3 Salaries and Allowances for Constitutional Office Holders

In the FY 2016/17, Kshs.4 billion was allocated for payment of salaries and allowances for Constitutional Office holders. The total exchequer issues released amounted to Kshs.490.0 million, representing 12.4 per cent of the annual net estimates. Actual expenditure during the period under review was Kshs.602.0 million, representing 15.2 per cent of the gross estimates.

3.3.4 Pensions and Gratuities

The budget for pensions and gratuities in FY 2016/17 was Kshs.55.7 billion, which represented an increase of 7.7 per cent from Kshs.51.7 billion allocated in FY 2015/16. The exchequer issues for the period under review amounted to Kshs.14.0 billion, representing 25.1 per cent of the annual net estimates.

Expenditure amounted to Kshs.13.1 billion, representing 24.8 per cent increase from Kshs.10.5 billion spent in a similar period of FY 2015/16.

3.4 MDAs Expenditure Analysis

This section presents analysis of MDAs expenditure for both development and recurrent expenditure votes and Appropriations-In-Aid (A~I~A) received in the first quarter of FY 2016/17. The recurrent expenditure is analysed using the following major economic items; Personnel Emoluments (PE), Domestic and Foreign Travel, Printing and advertising, Rentals and rates for non-residential, Training, Hospitality, Maintenance expenses for motor vehicles and other assets, transfers to Semi-Autonomous Government Agencies (SAGAs) and other expenses.

The development expenditure is analysed by the main economic items, which include; Maintenance of motor vehicles and other assets, Capital transfers to SAGAs, Civil works and construction of major and residential buildings, Refurbishment of buildings, Purchase of specialized plant, equipment and machinery, Pre-feasibility studies and other development expenditure.

3.4.1 Recurrent Expenditure Analysis

During the FY 2016/17, the allocation for recurrent expenditure was Kshs.857.5 billion representing 34.2 per cent of the annual gross estimates. In the first quarter of the year, the total gross recurrent expenditure by MDAs amounted to Kshs.164.9 billion representing 19.2 per cent of the total annual recurrent budget. The breakdown of the MDAs' total recurrent expenditure for the period under review is presented in table 3.3.

A total of Kshs.74.0 billion was spent on personnel emoluments, representing 44.9 per cent of the gross recurrent expenditure. Recurrent transfers to Semi-Autonomous Government Agencies (SAGAs) amounted to Kshs.62.4 billion, equivalent to 37.8 per cent of total gross expenditure. Other notable expenditure categories by the MDAs included Kshs.2.1 billion spent on foreign travel, Kshs.1.5 billion on domestic travel, Kshs.1 billion on hospitality, conferences, and catering, and Kshs. 973.9 million on rentals and rates for non-residential buildings. The expenditure of Kshs.2.1 billion on foreign travel included Kshs.834.9 billion by the Ministry of Foreign Affairs and International Trade.

The highest expenditure on personnel emoluments was incurred by the Teachers Service Commission at Kshs.45.4 billion, which was 61.3 per cent of the total PE expenditure by MDAs while the highest transfers to SAGAs was

by the Ministry of Defence at Kshs.19.1 billion.

The highest expenditure by MDAs in other categories included Kshs.623.7 million on domestic travel by the National Assembly, Kshs.834.9 million and Kshs.507.5 by the Ministry of Foreign Affairs and International Trade and Judicial Service commission respectively on foreign travel, and Kshs.557.8 million on rentals and rates for non-residential buildings by the Ministry of Foreign Affairs and International Trade.

As shown in table 3.3 other operations and maintenance (O&M) expenditure amounted to Kshs.22.1 billion, accounting for 13.4 per cent of total gross recurrent expenditure. Some of the MDAs with significant expenditure in this category included:

State Department for Basic Education (Kshs.8.7 billion): This expenditure included; Kshs.8.72 billion spent as subsidies to Non-Financial Public Enterprises, Kshs.0.48 million on utilities, supplies and services, Kshs.0.47 million on communication, supplies and services, Kshs.0.33 million on office and general supplies and services.

National Treasury (Kshs.2.5 billion): This expenditure included: Kshs.2.3 billion incurred on leasing and maintenance of the National Police Service vehicles and Kshs.154 million on commission and charges, contracted guards and cleaning services, membership fees, dues and subscriptions to professional and trade bodies, legal dues/fees, arbitration and compensation payments, contracted professional services and temporary committee expenses.

State Department for University Education (Kshs.1.6 billion): This amount included; Kshs.1.54 billion disbursed to students by the Higher Education Loans Board (HELB) and Kshs.59.3 million spent on scholarships and other educational benefits.

Ministry of Foreign Affairs and International Trade (Kshs.1.4 billion): This expenditure included; Kshs.1.14 billion on other operating and maintenance expenses, Kshs.132.9 million on Telephone, telex, Facsimiles and mobile services, and Kshs.56.5 million on fuel and lubricants.

State Department for Interior (Kshs.1.4 billion): This expenditure included; Kshs.640.8 million on security operations, and Kshs.74.74 million on Bank service commission and charges, medical expenses, and temporary committee expenses.

The Judiciary (Kshs.729.8 million): The amount included; Kshs 268.1 million spent on staff mortgages and car loans, Kshs 133.3 million on Government Pension and Retirement Benefits, Kshs.99.9 million on other expenses, Kshs. 58.1 million on communication, supplies and services and Kshs. 39.0 million on office and general supplies and services.

The Presidency (Kshs.437.1 million): This amount included; Kshs.118 million spent on security operations, Kshs.8.3 million spent on contracted guards and cleaning services, legal dues/fees, arbitration and compensation payments, contracted professional services, temporary committee expenses and parking charges.

Parliamentary Service Commission (Kshs.364.4 million): This amount included; Kshs.95.03 million spent on medical expenses, Kshs.83.67 million on contracted professional services and Kshs.38.95 million on Constituency-

Office expenses by the Senate.

Table 3.3 Breakdown of Recurrent Expenditure by MDA for the Period July to September 2016 (Kshs. Millions)

MINISTRY/ STATE DEPART- MENT	Personnel Emolu- ments	Domestic Travel	Foreign Travel	Printing and Ad- vertising	Rent- als and Rates- Non Resi- dential	Training	Hospi- tality	Main- tenance Expens- es- Motor Vehicles	Main- tenance Expens- es-Other Assets	Current Transfers	Other	Gross Ex- penditure	AIA	Net Ex- penditure
The Presidency	263.5	78.0	60.3	4.1	19.2	6.0	104.0	49.3	6.5	61.2	437.1	1,089.2	0.0	1,089.2
State Department for Interior	11,681.4	60.6	7.0	0.2	102.2	74.8	11.7	18.2	5.7	132.0	1,385.3	13,479.1	0.0	13,479.1
State Department for Correctional Services	3,111.0	11.4	1.0	11.7	7.8	31.4	4.3	4.5	0.0	0.0	388.1	3,571.1	0.0	3,571.1
State Department for Devolution	23.7	-0.1	-0.3	0.0	6.9	0.4	0.4	0.1	0.0	71.7	1.7	104.5	0.0	104.5
State Department for Special Programmes	12.2	0.9	0.1	0.1	13.5	0.5	0.6	0.1	0.0	211.6	9.6	249.2	0.0	249.2
State Department for Planning & Statistics	86.1	9.1	5.8	6.7	5.2	7.8	15.2	1.5	0.0	839.2	14.7	991.5	0.0	991.5
Ministry of Defense	186.7	8.4	3.2	0.6	0.0	2.0	1.7	1.2	0.0	19,108.3	4.1	19,316.3	0.0	19,316.3
Ministry of Foreign Affairs and International Trade	3,046.8	69.4	834.9	5.3	557.8	7.6	239.8	57.9	88.8	1,130.6	1,442.4	7,481.4	41.8	7,439.7
State Department for Basic Education	7.7	10.5	1.0	0.1	0.0	1.4	3.1	0.0	0.4	4,057.8	8,719.2	12,801.3	139.9	12,661.4
State Department for Vocational and Technical Training	0.0	3.2	1.0	0.1	0.0	0.0	0.7	0.0	0.0	527.8	0.2	533.2	0.0	533.2
State Department for University Education	88.9	1.2	1.1	0.1	0.0	0.4	0.8	0.0	0.1	9,830.5	1,603.8	11,526.9	1,508.0	10,018.9
The National Treasury	342.6	1.7	5.4	0.5	5.9	5.4	26.1	0.1	0.5	4,249.8	2,450.5	7,088.5	0.0	7,088.5
Ministry of Health	405.5	6.4	0.7	0.8	0.0	18.6	2.7	1.2	3.4	4,061.5	100.8	4,601.8	0.0	4,601.8
State Department for Infrastructure	90.1	3.9	0.6	0.5	0.0	1.7	3.0	0.3	0.1	2,258.9	13.8	2,372.8	8.8	2,364.0
State Department for Transport	31.5	1.9	0.2	0.0	0.4	0.7	1.5	1.1	0.2	1,573.4	5.4	1,616.3	1,313.9	302.4
State Department for Maritime Affairs	0.0	1.1	0.1	0.0	0.0	0.0	0.3	0.0	0.3	10.0	0.0	11.7	0.0	11.7
State Department for Housing & Urban Development	88.1	4.0	1.3	0.2	16.6	1.6	3.0	0.6	0.6	0.0	13.2	129.1	0.0	129.1

MINISTRY/ STATE DEPARTMENT	Personnel Emolu- ments	Domestic Travel	Foreign Travel	Printing and Ad- vertising	Rent- als and Rates- Non Resi- dential	Training	Hospi- tality	Main- tenance Expens- es- Motor Vehicles	Main- tenance Expens- es-Other Assets	Current Transfers	Other	Gross Ex- penditure	AIA	Net Ex- penditure
State Department for Public Works	71.7	5.7	0.0	0.0	15.1	0.0	2.1	0.1	0.1	12.6	3.3	110.7	0.0	110.7
State Department for Water Services	160.0	7.3	1.7	1.3	0.0	2.4	0.8	1.1	4.6	180.7	25.6	385.5	0.0	385.5
State Department for Irrigation	0.0	2.4	1.6	0.0	0.0	1.1	0.5	0.0	0.0	77.0	0.3	82.8	0.0	82.8
State Department for Environment	233.8	3.0	2.6	0.2	3.4	2.8	1.0	0.6	1.6	147.0	44.5	440.4	0.8	439.6
State Department for Natural Resources	14.4	2.5	5.2	0.0	5.8	0.0	0.4	0.0	0.0	1,107.0	2,121.8	3,257.0	2,120.9	1,136.1
Ministry of Lands and Physical Planning	455.0	2.5	0.5	0.2	0.0	0.7	1.3	0.3	0.2	0.0	21.3	482.1	0.0	482.1
State Department of Information Communications & Technology & Innovation	21.5	7.0	2.9	0.3	0.1	1.0	1.5	0.0	0.0	108.0	2.3	144.5	0.0	144.5
State Department for Broadcasting & Telecommunications	78.1	8.2	3.4	0.3	0.4	2.3	7.0	0.0	0.2	189.4	6.5	295.8	0.0	295.8
State Department for Sports Development	0.5	17.3	320.2	0.0	10.0	1.7	308.0	0.7	0.1	40.4	73.9	772.8	0.0	772.8
State Department for Arts and Culture	0.0	0.6	0.2	0.3	1.9	0.7	1.3	0.8	0.1	491.7	6.7	504.3	0.0	504.3
State Department Energy	0.0	1.5	0.1	0.2	0.0	0.4	0.8	0.0	0.1	381.9	2.5	387.5	0.0	387.5
State Department of Petroleum	0.0	2.2	0.3	0.0	0.0	0.5	1.3	0.0	0.1	0.1	0.3	4.8	0.0	4.8
State Department for Agriculture	199.0	10.4	4.4	2.0	5.8	4.1	1.7	3.0	2.0	2,059.0	202.9	2,494.1	0.0	2,494.1
State Department for Livestock	197.4	1.8	1.0	0.1	1.2	-0.1	0.9	-0.5	0.1	29.9	-6.1	225.7	0.0	225.7
State Department for Fisheries and the Blue Economy	0.0	0.9	0.2	0.1	0.0	0.3	1.0	0.2	0.1	318.9	0.6	322.2	0.0	322.2
State Department of Investment and Industry	0.1	3.0	0.6	0.0	27.3	1.6	1.7	0.0	0.0	429.7	2.5	466.4	0.0	466.4

MINISTRY/ STATE DEPART- MENT	Personnel Emolu- ments	Domestic Travel	Foreign Travel	Printing and Ad- vertising	Rent- als and Rates- Non Resi- dential	Training	Hospi- tality	Main- tenance Expens- es- Motor Vehicles	Main- tenance Expens- es-Other Assets	Current Transfers	Other	Gross Ex- penditure	AIA	Net Ex- penditure
State Department for Cooperatives	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
State Department for Trade	13.9	5.4	12.2	1.2	0.0	0.4	2.4	0.2	0.2	159.2	166.5	361.5	0.0	361.5
State Department for East African Integration	29.7	4.9	15.5	0.7	9.8	0.8	6.0	1.1	0.5	0.1	248.2	317.3	0.0	317.3
State Department for Labour	2.5	3.7	1.1	0.1	0.0	0.1	2.7	0.1	0.3	5.0	6.6	22.1	0.0	22.1
State Department for Social Protection	0.3	14.2	0.3	0.1	0.0	0.0	13.8	0.3	0.3	491.3	5.9	526.4	1.7	524.6
Ministry of Mining	77.4	4.4	1.2	0.4	1.1	2.8	1.1	0.7	0.2	0.0	14.9	104.1	0.0	104.1
Ministry of Tourism	18.3	1.9	2.5	0.1	0.0	1.1	1.7	0.0	0.0	262.8	9.0	297.4	0.0	297.4
State Department for Public Service and Youth Affairs	1,018.0	9.9	1.0	0.8	15.6	29.1	9.5	1.9	0.2	84.3	279.7	1,450.1	0.0	1,450.1
State Department for Gender	1.3	3.6	3.6	0.5	0.0	0.0	1.4	0.0	0.0	97.5	3.7	111.7	0.0	111.7
State Law Office and Department of Justice	219.1	1.9	1.2	0.0	18.9	0.2	1.2	0.0	0.0	359.6	94.4	696.5	90.0	606.6
The Judiciary	1,692.9	0.1	17.7	13.2	8.8	1.2	25.8	29.4	16.9	150.6	729.8	2,686.5	0.0	2,686.5
Ethics & Anti-Corruption Commission	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	477.9	0.0	477.9	0.0	477.9
National Intelligence Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6,472.3	0.0	6,472.3	0.0	6,472.3
Office of the Director of Public Prosecutions	285.8	18.3	2.6	0.9	21.4	2.3	8.1	1.6	1.5	N/A	27.3	369.9	0.0	369.9
Office of the Registrar of Political Parties	19.5	1.0	0.0	0.1	4.1	0.5	1.1	0.0	0.0	92.6	0.9	119.8	1.5	118.3
Witness Protection Agency	41.2	2.8	0.8	0.3	3.2	1.8	2.9	1.8	0.6	N/A	52.1	107.4	0.0	107.4
Kenya National Human Rights & Equality Commission	53.6	1.0	0.3	0.1	11.2	-0.2	0.2	0.0	0.0	N/A	37.8	103.9	0.0	103.9

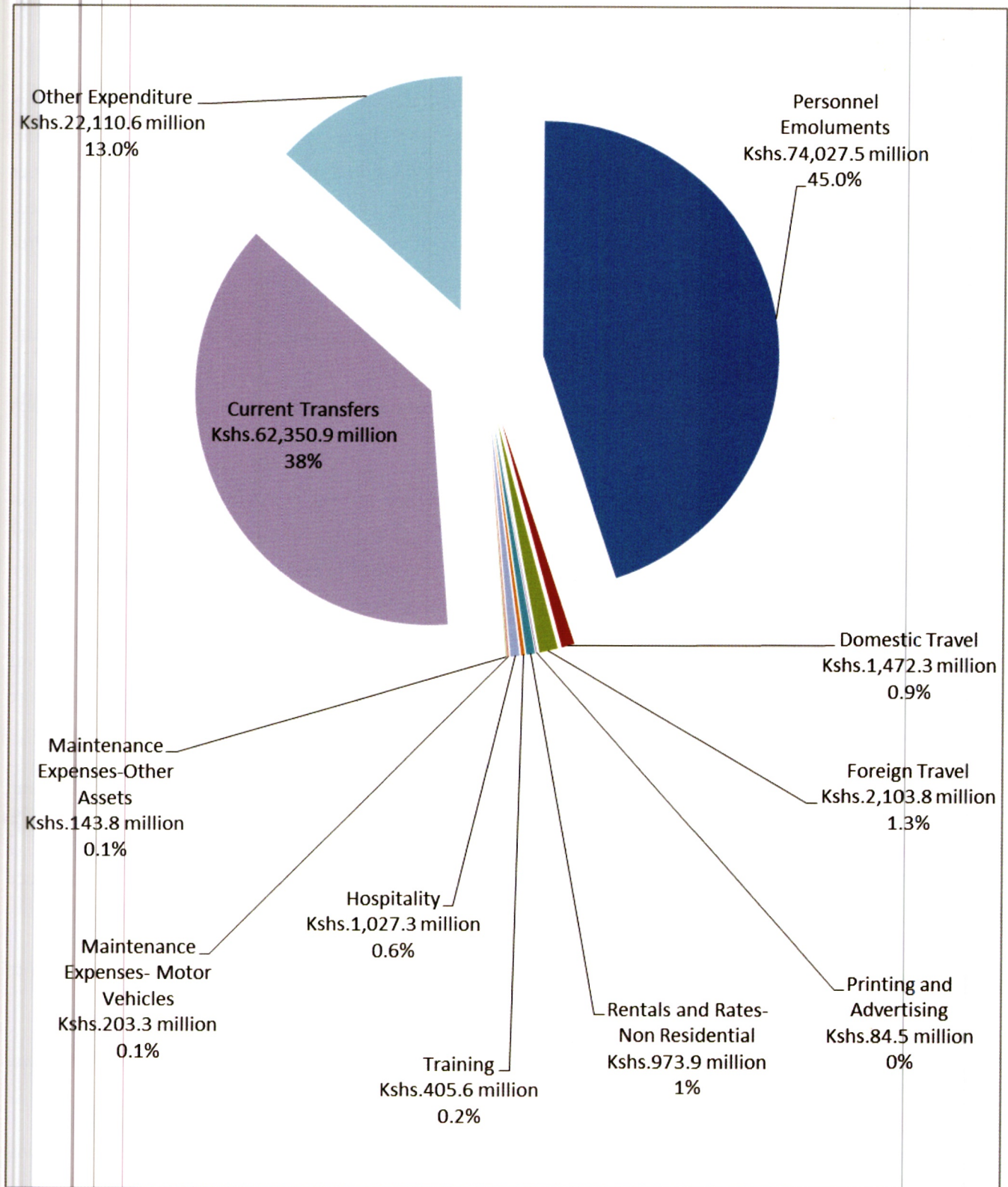
MINISTRY/ STATE DEPART- MENT	Personnel Emolu- ments	Domestic Travel	Foreign Travel	Printing and Ad- vertising	Rent- als and Rates- Non Resi- dential	Training	Hospi- tality	Main- tenance Expens- es- Motor Vehicles	Main- tenance Expens- es-Other Assets	Current Transfers	Other	Gross Ex- penditure	AIA	Net Ex- penditure
National Lands Commission	138.3	3.3	1.4	4.0	6.3	1.3	58.6	1.6	0.0	N/A	26.2	241.1	0.0	241.1
Independent Electoral and Boundaries Commission	490.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	N/A	109.1	599.8	0.0	599.8
Parliamentary Service Commission	912.6	193.1	239.8	13.4	0.0	85.3	54.4	7.1	0.0	N/A	364.4	1,870.0	0.0	1,870.0
National Assembly	1,633.8	623.7	507.5	0.0	0.0	50.1	12.0	2.6	0.1	N/A	271.1	3,101.1	0.0	3,101.1
Judicial Service Commission	0.0	4.4	4.6	2.2	1.6	0.6	25.1	0.0	0.0	N/A	2.2	40.9	0.0	40.9
The Commission on Revenue Allocation	37.9	1.0	0.0	0.2	10.7	1.4	0.5	0.7	0.1	N/A	4.4	56.9	0.0	56.9
Public Service Commission	138.9	12.2	3.0	4.5	0.0	7.0	11.3	1.2	0.8	N/A	136.5	315.5	0.7	314.8
Salaries & Remuneration Commission	53.7	3.0	0.1	2.0	0.0	0.1	16.4	0.5	0.3	N/A	9.6	85.8	0.0	85.8
Teachers Service Commission	45,395.1	17.3	2.5	0.7	3.3	18.2	4.9	3.7	4.4	N/A	49.1	45,499.0	0.0	45,499.0
National Police Service Commission	37.1	10.1	0.0	0.1	0.0	0.0	4.7	0.0	0.0	N/A	7.2	59.1	0.0	59.1
Auditor General	619.5	166.0	15.3	1.2	23.3	14.6	2.7	5.0	1.2	N/A	244.2	1,093.0	55.2	1,037.8
Controller of Budget	59.8	1.7	0.0	0.0	0.1	0.4	1.9	0.0	0.0	N/A	9.1	73.2	0.0	73.2
The Commission on Administrative Justice	51.4	2.1	0.6	0.6	10.4	2.2	1.0	0.1	0.1	N/A	18.5	86.9	0.0	86.9
National Gender & Equality Commission	33.5	5.6	0.9	0.8	10.5	3.9	1.5	0.9	0.0	N/A	32.5	90.0	0.0	90.0
Independent Police Oversight Authority	54.1	7.9	0.0	0.5	6.8	0.2	4.2	0.7	0.4	N/A	51.1	125.9	0.0	125.9
Total	74,027.5	1,472.3	2,103.8	84.5	973.9	405.6	1,027.3	203.3	143.8	62,350.9	22,110.6	164,903.7	5,283.3	159,620.4

Source: MDAs and National Treasury IFMIS Directorate

Note: Based on expenditure reports from IFMIS and financial reports from the MDAs, some MDAs generated and utilised Appropriations-in-Aid (A-I-A). Expenditure on PE does not include figures for the Ministry of Defence, the National Intelligence Service and the Ethics and Anti-Corruption Commission.

Figure 3.3 shows the composition of MDAs recurrent expenditure for the First Quarter FY 2016/17.

Figure 3.3 Summary Analysis of MDAs' Recurrent Expenditure in the First Quarter of FY 2016/27



Source: MDAs and National Treasury

3.4.2 MDAs Development Expenditure Analysis

The cumulative gross development expenditure by MDAs in the first quarter of FY 2016/17 amounted to Kshs.93 billion translating to an absorption rate of 11.3 per cent, an increase from 10.7 per cent reported in a similar period last financial year.

During the reporting period, MDAs recorded the highest expenditure on Capital Transfers to Semi-Autonomous Government Agencies (SAGAs) at Kshs.49.0 billion, or equivalent to 52.8 per cent of the development expenditure. The second highest expenditure category was refurbishment of buildings at Kshs.31.8 billion, which was 34.2 per cent of the gross development expenditure. Other categories with notable development expenditure included; construction and civil works at Kshs.7.7 billion, construction of buildings at Kshs.790.0 million, and Pre-Feasibility and Appraisal Studies at Kshs.359.5 million.

A review of the development expenditure by the MDAs during the period under review shows that the State Department for Planning and Statistics had the highest capital transfers to its SAGAs at Kshs.13.6 billion, or 27.7 per cent of the total capital transfers followed by the State Department for Infrastructure at Kshs.9.6 billion which translated to 20 per cent of the total capital transfers by the MDAs.

In the same period, the State Department for Transport reported the highest expenditure on refurbishment of buildings at Kshs.31.2 billion translating to 98.2 per cent of the total expenditure by MDAs under this category. The State Department for Energy spent the highest amount on construction and civil works at Kshs.4.6 billion which was 59.8 per cent of the cumulative MDA expenditure on this economic item.

During the July to September 2016 period, MDAs reported Kshs.41.8 billion as A-I-A while Kshs.3.2 billion was spent on other development activities as shown in table 3.4. The MDAs with notable development expenditure under the “other” expenditure category are analysed as follows:

Ministry of Health (Kshs.589.2 million): This amount was spent on the hiring of medical equipment, plant and machinery and the payment of VAT.

The Judiciary (Kshs.329.3 million): The Judiciary spent Kshs.329.3million under the Judiciary Performance Improvement Project.

State Department for Interior (Kshs.162.5 million): The expenditure related to supplies for production of national identification cards.

State Department for Energy (Kshs.150.7 million): Expenditure incurred under the Lake Turkana Wind Power Project.

State Department for University Education (Kshs.107.9 million): The expenditure of Kshs.107.9 million was incurred on purchase of workshop tools and small equipment.

State Department for Vocational and Technical Training (Kshs.99.4 million): The Expenditure was incurred on purchase of workshop tools and small equipment.

Table 3.4 Analysis of Development Expenditure by MDA for the Period July to September 2016 (Kshs. Millions)

MINISTRY/ STATE DEPARTMENT	Maintenance of Motor Vehicles	Main- tenance of other Assets	Capital Trans- fers	Con- struc- tion of Build- ing	Refur- bish- ment of Build- ings	Residen- tial (In- cluding Hostels)	Con- struc- tion and Civil Works	Purchase of Special- ized Plant, Equipment & Machin- ery	Pre-Feasi- bility and Appraisal Studies	Other Ex- penses	Gross Ex- pendi- ture	(A-I-A)	Net Expend- iture
The Presidency	-	-	-	-	25.3	-	12.2	-	-	-	37.5	-	37.5
State Department for Interior	-	-	-	-	-	-	-	-	-	162.5	162.5	-	162.5
State Department for Correctional Services	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Devolution	-	-	0.1	-	-	-	-	-	-	0.3	0.4	-	0.4
State Department for Special Programmes	-	-	631.5	-	-	631.5	-	-	-	21.7	653.2	-	653.2
State Department for Planning & Statistics	-	-	13,576.3	-	93.5	-	-	-	27.2	0.4	13,697.3	-	13,697.3
Ministry of Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
Ministry of Foreign Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Basic Education	-	-	73.2	-	-	-	-	-	-	-	73.2	-	73.2
State Department for Vocational and Technical Training	-	-	151.4	9.0	-	-	-	-	-	99.4	259.7	-	259.7
State Department for University Education	-	-	168.3	519.7	-	-	-	-	-	107.9	795.8	627.5	168.3
The National Treasury	-	-	88.7	-	-	-	-	-	67.2	35.9	191.8	-	191.8
Ministry of Health	-	-	1,388.0	-	-	-	-	-	-	589.1	1,977.2	-	1,977.2
State Department for Infrastructure	-	-	9,568.4	-	-	-	-	-	3.4	419.6	9,991.3	4,518.8	5,472.5
State Department for Transport	-	-	1,217.6	-	31,231.0	-	-	-	-	-	32,448.6	31,231.0	1,217.6

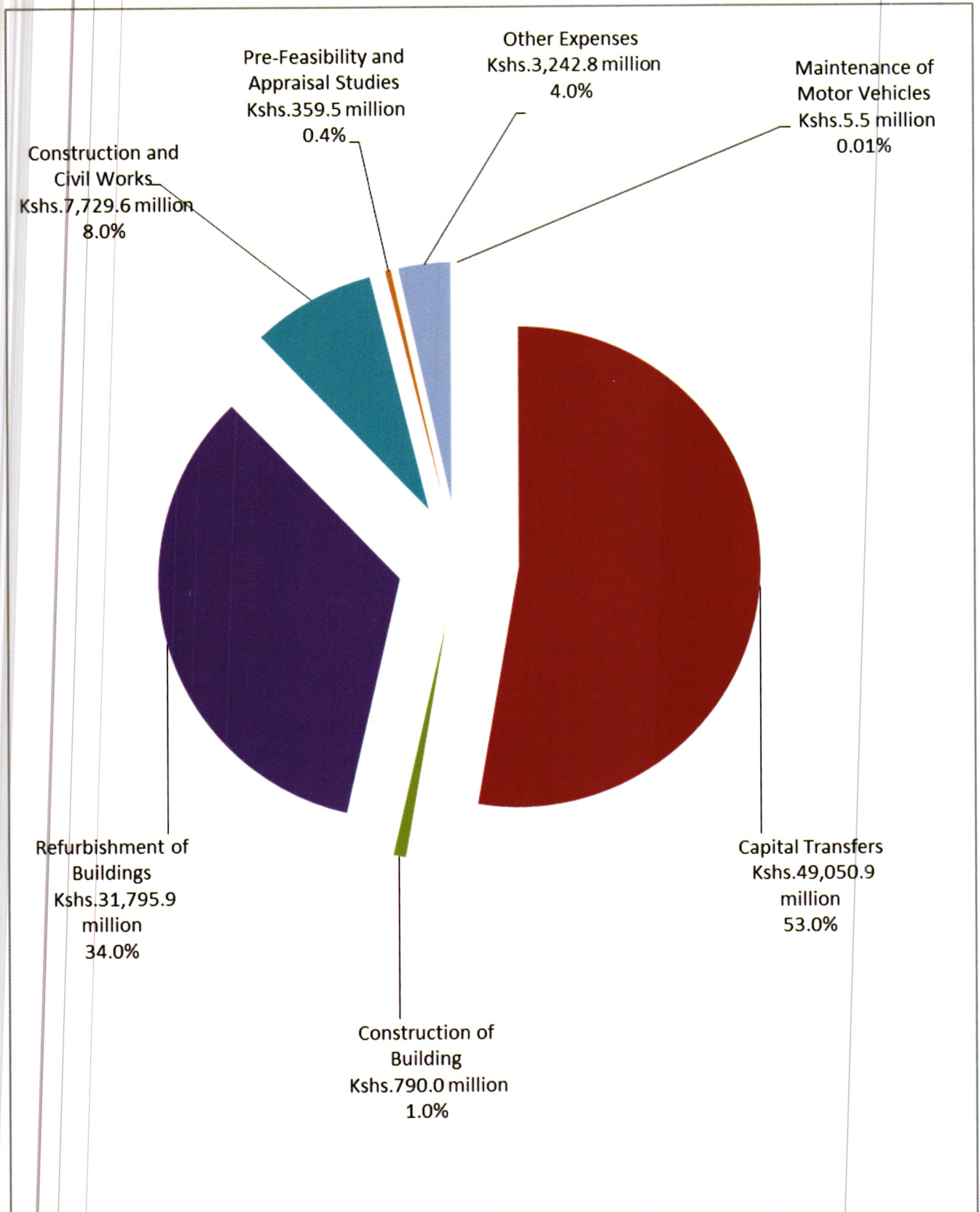
MINISTRY/ STATE DEPARTMENT	Maintenance of Motor Vehicles	Maintenance of other Assets	Capital Transfers	Construction of Building	Refurbishment of Buildings	Residential (Including Hostels)	Construction and Civil Works	Purchase of Specialized Plant, Equipment & Machinery	Pre-Feasibility and Appraisal Studies	Other Expenses	Gross Expenditure	(A-I-A)	Net Expenditure
State Department Housing and Urban Development	-	-	-	41.1	1.5	-	2,982.4	-	-	9.2	3,034.2	936.4	2,097.8
State Department of Public Works	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Water Services	2.5	-	913.8	-	437.3	-	-	-	-	5.0	1,358.5	-	1,358.5
State Department for Irrigation	-	-	1,778.4	-	-	-	110.5	-	-	57.5	1,946.5	385.7	1,560.8
State Department for Environment	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Natural Resources	3.0	-	26.4	-	-	-	-	-	-	107.9	137.3	-	137.3
Ministry of Lands and Physical Planning	-	-	-	-	-	-	-	-	31.2	26.1	57.3	-	57.3
State Department of Information Communications & Technology & Innovation	-	-	7,178.0	-	-	-	-	-	-	7.6	7,185.6	-	7,185.6
State Department of Broadcasting & Telecommunication	-	-	292.0	-	-	-	-	-	-	-	292.0	-	292.0
State Department for Sports Development	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Arts and Culture	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Energy	-	-	5,777.4	-	-	-	4,623.9	-	19.5	150.7	10,571.5	4,098.3	6,473.1
State Department of Petroleum	-	-	-	-	-	-	-	-	25.6	14.2	39.7	-	39.7
State Department for Agriculture	-	-	1,052.4	-	-	-	-	-	-	998.9	2,051.3	-	2,051.3

MINISTRY/ STATE DEPARTMENT	Maintenance of Motor Vehicles	Maintenance of other Assets	Capital Transfers	Construction of Buildings	Refurbishment of Buildings	Residential (Including Hostels)	Construction and Civil Works	Purchase of Specialized Plant, Equipment & Machinery	Pre-Feasibility and Appraisal Studies	Other Expenses	Gross Expenditure	(A-I-A)	Net Expenditure
State Department for Livestock	-	-	6.6	-	5.8	-	-	-	-	7.7	23.3	-	23.3
State department for Fisheries and Blue Economy	-	-	472.5	-	6.9	-	-	-	-	0.6	478.8	-	478.8
State Department for Investment and Industry	-	-	1,045.0	-	-	-	-	-	-	-	1,045.0	-	1,045.0
State Department for Cooperatives	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Trade	-	-	24.0	-	-	-	-	-	-	0.6	24.6	-	24.6
State Department for East African Integration	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Labour	-	-	-	-	-	-	-	-	-	-	-	-	-
State Department for Social Protection	-	-	2,653.5	-	-	-	-	-	-	57.9	2,711.4	-	2,711.4
Ministry of Mining	-	-	-	-	1.3	-	-	0.7	-	44.8	46.8	-	46.8
Ministry of Tourism	-	-	690.0	-	-	-	-	-	185.4	-	875.4	-	875.4
State Department for Public Service and Youth Affairs	-	-	205.8	-	-	-	-	-	-	-	205.8	-	205.8
State Department for Gender	-	-	80.8	-	-	-	-	-	-	-	80.8	-	80.8
State Law Office and Department of Justice	-	-	-	-	-	-	-	-	-	-	-	-	-
The Judiciary	-	-	-	33.5	5.0	-	-	-	-	329.3	367.9	-	367.9
Ethics & Anti-Corruption Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Office of the Directorate of Public Prosecution	-	-	-	-	-	-	-	-	-	1.3	1.3	-	1.3

MINISTRY/ STATE DEPARTMENT	Maintenance of Motor Vehicles	Main- tenance of other Assets	Capital Trans- fers	Con- struc- tion of Build- ing	Refur- bish- ment of Build- ings	Residen- tial (In- cluding Hostels)	Con- struc- tion and Civil Works	Purchase of Special- ized Plant, Equipment & Machin- ery	Pre-Feasi- bility and Appraisal Studies	Other Ex- penses	Gross Ex- pendi- ture	(A-I-A)	Net Expend- iture
Independent Electoral and Boundaries Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Parliamentary Service Commission	-	-	-	179.7	-	-	-	-	-	-	179.7	-	179.7
Public Service Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Teachers Service Commission	-	-	-	-	-	-	-	-	-	-	-	-	-
Auditor General	-	-	-	7.1	-	-	-	-	-	-	7.1	-	7.1
Total	5.5	-	49,046.6	790.0	31,795.9	-	7,728.9	0.7	359.5	3,238.9	92,962.9	41,797.7	51,165.2

Source: MDAs and National Treasury (IFMIS Directorate)

Figure 3.4 Summary Analysis of MDAs' Development Expenditure First quarter of FY 2016/17 (Kshs. million)



Source; MDAs and National Treasury

4 DEVELOPMENT AND RECURRENT EXPENDITURE ANALYSIS BY SECTOR

4.1 Introduction

This chapter presents an analysis of performance by Sector for both development and recurrent expenditure in the first quarter of FY 2016/17. The Sectors are discussed in alphabetical order and are as follows; Agriculture Rural and Urban Development (ARUD); Education; Energy, Infrastructure and Information Communications Technology (EI & ICT); Environmental Protection, Water and Natural Resources (EWNR); Governance, Justice, Law and Order (GJLO); Health; Public Administration and International Relations (PAIR); National Security; and the Social Protection, Culture and Recreation (SPCR) Sector.

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

The Agriculture Rural and Urban Development (ARUD) Sector consists of five MDAs namely: the Ministry of Lands and Physical Planning (MoLPP); the State Department for Agriculture; State Department for Livestock; the State Department for Fisheries and the Blue Economy and the National Land Commission (NLC). The Sector has twenty six Semi-Autonomous Government Agencies (SAGAs) and nine training institutions.

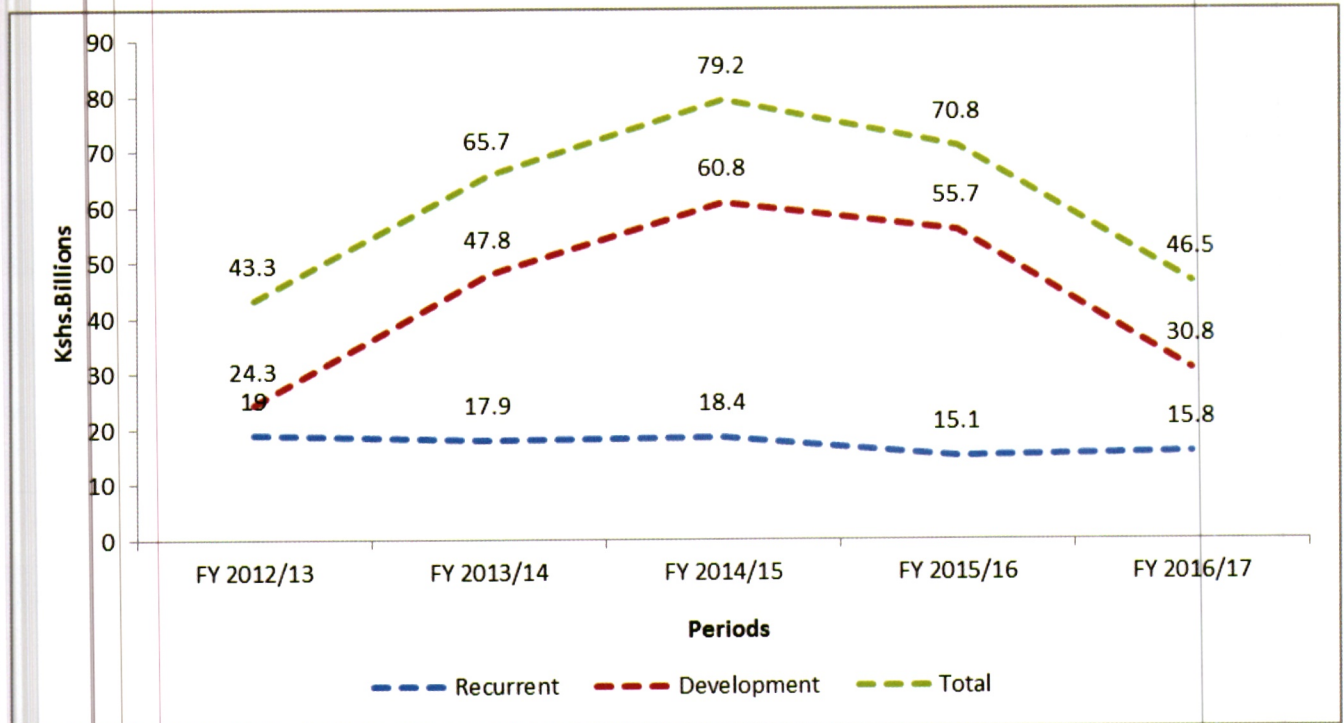
The Sector contributes significantly to the economy through the provision of raw materials for agro-based industries, agricultural exports as well as availing food to the Kenyan population. The goal of this Sector is to attain national food security and sustainable management of land, and the blue economy. Some of the objectives of the Sector include: improve market access and trade; strengthen institutional capacity for improved service delivery; enhance the role of youth and women in the Sector; enhance accessibility, equity and sustainable management of the land resource; and improve storage, access and retrieval of land resource data and information.

The annual budgetary allocation to the Sector in the FY 2016/17 was Kshs.46.5 billion representing 2 per cent of gross national budget, a significant decrease from Kshs.70.8 billion allocated in FY 2015/16. This decline is attributed to the government reorganization that led to moving of the State Department for Housing & Urban Development from AR & UD Sector to the Energy, Infrastructure and Information Communication Technology Sector.

The allocation comprised of Kshs.30.8 billion (66 per cent) for development activities and Kshs.15.8 billion (34 per cent) for recurrent expenditure. The State Department for Agriculture received the highest budgetary allocation of Kshs.21.3 billion (45.7 per cent of the Sector's allocation), while National Land Commission (NLC) had the lowest budgetary allocation of Kshs.1.4 billion (3.1 per cent).

Figure 4.1 below shows the budgetary allocation trend for the AR& UD Sector for the period FY 2012/13 to FY 2016/17

Figure 4.1 Budgetary Allocation Trend for the AR &UD Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues amounting to Kshs.3.5 billion, representing 9.8 per cent of the Sector's annual net estimates. This comprised of Kshs.1.1 billion for development expenditure, representing 5.4 per cent of the annual net development estimates and Kshs.2.4 billion, representing 15.3 per cent of the annual net recurrent estimates.

Table 4.1 shows AR & UD Sector analysis of exchequer issues and expenditure in the first quarter of FY 2016/17.

Table 4.1 AR & UD Sector-Analysis of Exchequer Issues and Expenditure for the period July to September 2016 (Kshs. Billions)

VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Lands and Physical Planning	3.8	3.8	-	0.1	-	0.6	2.2	2.2	0.5	0.5	25.1	22.0
State Department for Agriculture	12.7	9.9	0.3	2.1	3.1	2.4	8.6	8.6	1.1	2.5	13.3	29.0
State Department for Livestock	11.7	4.0	0.3	-	6.5	0.0	1.9	1.9	0.4	0.2	19.3	11.9
State Department for Fisheries and Blue Economy	2.5	2.0	0.5	0.5	24.6	18.9	1.7	1.7	0.1	0.3	3.8	19.5

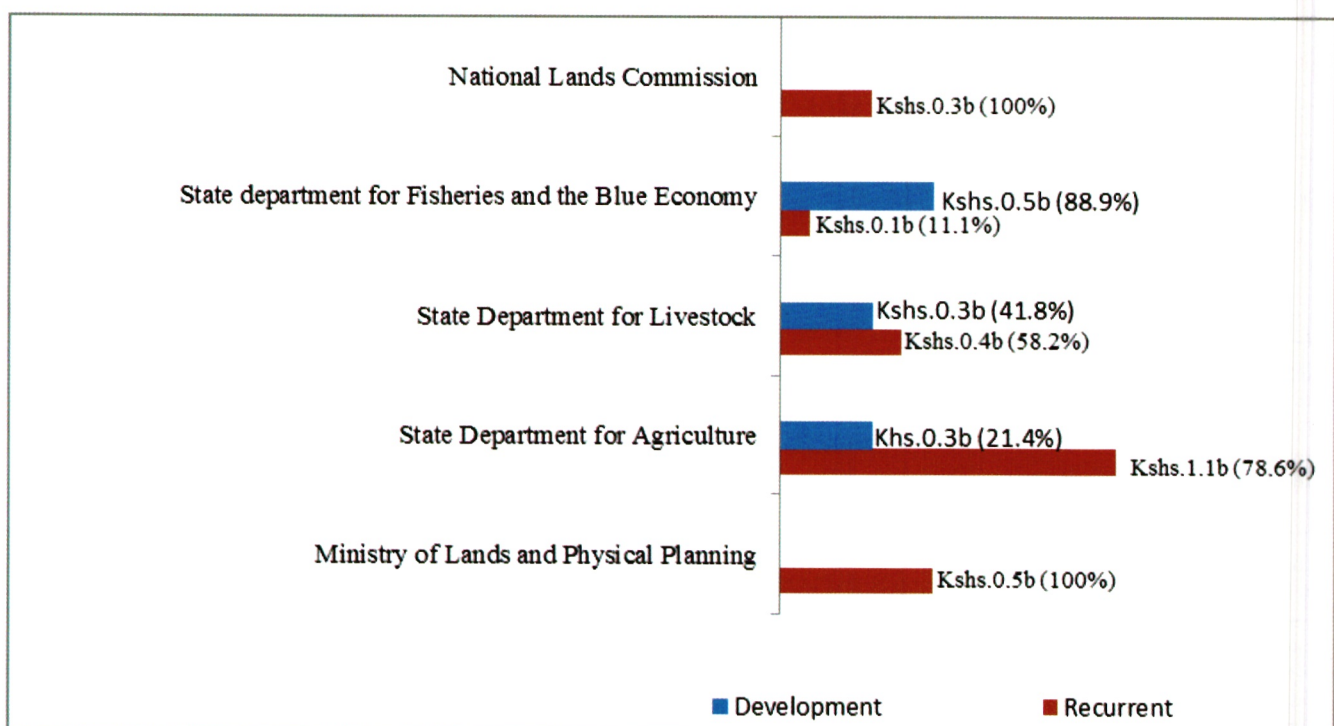
VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
National Land Commission	-	-	-	-	-	-	1.4	1.4	0.3	0.2	20.0	16.8
Total	30.8	19.8	1.1	2.6	5.4	2.6	15.8	15.7	2.4	3.8	15.3	23.9
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							30.8	19.8	1.1	2.6	5.4	8.3
Recurrent							15.8	15.7	2.4	3.8	15.3	23.9
Total							46.5	35.5	3.5	6.3	9.8	13.6

Source: MDAs and National Treasury

The State Department for Fisheries and Blue Economy received the highest proportion of development exchequer issues to net estimates at 24.6 per cent while the Ministry of Lands and Physical Planning did not receive any funds for development activities. The Ministry of Lands and Physical Planning received the highest proportion of recurrent exchequer issues to recurrent net estimates at 25.1 per cent, while the State Department of Fisheries and Blue Economy received the least at 3.8 per cent.

Figure 4.2 shows the exchequer issues to the AR&UD Sector in the first quarter, FY 2016/17.

Figure 4.2 Exchequer Issues to the AR & UD Sector for the First Quarter of FY 2016/17 (Kshs. Billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.6.3 billion, representing 13.6 per cent of the annual gross estimates, a decline compared to 17.5 per cent (Kshs.13.9 billion) recorded in the same period of FY 2015/16. This comprised of Kshs.2.6 billion on development expenditure, representing an absorption rate of 8.3 per cent, a decline from 18.2 per cent (Kshs.11.5 billion), recorded in the same period of FY 2015/16 and Kshs.3.8 billion in recurrent expenditure, representing 23.9 per cent of the recurrent estimates, recording an increase compared to 14.6 per cent (Kshs.2.4 billion) reported in the same period FY 2016/17.

From the analysis, the Sector's total expenditure exceeded the exchequer issues mainly due to expenditure funded from A-I-A generated by the MDAs. The State Department of Fisheries and the Blue Economy recorded the highest absorption of development budget at 18.9 per cent (Kshs.499.8 million), while the State Department for Livestock did not incur any expenditure. The State Department for Agriculture recorded the highest percentage of recurrent expenditure to annual recurrent estimates at 29.0 per cent while the State Department for Livestock had the lowest at 11.9 per cent.

4.3 Education Sector

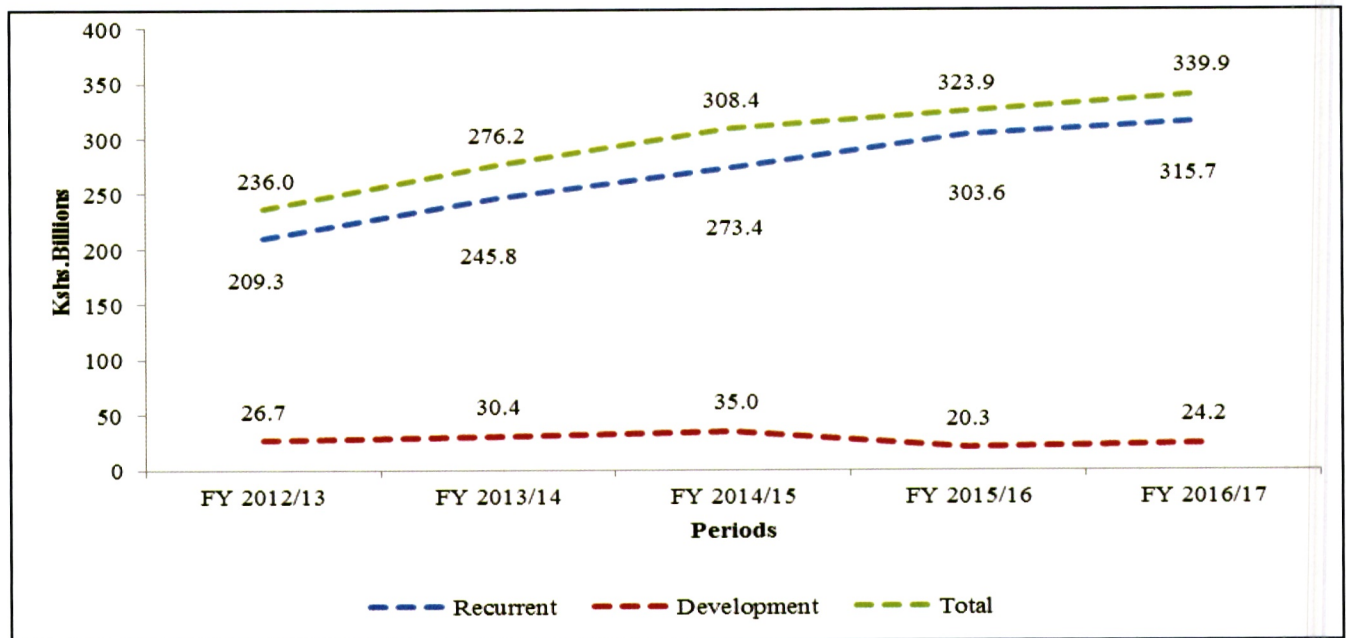
The Education Sector consists of four MDAs namely: the State Department for Basic Education, the State Department for University Education, the State Department for Vocational and Technical Training and the Teachers Service Commission (TSC) together with their affiliated agencies and institutions.

The Sector envisions a globally competitive education, training, research and innovation for sustainable development. In order to realize this, the Sector undertakes to provide, promote and coordinate quality education for sustainable development. The Sector's overall goal is to increase access to education and training; improve quality and relevance of education; reduce inequality as well as leverage on knowledge and skills in Science, Technology, and Innovation for global competitiveness.

The Education Sector's goals and objectives have been aligned to the Constitution of Kenya and Vision 2030 as well as to international commitments. The Sector's policies, legal and regulatory reforms are aimed at achieving the objects of the Constitution with regard to Education and Training and national priorities. These objectives are; quality education, expanded access, and inclusivity in education. The Sector also aims at ensuring that the education system is relevant and promotes innovativeness.

The annual budgetary allocation to the Sector in the FY 2016/17 was Kshs.339.9 billion representing 14 per cent of gross national budget, an increase from Kshs.323.9 billion allocated in FY 2015/16. The allocation comprised of Kshs.24.2 billion (7 per cent) for development expenditure and Kshs.315.7 billion (93 per cent) for recurrent expenditure. The Teachers Service Commission received the highest budgetary allocation of Kshs.194.1 billion (57 per cent of the Sector's allocation), while the State Department for Vocational and Technical Training had the lowest budgetary allocation of Kshs.6.5 billion (2 per cent of the Sector's allocation).

Figure 4.3 below shows budgetary allocation trend of the Education Sector for the period FY 2012/13 to FY 2016/17

Figure 4.3 Budgetary Allocation Trend for the Education Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)

Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues of Kshs.69.3 billion representing 22.0 per cent of the Sectors' annual net estimates and the highest issues among all the Sectors' exchequer releases. The Exchequer issues comprised of Kshs.446.0 million for development expenditure, representing 2.6 per cent of the annual net development estimates and Kshs.68.8 billion for recurrent expenditure, representing 23.1 per cent of the annual net recurrent estimates.

Table 4.2 shows Education Sector analysis of exchequer issues and expenditure in the first quarter of FY 2016/17.

Table 4.2 Education Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

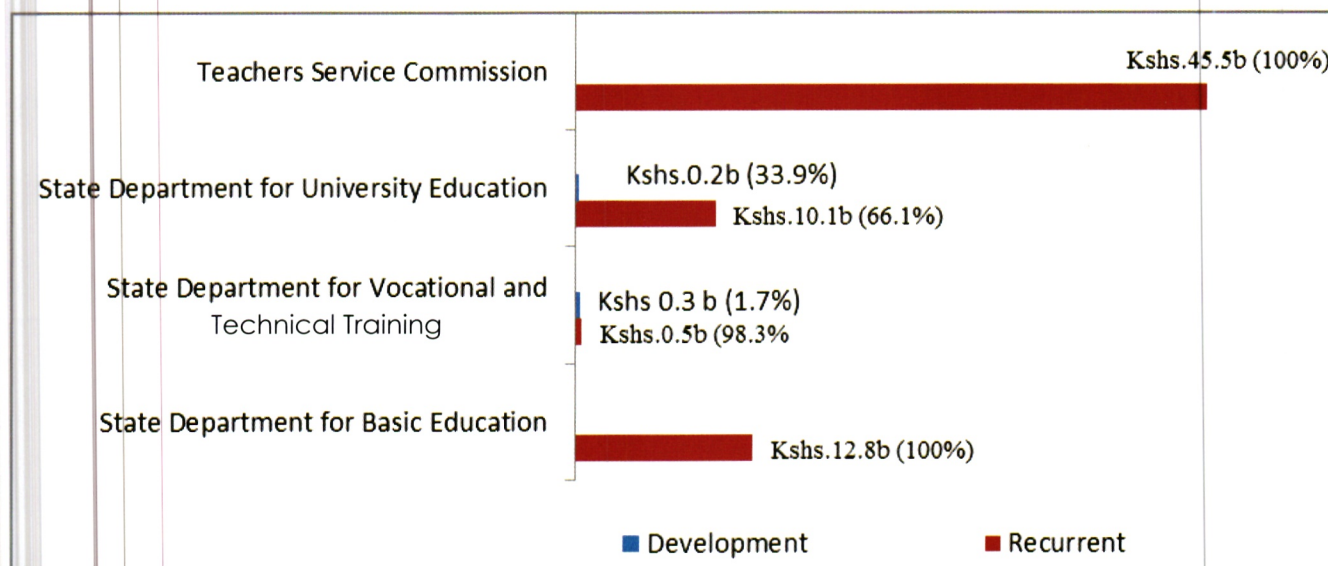
VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Basic Education	8.4	5.9	-	0.1	0.0	0.9	58.8	57.3	12.8	12.8	22.3	21.8
State Department for Vocational and Technical Training	4.2	2.5	0.3	0.3	11.3	6.2	2.3	2.3	0.5	0.5	23.2	22.9
State Department for University Education	11.5	8.5	0.2	0.8	2.0	6.9	60.7	44.0	10.1	11.5	22.9	19.0
Teachers Service Commission	0.1	0.1	-	-	0.0	0.0	194.0	193.8	45.5	45.5	23.5	23.5
Total	24.2	17.0	0.4	1.1	2.6	4.7	315.7	297.4	68.8	70.4	23.1	22.3
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							24.2	17.0	0.4	1.1	2.6	4.7
Recurrent							315.7	297.4	68.8	70.4	23.1	22.3
Total							339.9	314.4	69.3	71.5	22.0	21.0

Source: MDAs and National Treasury

The State Department for Vocational and Technical Training received the highest proportion of development exchequer issues to recurrent net estimates at 11.3 per cent while the State Department for Basic Education and Teachers Service Commission did not receive any development exchequer issues despite having voted provisions. The Teachers Service Commission received the highest proportion of recurrent exchequer issues to recurrent net estimates at 23.5 per cent while the State Department for Basic Education received the least at 22.3 per cent.

Figure 4.4 shows the exchequer issues to the Education Sector in the first quarter of FY 2016/17.

Figure 4.4 Exchequer Issues to the Education Sector for the First quarter of FY 2016/17 (Kshs. Billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.71.5 billion, representing 21.0 per cent of the annual gross estimates, an increase compared to 17.8 per cent (Kshs. 60.1 billion) recorded in the same period of FY 2015/16. The expenditure consisted of Kshs.1.1 billion for development activities, representing an absorption rate of 4.7 per cent, a decline from 10.2 per cent recorded in the same period of FY 2015/16. A total of Kshs.70.4 billion was incurred on recurrent expenditure, representing 22.3 per cent of the gross recurrent estimates, an increase compared to 18.8 per cent (Kshs.56.3 billion) reported in the same period of FY 2016/17.

The State Department for University Education recorded the highest absorption of development estimates at 6.9 per cent (Kshs.795.8 million), while the Teachers Service Commission did not incur any development expenditure. The Teachers Service Commission recorded the highest percentage of recurrent expenditure to annual gross recurrent estimates at 23.5 per cent, while the State Department for University Education had the lowest at 19.0 per cent.

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

This Sector consists of nine MDAs namely, the State Department for: Infrastructure, Transport, Maritime and Shipping Affairs, Housing and Urban Development, Public Works, Information Communications Technology and Innovation, Broadcasting and Telecommunication, and Petroleum and Energy.

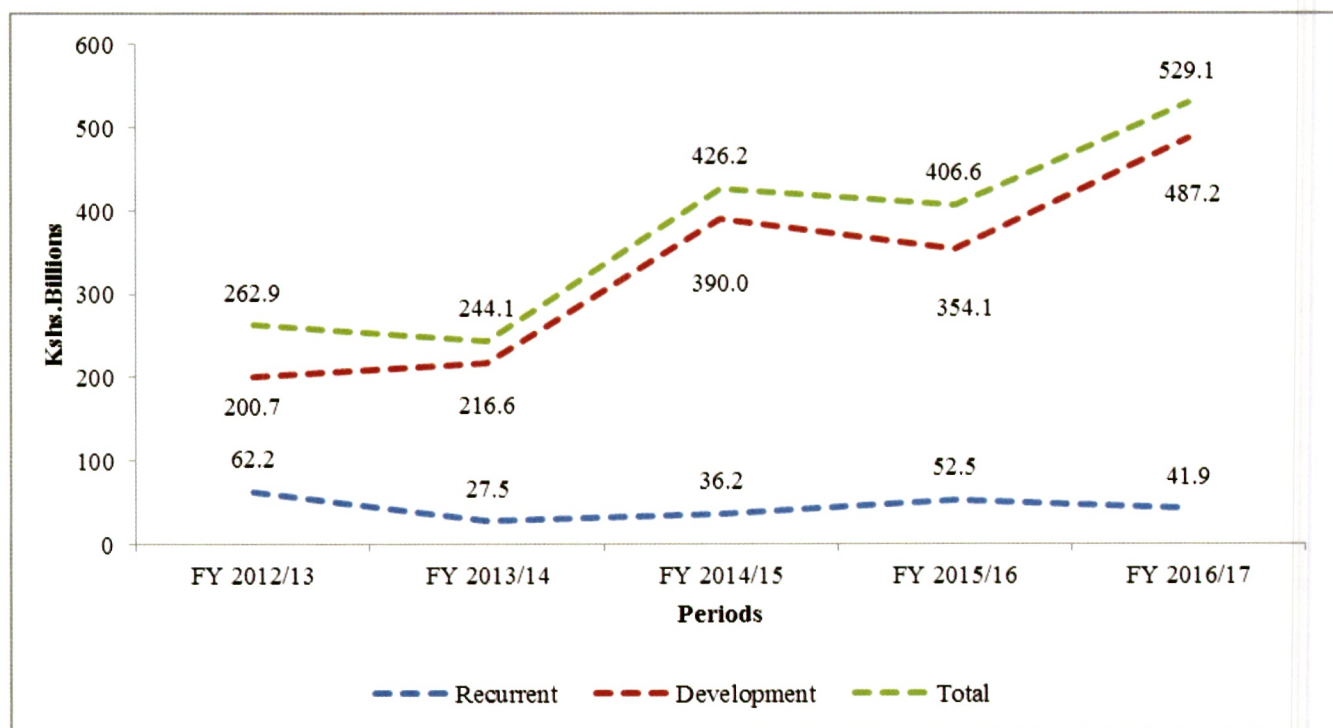
The Energy, Infrastructure and ICT Sector is a key enabler for sustained economic growth, development and poverty reduction. The Sector aims at sustaining and expanding physical infrastructure to support a rapidly-

growing economy in line with the priorities in Kenya’s Vision 2030.

The annual budgetary allocation to the Sector in the FY 2016/17 was Kshs.529.2 billion representing 21 per cent of gross national budget, a significant increase from Kshs.406.6 billion allocated in FY 2015/16. This increase of 30 per cent is attributed to government reorganization which resulted in an increase in the Sector’s departments from 4 to 9. The allocation comprised of Kshs.487.2 billion (92 per cent) for development expenditure and Kshs.41.9 billion (8 per cent) for recurrent expenditure. The State Department for Transport received the highest budgetary allocation of Kshs.181.6 billion (34 per cent of the Sector’s allocation), while the State Department for Maritime and Shipping Affairs had the lowest budgetary allocation of Kshs.237.2 million , less than 1 per cent of the Sector’s allocation.

Figure 4.5 below shows the budgetary allocation trend for the EI & ICT Sector for the period FY 2012/13 to FY 2016/17.

Figure 4.5 Budgetary Allocation Trend for the EI & ICT Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received Kshs.23.3 billion, representing 12.6 per cent of the Sector’s annual net estimates. This comprised of Kshs. 21.3 billion for development programmes, representing 12.2 per cent of the annual net development estimates, and Kshs.2.0 billion for recurrent activities representing 20.5 per cent of the annual net recurrent estimates. Table 4.3 presents an analysis of the EI & ICT Sector by exchequer issues and expenditure in the first quarter of FY 2016/17.

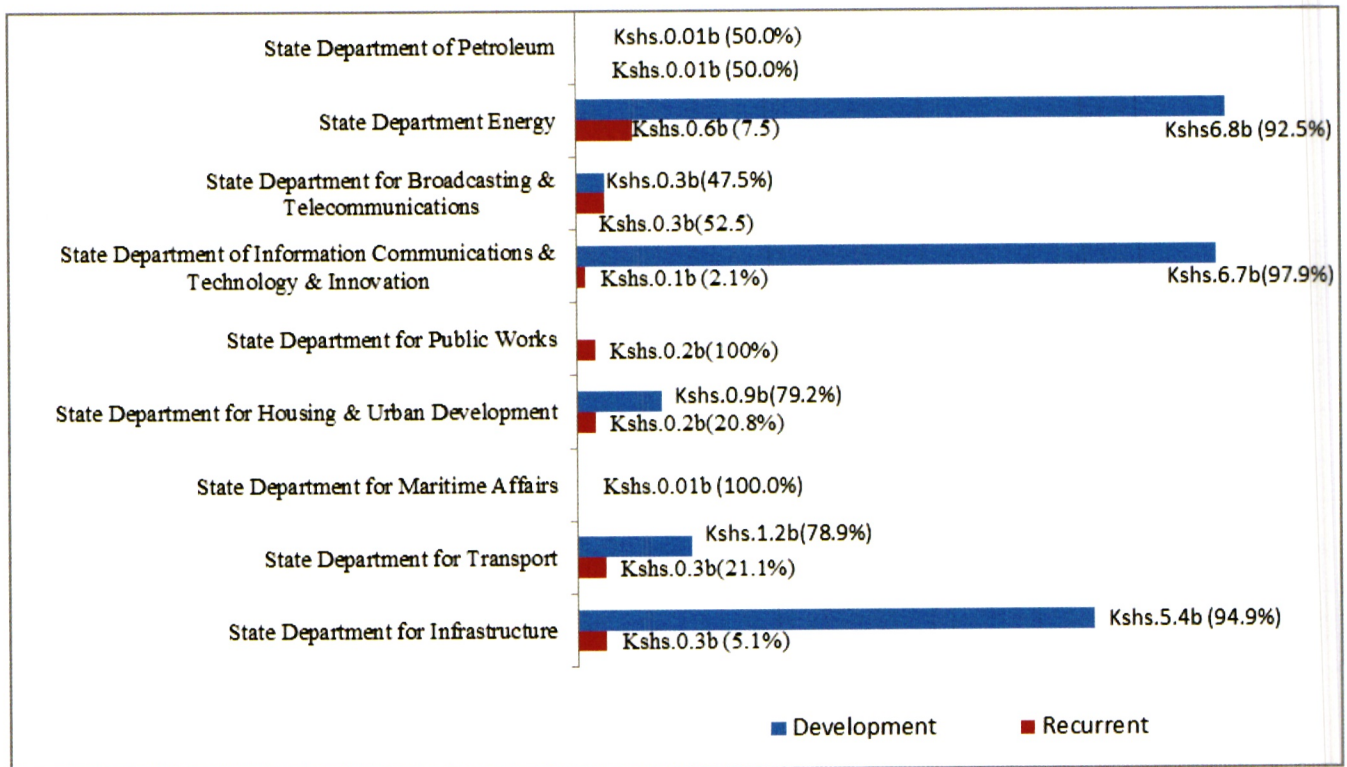
Table 4.3 EI & ICT-Analysis of Exchequer Issues and Expenditure for the period July to September 2016.
(Kshs. Billions)

VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Infrastructure	147.7	84.8	5.4	10.0	6.3	6.8	29.0	1.8	0.3	2.4	15.6	8.2
State Department for Transport	175.8	15.3	1.2	32.4	7.7	18.5	5.8	1.4	0.3	1.6	22.7	28.0
State Department for Maritime & Shipping Affairs	-	-	-	-	-	-	0.2	0.2	0.01	0.01	5.7	5.0
State Department for Housing & Urban Development	19.3	13.4	0.9	3.0	6.6	15.7	0.9	0.9	0.2	0.1	26.7	15.0
State Department for Public Works	2.0	2.0	-	-	-	-	0.9	0.9	0.2	0.1	17.5	12.3
State Department of Information Communications & Technology & Innovation	22.3	19.5	6.7	7.2	34.4	32.2	0.9	0.9	0.1	0.1	15.6	15.9
State Department for Broadcasting & Telecommunications	0.7	0.7	0.3	0.3	44.4	44.4	2.1	1.9	0.3	0.3	17.2	14.4
State Department of Energy	115.2	36.5	6.8	10.6	18.7	9.2	2.1	1.9	0.6	0.4	29.5	18.6
State Department of Petroleum	4.2	2.9	0.01	0.04	0.5	0.9	0.1	0.04	0.01	0.005	32.0	5.2
Total	487.2	175.1	21.3	63.6	12.2	13.0	41.9	9.9	2.0	5.1	20.5	12.1
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							487.2	175.1	21.3	63.6	12.2	13.0
Recurrent							41.9	9.9	2.0	5.1	20.5	12.1
Total							529.2	185.0	23.3	68.6	12.6	13.0

Source: MDAs and National Treasury

The State Department for Broadcasting and Telecommunication received the highest proportion of development exchequer issues to annual net estimates at 44.4 per cent while the State Department of Public Works did not receive any development exchequer issues. The State Department of Petroleum received the highest proportion of recurrent exchequer issues to recurrent net estimates at 32.0 per cent while the State Department of Maritime and Shipping Affairs received the lowest at 5.7 per cent.

Figure 4.6 shows the exchequer issues to the EI & ICT Sector in the first quarter of FY 2016/17.

Figure 4.6 Exchequer Issues to the EI & ICT Sector for the First Quarter of FY 2016/17 (Kshs. Billions)

Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.68.6 billion, representing 13.0 per cent of the annual gross estimates, an increase compared to 9.1 per cent (Kshs.37.0 billion) recorded in the same period of FY 2015/16. The expenditure consisted of Kshs.63.6 billion in development expenditure, representing an absorption rate of 13.0 per cent, an increase from 8.5 per cent recorded in the same period of FY 2015/16 and Kshs.5.1 billion in recurrent expenditure, representing 12.1 per cent of the annual gross recurrent estimates, recording an increase compared to 6.2 per cent reported in the same period of FY 2015/16.

The State Department for Broadcasting and Telecommunications recorded the highest absorption of development budget at 44.4 per cent (Kshs.292.0 Million), while the State Department for Public Works did not incur any expenditure on development programmes. The State Department for Transport recorded the highest percentage of recurrent expenditure to annual gross recurrent estimates at 28.0 per cent while the State Department for Maritime and Shipping Affairs had the lowest at 5.0 per cent.

4.5 Environmental Protection, Water and Natural Resource Sector

The Environmental Protection, Water and Natural Resources Sector consists of five MDAs namely the State Department for; Environment, Natural Resources, Water Services, Irrigation and Ministry of Mining with a total of 26 semi-autonomous government agencies.

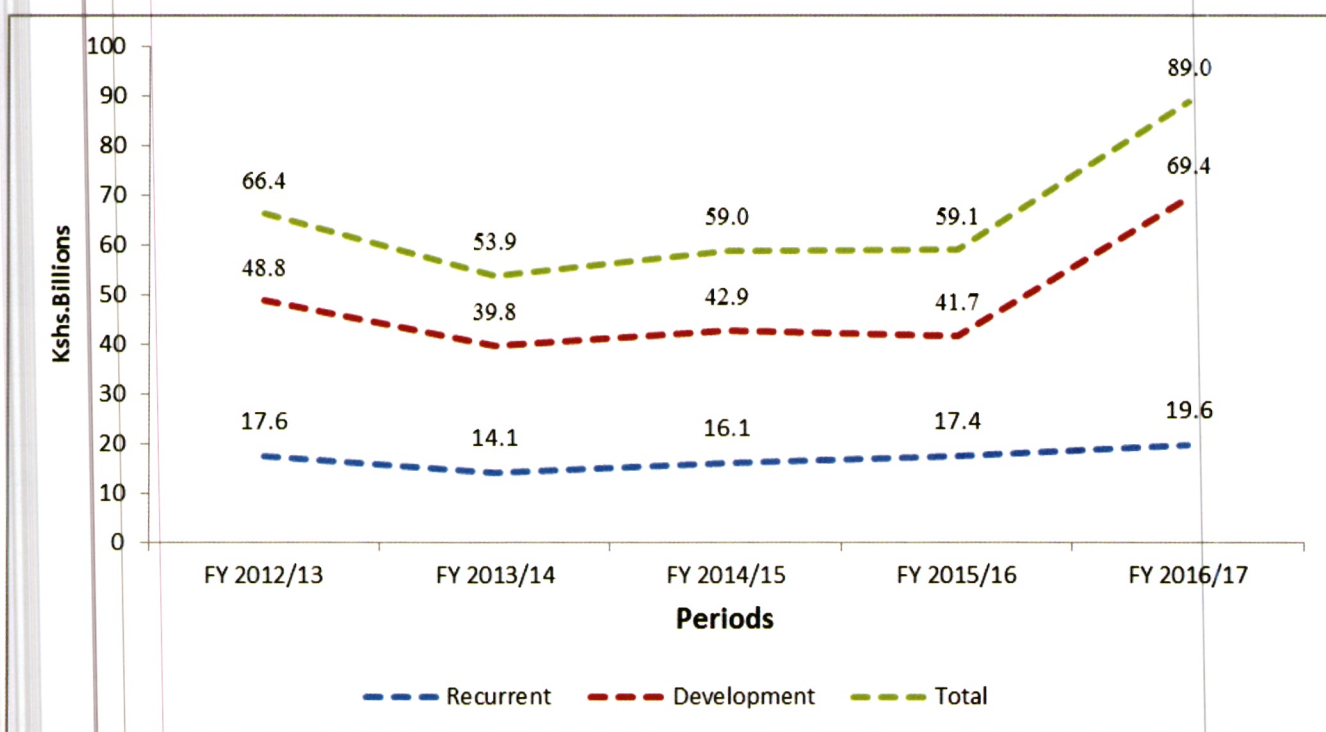
The overall goal of the Sector is to ensure sustainable development in a clean and secure environment. The specific objectives are to: enhance sustainable management of environment, water, irrigation and natural resources; ensure access to water and natural resources benefits for socio-economic development; enhance capacity building for environment, water and natural resources management. It also aims at increasing utilization of land through irrigation, drainage and land reclamation; enhance research on environment, water and natural resources for

sustainable development and protect and reclaim the environment in order to establish a durable and sustainable system of development and resilience to climate change.

The annual budgetary allocation to the Sector in FY 2016/17 was Kshs.89.0 billion, representing 4 per cent of gross national budget, a significant increase from Kshs.59.1 billion allocated in FY 2015/16. The allocation comprised of Kshs.69.4 billion (78 per cent) for development expenditure and Kshs.19.6 billion (22 per cent) for recurrent expenditure. The State Department for Water Services received the highest budgetary allocation of Kshs.43.2 billion (43.2 per cent of the Sector's allocation), while the Ministry of Mining had the lowest budgetary allocation of Kshs.4.6 billion (5 per cent of the Sector's allocation).

Figure 4.7 below shows the budgetary allocation trend for the Environmental Protection, Water and Natural Resources Sector for the period in FY 2012/13 to FY 2016/17.

Figure 4.7 Budgetary Allocation Trend for the Environmental Protection, Water and Natural Resources Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues of Kshs.4.1 billion representing 10.1 per cent of the Sectors' annual net estimates. This comprised of Kshs.1.9 billion for development expenditure representing 6.3 per cent of the annual net development estimates and Kshs.2.2 billion for recurrent expenditure representing 21.9 per cent of the annual net recurrent estimates.

Table 4.4 shows Environmental Protection, Water and Natural Resources Sector analysis of exchequer issues and expenditure in the first quarter of FY 2016/17.

Table 4.4 Environmental Protection, Water and Natural Resources Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

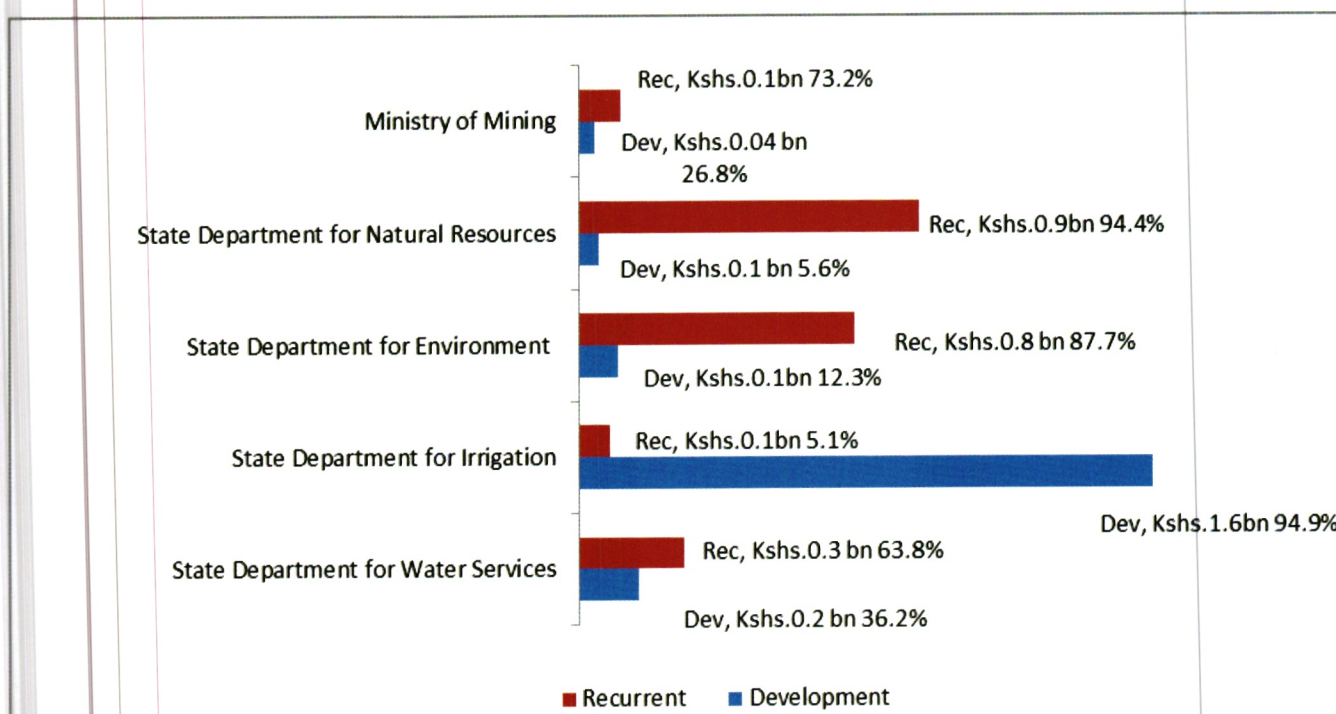
VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Water Services	39.6	11.1	0.2	1.4	1.5	3.4	3.6	1.5	0.3	0.4	19.2	10.6
State Department for Irrigation	18.1	9.8	1.6	1.9	16.0	10.7	0.9	0.5	0.1	0.1	15.9	8.9
State Department for Environment	4.2	3.9	0.1	0.01	2.7	0.2	3.0	2.2	0.8	0.4	35.0	14.8
State Department for Natural Resources	3.6	2.1	0.1	0.1	2.6	3.8	11.3	5.1	0.9	3.3	18.3	28.8
Ministry of Mining	3.9	3.9	0.04	0.05	1.1	1.2	0.7	0.7	0.1	0.1	16.8	14.9
Total	69.4	30.9	1.9	3.5	6.3	5.0	19.6	9.9	2.2	4.3	21.9	21.8
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							69.4	30.9	1.9	3.5	6.3	5.0
Recurrent							19.6	9.9	2.2	4.3	21.9	21.8
Total							89.0	40.8	4.1	7.8	10.1	8.7

Source: MDAs and National Treasury

The State Department for Irrigation received the highest proportion of development exchequer issues to the annual net development estimates at 16.0 per cent while the Ministry of Mining received the least at 1.1 per cent. The State Department for Environment received the highest proportion of recurrent exchequer issues to the annual net recurrent estimates at 35.0 per cent while the State Department for Irrigation received the lowest at 15.9 per cent.

Figure 4.8 shows the exchequer issues to the Environmental Protection, Water and Natural Resources Sector in the first quarter of FY 2016/17.

Figure 4.8 Exchequer Issues to the Environmental Protection, Water and Natural Resources Sector for the First Quarter of FY 2016/17 (Kshs. Billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.7.8 billion, representing 8.7 per cent of the annual estimates, an increase compared to 7.8 per cent (Kshs.4.9 billion) recorded in the same period of FY 2015/16. The expenditure consisted of Kshs.3.5 billion in development expenditure, representing an absorption rate of 5.0 per cent, a decline from 5.8 per cent recorded in the same period of FY 2015/16. Recurrent expenditure was Kshs.4.3 billion, representing 21.8 per cent of the annual gross recurrent estimates, an improvement compared to 13.7 per cent (Kshs. 2.4 billion) reported in the same period of FY 2016/17.

The State Department for Irrigation recorded the highest absorption of development budget at 10.7 per cent (Kshs.1.9 billion), while the State Department for Environment recorded the lowest at 0.2 per cent (Kshs.8.8 million). The State Department for Natural Resources recorded the highest percentage of recurrent expenditure to annual recurrent estimates at 28.8 per cent (Kshs.3.3 billion), while the State Department for Irrigation had the lowest at 8.9 per cent (Kshs.82.7 million).

4.6 General Economic and Commercial Affairs (GECA) Sector

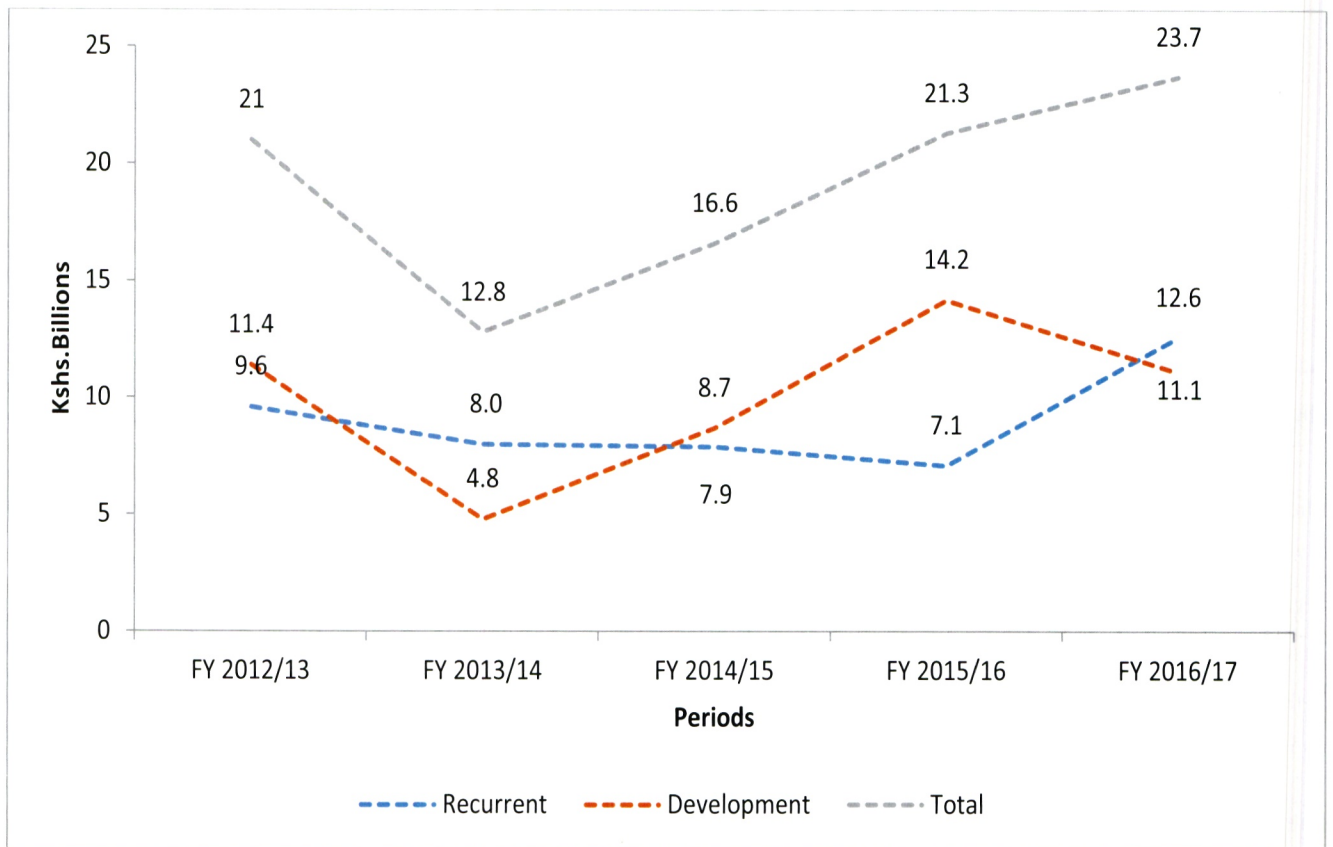
The General Economic and Commercial Affairs (GECA) Sector consists of five MDAs namely; the State Departments for Investment and Industry, Cooperatives, Trade, East African Integration, and the Ministry of Tourism. The Sector aims at promoting investments, increased manufacturing share to the GDP and exports, improvement of the business environment, savings mobilization and good governance in cooperative development, trade development and fair trade practices, promotion of regional integration and sustaining tourism recovery.

The annual budgetary allocation to the Sector in FY 2016/17 was Kshs.23.7 billion, representing 1 per cent of the gross national budget, an increase from Kshs.17.3 billion allocated in FY 2015/16. The allocation comprised

of Kshs.11.1 billion (47 per cent) for development expenditure and Kshs.12.6 billion (53 per cent) for recurrent expenditure. The State Department for Investment and Industry received the highest budgetary allocation of Kshs.8.1 billion (34 per cent of the Sector's allocation), while the State Department for East African Integration had the lowest allocation at Kshs.1.6 billion (7 per cent of the Sector's allocation).

Figure 4.9 below shows the budgetary allocation trend for the GECA Sector from FY 2012/13 to FY 2016/17.

Figure 4.9 Budgetary Allocation Trend for the GECA Sector from FY 2012/13 to FY (2016/17 (Kshs. Billion)



Source: National Treasury

During the first quarter of FY 2016/17, the Sector received exchequer issues amounting to Kshs.3.9 billion, representing 17.4 per cent of the Sector's annual net estimates. The exchequer issues comprised of Kshs.1.4 billion for development expenditure, representing 13.1 per cent of the annual net development estimates, and Kshs.2.5 billion for recurrent expenditure, representing 21.3 per cent of the recurrent annual net estimates. Table 4.5 presents analysis of exchequer issues to the Sector and expenditure in the first quarter of FY 2016/17.

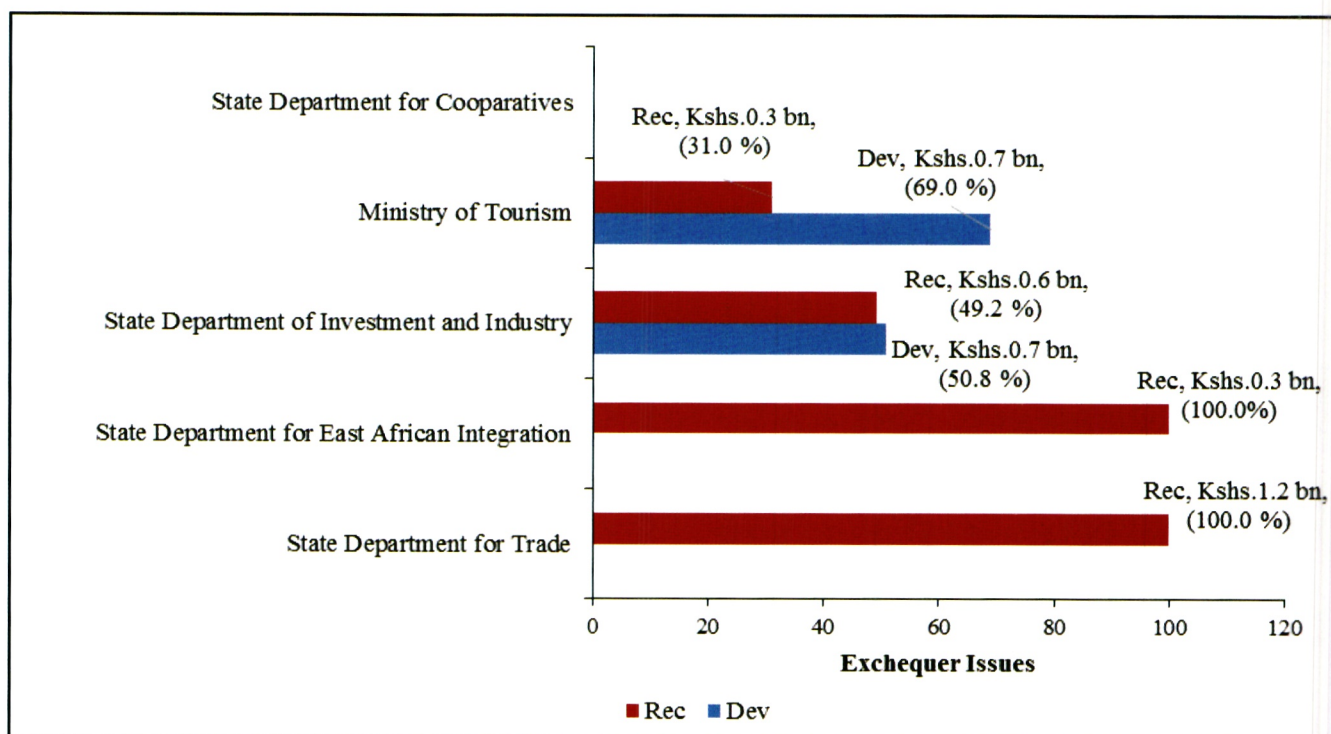
Table 4.5 GECA Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department of Investment and Industry	5.4	5.1	0.7	1.0	13.2	19.4	2.7	2.6	0.6	0.5	24.5	17.5
State Department for Cooperatives	0.5	0.5	-	-	-	-	3.1	3.1	-	0.0001	-	0.005
State Department for Trade	0.2	0.2	-	0.02	-	10.1	2.9	2.9	1.2	0.4	40.8	12.4
State Department for East African Integration	0.1	-	-	-	-	-	1.5	1.5	0.3	0.3	19.9	20.6
Ministry of Tourism	4.8	4.8	0.7	0.9	15.1	18.1	2.4	1.4	0.3	0.3	23.8	12.6
Total	11.1	10.7	1.4	1.9	13.1	17.6	12.6	11.6	2.5	1.4	21.3	11.4
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							11.1	10.7	1.4	1.9	13.1	17.6
Recurrent							12.6	11.6	2.5	1.4	21.3	11.4
Total							23.7	22.3	3.9	3.4	17.4	14.3

Source: MDAs and National Treasury

In the period under review, only two MDAs received development exchequer issues. These were; the Ministry of Tourism, which received the highest proportion of development exchequer issues to net annual development estimates at 15.1 per cent and the State Department of Investment and Industry at 13.2 per cent. The State Department for Trade received the highest proportion of recurrent exchequer issues to net annual recurrent estimates at 40.8 per cent while the State Department for Cooperatives did not receive any recurrent exchequer issues.

Figure 4.10 shows the exchequer issues to GECA Sector in the first quarter of FY 2016/17.

Figure 4.10 Exchequer Issues to the GECA Sector for the First Quarter of FY 2016/17 (Kshs. Billions)

Source: National Treasury

The total expenditure for the Sector in the first quarter of FY 2016/17 amounted to Kshs.3.4 billion, representing 14.3 per cent of the annual gross estimates, a decline compared to 35.2 per cent (Kshs.7.5 billion) recorded in the same period of FY 2015/16. The expenditure comprised of Kshs.1.9 billion on development expenditure, representing an absorption rate of 17.6 per cent, a decline from 35.9 per cent recorded in the same period of FY 2015/16. A total of Kshs.1.4 billion was spent on recurrent expenditure, representing 11.4 per cent of the recurrent estimates, a decline compared to 33.8 per cent (Kshs.2.4 billion) reported in the same period of FY 2016/17.

The State Department of Investment and Industry recorded the highest absorption of development budget at 19.4 per cent (Kshs.1.0 billion), while the State Department for Trade recorded the lowest at 10.1 per cent (Kshs.245.0 million). The State Department for Cooperatives and the State Department for East African Integration did not incur any expenditure on development activities. Conversely, the State Department for East African Integration recorded the highest percentage of recurrent expenditure to annual gross recurrent estimates at 20.6 per cent while the State Department for Cooperatives had the lowest at less than 1 per cent.

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

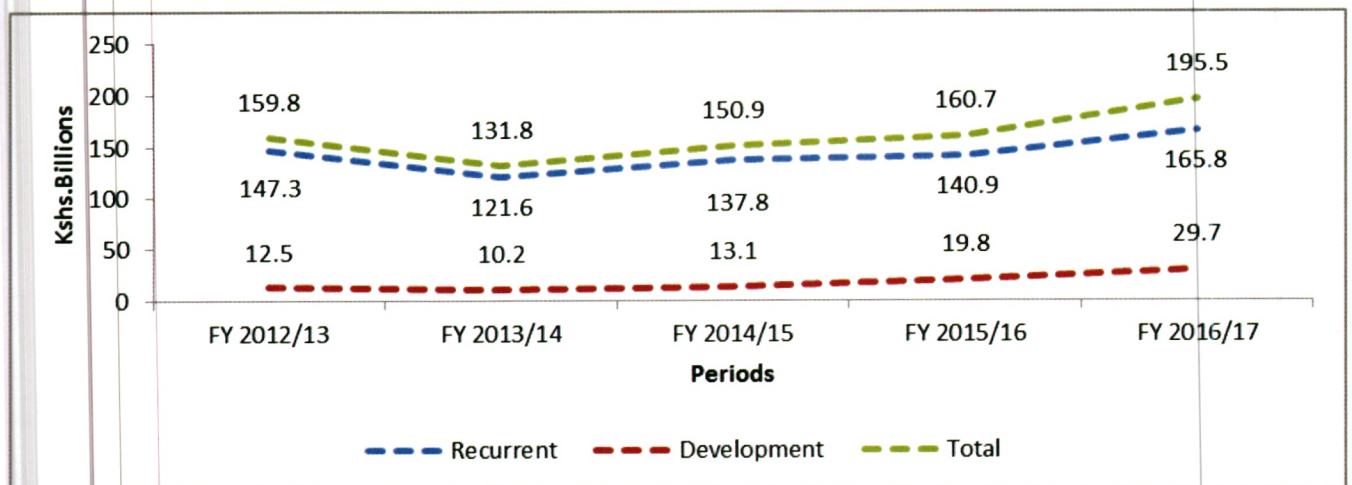
The GJLOS Sector consists of fourteen (14) MDAs, twenty (20) Semi-Autonomous Government Agencies (SAGAs) and fifteen (15) Tribunals with specific mandates. The 14 MDAs are: the State Department for Interior, the State Department for Correctional Services, the State Law Office and Department of Justice, The Judiciary, Ethics and Anti-Corruption Commission (EACC), Office of the Director of Public Prosecutions, Office of the Registrar of Political Parties, Witness Protection Agency (WPA), the Kenya National Commission on Human Rights (KNCHR), the Independent Electoral and Boundaries Commission (IEBC), the Judicial Service Commission (JSC), the National Police Service Commission (NPSC), the National Gender and Equality Commission (NGEC), and the Independent Policing Oversight Authority (IPOA).

The role of the Sector includes; provision of security, correctional services, legal advisory services to government agencies, and administration of justice. It also plays a major role in promoting integrity and the fight against corruption, provision of prosecution services, spearheading the implementation of the Constitution, regulating political parties, protecting witnesses, and protecting human rights. Further, the Sector plays an instrumental role in the delimitation of electoral boundaries and management of electoral process, promotion of gender equality and inclusion of marginalized groups and communities, and civilian policing oversight.

In addition, the Sector plays a role in border management, peace building and conflict management, registration services, regulation of the gaming industry, provision of population management services, eradication of drugs and substance abuse, crime research and government printing services. The Sector also plays a key role in ensuring achievement of national values, and promoting national cohesion.

The annual budgetary allocation to the Sector in FY 2016/17 was Kshs.195.5 billion representing 8 per cent of gross national budget, an increase from Kshs.160.7 billion allocated in FY 2015/16. The allocation comprised of Kshs.29.7 billion (15 per cent) for development expenditure and Kshs.165.8 billion (85 per cent) for recurrent expenditure. The State Department for Interior received the highest budgetary allocation of Kshs.125.8 billion (64 per cent of the Sector's allocation), while the Witness Protection Agency had the lowest at Kshs.0.4 billion (0.2 per cent of the Sector's allocation). Figure 4.11 below shows the budgetary allocation trend for the GJLOS Sector for the period FY 2012/13 to FY 2016/17.

Figure 4.11 Budgetary Allocation Trend for the GJLOS Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues amounting to Kshs.28.7 billion, representing 14.8 per cent of the Sectors' annual net estimates. This amount was for recurrent expenditure only and represented 17.4 per cent of the annual net recurrent estimates. Table 4.6 shows the GJLOS Sector's analysis of exchequer issues and expenditure in the first quarter of FY 2016/17.

Table 4.6 GJLOS Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

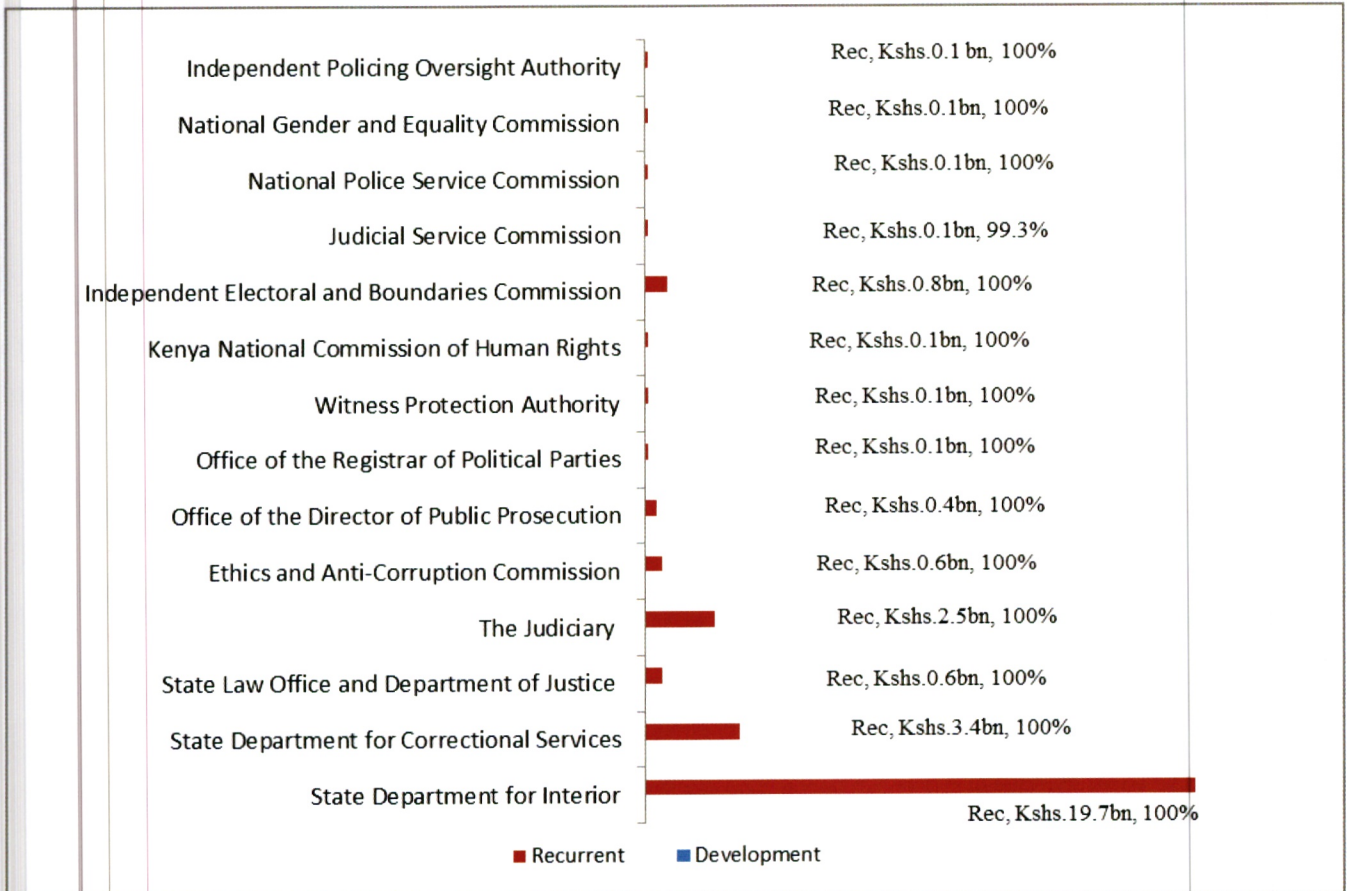
VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Interior	22.9	22.7	-	0.2	-	0.7	102.9	102.5	19.7	13.5	19.2	13.1
State Department for Correctional Services	1.1	1.1	-	-	-	-	19.2	19.2	3.4	3.3	17.9	18.6
State Law Office and Department of Justice	0.4	0.1	-	-	-	-	4.0	3.6	0.6	0.7	17.0	17.3
The Judiciary	4.4	4.4	-	0.4	-	8.3	12.9	12.9	2.5	2.7	19.5	20.9
Ethics & Anti-Corruption Commission	0.1	0.1	-	-	-	-	2.7	2.7	0.6	0.5	23.6	17.8
Office of the Director of Public Prosecutions	0.1	0.1	-	-	-	-	2.1	2.1	0.4	0.4	16.5	17.4
Office of the Registrar of Political Parties	-	-	-	-	-	-	0.8	0.8	0.1	0.1	14.9	14.5
Witness Protection Agency	-	-	-	-	-	-	0.4	0.4	0.1	0.1	28.0	28.3
Kenya National Commission on Human Rights	-	-	-	-	-	-	0.4	0.4	0.1	0.1	19.8	24.2
Independent Electoral and Boundaries Commission	0.8	0.1	-	-	-	-	18.6	18.6	0.8	0.6	4.1	3.2
Judicial Service Commission	-	-	-	-	-	-	0.5	0.5	0.1	0.04	14.8	9.1
National Police Service Commission	-	-	-	-	-	-	0.4	0.4	0.1	0.1	15.1	13.6
National Gender & Equality Commission	-	-	-	-	-	-	0.4	0.4	0.1	0.1	20.2	21.6
Independent Policing Oversight Authority	-	-	-	-	-	-	0.5	0.5	0.1	0.1	19.2	25.6
Total	29.7	28.5	-	0.5	-	1.8	165.8	165.0	28.7	22.5	17.4	13.6
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							29.7	28.5	-	0.5	-	1.8
Recurrent							165.8	165.0	28.7	22.5	17.4	13.6
Total							195.5	193.5	28.7	23.1	14.8	11.8

Source: MDAs and National Treasury

The Witness Protection Agency received the highest proportion of recurrent exchequer issues to recurrent net estimates at 28.0 per cent while the Independent Electoral and Boundaries Commission received the least at 4.1 per cent.

Figure 4.12 shows the exchequer issues to the GJLOS Sector in the first quarter of FY 2016/17.

Figure 4.12 Exchequer Issues to the GJLOS Sector for the First Quarter of FY 2016/17 (Kshs. Billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.23.1 billion, representing 11.8 per cent of the annual gross estimates, a marginal increase compared to 10.9 per cent recorded in the same period of FY 2015/16. The expenditure consisted of Kshs.0.5 billion incurred on development expenditure, representing an absorption rate of 1.8 per cent, a decline from 2.9 per cent recorded in the same period of FY 2015/16 and Kshs.22.5 billion on recurrent expenditure, representing 13.6 per cent of the recurrent estimates, an increase compared to 12.1 per cent (Kshs.16.2 billion) reported in the same period of FY 2015/16.

The Judiciary recorded the highest absorption of development budget at 8.3 per cent (Kshs.0.4 billion) followed by the State Department for Interior at 0.7 per cent (Kshs.0.2 billion). The Witness Protection Agency recorded the highest percentage of recurrent expenditure to the annual recurrent estimates at 28.3 per cent while the Independent Electoral and Boundaries Commission had the lowest at 3.2 per cent.

4.8 Health Sector

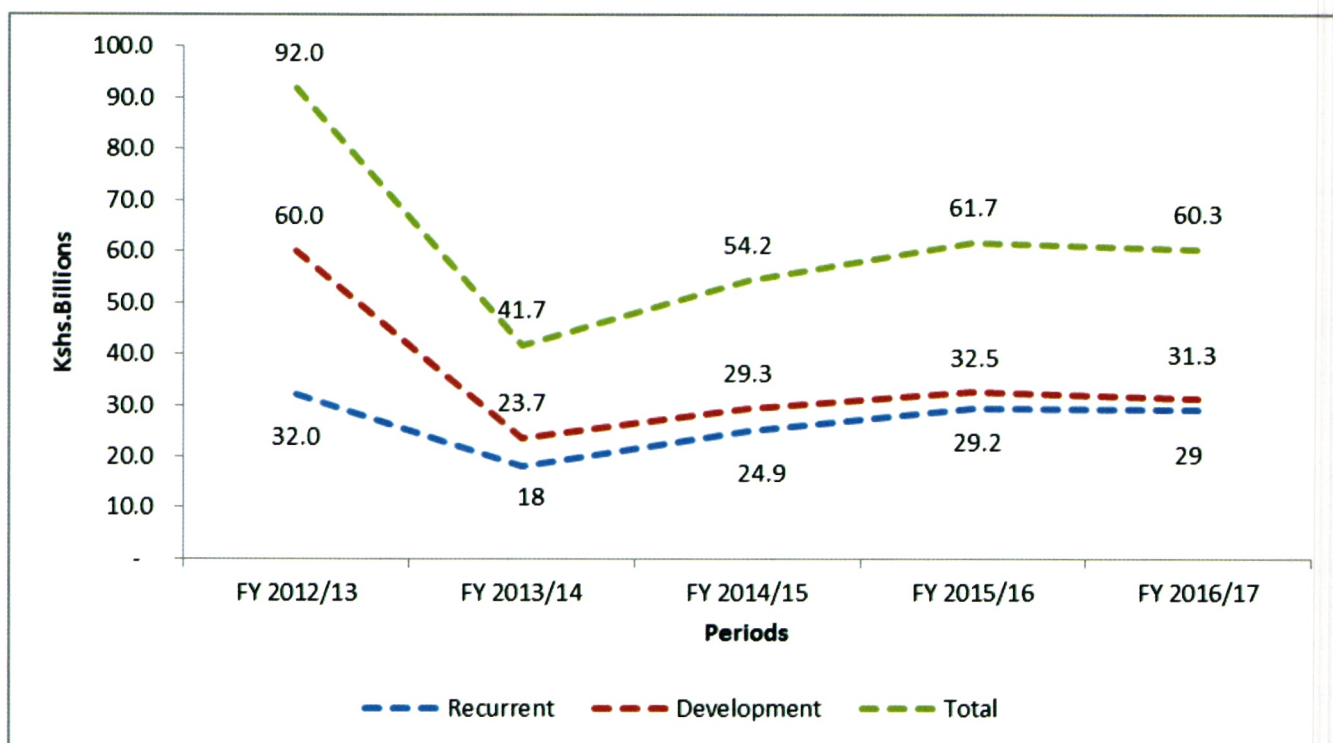
The Health Sector consists of the Ministry of Health and seven Semi-Autonomous Government Agencies (SAGAs) namely; Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital (MTRH), Kenya Medical Research Institute (KEMRI), Kenya Medical Supplies Authority (KEMSA), Kenya Medical Training College (KMTTC), the National AIDS Control Council (NACC), and the National Health Insurance Fund (NHIF).

The mandates of the national health Sector include referral facilities, policy formulation, capacity building, regulation and technical support, while service delivery is assigned to the County Governments. The County Governments are responsible for; County health facilities and pharmacies, ambulance services, promotion of primary health care, licensing and control of undertakings that sell food to the public, veterinary services (excluding regulation of the profession), cemeteries, funeral parlors and crematoria, and, refuse removal, refuse dumps and solid waste disposal.

The annual budgetary allocation to the Sector in FY 2016/17 was Kshs.60.3 billion representing 2 per cent of gross national budget, a slight decline from Kshs.61.7 billion allocated in FY 2015/16. The allocation comprised of Kshs.31.3 billion (51.9 per cent) for development expenditure and Kshs.29.0 billion (48.1 per cent) for recurrent expenditure.

Figure 4.13 below shows the budgetary allocation trend for the Health Sector for the period FY 2012/13 to FY 2016/17.

Figure 4.13 Budgetary Allocation Trend for the Health Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues amounting to Kshs.7.5 billion, representing 16.4 per cent of the Sectors' annual net estimates. This amount comprised of Kshs.1.9 billion for development expenditure, representing 9.1 per cent of the annual net development estimates and Kshs.5.6 billion for recurrent expenditure representing 22.4 per cent of the annual net recurrent estimates. Table 4.7 shows analysis of exchequer issues and expenditure incurred by the Health Sector in the first quarter of FY 2016/17.

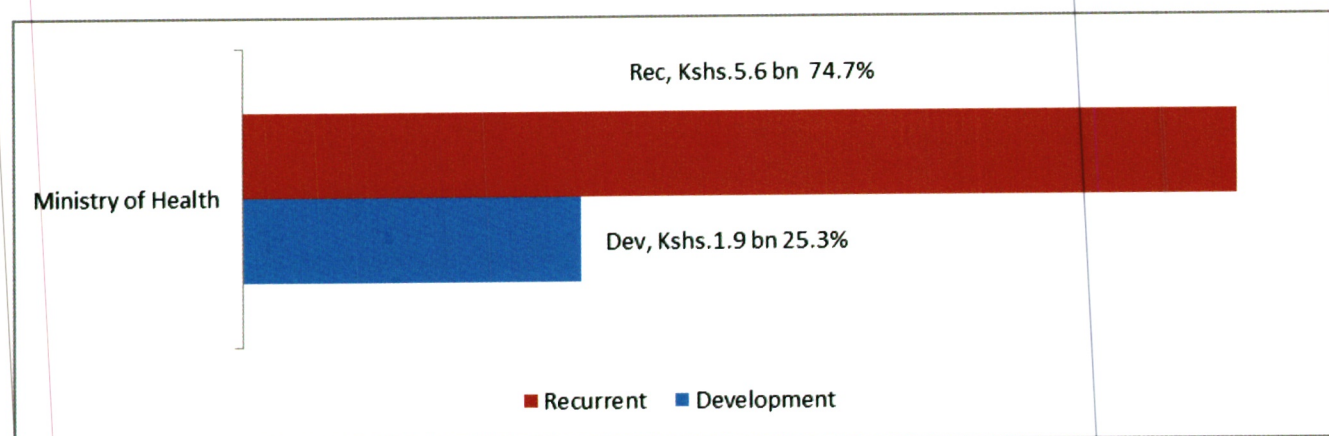
Table 4.7: Health Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Health	31.3	20.8	1.9	2.0	9.1	6.3	29.0	25.0	5.6	4.6	22.4	15.9
Total	31.3	20.8	1.9	2.0	9.1	6.3	29.0	25.0	5.6	4.6	22.4	15.9
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							31.3	20.8	1.9	2.0	9.1	6.3
Recurrent							29.0	25.0	5.6	4.6	22.4	15.9
Total							60.3	45.8	7.5	6.6	16.4	10.9

Source: MDAs and National Treasury

Figure 4.14 shows the exchequer issues to Health Sector in the first quarter of FY 2016/17.

Figure 4.14 Exchequer Issues to the Health Sector for the First Quarter of FY 2016/17 (Kshs. Billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.6.6 billion, representing 10.9 per cent of the annual gross estimates, a decline compared to 17.4 per cent (Kshs.10.3 billion) recorded in the same period of FY 2015/16. The expenditure consisted of Kshs.1.9 billion on development activities, representing an absorption rate of 6.3 per cent, a decrease from 13.7 per cent recorded in the same period of FY 2015/16 and Kshs.4.6 billion on the recurrent expenditure, representing 15.9 per cent of the gross recurrent estimates, recording a decline compared to 21.4 per cent (Kshs.6.1 billion) reported in the same period of FY 2015/16.

4.9 Public Administration and International Relations (PAIR) Sector

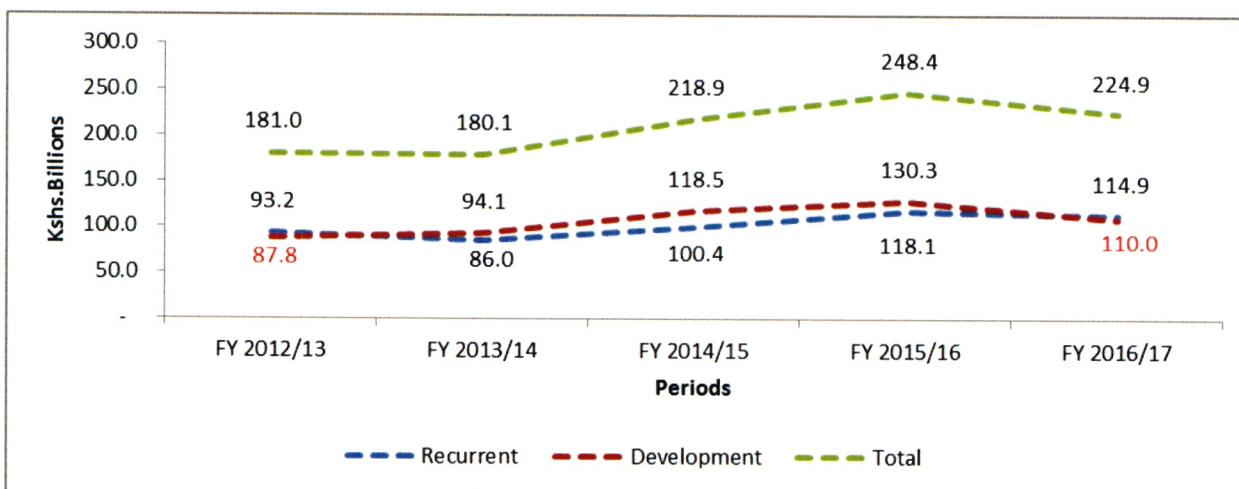
The Public Administration and International Relations Sector (PAIR) consists of 14 MDAs namely; The Presidency, the State Department for Planning and Statistics, the State Department for Devolution, Ministry of Foreign Affairs, The National Treasury, the State Department for Public Service and Youth Affairs, Parliamentary Service Commission, the National Assembly, the Commission on Revenue Allocation, the Public Service Commission, the Salaries and Remuneration Commission, the Office of Auditor General, the Office of Controller of Budget, and the Commission on Administrative Justice.

The Sector provides overall policy and leadership direction to the country, oversees national legislation as well as the human resource function in the public service. It further coordinates national policy formulation, implementation, and, monitoring and evaluation. Other key mandates undertaken by the Sector include resource mobilization and management, implementation of foreign policy, and provision oversight on use of public resources, and delivery of other services.

The annual budgetary allocation to the Sector in FY 2016/17 was Kshs.224.9 billion representing 9 per cent of gross national budget, a decrease from Kshs.248.5 billion allocated in FY 2015/16. The allocation comprised of Kshs.110 billion (49 per cent) for development expenditure and Kshs.114.9 billion (51 per cent) for recurrent expenditure. The National Treasury received the highest budgetary allocation of Kshs.82.3 billion (37 per cent of the Sector's allocation), while the Commission on Revenue Allocation (CRA) had the lowest at Kshs.0.4 billion (0.3 per cent of the Sector's allocation).

Figure 4.15 below shows the budgetary allocation trend for the PAIR Sector for the period FY 2012/13 to FY 2016/17

Figure 4.15 Budgetary Allocation Trend for the PAIR Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury



In the first quarter of FY 2016/17, the Sector received exchequer issues of Kshs.39.4 billion, representing 19.4 per cent of the Sectors' annual net estimates. This comprised of Kshs.13.1 billion for development expenditure, representing 14.6 per cent of the annual net development estimates and Kshs.26.3 billion for recurrent expenditure, representing 23.1 per cent of the annual net recurrent estimates. Table 4.8 shows PAIR Sector analysis of exchequer issues and expenditure in the first quarter of FY 2016/17.

Table 4.8 PAIR Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

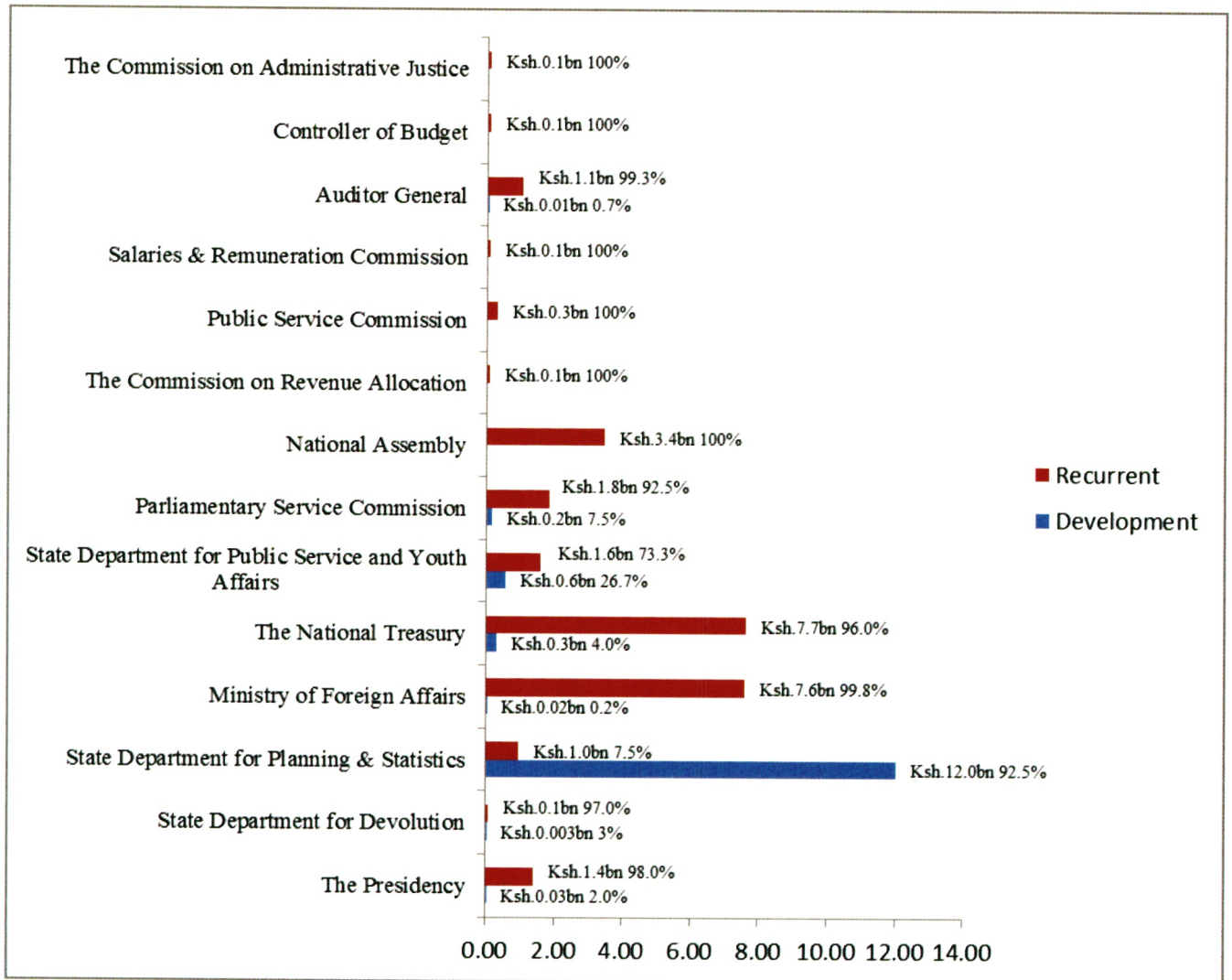
VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
The Presidency	0.5	0.5	0.03	0.04	5.8	7.8	7.9	7.9	1.4	1.1	17.7	13.7
State Department for Devolution	2.4	2.3	0.003	0.005	0.1	0.2	0.6	0.6	0.1	0.1	16.4	16.1
State Department for Planning & Statistics	41.5	40.1	12.0	13.7	30.0	33.0	4.7	4.4	1.0	1.0	22.2	21.0
Ministry of Foreign Affairs and International Trade	3.0	3.0	0.02	-	0.5	-	17.2	17.0	7.6	7.5	44.6	43.5
The National Treasury	45.5	26.7	0.3	0.2	1.2	0.4	36.7	36.7	7.7	7.1	20.8	19.3
State Department for Public Service and Youth Affairs	12.6	12.6	0.6	0.2	4.6	1.6	13.0	12.9	1.6	1.4	12.4	11.1
Parliamentary Service Commission	4.2	4.2	0.2	0.2	3.6	4.3	10.4	10.4	1.8	1.9	17.8	18.0
National Assembly	-	-	-	-	-	-	16.9	16.9	3.4	3.1	20.3	18.3
The Commission on Revenue Allocation	-	-	-	-	-	-	0.4	0.4	0.1	0.1	20.4	16.0
Public Service Commission	-	-	-	-	-	-	1.2	1.2	0.3	0.3	24.8	26.8
Salaries & Remuneration Commission	-	-	-	-	-	-	0.5	0.5	0.1	0.1	18.0	16.1
Auditor General	0.2	0.2	0.01	0.01	3.6	3.2	4.2	4.0	1.1	1.1	26.3	26.1
Controller of Budget	-	-	-	-	-	-	0.6	0.6	0.1	0.1	14.3	13.0
The Commission on Administrative Justice	-	-	-	-	-	-	0.5	0.5	0.1	0.1	21.5	18.5
Total	110.0	89.6	13.1	14.3	14.6	13.0	114.9	114.1	26.3	24.9	23.1	20.5
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							110.0	89.6	13.1	14.3	14.6	13.0
Recurrent							114.9	114.1	26.3	24.9	23.1	21.7
Total							224.9	203.7	39.4	39.2	19.4	17.4

Source: MDAs and National Treasury

During the period under review, the State Department for Planning and Statistics received the highest proportion of development exchequer issues to its annual net development estimates at 30.0 per cent while the State Department for Devolution received the lowest at 0.1 per cent. The Ministry of Foreign Affairs and International Trade received the highest proportion of recurrent exchequer issues to its annual net recurrent estimates at 44.6 per cent while the State Department for Public Service and Youth Affairs received the lowest at 12.4 per cent.

Figure 4.16 shows the exchequer issues to the PAIR Sector in the first quarter of FY 2016/17.

Figure 4.16 Exchequer Issues to the PAIR Sector for the First Quarter of FY 2016/17 (Kshs. billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.39.2 billion, representing 17.4 per cent of the annual gross estimates, an increase compared to 15.2 per cent (Kshs.37.0 billion) recorded in the same period of FY 2015/16. The expenditure consisted of Kshs.14.3 billion for development activities, representing an absorption rate of 13.0 per cent, a slight decline from 13.1 per cent recorded in the same period of FY 2015/16 and Kshs.24.9 billion in the recurrent expenditure, representing 21.7 per cent of the recurrent estimates, recording an increase compared to 17.3 per cent (Kshs.20.0 billion) reported in the same period of FY 2015/16.

State Department for Planning and Statistics recorded the highest absorption of development budget at 33.0 per cent while the Ministry of Foreign Affairs and International Trade did not incur any expenditure on development activities, among the MDAs with development expenditure allocation. The Ministry of Foreign Affairs recorded the highest percentage of recurrent expenditure to annual gross recurrent estimates at 43.5 per cent while the State Department for Public Service and Youth had the lowest at 11.1 per cent.

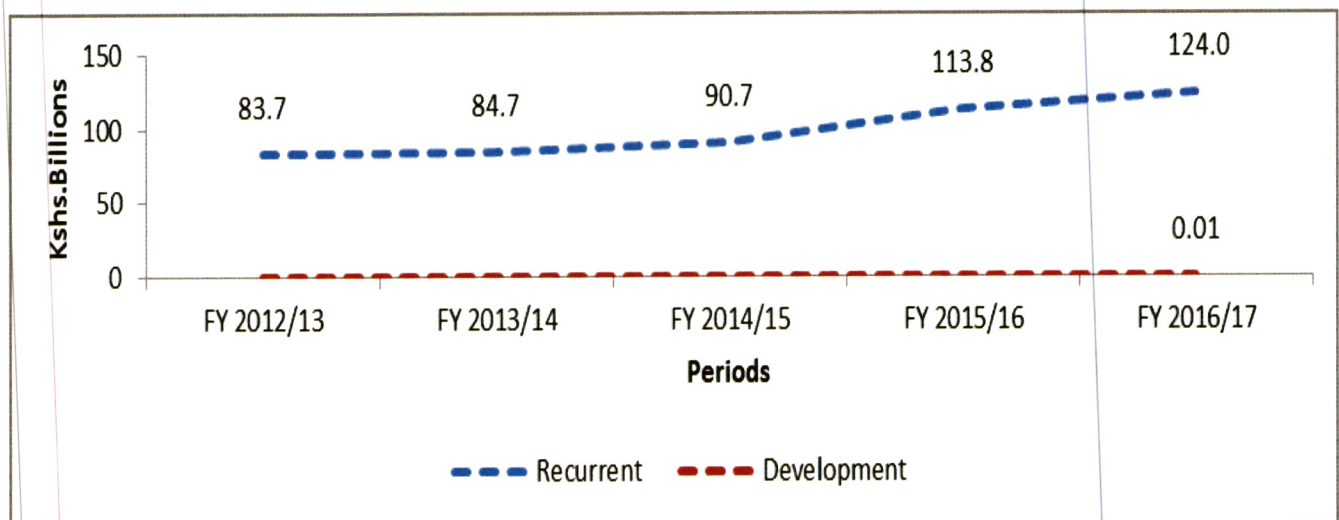
4.10 National Security Sector

The Sector consists of the Ministry of Defence and the National Intelligence Services (NIS). The mandate of this Sector is to ensure security of the country against any threats emanating from within or outside the Kenyan borders, defend the country, and provide support to civil power in maintaining peace and order.

The annual budgetary allocation to the Sector in the FY 2016/17 was Kshs.124.0 billion representing 5 per cent of gross national budget, an increase from Kshs.113.8 billion allocated in FY 2015/16. The allocation comprised of Kshs.45 million (0.1 per cent) for development expenditure and Kshs.124.0 billion (99.9 per cent) for recurrent expenditure. Ministry of Defence received the highest budgetary allocation of Kshs.98.7 billion (80 per cent of the Sector's allocation), while National Intelligence (NIS) received Kshs.25.3 billion (20 per cent of the Sector's allocation).

Figure 4.17 below shows the budgetary allocation trend for the National Security Sector for the period FY 2012/13 to FY 2016/17.

Figure 4.17 Budgetary Allocation Trend for the National Security Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues of Kshs.24.5 billion representing 19.8 per cent of the Sectors' annual net estimates. The Ministry of Defence received recurrent exchequer issues amounting to Kshs.18.4 billion, representing 18.7 per cent of its annual net recurrent estimates. The National Intelligence Services (NIS) received exchequer issues amounting to Kshs.6.1 billion which represented to 24.2 per cent of its net recurrent estimates. Table 4.9 shows the National Security Sector analysis of exchequer issues and expenditure

in the first quarter of FY 2016/17.

Table 4.9: National Security Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Ministry of Defence	0.05	-	-	-	-	-	98.7	98.7	18.4	19.3	18.7	19.6
National Intelligence Service	-	-	-	-	-	-	25.3	25.3	6.1	6.5	24.2	25.5
Total	0.05						124.0	124.0	24.5	25.8	19.8	20.8
Total for the Sector							Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							0.05	-	-	-	-	-
Recurrent							124.0	124.0	24.5	25.8	19.8	20.8
Total							124.1	124.0	24.5	25.8	19.8	20.8

Source: MDAs and National Treasury

The total recurrent expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.25.8 billion, representing 20.8 per cent of the annual gross estimates, an increase compared to 22.4 per cent (Kshs.25.2 billion) recorded in the same period of FY 2015/16. The expenditure for the Ministry of Defence amounted to Kshs.19.3 billion, representing 19.6 per cent of the recurrent estimates, a decline compared to 22.8 per cent (Kshs.21.0 billion) reported in the same period of FY 2015/16. The National Intelligence Service incurred an expenditure of Kshs.6.5 billion, representing 25.5 per cent of its annual recurrent estimates, an increase compared to 20.9 per cent (Kshs.4.2 billion) reported in the same period of FY 2015/16.

4.11 Social Protection, Culture and Recreation Sector

The Social Protection, Culture and Recreation Sector comprise of five MDAs namely; the State Departments for Sports Development, Arts and Culture, Labour, Social Protection, Special Programmes, and, Gender Affairs. The Sector plays a major role in the Country's transformation by promotion and exploitation of Kenya's diverse cultures and arts; enhancing a reading culture; regulation, development and promotion of sports, the film industry and music; and preservation of the country's heritage. It also promotes harmonious industrial relations, safety and health at workplaces, employment promotion, industrial training, regulation of trade unions, productivity

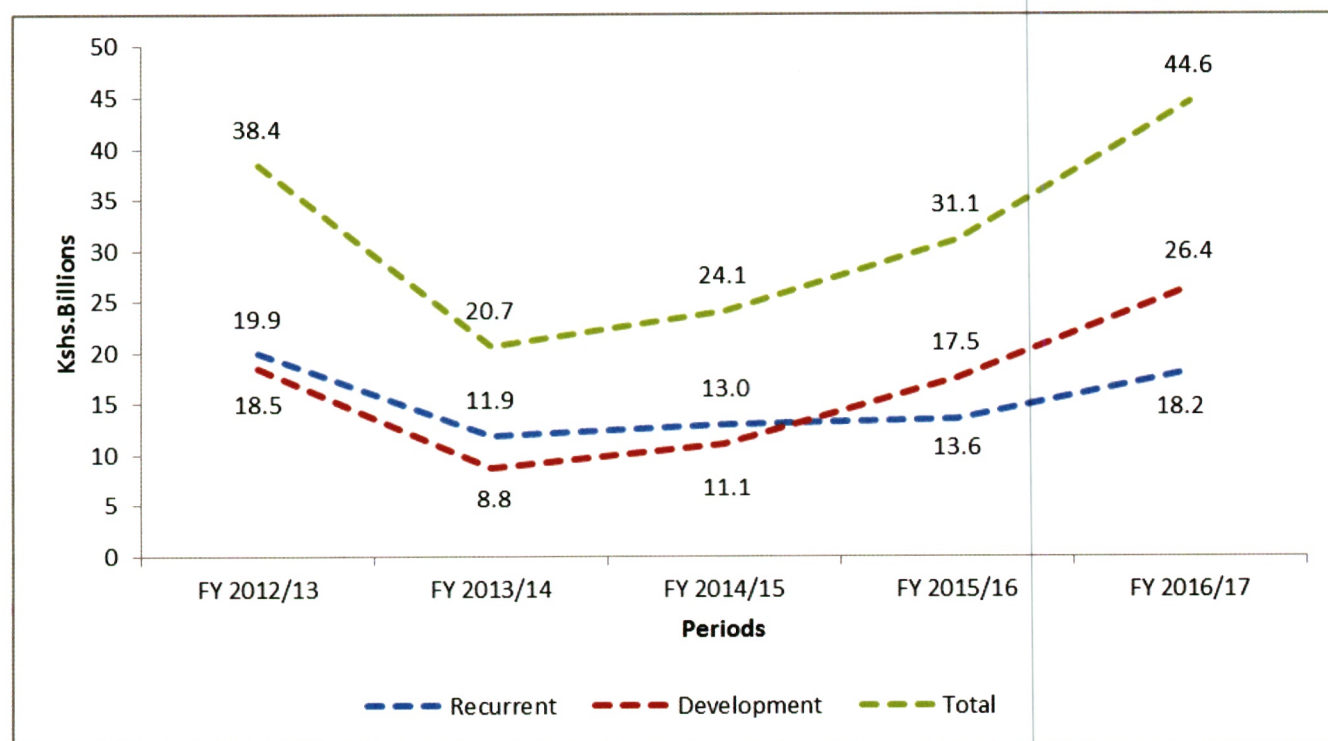


improvement, manpower planning and development, social security, social assistance, children care and protection and vocational training for Persons Living With Disability (PLWDs) and development of community groups.

The annual budgetary allocation to the Sector in the FY 2016/17 was Kshs.44.6 billion, representing 2 per cent of gross national budget, an increase from Kshs.31.2 billion allocated in FY 2015/16. The allocation comprised of Kshs.26.4 billion (59 per cent) for development expenditure and Kshs.18.2 billion (41 per cent) for recurrent expenditure. The State Department for Social Protection received the highest budgetary allocation of Kshs.22.9 billion (51 per cent of the Sector's allocation), while State Department for Labour had the lowest budgetary allocation of Kshs.1.8 billion (4 per cent of the Sector's allocation).

Figure 4.18 below shows the budgetary allocation trend for the Social Protection, Culture Recreation Sector for the period FY 2012/13 to FY 2016/17.

Figure 4.18 Budgetary Allocation Trend for the Social Protection, Culture Recreation Sector from FY 2012/13 to FY 2016/17 (Kshs. Billion)



Source: National Treasury

In the first quarter of FY 2016/17, the Sector received exchequer issues amounting to Kshs.3.2 billion, representing 7.5 per cent of the Sectors' annual net estimates. This amount comprised of Kshs.0.7 billion for development expenditure, representing 2.7 per cent of the annual development net estimates and Kshs.2.5 billion for recurrent expenditure, representing 13.9 per cent of the recurrent annual net estimates. Table 4.10 shows an analysis of exchequer issues and expenditure incurred by the Social Protection, Culture Recreation Sector in the first quarter of FY 2016/17.

Table 4.10 Social Protection, Culture Recreation Sector-Analysis of Exchequer Issues and Expenditure for the period July to September, 2016. (Kshs. Billions)

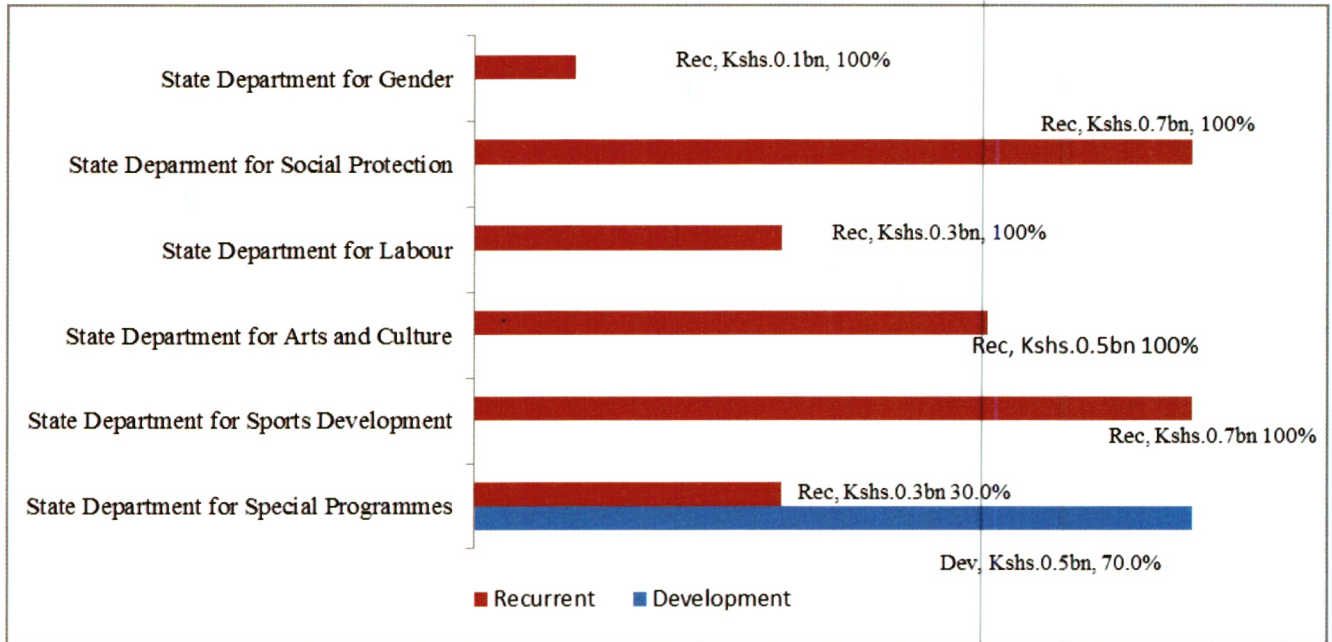
VOTE	Development						Recurrent					
	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.	Gross Est.	Net Est.	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
State Department for Special Programmes	5.1	2.7	0.7	0.7	24.4	12.8	1.4	1.4	0.3	0.2	19.3	17.7
State Department for Sports Development	1.6	1.6	-	-	-	-	3.6	3.6	0.7	0.7	19.8	21.4
State Department for Arts and Culture	1.0	1.0	-	-	-	-	2.7	2.6	0.5	0.5	20.4	19.0
State Department for Labour	0.5	0.5	-	-	-	-	1.3	1.3	0.3	0.02	20.1	1.7
State Department for Social Protection	14.8	14.8	-	2.7	-	18.3	8.1	8.1	0.7	0.5	8.1	6.1
State Department for Gender	3.5	3.5	-	0.1	-	2.3	1.1	1.1	0.1	0.1	7.4	9.4
Total	26.4	24.0	0.7	3.4	2.7	13.0	18.2	18.1	2.5	2.1	13.9	11.4
Total for the Sector							Gross Est	Net Est	Exch. Issues	Exp.	% of Exch. to Net Est.	% of Exp. to G. Est.
Development							26.4	24.0	0.7	3.4	2.7	13.0
Recurrent							18.2	18.1	2.5	2.2	13.9	12.0
Total							44.6	42.1	3.2	5.6	7.5	12.6

Source: MDAs and National Treasury

The State Department for Special Programmes received the highest proportion of development exchequer issues to net development estimates at 24.4 per cent while the other State Departments did not receive any exchequer issues for development expenditure. The State Department for Arts and Culture received the highest proportion of recurrent exchequer issues to annual net recurrent estimates at 20.4 per cent while the State Department for Gender received the least at 7.4 per cent.

Figure 4.19 shows the exchequer issues to the Social Protection, Culture Recreation Sector in the first quarter of FY 2016/17.

Figure 4.19 Exchequer Issues to the Social Protection, Culture Recreation Sector for the First Quarter of FY 2016/17 (Kshs. Billions)



Source: National Treasury

The total expenditure for the Sector during the first quarter of FY 2016/17 amounted to Kshs.5.6 billion, representing 12.6 per cent of the annual gross estimates, and a decline compared from 15.9 per cent recorded in the same period of FY 2015/16. This expenditure consisted of Kshs.3.4 billion for development expenditure, representing an absorption rate of 13.0 per cent, and an increase from 8.9 per cent recorded in the same period of FY 2015/16 and Kshs.2.2 billion on recurrent items, representing 12.0 per cent of the annual recurrent estimates, representing a decline compared to 26.8 per cent (Kshs.3.3 billion) reported in the same period FY 2016/17.

The State Department for Social Protection recorded the highest absorption of development budget at 18.3 per cent (Kshs.2.7 billion), while the State Department for Gender recorded the lowest at 2.3 per cent among the MDAs with development expenditure allocation. The State Department for Sports Development recorded the highest percentage of recurrent expenditure to annual recurrent estimates at 21.4 per cent while the State Department for Labour had the lowest at 1.7 per cent.

5 BUDGET PERFORMANCE BY PROGRAMMES, FIRST QUARTER OF FY 2016/17

5.1 Introduction

This chapter presents analysis of MDAs budget performance based on programmes to be implemented in FY 2016/17. The chapter also provides detailed information on how funds were allocated to the various programmes within the ministries/departments for both development and recurrent expenditure. It presents the implementation status of programmes under each MDA. The Sectors are presented in an alphabetical order.

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

The analysis of Agricultural, Rural and Urban Development Sector programmes for the period under the review is presented in table 5.1.

Table 5.1 AR & UD Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est	Total Gross Est.	Dev. Exp	Rec. Exp	Total Exp	Programme Absorption Rate (%)
Ministry of Land and Physical Planning	Land Policy and Planning	3.8	2.2	6.0	0.1	0.48	0.5	8.9
State Department for Agriculture	General Administration Planning and Support Services	0.9	2.6	3.4	0.2	0.73	0.9	26.7
	Crop Development and Management	10.9	5.8	16.7	1.9	1.56	3.5	20.8
	Agribusiness and Information Management	0.9	0.2	1.1	-	0.06	0.1	5.2
State Department for Livestock	Livestock Resources Management and Development	11.7	1.9	13.6	-	0.23	0.2	1.7
State Department for Fisheries and the Blue Economy	Fisheries Development and Management	2.5	1.7	4.2	0.5	0.32	0.8	19.1
National Land Commission	Land Administration and Management	-	0.2	0.2	-	0.04	0.04	24.9
	General Administration Planning and Support Services	-	1.1	1.1	-	0.18	0.2	16.2
	Land Disputes and Conflict Resolutions	-	0.1	0.1	-	0.02	0.02	10.8
	National Land Information Management System	-	0.04	0.04	-	0.01	0.01	24.3
Total		30.8	15.8	46.5	2.6	3.6	6.3	13.6

Source: MDAs and National Treasury

In the FY 2016/17, the AR&UD Sector was allocated Kshs.46.5 billion comprising of Kshs.30.8 billion (66 per cent) for development activities and Kshs.15.8 billion (34 per cent) for recurrent expenditure to fund 10 programmes.

The Crop Development and Management Programme under the State Department for Agriculture received the

highest budgetary allocation at Kshs.16.7 billion, which accounted for 35.9 per cent of the total budgetary allocation to the Sector while the National Land Information Management System under the National Land Commission received the lowest at Kshs.0.04 billion, which accounted for 0.1 per cent of the total budgetary allocation to the Sector.

The total expenditure for the programmes in the Sector during the first quarter of FY 2016/17 amounted to Kshs.6.3 billion representing 13.6 per cent of the annual gross estimates. This expenditure comprised of Kshs.2.6 billion for development expenditure, accounting for 8.3 per cent of annual gross budget for the development programmes, and Kshs.3.6 billion on recurrent expenditure, representing 23.9 per cent of the annual gross budget for recurrent programmes. Analysis by programme performance shows that the General Administration Planning and Support Services programme under the State Department for Agriculture recorded the highest proportion of programme expenditure to its annual budget estimates at 26.7 per cent while the Livestock Resources Management and Development programme under the State Department for Livestock recorded the lowest proportion at 1.7 per cent.

5.3 Education Sector

The analysis of Education Sector programmes for the period under the review is presented in table 5.2.

Table 5.2 Education Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. billions)

VOTE	Programme	Dev. Est.	Rec. Est.	Total Gross Est.	Dev. Exp	Rec. Exp	Total Exp	Programme Absorption Rate (%)
State Department for Basic Education	Primary Education	6.0	17.1	23.0	0.1	3.5	9.4	15.4
	Secondary Education	1.6	33.2	34.9	-	8.9	8.9	25.4
	Quality Assurance and Standards	0.4	4.1	4.5	-	0.4	0.4	7.9
	General Administration, Planning and Support Services	0.4	4.4	4.8	-	0.1	0.1	2.3
State Department for Vocational Training and Technical Training	Technical Vocational Education And Training	4.1	2.3	6.4	0.3	0.5	0.8	12.3
	Youth Training and Development	0.1	-	0.1	0.003	-	0.003	3.1
	General administration, Planning and Support Services	-	0.1	0.1	-	0.005	0.005	10.3
State Department for University Education	University Education	11.4	56.5	68.0	0.8	11.4	12.2	17.9
	Research, Science, Technology and innovation	0.04	3.4	3.5	-	0.1	0.1	2.4
	General Administration, Planning and support services	-	0.7	0.7	-	0.1	0.1	10.5
Teachers Service Commission	Teacher Resource Management	-	187.9	187.9	-	44.4	44.4	23.6
	Governance and Standards	-	0.1	0.1	-	0.01	0.01	15.9
	General Administration, Planning and Support Services	0.1	6.1	6.2	-	1.1	1.1	17.6
Total		24.2	315.7	339.9	1.1	70.4	71.5	21.0

Source: MDAs and National Treasury

The Education Sector was allocated Kshs.339.9 billion comprising of Kshs.24.2 billion (7 per cent) for development programmes and Kshs.315.7 billion (93 per cent) for recurrent programmes for the FY 2016/17 to fund 13 programmes.

The Teacher Resource Management programme under the Teacher Service Commission received the highest budgetary allocation of Kshs.187.9 billion (55.3 per cent of the total budget allocation for the Sector), while the General Administration, Planning and Support Services programme for State Department for Vocational Training and Technical Training received the lowest allocation at Kshs.50.0 million (less than 1 per cent of the total budget allocation for the Sector).

The total expenditure for the programmes in the Sector during the reporting period amounted to Kshs.71.5 billion representing an absorption rate of 21.0 per cent. This expenditure comprised of Kshs.70.4 billion as recurrent expenditure, which represented 22.3 per cent of the annual budget estimates for recurrent programmes while development expenditure amounted to Kshs.1.1 billion, accounting for an absorption rate of 4.7 per cent of annual budget estimates for the Sector's development programmes.

Analysis of the programme performance shows that, the Secondary Education programme under the State Department for Basic Education and Research recorded the highest proportion of programme expenditure to annual gross budget at 25.4 per cent, while the General Administration, Planning and Support Services programme under the State Department for Basic Education recorded the lowest at 2.3 per cent.

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

The analysis of the Energy, Infrastructure and Information Communications Technology Sector's programmes for the period under the review is presented in table 5.3.

Table 5.3 EI & ICT Sector's Programme Performance in the First Quarter of FY 2016/17
(Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est.	Total Gross Est.	Dev. Exp.	Rec. Exp.	Total Exp.	Programme Absorption Rate (%)
State Department of Transport	General Administration, Planning and Support Services	0.4	0.3	0.7	-	0.1	0.1	9.3
	Rail Transport	156.3	0.2	156.5	32.0	-	32.0	20.4
	Marine Transport	16.7	0.4	17.1	0.03	0.2	0.2	1.0
	Air Transport	2.1	4.4	6.5	0.5	1.3	1.8	27.1
	Road Safety	0.3	0.4	0.7	-	0.1	0.1	14.6
State Department of Infrastructure	Road Transport	147.7	29.0	176.8	10.0	2.4	12.4	7.0
State Department for Maritime & Shipping Affairs	Marine Transport	-	0.2	0.2	-	0.01	0.01	5.9
State Department for Public Works	Government Buildings	1.9	0.4	2.3	0.0	0.1	0.1	2.3
	Coastline Infrastructure and Pedestrian Access	0.2	0.1	0.3	-	0.02	0.02	6.1
	General Administration, Planning and Support Services	-	0.4	0.4	-	0.04	0.04	11.0
State Department for Housing & Urban Development	Housing Development and Human Settlement	7.3	0.5	7.8	1.3	0.1	1.4	17.8
	Urban and Metropolitan Development	12.0	0.3	12.3	1.8	0.03	1.9	15.1
	General Administration, Planning and Support Services	-	0.1	0.1	-	0.004	0.004	4.0
State Department for Information Communications & Technology Innovation	General Administration Planning and Support Services	-	0.3	0.3	-	0.03	0.03	8.8
	ICT Infrastructure Development	22.3	0.1	22.4	7.2	0.1	7.2	32.3
	E-Government Services	-	0.5	0.5	-	0.1	0.1	11.1
State Department for Broadcasting & Telecommunications	General Administration Planning and Support Services	-	0.3	0.3	-	0.04	0.04	12.2
	Information and Communication Services	0.4	1.6	2.0	0.2	0.2	0.4	22.1
	Mass Media Skills Development	0.2	0.2	0.4	0.1	0.05	0.1	26.0
State Department for Energy	General Administration Planning and Support Services	0.1	0.3	0.5	0.002	0.005	0.008	1.7
	Power Generation	21.5	0.8	22.3	2.6	0.2	2.8	12.4
	Power Transmission and Distribution	92.7	0.8	93.5	7.8	0.2	8.0	8.6
	Alternative Energy Technologies	0.9	0.2	1.1	0.2	0.0001	0.2	0.0
State Department for Petroleum	Exploration and Distribution of Oil and Gas	4.2	0.1	4.3	0.02	0.001	0.02	0.4
Total		487.2	41.9	529.2	63.5	5.1	68.6	13.0

Source: MDAs and National Treasury

In FY 2016/17, the EI & ICT Sector was allocated Kshs.529.2 billion to implement 24 programmes. This allocation comprised of Kshs. 487.2 billion (92 per cent) for development expenditure and Kshs.41.9 billion (8 per cent) for recurrent expenditure.

The Road Transport programme under the State Department for Infrastructure had the highest allocation of Kshs.176.8 billion (33.4 per cent of the total budget allocation for the Sector), while the General Administration, Planning and Support Services programme under the State Department for Housing and Urban Planning had the lowest allocation of Kshs.0.1 billion (less than 1 per cent of the total budget allocation for the Sector).

The total expenditure for the Sector's programmes in the first quarter of FY 2016/17 amounted to Kshs.68.6 billion representing 13.0 per cent of the annual gross estimates. It comprised of Kshs.5.1 billion as recurrent expenditure which accounted for 12.1 per cent of the annual budget estimates for recurrent programmes in the Sector while development expenditure amounted to Kshs.63.5 billion, representing an absorption rate of 13.0 per cent of the annual budget estimates for the Sector's development programmes.

Analysis of the programme performance shows that, the ICT Infrastructure Development programme under the State Department for Information Communication and Technology Innovation registered the highest proportion of expenditure to its annual budget estimates at 32.3 per cent while the Alternative Energy Technologies programme under the State Department for Energy had the lowest of less than 1 per cent of the annual allocation.

5.5 Environment Protection, Water and Natural Resources Sector

The analysis of Environment Protection, Water and Natural Resources Sector programmes for the period under the review is presented in table 5.4.

Table 5.4: Environment Protection, Water and Natural Resources Sector's Programme in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Rec. Est.	Dev. Est	Total Gross Est.	Dev. Exp.	Rec. Exp	Total Exp	Programme Absorption Rate (%)
State Department for Water Services	General Administration, Planning and Support Services	0.6	0.1	0.6	0.0	0.1	0.1	23.5
	Water Resources Management	3.1	39.6	42.6	1.5	0.3	1.7	4.1
State Department for Irrigation	Irrigation and Land Reclamation	0.9	12.3	13.2	1.2	0.1	1.3	9.7
	Water Storage and Flood Control	-	5.8	5.8	0.7	-	0.7	12.0
State Department for Environment	Meteorological Services	1.1	1.1	2.2	0.0	0.2	0.2	9.2
	Environment Management and Protection	1.5	3.1	4.7	0.01	0.2	0.2	3.7
	General Administration, Planning and Support Services	0.4	-	0.4	-	0.1	0.1	12.6
State Department for Natural Resources	Natural Resource Management	11.3	3.6	14.9	0.1	3.3	3.3	22.2
Ministry of Mining	General Administration Planning and Support Services	0.3	-	0.3	-	0.0	0.0	14.6
	Resources Surveys and Remote Sensing	0.2	0.3	0.5	-	0.0	0.0	5.2
	Mineral Resources Management	0.2	3.6	3.8	0.05	0.0	0.1	2.2
Total		19.6	69.4	89.0	3.5	4.3	7.8	8.7

Source: MDAs and National Treasury

The budgetary allocation to the Sector in FY 2016/17 was Kshs.89.0 billion for implementing 11 programmes and comprised of Kshs.69.4 billion (78 per cent) for development programmes and Kshs.19.6 billion (22.0 per cent) for recurrent expenditure.

The Water Resources Management programme under the State Department for Water received the highest budgetary allocation at Kshs.42.6 billion (47.9 per cent of the total budget allocation for the Sector), while the General Administration, Planning and Support Services programme under the Ministry of Mining received the lowest budgetary allocation at Kshs.278.7 million (less than 1 per cent of the total budget allocation for the Sector).

The total expenditure for the Sector's programmes in the period July 2016 to September 2016 amounted to Kshs.7.8 billion representing an absorption rate of 8.7 per cent. This expenditure comprised of Kshs.4.3 billion in recurrent expenditure, which accounted for 21.8 per cent of the annual budget estimates for recurrent programmes while development expenditure was Kshs.3.4 billion, accounting for an absorption rate of 5.0 per cent of annual budget estimates for development programmes.

The General Administration, Planning and Support Services programme under the State Department for water services registered the highest proportion of programme expenditure to its annual budget estimates at 23.5 per cent while the Mineral Resources Management programme under the Ministry of Mining registered the lowest proportion of programme expenditure to its annual budget estimates at 2.2 per cent.

5.6 General Economic and Commercial Affairs (GECA) Sector

The analysis of General Economic and Commercial Affairs Sector programmes for the period under the review is presented in table 5.5.

Table 5.5 GECA Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est.	Total Gross Est.	Dev. Exp.	Rec. Exp.	Total Exp.	Programme Absorption Rate (%)
State Department for Industry and Investment	General Administration Planning and Support Services	0.37	0.5	0.9	-	0.1	0.1	9.3
	Industrial Development and Investments	3.80	1.2	5.0	0.8	0.2	1.0	20.8
	Standards and Business Incubation	1.20	0.9	2.1	0.2	0.2	0.5	22.7
State Department for Cooperatives	Cooperative Development and Management	0.53	3.1	3.7	-	0.0	0.0	0.0
State Department for Trade	Trade Development and Promotion	0.25	2.9	3.2	0.02	0.3	0.3	10.1
State Department for East African Integration	East African Affairs and Regional Integration	0.07	1.5	1.6	-	0.3	0.3	18.5
Ministry of Tourism	Tourism Development and Promotion	4.84	2.4	7.2	0.9	0.3	1.2	16.0
Total		11.1	12.6	23.7	1.9	1.4	3.4	14.3

Source: MDAs and National Treasury

In the FY 2016/17, the Sector was allocated Kshs.23.7 billion for implementing 7 programmes. This allocation comprised of Kshs.11.1 billion (46.7 per cent) for development programmes and Kshs.12.6 billion (53.3 per cent) for recurrent programmes. Tourism Development and Promotion programme under the Ministry of Tourism received the highest budget allocation at Kshs.7.2 billion (30.4 per cent of the total budget allocation for the Sector), while the General Administration, Planning and Support under the State Department for Industry and Investment received the lowest allocation at Kshs.0.9 billion (3.9 per cent of the total budget allocation for the Sector).

The total expenditure for the Sector's programmes in the first quarter of FY 2016/17 amounted to Kshs.3.4 billion translating to an absorption rate of 14.3 per cent. This expenditure comprised of Kshs.1.9 billion incurred on development activities, representing an absorption rate of 17.6 per cent of the total annual development budget estimates while Kshs.1.4 billion was incurred on recurrent activities, translating to 11.4 per cent of the annual recurrent budget estimates.

The Standards and Business Incubation programme under the State Department for Industry and Investment recorded the highest proportion of programme expenditure to its annual budget estimates at 22.7 per cent while Cooperative Development and Management programme under the State Department for Cooperatives recorded the lowest proportion at less than 1 per cent.

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

Analysis of the Governance, Justice, Law and Order Sector programmes for the period under the review is presented in table 5.6.

Table 5.6 GJLOS Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est	Total Gross Est.	Dev. Exp	Rec. Exp.	Total Exp	Programme Absorption Rate (%)
State Department for Interior	Policing services	12.3	78.0	90.3	-	10.3	10.3	11.4
	Planning, policy Coordination and Support Services	8.9	18.7	27.5	-	2.4	2.4	8.9
	Government Printing Services	0.1	0.8	0.9	-	0.1	0.1	7.4
	Population Management Services	1.6	5.5	7.0	0.2	0.7	0.9	12.5
	Betting Control, Licensing and Regulation Services	-	0.1	0.1	-	-	-	-
State Department for Correctional Services	Correctional services	1.0	18.9	20.0	-	3.6	3.6	18.2
	General Administration, Planning and Support Services	0.02	0.3	0.3	-	0.0	0.0	14.1
State Law Office and Department of Justice	Legal Services	0.009	1.6	1.6	-	0.3	0.3	16.7
	Governance, Legal Training And Constitutional Affairs	0.3	1.7	2.0	-	0.2	0.2	11.1
	General Administration, Planning and Support Services	0.1	0.7	0.7	-	0.2	0.2	28.2
The Judiciary	Dispensation of Justice	4.4	12.9	17.3	0.4	2.7	3.1	18.0
Ethics and Anti-Corruption Commission	Ethics and Anti-Corruption	0.1	2.7	2.8	-	0.6	0.6	20.7
Office of Director of Public Prosecutions	Public Prosecution Services	0.1	2.1	2.2	-	0.3	0.3	13.4
Office of the Registrar of Political Parties	Registration, Regulation and Funding of Political Parties	-	0.8	0.8	-	0.1	0.1	14.2
Witness Protection Agency	Witness Protection	-	0.4	0.4	-	0.1	0.1	19.3
Kenya National Commission of Human Rights	Protection and Promotion of Human Rights	-	0.4	0.4	-	0.0	0.0	9.6

Independent Electoral and Boundaries Commission	Management of Electoral Processes	0.8	18.6	19.3	-	0.6	0.6	3.1
Judicial Service Commission	Dispensation of Justice	-	0.5	0.5	-	0.0	0.0	9.1
National Police Service Commission	National Police Service Human Resource Management	-	0.4	0.4	-	0.1	0.1	15.6
National Gender and Equality Commission	Promotion of Gender Equality and Freedom from Discrimination	-	0.4	0.4	-	0.1	0.1	17.6
Independent Policing Oversight Authority	Policing Oversight Services	-	0.5	0.5	-	0.0	0.0	7.4
Total		29.7	165.8	195.5	0.6	22.5	23.1	11.8

Source: MDAs and National Treasury

The GJLOS Sector was allocated Kshs.195.5 billion in FY 2016/17 to implement 21 programmes. This allocation comprised of Kshs.29.7 billion (15.2 per cent) for development expenditure and Kshs.165.8 billion (84.8 per cent) for recurrent activities.

The Policing Services programme under the State Department for Interior received the highest allocation at Kshs.90.3 billion which accounted for 46.2 per cent of the total annual budget for the Sector while the Betting Control, Licencing and Regulation Services programme under the State Department for Interior received the lowest allocation at Kshs.57.1 million, translating to less than 1 per cent of the Sector's budget.

The total expenditure for the Sector programmes during the reporting period was Kshs.23.1 billion, comprising of Kshs.22.5 billion as recurrent expenditure, which accounted for 13.6 per cent of the total annual budget for recurrent programmes while development expenditure amounted to Kshs.0.5 billion, accounting for an absorption rate of 1.8 per cent.

Analysis of programme performance shows that the General Administration, Planning and Support Services under State Law Office and Department of Justice recorded the highest proportion of programme expenditure to annual budget estimates at 28.2 per cent while the Betting Control, Licencing and Regulation Services programme under the State Department for Interior did not report and expenditure under the period under review.

5.8 Health Sector

Table 5.7 presents an analysis of the health Sector programmes for the period July 2016 to September 2016.

Table 5.7 Health Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est.	Total Gross Est.	Dev. Exp	Rec. Exp.	Total Exp	Programme Absorption Rate (%)
Ministry of Health	Preventive, Promotive & Health Services	6.1	1.5	7.6	0.5	0.2	0.7	9.4
	National Referral & Specialized Services	7.0	16.5	23.6	0.6	2.9	3.4	14.4
	Health Research and Development	0.2	5.4	5.6	-	1.1	1.1	19.1
	General Administration, Planning & Support Services	9.9	5.5	15.4	0.0006	0.4	0.4	2.3
	Health Policy, Standards and Regulations	8.0	0.05	8.1	0.9	0.0003	0.9	11.2
Total		31.3	29.0	60.3	2.0	4.6	6.6	10.9

Source: MDAs and National Treasury

The Health Sector was allocated Kshs.60.3 billion to fund 5 programmes in FY 2016/17. This allocation comprised of Kshs.31.3 billion (52 per cent) for development programmes and Kshs.29.0 billion (48 per cent) for recurrent programmes.

The National Referral & Specialized Services programme received the highest allocation at Kshs.23.6 billion (39.1 per cent of the total annual allocation for the Sector), while the Health Research and Development programme had the lowest allocation at Kshs.5.6 billion (9.3 per cent of the Sector's total annual allocation).

The total expenditure for the Sector's programmes in the period under review amounted to Kshs.6.6 billion representing 10.9 per cent of the annual gross budget estimates. This comprised of Kshs.2.0 billion on development expenditure, accounting for an absorption rate of 6.3 per cent of the annual budget estimates for development programmes and Kshs.4.6 billion on recurrent expenditure, which accounted for 15.9 per cent of the annual budget estimates for recurrent programmes.

Analysis of programme performance indicates that the Health Research and Development programme recorded the highest proportion of programme expenditure to its annual budget estimates at 19.1 per cent while the General Administration, Planning & Support Services registered the lowest proportion of programme expenditure at 2.3 per cent.

5.9 Public Administration and International Relations (PAIR) Sector

The analysis of Public Administration and International Relations Sector programmes for the period under the review is presented in table 5.8.

Table 5.8 PAIR Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est	Total Gross Est.	Dev. Exp	Rec. Exp.	Total Exp	Programme Absorption Rate (%)
The Presidency	Cabinet Affairs	0.1	1.7	1.8	0.00	0.1	0.1	5.3
	Government Advisory Services	-	1.0	1.0	0.00	0.2	0.2	19.1
	State House Affairs	0.3	3.0	3.3	0.02	0.6	0.6	17.4
	Deputy President Services	0.1	2.2	2.3	0.01	0.2	0.2	10.5
State Department for Planning and Statistics	Economic Policy and National Planning	37.1	1.1	38.2	11.84	0.2	12.3	31.6
	National Statistical Information Services	1.5	1.8	3.3	0.72	0.4	1.2	35.2
	Monitoring and Evaluation Services	0.1	0.1	0.2	0.01	0.008	0.02	11.7
	General Administration Planning and Support Services	0.0	0.6	0.6	-	0.05	0.05	7.5
	NGO Regulatory Services	0.0004	0.1	0.1	-	0.03	0.03	24.9
	Integrated Regional Development	2.8	1.0	3.9	0.73	0.3	1.1	25.6
State Department for Devolution	Devolution Services	2.3	0.5	2.8	0.004	0.1	0.1	3.1
	Accelerated ASAL Development	0.1	0.1	0.3	-	0.03	0.03	11.1

VOTE	Programme	Dev. Est.	Rec. Est	Total Gross Est.	Dev. Exp	Rec. Exp.	Total Exp	Programme Absorption Rate (%)
Ministry of Foreign Affairs and International Trade	General Administration Planning and Support Services	0.2	4.8	5.0	-	0.4	0.4	8.2
	Foreign Relation and Diplomacy	2.8	12.4	15.2	-	7.1	7.1	46.4
The National Treasury	General Administration, Planning and Support Services	4.7	30.6	35.3	-	6.4	6.4	18.0
	Public Financial Management	39.5	4.6	44.1	0.14	0.6	0.7	1.7
	Economic and Financial Policy Formulation and Management	1.4	1.1	2.4	0.05	0.03	0.1	3.1
	Market Competition	-	0.3	0.3	-	0.1	0.1	25.0
	Government Clearing Services	-	0.0	0.0	-	0.004	0.004	8.2
State Department for Public Service and Youth Affairs	Public Service Transformation	1.7	5.5	7.2	0.02	0.9	0.9	13.2
	General Administration, Planning and Support Services	-	0.0	0.0	-	-	-	-
	Youth Empowerment	10.9	7.6	18.5	0.59	0.5	1.1	6.0
Parliamentary Service Commission	Senate Affairs	-	5.4	5.4	-	0.9	0.9	17.4
	General Administration, Planning and Support Services	4.2	5.0	9.1	0.18	0.9	1.1	12.2
National Assembly	National Legislation, Representation and Oversight	-	16.9	16.9	-	3.1	3.1	18.3
Commission on Revenue Allocation	Inter-Governmental Revenue and Financial Matters	-	0.4	0.4	-	0.1	0.1	16.0
Public Service Commission	General Administration, Planning and Support Services	0.0	0.9	0.9	-	0.3	0.3	27.3
	Human Resource management and Development	-	0.2	0.2	-	0.04	0.04	21.5
	Governance and National Values	-	0.1	0.1	-	0.02	0.02	21.6
Salaries and Remuneration Commission	Salaries and Remuneration Management	-	0.5	0.5	-	0.1	0.1	15.7
Auditor General	Audit Services	0.2	4.2	4.4	-	1.1	1.1	25.0
Controller of Budget	Control and Management of Public finances	-	0.6	0.6	-	0.1	0.1	13.0
Commission on Administrative Justice	Promotion of Administrative Justice	-	0.5	0.5	-	0.1	0.1	16.5
Total		110.0	114.9	224.9	14.3	24.9	39.2	17.4

Source: MDAs and National Treasury

The Public Administration and International Relations (PAIR) Sector was allocated Kshs.224.9 billion in the FY 2016/17 to implement 33 programmes. This allocation comprised of Kshs.110 billion (49 per cent) for development programmes and Kshs.114.9 billion (51 per cent) for recurrent activities.

Analysis of programme budget allocations indicates that the Public Financial Management programme under the National Treasury received the highest budgetary allocation at Kshs.44.1 billion, which was 19.6 per cent of the Sector's annual allocation while the General Administration, Planning and Support Services under the State Department for Public Service and Youth Affairs received the lowest at Kshs.5.3 million, translating to less than 1 per cent.

The total expenditure for the Sector in the reporting period amounted to Kshs.39.2 billion, representing 17.4 of the annual gross budget estimates. It comprised of Kshs.24.9 billion on recurrent expenditure, which represented 21.7 per cent of the annual budget estimates for recurrent programmes while development expenditure amounted to Kshs.14.3 billion, representing an absorption rate of 13.0 per cent of the annual budget estimates for development programmes.

Analysis of the programme performance indicated that the Foreign Relations and Diplomacy programme under the Ministry of Foreign Affairs and International Trade recorded the highest proportion of programme expenditure to annual gross budget estimates at 46.4 per cent while the General Administration, Planning and Support Services programme under the State Department for Public Service and Youth Affairs did not incur any expenditure.

5.10 National Security Sector

The analysis of National Security Sector programmes for the period under the review is presented in table 5.9.

Table 5.9 National Security Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est	Total Gross Est.	Dev. Exp	Rec. Exp.	Total Exp	Programme Absorption Rate (%)
Ministry of Defence	Defence	0.05	98.7	98.7	-	19.3	19.3	19.6
National Intelligence Service	National security intelligence	-	25.3	25.3	-	6.5	6.5	25.5
Total		0.05	124.1	124.1	-	25.8	25.8	20.8

Source: MDAs and National Treasury

The National Security Sector was allocated Kshs.124.0 billion in FY 2016/17. This allocation comprised of Kshs.0.05 billion (less than 1 per cent) for development expenditure and Kshs.124.1 billion (99.96 per cent) for recurrent expenditure. The Defence and the National Security Intelligence programme under the Ministry of Defence and National Intelligence Service respectively received the highest and lowest allocations at Kshs.98.7 billion (79.6 per cent of the total allocation for the Sector) and Kshs.25.3 billion (20.4 per cent of the total allocation

for the Sector) respectively.

The total recurrent expenditure for the Sector's programmes in the reporting period amounted to Kshs.25.8 billion, which represented 20.8 per cent of the annual budget estimates for recurrent programmes. Analysis of programme performance indicated that the National Intelligence Service under the National Intelligence Service recorded the highest proportion of programme expenditure to the annual programme budget at 25.5 per cent, while the Defence programme under the Ministry of Defence recorded the lowest proportion at 19.6 per cent.

5.11 Social Protection, Culture and Recreation Sector

Table 5.10 presents an analysis of the Social Protection, Culture and Recreation Sector's programme for the period July 2016 to September 2016.

Table 5.10 Social Protection, Culture and Recreation Sector's Programme Performance in the First Quarter of FY 2016/17 (Kshs. Billions)

VOTE	Programme	Dev. Est.	Rec. Est.	Total Gross Est.	Dev. Exp.	Rec. Exp.	Total Exp.	Programme Absorption Rate (%)
State Department for Special Programmes	Special Initiatives	-	0.7	0.7	-	0.1	0.1	11.7
	Accelerated ASAL Development	5.1	0.7	5.8	0.7	0.2	0.8	14.1
State Department for Sports Development	Sports	1.6	3.0	4.6	-	0.7	0.7	16.1
	General Administration, Planning and Support Services	-	0.6	0.6	-	0.04	0.04	6.1
State Department for Arts and Culture	Culture	0.7	1.4	2.0	-	0.2	0.2	11.4
	The Arts	0.1	0.6	0.7	-	0.1	0.1	16.4
	Library Services	0.2	0.6	0.8	-	0.2	0.2	18.1
	General Administration, Planning and Support Services	-	0.1	0.1	-	0.002	0.002	4.3
State Department for Labour	Promotion of the Best Labour Practice	0.1	0.4	0.5	-	0.003	0.003	0.7
	Manpower Development, Employment and Productivity Management	0.4	0.5	0.9	-	0.007	0.007	0.8
	General Administration, Planning and Support Services	-	0.3	0.3	-	0.01	0.01	3.4
State Department for Social Protection	Social Development and Children Services	0.9	3.0	3.9	-	0.2	0.2	5.4
	National Social Safety Net	14.0	5.0	19.0	2.7	0.3	3.0	15.9
	General Administration, Planning and Support Services	0.004	0.1	0.1	-	0.003	0.003	5.4
State Department for Gender	Community Development	2.1	-	2.1	-	-	-	-
	Gender Empowerment	1.4	1.1	2.5	0.1	0.1	0.2	7.5
Total		26.4	18.2	44.6	3.4	2.2	5.6	12.6

Source: MDAs and National Treasury

The Social Protection, Culture and Recreation Sector was allocated Kshs.44.6 billion to fund 16 programmes in FY 2016/17. This allocation comprised of Kshs.26.4 billion (59.2 per cent) for development programmes and Kshs.18.2 billion (41 per cent) for recurrent programmes.

The National Social Safety Net programme under the State Department for Social Protection received the highest budgetary allocation at Kshs.19.0 billion (42.6 per cent of the total annual budget allocation to the Sector), while the General Administration, Planning and Support Services programme under the State Department for Arts and Culture received the lowest allocation at Kshs.50.0 million (less than 1 per cent of the total annual budget allocation to the Sector).

The total expenditure for the Sector's programmes in the reporting period amounted to Kshs.5.6 billion representing 12.6 per cent of the annual gross budget estimates. This comprised of Kshs.3.4 billion development expenditure representing an absorption rate of 13.0 per cent of the annual gross budget estimates for the development programmes in the Sector, while Kshs.2.2 billion was incurred on recurrent expenditure, which accounted for 12.0 per cent of the annual gross budget estimates for recurrent programmes.

Analysis of the programme performance showed that the Library Services under the State Department for Arts and Culture recorded the highest proportion of programme expenditure to its total annual budget estimates at 18.1 per cent while the Community Development programme under the State Department for Gender did not incur any expenditure.



6 KEY ISSUES AND RECOMMENDATIONS

6.1 Introduction

This chapter presents the key challenges that affected budget implementation in the first quarter of FY 2016/17 and makes appropriate recommendations aimed at addressing the challenges in order to enhance smooth budget implementation.

6.2 Key Issues and Recommendation

In the course of overseeing budget implementation by the MDAs, the Office identified key issues which affected budget implementation as follows:

6.2.1 Delay in submission of the expenditure reports to OCOB

According to Article 228 (6) of the Constitution of Kenya, 2010, the Controller of Budget is required to submit to each House of Parliament a report on the implementation of budgets of the national and county governments every four months. Further, section 38 (9) of the PFM Act, 2012, requires the Controller of Budget to ensure that the public has access to information on budget implementation. The office experienced delays in submission of financial reports by some MDAs, which affected timely reporting on budget implementation.

In order to meet the constitutional mandate and the legal requirements, all MDAs should ensure that expenditure reports are submitted to the Controller of Budget in time in order to allow timely preparation and publication of Budget Implementation Review Reports.

6.2.2 Low levels of expenditure

In the FY 2016/17, a total of Kshs.857.5 billion and Kshs.820.2 billion was allocated towards MDAs recurrent and development votes respectively. In the period under review, the total development expenditure for MDAs was Kshs.93.0 billion representing 11.3 per cent of the annual gross development estimates while recurrent expenditure was Kshs.164.9 billion, representing 19.2 per cent of the annual gross recurrent estimates.

The levels of expenditure for both development and recurrent are therefore, below the 25 per cent expected performance by the end of the first quarter. In order to achieve higher rates of development and recurrent expenditure, the Office recommends that planned activities should be implemented as outlined in the annual work plans. This will ensure appropriate delivery of services to the public.

6.2.3 Delay in Release of Development Funds

In the first quarter of FY 2016/17, the total exchequer issues towards development activities amounted to Kshs.41.8 billion, representing 10 per cent of the annual net estimates. This percentage is low considering that by the first quarter, the exchequer releases should be approximately 25 per cent of the annual estimates.

From analysis of reports submitted by some MDAs, the low level of expenditure has been attributed to delay in exchequer releases by the National Treasury.

The Office recommends that the National Treasury should release funds to the MDAs based on their workplans

and cash flow projections.

6.2.4 Accounting for expenditure on Capital and Current Transfers

There are several SAGAs that are financed by capital and current transfers from parent Ministries. The transfers are treated as expenditure by the Ministries when transferred. This accounting treatment is likely to result in overstatement of expenditure by the Ministries since amounts transferred are programmed to be spent by the SAGAs during the year.

It is recommended that the Public Sector Accounting Standards Board (PSASB) should review this matter and develop guidelines in line with international best practice.

7 CONCLUSION

This report has been prepared in fulfilment of Article 228 (6) of the Constitution of Kenya, 2010 and Section 9 of the Office of the Controller of Budget Act, 2016 and seeks to provide the status of budget performance by the National Government in the first quarter of FY 2016/17.

The report shows an increase in total receipts deposited into the Consolidated Fund and a slight decline in total expenditure during the reporting period compared to a similar period in FY 2015/16. Total receipts deposited into the Consolidated Fund amounted to Kshs.459.6 billion, which was 22.8 per cent of the annual target of Kshs.2.02 trillion compared to Kshs.316.4 billion in the same period of FY 2015/16, which was 17.5 per cent of the annual target.

Total expenditure was Kshs.383.3 billion, or 15.3 per cent of the annual gross estimates. This was a slight reduction compared to Kshs.399.9 billion, or 17.9 per cent of the annual gross estimates spent in the first quarter of FY 2015/16. Analysis of the expenditure indicated that Kshs.93.0 billion was incurred on development projects while; Kshs.290.3 billion was incurred on recurrent expenditure. The development expenditure represented an absorption rate of 11.3 per cent while recurrent expenditure was 19.2 per cent of the annual gross recurrent estimates.

The report also highlights some of the challenges that affected budget implementation in the first quarter of FY 2016/17. These included: delay in submission of financial reports by some MDAs, which affected timely reporting on budget implementation; delay in release of funds, which resulted in low levels of expenditure, especially, on development expenditure; and, the need to review the current system of expensing funds transferred to SAGAs as either capital or recurrent transfers and issue guidelines based on international best practice. The Office calls for concerted efforts by all players in order to address the challenges identified in this report so as to improve budget implementation.

ANNEX I: MDAs Development Expenditure – First quarter of FY 2016/17 (Kshs.)

VOTE	MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Percentage of Exchequer to Net Estimates	Percentage of Exp. to Gross Estimates
D1011	The Presidency	481,340,000	481,340,000	28,100,000	37,495,277	5.8%	7.8%
D1021	State Department for Interior	22,854,796,889	22,722,800,000	-	162,503,126	0.0%	0.7%
D1023	State Department for Correctional Services	1,050,000,000	1,050,000,000	-	-	-	0.0%
D1032	State Department for Devolution	2,424,000,000	2,304,000,000	3,300,000	400,650	0.1%	0.0%
D1033	State Department for Special Programmes	5,111,345,330	2,678,000,000	653,700,000	653,200,000	24.4%	12.8%
D1034	State Department for Planning & Statistics	41,506,246,464	40,089,318,664	12,021,640,000	13,697,348,271	30.0%	33.0%
D1041	Ministry of Defence	45,000,000	-	-	-	-	0.0%
D1052	Ministry of Foreign Affairs	3,000,000,000	3,000,000,000	15,500,000	-	0.5%	0.0%
D1063	State Department for Basic Education	8,395,219,512	5,942,420,568	-	73,192,185	0.0%	0.9%
D1064	State Department for Vocational and Technical Training	4,200,999,358	2,450,999,370	277,000,000	259,705,992	11.3%	6.2%
D1065	State Department for University Education	11,479,095,026	8,503,750,630	169,000,000	795,767,032	2.0%	6.9%
D1071	The National Treasury	45,530,120,315	26,657,892,403	316,156,020	191,817,254	1.2%	0.4%
D1081	Ministry of Health	31,279,819,184	20,826,356,164	1,890,733,045	1,977,188,373	9.1%	6.3%
D1091	State Department for Infrastructure	147,711,782,851	84,782,200,000	5,381,000,000	9,991,320,131	6.3%	6.8%
D1092	State Department for Transport	175,806,596,000	15,345,000,000	1,188,500,000	32,448,561,730	7.7%	18.5%
D1094	State Department Housing and Urban Development	19,289,020,000	13,364,020,000	877,000,000	3,034,164,175	6.6%	15.7%
D1095	State Department of Public Works	2,047,000,000	2,047,000,000	-	-	0.0%	0.0%
D1103	State Department for Water Services	39,606,072,000	11,139,000,000	162,219,421	1,358,500,000	1.5%	3.4%
D1104	State Department for Irrigation	18,107,929,750	9,840,000,000	1,571,000,000	1,946,491,724	16.0%	10.7%
D1105	State Department for Environment	4,246,619,731	3,900,544,731	106,400,000	-	2.7%	0.0%
D1106	State Department for Natural Resources	3,592,000,000	2,146,000,000	55,000,000	137,338,151	2.6%	3.8%
D1112	Ministry of Lands and Physical Planning	3,841,480,000	3,832,080,000	-	57,311,245	0.0%	1.5%
D1122	State Department of Information Communications & Technology & Innovation	22,313,000,000	19,501,000,000	6,704,000,000	7,185,632,678	34.4%	32.2%
D1123	State Department of Broadcasting and Telecommunications	658,000,000	658,000,000	292,000,000	292,000,000	44.4%	44.4%
D1132	State Department for Sports Development	1,555,000,000	1,555,000,000	-	-	0.0%	0.0%
D1133	State Department for Arts and Culture	986,000,000	986,000,000	-	-	0.0%	0.0%

VOTE	MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Percentage of Exchequer to Net Estimates	Percentage of Exp. to Gross Estimates
D1152	State Department for Energy	115,183,331,715	36,530,936,986	6,839,083,976	10,571,478,040	18.7%	9.2%
D1153	State Department of Petroleum	4,208,400,000	2,870,900,000	14,300,000	39,745,819	0.5%	0.9%
D1161	State Department for Agriculture	12,678,265,821	9,918,136,783	311,000,000	2,051,276,760	3.1%	16.2%
D1162	State Department for Livestock	11,742,135,480	4,003,031,164	259,399,479	23,263,343	6.5%	-0.2%
D1164	State Department for Fisheries and Blue Economy	2,530,000,000	2,030,000,000	499,754,590	478,801,503	24.6%	18.9%
D1172	State Department for Investment and Industry	5,379,787,000	5,053,600,000	667,500,000	1,045,000,000	13.2%	19.4%
D1173	State Department for Cooperatives	530,000,000	530,000,000	-	-	0.0%	0.0%
D1174	State Department for Trade	245,000,000	245,000,000	-	24,629,450	0.0%	10.1%
D1183	State Department for East African Integration	65,000,000	-	-	-	-	0.0%
D1184	State Department for Labour	477,200,000	477,200,000	-	-	0.0%	0.0%
D1185	State Department for Social Protection	14,821,800,000	14,820,400,000	-	2,711,433,920	0.0%	18.3%
D1191	Ministry of Mining	3,890,321,429	3,868,000,000	42,000,000	46,821,937	1.1%	1.2%
D1201	Ministry of Tourism	4,842,000,000	4,842,000,000	729,000,000	875,399,385	15.1%	18.1%
D1211	State Department for Public Service and Youth Affairs	12,648,065,996	12,648,065,996	582,500,000	205,750,000	4.6%	1.6%
D1212	State Department for Gender	3,496,900,000	3,472,400,000	-	80,750,000	0.0%	2.3%
D1252	State Law Office and Department of Justice	379,000,000	70,000,000	-	-	0.0%	0.0%
D1261	The Judiciary	4,449,000,000	4,449,000,000	-	367,881,971	0.0%	8.3%
D1271	Ethics & Anti-Corruption Commission	100,000,000	100,000,000	-	-	0.0%	0.0%
D1291	Office of the Directorate of Public Prosecution	98,550,000	98,550,000	-	1,274,800	0.0%	1.3%
D2031	Independent Electoral and Boundaries Commission	765,209,700	53,000,000	-	-	0.0%	0.0%
D2041	Parliamentary Service Commission	4,150,000,000	4,150,000,000	150,000,000	179,700,865	3.6%	4.3%
D2071	Public Service Commission	39,000,000	39,000,000	-	-	0.0%	0.0%
D2091	Teachers Service Commission	100,000,000	100,000,000	-	-	0.0%	0.0%
D2111	Auditor-General	224,000,000	224,000,000	8,000,000	7,071,955	3.6%	3.2%
	TOTAL	820,161,449,551	416,395,943,459	41,814,786,531	92,962,889,756	10.0%	11.3%

VOTE	MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Percentage of Exchequer to Net Estimates.	Percentage of Exp. to Gross Estimates.
R1011	The Presidency	7,943,324,669	7,934,692,595	1,402,563,000	1,089,235,833	17.7%	13.7%
R1021	State Department for Interior	102,907,039,319	102,533,302,319	19,715,000,000	13,479,069,689	19.2%	13.1%
R1023	State Department for Correctional Services	19,209,032,569	19,209,032,569	3,442,200,000	3,571,114,932	17.9%	18.6%
R1032	State Department for Devolution	649,451,492	649,451,492	106,600,000	104,457,444	16.4%	16.1%
R1033	State Department for Special Programmes	1,405,811,247	1,405,811,247	271,000,000	249,199,030	19.3%	17.7%
R1034	State Department for Planning & Statistics	4,717,330,425	4,391,330,425	975,100,000	991,493,131	22.2%	21.0%
R1041	Ministry of Defence	98,654,161,519	98,654,161,519	18,400,900,000	19,316,250,949	18.7%	19.6%
R1052	Ministry of Foreign Affairs	17,206,235,947	17,036,640,947	7,595,500,000	7,481,441,827	44.6%	43.5%
R1063	State Department for Basic Education	58,779,803,088	57,347,203,088	12,783,660,000	12,801,258,369	22.3%	21.8%
R1064	State Department for Vocational and Technical Training	2,324,529,852	2,324,529,852	540,000,000	533,182,246	23.2%	22.9%
R1065	State Department for University Education	60,652,433,681	43,969,833,681	10,068,988,000	11,526,936,194	22.9%	19.0%
R1071	The National Treasury	36,740,857,285	36,740,857,285	7,651,000,000	7,088,497,399	20.8%	19.3%
R1081	Ministry of Health	28,990,110,838	25,012,234,361	5,607,500,000	4,601,815,971	22.4%	15.9%
R1091	State Department for Infrastructure	29,039,085,190	1,839,085,190	287,000,000	2,372,785,742	15.6%	8.2%
R1092	State Department for Transport	5,780,740,412	1,403,740,412	318,508,000	1,616,308,961	22.7%	28.0%
R1093	State Department for Maritime Affairs	237,159,288	237,159,288	13,500,000	11,745,242	5.7%	5.0%
R1094	State Department for Housing & Urban Development	862,299,444	862,299,444	230,000,000	129,103,408	26.7%	15.0%
R1095	State Department for Public Works	897,187,546	893,187,546	156,000,000	110,697,599	17.5%	12.3%
R1103	State Department for Water Services	3,624,591,649	1,486,833,410	285,600,000	385,482,707	19.2%	10.6%
R1104	State Department for Irrigation	933,008,351	533,008,351	85,000,000	82,762,250	15.9%	8.9%
R1105	State Department for Environment	2,979,114,030	2,160,214,030	756,600,000	440,422,012	35.0%	14.8%
R1106	State Department for Natural Resources	11,322,343,046	5,082,322,046	932,100,000	3,256,957,346	18.3%	28.8%
R1112	Ministry of Lands and Physical Planning	2,188,601,179	2,179,186,429	548,000,000	482,093,067	25.1%	22.0%
R1122	State Department of Information Communications & Technology & Innovation	909,425,207	909,425,207	142,300,000	144,522,883	15.6%	15.9%
R1123	State Department for Broadcasting & Telecommunications	2,050,126,830	1,870,126,830	322,100,000	295,822,020	17.2%	14.4%
R1132	State Department for Sports Development	3,606,950,551	3,606,550,551	712,600,000	772,777,621	19.8%	21.4%
R1133	State Department for Arts and Culture	2,651,046,449	2,640,446,449	538,000,000	504,279,852	20.4%	19.0%

VOTE	MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Percentage of Exchequer to Net Estimates.	Percentage of Exp. to Gross Estimates.
R1152	State Department Energy	2,078,552,046	1,871,436,740	551,285,000	387,523,003	29.5%	18.6%
R1153	State Department of Petroleum	91,151,598	43,786,904	14,000,000	4,750,641	32.0%	5.2%
R1161	State Department for Agriculture	8,586,076,695	8,557,076,695	1,140,760,000	2,494,144,100	13.3%	29.0%
R1162	State Department for Livestock	1,889,938,320	1,865,938,320	361,000,000	225,729,063	19.3%	11.9%
R1163	State department for Fisheries and the Blue Economy	1,653,196,791	1,653,196,791	62,200,000	322,223,021	3.8%	19.5%
R1172	State Department of Investment and Industry	2,668,815,153	2,646,315,153	647,500,000	466,430,343	24.5%	17.5%
R1173	State Department for Cooperatives	3,120,950,523	3,114,450,523	-	148,000	0.0%	0.0%
R1174	State Department for Trade	2,919,282,136	2,899,522,136	1,184,100,000	361,464,067	40.8%	12.4%
R1183	State Department for East African Integration	1,541,165,024	1,539,165,024	306,300,000	317,298,775	19.9%	20.6%
R1184	State Department for Labour	1,301,843,257	1,292,843,257	260,000,000	22,115,047	20.1%	1.7%
R1185	State Department for Social Protection	8,108,136,032	8,064,371,032	650,700,000	526,388,712	8.1%	6.5%
R1191	Ministry of Mining	697,364,217	683,364,217	115,000,000	104,054,061	16.8%	14.9%
R1201	Ministry of Tourism	2,354,228,209	1,375,553,209	327,150,000	297,377,373	23.8%	12.6%
R1211	State Department for Public Service and Youth Affairs	13,038,823,969	12,862,973,969	1,597,300,000	1,447,543,466	12.4%	11.1%
R1212	State Department for Gender	1,125,441,006	1,125,441,006	82,800,000	111,723,124	7.4%	9.9%
R1252	State Law Office and Department of Justice	4,035,232,362	3,640,732,362	620,500,000	696,542,974	17.0%	17.3%
R1261	The Judiciary	12,859,460,378	12,859,460,378	2,512,225,000	2,686,537,583	19.5%	20.9%
R1271	Ethics & Anti-Corruption Commission	2,691,080,000	2,691,080,000	635,000,000	477,903,195	23.6%	17.8%
R1281	National Intelligence Service	25,346,000,000	25,346,000,000	6,134,750,000	6,472,338,247	24.2%	25.5%
R1291	Office of the Director of Public Prosecutions	2,125,584,100	2,125,584,100	350,900,000	369,891,331	16.5%	17.4%
R1311	Office of the Registrar of Political Parties	826,916,880	826,916,880	123,192,000	119,806,572	14.9%	14.5%
R1321	Witness Protection Agency	379,542,900	379,542,900	106,447,350	107,419,644	28.0%	28.3%
R2011	Kenya National Human Rights & Equality Commission	428,785,600	428,785,600	84,800,000	103,905,348	19.8%	24.2%
R2021	National Lands Commission	1,434,548,504	1,434,548,504	286,500,000	241,052,395	20.0%	16.8%
R2031	Independent Electoral and Boundaries Commission	18,565,800,000	18,560,800,000	760,000,000	599,778,380	4.1%	3.2%
R2041	Parliamentary Service Commission	10,382,000,000	10,382,000,000	1,846,000,000	1,869,967,633	17.8%	18.0%
R2042	National Assembly	16,948,000,000	16,948,000,000	3,441,000,000	3,101,053,854	20.3%	18.3%
R2051	Judicial Service Commission	450,000,000	450,000,000	66,500,000	40,874,291	14.8%	9.1%

VOTE	MINISTRY/STATE DEPARTMENT	Gross Estimates	Net Estimates	Exchequer Issues	Expenditure	Percentage of Exchequer to Net Estimates.	Percentage of Exp. to Gross Estimates.
R2061	The Commission on Revenue Allocation	355,781,774	355,781,774	72,457,000	56,888,697	20.4%	16.0%
R2071	Public Service Commission	1,179,370,000	1,178,870,000	292,000,000	315,541,335	24.8%	26.8%
R2081	Salaries & Remuneration Commission	533,040,000	532,940,000	95,750,000	85,801,143	18.0%	16.1%
R2091	Teachers Service Commission	193,992,348,650	193,772,348,650	45,453,000,000	45,499,016,392	23.5%	23.5%
R2101	National Police Service Commission	435,340,000	435,340,000	65,700,000	59,139,058	15.1%	13.6%
R2111	Auditor General	4,182,880,000	4,032,880,000	1,059,700,000	1,093,008,834	26.3%	26.1%
R2121	Controller of Budget	561,269,850	561,269,850	80,000,000	73,168,725	14.3%	13.0%
R2131	The Commission on Administrative Justice	468,632,000	468,632,000	100,800,000	86,929,506	21.5%	18.5%
R2141	National Gender & Equality Commission	416,270,878	416,270,878	84,100,000	90,014,074	20.2%	21.6%
R2151	Independent Policing Oversight Authority	491,338,899	491,338,899	94,510,000	125,946,907	19.2%	25.6%
TOTAL		857,525,988,854	790,827,224,314	165,553,245,350	164,901,152,637	20.9%	19.2%

ANNEX III: Sectoral Development Expenditure – First quarter of FY 2016/17 (Kshs)

Sector	Gross Estimates.	Net Estimates.	Exchequer Issues	Expenditure	Percentage of Exch. to NET Estimates.	Percentage of Expenditure to Gross Estimates.
Agriculture, Rural and Urban Development	30,791,881,301	19,783,247,947	1,070,154,069	2,564,126,165	5.4%	8.3%
Energy, Infrastructure and ICT	487,217,130,566	175,099,056,986	21,295,883,976	63,562,902,573	12.2%	13.0%
General Economics and Commercial Affairs (GECA)	11,061,787,000	10,670,600,000	1,396,500,000	1,945,028,835	13.1%	17.6%
Health	31,279,819,184	20,826,356,164	1,890,733,045	1,977,188,373	9.1%	6.3%
Education	24,175,313,896	16,997,170,568	446,000,000	1,128,665,209	2.6%	4.7%
Governance, Justice, Law and Order (GJLOS)	29,696,556,589	28,543,350,000	-	531,659,897	0.0%	1.8%
Public Administration and International Relations	110,002,772,775	89,593,617,063	13,125,196,020	14,318,782,972	14.6%	13.0%
National Security	45,000,000	-	-	-	-	-
Social Protection, Culture and Recreation	26,448,245,330	23,989,000,000	653,700,000	3,445,383,920	2.7%	13.0%
Environment Protection, Water and Natural Resources	69,442,942,910	30,893,544,731	1,936,619,421	3,489,151,812	6.3%	5.0%
Total	820,161,449,551	416,395,943,459	41,814,786,531	92,962,889,756	10.0%	11.3%

ANNEX IV: Sectoral Recurrent Expenditure – First quarter of FY 2016/17 (Kshs)

Sector	Gross Estimates.	Net Estimates.	Exch. Issues	Expenditure	Percentage of Exch. to Net Estimates.	Percentage of Expenditure to Gross Estimates.
Agriculture, Rural and Urban Development	15,752,361,489	15,689,946,739	2,398,460,000	3,765,241,646	15.3%	23.9%
Energy, Infrastructure and ICT	41,945,727,561	9,930,247,561	2,034,693,000	5,073,259,499	20.5%	12.1%
General Economics and Commercial Affairs (GECA)	12,604,441,045	11,575,006,045	2,465,050,000	1,442,718,558	21.3%	11.4%
Health	28,990,110,838	25,012,234,361	5,607,500,000	4,601,815,971	22.4%	15.9%
Education	315,749,115,271	297,413,915,271	68,845,648,000	70,360,393,201	23.1%	22.3%
Governance, Justice, Law and Order (GJLOS)	165,821,423,885	165,048,186,885	28,661,074,350	22,527,943,978	17.4%	13.6%
Public Administration and International Relations	114,906,997,411	114,076,320,337	26,315,770,000	24,885,028,827	23.1%	21.7%
National Security	124,000,161,519	124,000,161,519	24,535,650,000	25,788,589,196	19.8%	20.8%
Social Protection, Culture and Recreation	18,199,228,542	18,135,463,542	2,515,100,000	2,186,483,386	13.9%	12.0%
Environment Protection, Water and Natural Resources	19,556,421,293	9,945,742,054	2,174,300,000	4,269,678,376	21.9%	21.8%
Total	857,525,988,854	790,827,224,314	165,553,245,350	164,901,152,637	20.9%	19.2%