

Approved for tabling.

SNA
27/2/19.

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 27 FEB 2019	DAY.
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TWELFTH PARLIAMENT – THIRD SESSION

REPORT OF THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE BUDGET POLICY
STATEMENT AND THE DEBT MANAGEMENT STRATEGY FOR 2019/2020 AND THE MEDIUM TERM

FEBRUARY 2019

PREFACE

Mr. Speaker, on behalf of the Members of the Budget and Appropriations Committee, and pursuant to Section 25(7) of the Public Finance Management Act 2012 and Standing Order 232(7); it is with great pleasure that I present to this House the Committee's report on the Budget Policy Statement (BPS) 2019 and the Medium Term Debt Management Strategy (MTDS) for 2019/2020 and the Medium Term.

Mr. Speaker, the 2019 BPS outlines the strategy of the government to continue implementing the Big Four plan which was initiated in the 2018/19 budget. To this extent, there are key projects identified under the four key pillars; namely, Manufacturing, Food and Nutrition Security, Health and Housing. There are also expenditure allocations towards projects considered to be critical enablers of the big four plan such as Infrastructure, Education, Technology and Innovation. Expenditure allocations under the BPS are therefore geared towards ensuring that the policy objective of the Big Four plan is actualized within the five-year time frame (2018 – 2022). However, **Mr. Speaker**, the Committee notes that the current status of the Big Four projects which were implemented in the 2018/19 budget is not very clear. Though the BPS 2019 provides extensive programme information for all Ministries, Departments and Agencies including the delivery unit, key outputs and performance indicators, the status of projects in the current financial year has not been expressly provided probably due to the fact that the financial year is yet to come to an end. It is therefore not easy to determine the status of the Big Four affiliated projects.

Mandate of the Committee

Mr. Speaker, Article 221 (4 and 5) of the Constitution and the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates among which is to:

- i. Investigate, inquire into and report on all matters relating to coordination, control and monitoring of the national budget;
- ii. Discuss and review the estimates and make recommendations to the House;
- iii. Examine the Budget Policy Statement presented to the House;
- iv. Examine bills related to the national budget including appropriation bills;
- v. Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays; and
- vi. Examine the Division of Revenue Bill.

Mr. Speaker, the Budget and Appropriations Committee as currently constituted comprises of the following Honourable Members:

1. Hon. Kimani Ichung'wah, CBS, M.P- Chairperson
2. Hon. Moses Lessonet, M.P- Vice Chairperson
3. Hon. CPA John Mbadi, EGH, CBS, M.P.

4. Hon. Richard Onyonka, M.P.
5. Hon. Samwel Moroto, M.P.
6. Hon. Millie Odhiambo, M.P.
7. Hon. Twalib Bady, M.P.
8. Hon. (Dr.) Gideon Ochanda, M.P.
9. Hon. James Mwangi Gakuya, M.P.
10. Hon. (Dr.) Makali Mulu Benson, M.P.
11. Hon. Moses Kiarie Kuria, M.P.
12. Hon. Benard Masaka Shinali, M.P.
13. Hon. John Muchiri Nyaga, M.P.
14. Hon. Jude Njomo, M.P.
15. Hon. (Dr.) Korei Ole Lemein, M.P.
16. Hon. Sarah Paulata Korere, M.P.
17. Hon. Naisula Lesuuda, OGW, M.P.
18. Hon. Sakwa Bunyasi, M.P.
19. Hon. Danson Mwashako, M.P.
20. Hon. Fatuma Gedi Ali, M.P.
21. Hon. Florence Chepng'etich Koskey, M.P.
22. Hon. James Gichuki Mugambi, M.P.
23. Hon. (Dr.) John K. Mutunga, M.P.
24. Hon. (Eng.) Mark Nyamita, M.P.
25. Hon. Paul Aburor, M.P.
26. Hon. Qalicha Gufu Wario, M.P.
27. Hon. Wangari Mwaniki, M.P.

Examination of the Budget Policy Statement and the Medium Term Debt Management Strategy

Mr. Speaker, in line with the Constitution and the Public Finance Management Act 2012, the Budget Policy Statement (BPS) 2019 and the Medium Term Debt Management Strategy (MTDS) 2019/20 – 2021/22 were tabled in Parliament on 14th February 2019. In accordance with Standing Order 232(5) and (6), the BPS was committed to the Departmental Committees to deliberate on in line with their respective mandates and make recommendations to the Budget and Appropriations Committee. The Medium Term Debt Management Strategy paper as well as the Budgets of the Parliamentary Service Commission and the Office of the Auditor General were committed to the Budget and Appropriations Committee where they were examined and discussed. The committee also held stakeholder consultations with the Commission on Revenue Allocation (CRA) as well as the Council of Governors (CoG) to discuss critical aspects on revenue sharing and division of revenue. Thereafter, the Budget and Appropriations Committee held fruitful deliberations with the various Departmental committees on their submissions with regard to the Budget Policy Statement. Further discussions were held with the National Treasury before this report was finalized. The recommendations arising from each of these discussions are contained in this report.

Mr. Speaker, once approved by the House, the BPS recommendations will form the basis for the finalization of the 2019/2020 Budget pursuant to section 25(8) of the PFM Act, PFM regulation 27(4) and Standing Order 232(10). On its part, the Medium Term Debt Management Strategy is expected to inform the country's borrowing plans over the medium term.

Acknowledgements

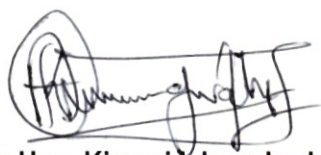
Mr. Speaker, the Committee wishes to thank the Office of the Speaker and the Clerk of the National Assembly for the support extended in fulfilling this mandate. The Committee is also grateful to all the Ministries, Departments and Agencies, the Commission on Revenue Allocation, the Council of Governors and the National Treasury for their engagement with the legislature in reviewing the Budget Policy Statement. The committee would also like to thank the Departmental Committees and all the Members of Parliament who participated in the process, for working hard to ensure that the report is finalized on time.

Mr. Speaker, I would also like to express my gratitude to the Parliamentary Budget Office as well as the Clerks of the various Departmental Committees for the unwavering support given to this Committee and all other Departmental Committees as they discharged their mandate of reviewing the Budget Policy Statement 2019 and the Medium Term Debt Management Strategy 2019/2020 and the Medium Term.

Mr. Speaker,

It is therefore my pleasant undertaking, on behalf of the Budget and Appropriations Committee, to table this Report and recommend it to the House for adoption.

Signed



The Hon. Kimani Ichung'wah, CBS, M.P.
Chairman, Budget & Appropriations Committee
February, 2019

I. Introduction

- 1) **Mr. Speaker**, the Budget Policy Statement (BPS) is a policy document that sets out the broad strategic priorities and policy goals that will guide the national and county governments in preparing their budgets for the financial year and over the medium term. The strategic direction of the BPS should be informed by the policies outlined in the various government policy documents including the Vision 2030, the Medium Term plans, Ministerial and Sectoral Strategic plans as well as the Big Four agenda. The growth strategy, revenue and expenditure proposals in a particular financial year should take into account the current state of the global and domestic economy including the outlook of the various macroeconomic variables.
- 2) **Mr. Speaker**, in reviewing the BPS, the committee considered the inter-linkages between the policies outlined in the BPS and the broader policy documents, the realism of the macro framework and whether the expenditure proposals are adequately funded. To this extent, the committee examined the alignment of the expenditure proposals with medium term strategic priorities of government as provided for in the Big Four agenda; whether the outlined policy interventions meet the national development needs; as well as the allocation of resources across sectors.

II. Realism of the Macroeconomic Framework underpinning the Budget for 2019/2020 and the Medium Term

- 3) **Mr. Speaker**, the Committee observes that though the country has registered impressive economic growth at 5.6 percent over the last 5-year period, achieving and sustaining GDP growth higher than 6 percent could be much more challenging. The expenditure framework for 2019/20 and the medium term is anchored on an economic growth projection of 6.2 percent in FY 2019/20, 6.4 percent in FY 2020/21 and 6.7 percent by FY 2021/22. This growth will be supported by strong performance in agricultural and manufacturing activities, favourable weather conditions, strong service sector, stable macroeconomic environment, ongoing public infrastructural investments and sustained business confidence.
- 4) **Mr. Speaker**, the committee is concerned that the key drivers of economic growth are facing significant downside risks that could hinder the country from achieving its growth objective. Agriculture is still heavily reliant on rainfall performance and existing projects such as large scale irrigation, distribution of certified seeds and fertilizer have so far not enhanced food production mainly due to poor implementation of these projects. The manufacturing sector continues to face challenges ranging from shortage of capital, raw

materials and skilled labour to inadequate access to finances in addition to a number of regulatory challenges. The competitiveness of the services sector continues to be limited by factors such as high labour costs. Infrastructure projects continue to face delays in implementation which in turn delays returns on investment. As such, sustaining economic growth higher than 6 percent will require concerted effort to enhance efficiency in use of public resources. This calls for adoption of up-to-date technology and innovation, enhancement of labour productivity through tailored training as well as efficient implementation of the budget.

- 5) **Mr. Speaker**, the Committee observes that though the Central Bank has eased monetary policy in the recent past to support economic activity, credit to the private sector has not increased significantly and was estimated to have remained below 5 percent against a target of 8.8 percent in 2018. Ease in accessibility of credit by the private sector is important for the economy as it ensures continued expansion of businesses and creation of employment which then increases revenue for the government. The outlook as per the 2019 BPS is that private sector credit is expected to strengthen on account of higher economic activity and easing credit risk. However, so long as the National government continues to borrow extensively domestically, credit to the private sector may not increase as envisaged.
- 6) **Mr. Speaker**, foreign exchange reserves have performed exceptionally well in the past year and at 5.5 months of import cover, they remain an adequate buffer for short term foreign exchange shocks. This performance is driven by strong growth in diaspora remittances as well as tourist receipts and increased tea & horticultural exports. As a result, the shilling has remained stable against the major currencies and the current account deficit has narrowed to an estimated 5.2% of GDP in 2018 from 6.3% in 2017. The outlook in the 2019 BPS is that the shilling will remain stable and the current account deficit will narrow to 5.1% of GDP in 2019, supported by improved performance of inflows from exports, continued increase in diaspora remittances as well as growth in tourism. However, **Mr. Speaker**, the Committee is concerned that diaspora remittances are not a reliable source of foreign exchange. The policy plan of government in the coming financial year should therefore include measures to attract Foreign Direct Investment (FDI) as well as diversifying and growing the country's exports.
- 7) **Mr. Speaker**, fiscal consolidation is one of the key objectives in the 2019 BPS. This entails limiting growth of public expenditure as well as enhancing revenue collection. While this is commendable, the challenge will be in maintaining a contractionary fiscal path given the

prevailing expenditure pressures. The government has to fully commit to maintaining lower expenditures. This means remaining within the ceilings provided in the Budget Policy Statement and not presenting budget estimates that indicate higher expenditures than what was agreed during the BPS as has been the outcome of previous BPSs.

- 8) **Mr. Speaker**, this House should note that lower than expected economic growth performance will invariably lead to revenue underperformance. This has been one of the main reasons for expenditure re-adjustments in the course of the year through the supplementary budget. As a result, policies and projects approved at the BPS level as well as through the Budget Estimates end up either poorly implemented or not implemented at all. This then raises concern on the credibility of the budget.

III. Alignment of the Medium Term Priorities to the 'Big Four' Agenda

- 9) **Mr. Speaker**, as earlier indicated, the 2019/20 budget is expected to continue with the implementation of policies and programmes that are geared towards the realization of the big four agenda. A number of these projects were initiated in the 2018/19 budget. The 'Big Four' plan is targeted at supporting job creation by increasing value addition and the manufacturing sector's share of GDP; enhancing food and nutrition security; providing universal health coverage to all Kenyans as well as the provision of affordable housing.
- 10) **Mr. Speaker**, In the 2019 BPS, there appears to be some effort to create a linkage between the Big Four plan and the budget. This is exemplified by the focus on a number of key targets and outputs that are linked to the Big Four plan in various sectors such as in livestock, health, leather, textile among others. However, **Mr. Speaker**, the concern is whether these expenditures provided are enough to achieve any meaningful outcome and whether the implementation agencies are fully equipped/ empowered for the task ahead. A cursory glance of the budgetary allocations to the key sectors indicate that there is no major shift in expenditure allocations to the sectors housing the big four pillars indicating that the distribution of resources may not necessarily be geared towards actualizing the big four plan.
- 11) **Mr. Speaker**, in our previous report on the BPS 2018, the committee had recommended the development of a masterplan that spells out the strategy in implementation of the Big Four plan including a results matrix for resource allocation as well as a monitoring and evaluation framework which will make it easier to monitor the Big Four. This has not been

implemented. Mr. Speaker, such a blueprint would have useful in guiding resource allocation as well as monitoring implementation of the Big Four Plan. Furthermore, Mr. Speaker, it is important to query how already existing action plans are being handled in the context of the Big Four agenda. There already exists some action plans in the textile industry and the leather industry under the Ministry of Industrialization but without proper coordination and a clear overarching framework, some important interventions may fail to be implemented and some key stakeholders may be overlooked in the process.

IV. Budget for FY 2019/2020 and the Medium Term

a. Expenditure Projections

12) Mr. Speaker, the indicative expenditure ceilings for the three arms of the government including shareable revenue to the county governments for the FY 2019/2020 are as follows: (In Ksh. Millions)

i.	National Government	Ksh.1,766,364
ii.	Parliament	Ksh.38,502
iii.	Judiciary	Ksh. 17,457
iv.	Consolidated Fund Services	Ksh.535,748
v.	County Equitable Share	Ksh.310,000
vi.	Equalization Fund	Ksh.5,800
vii.	Contingency Fund	Ksh.5,000

13) Mr. Speaker, in terms of ministerial expenditure ceilings, the National Treasury projects total expenditure ceiling of Ksh. 1,822.802 billion; of which recurrent expenditure is estimated at Ksh. 1,171.979 billion and development expenditure is estimated at Ksh. 650.822 billion. Most of the sectors have increased budgetary allocations except for the Energy, Infrastructure and ICT sector as well as the General Economic and Commercial Affairs (GECA) sectors. Budgetary reduction in the Energy, Infrastructure and ICT sector is as a result of reduced allocation to the Roads and Rail transport programmes whereas reduction in the GECA sector is due to budgetary reduction in the integrated regional development programme.

14) Mr. Speaker, as is the norm, the bulk of ministerial expenditure is targeted at Education Sector (26 per cent), Energy, Infrastructure and ICT Sector (22.3 percent), Public Administration and International Relation Sector (14.9 per cent) as well as the Governance,

Justice, Law and Order (11.2 per cent) of the total ministerial expenditure. On the other hand, **Mr. Speaker**, critical sectors that are the drivers of the Big Four agenda such as the General Economic and Commercial Affairs as well as Agriculture, Rural and Urban Development under which manufacturing, food security and affordable housing are domiciled are the least funded sectors with total allocation of **Ksh.23.9 billion and Ksh.59.0 billion** respectively during the financial year 2019/2020. This is despite the promise under the BPS that resources allocation will be align in projects and programmes that are the drivers of the Big Four Agenda.

- 15) At this juncture **Mr. Speaker**, I wish to reiterate the importance of a collaborative framework between the National Government and the County Governments on the Big Four agenda. Currently, it is not clear how the National government is coordinating with the county governments to implement the big four pillars, two of which are devolved functions. Failure to include the county governments will result in poor implementation of these projects.
- 16) **Mr. Speaker**, an analysis of the stalled government projects in the country reveals a total of 545 projects with an estimated cost of **Ksh.365.9 billion**, comprising of an estimated GoK funding of **Ksh.286.9 billion** and foreign financing **Ksh.78.9 billion**. As at June 2018, the total expenditure incurred for the implementation of the projects amounted to **Ksh.72.5 billion** (20% of the estimated cost) while outstanding projects costs are estimated at **Ksh.293.4 billion**.
- 17) **Mr. Speaker**, the stalling of projects has been attributed to budget rationalization during projects execution, inadequate funding/lack of funds, budgetary reallocation to fund the Big Four plan, lack of budgetary provision after devolution and reorganization of the government, insecurity, devolved projects to counties, contractual and land disputes among others. It should be noted that 56 percent of the stalled projects are in the Agriculture, Rural and Urban Development sector – a key pillar of the big four plan which is crucial in improving the living standards of Kenyans.
- 18) **Mr. Speaker**, so long as these projects remain stalled, they will not yield any returns to the economy.

b. Revenue Projections

19) **Mr. Speaker**, the government targets total revenue collection including appropriation-in-aid amounting to **Ksh.2,081 billion** (18.3 per cent GDP) during the FY 2019/2020. Ordinary revenue is projected at **Ksh.1,877.2 billion** (16.5 per cent GDP). This is higher than **Ksh.1,652 billion** during the FY 2018/19. According to the 2019 BPS, **Mr. Speaker**, the projected revenue performance will be underpinned by ongoing reforms in tax policy and revenue administration. Some of the reforms include: enhanced scanning to detect concealment and increase efficiency in cargo clearing through procurement of additional scanners and full integration of all scanners, Use of Regional Electronic Cargo Tracking System (RECTS) to ensure all goods reach the desired destinations and avoid dumping; the use of third-party information to identify non-compliant property developers and ensure they are included in the tax base; and detection of non-compliance through i-Tax data matching.

20) **Mr. Speaker**, the committee is concerned that these reforms have been referred to in previous BPS documents but there has never been a report on the progress achieved so far nor how much will be raised specifically through these reforms. In other words, **Mr. Speaker**, the impact of these reforms is not quantified. Given the tendency of revenue to underperform in the past years, it is very important to ensure that the revenues projected for 2019/20 are realistic. As such, as indicated in previous analyses, the impact of these reforms should be adequately assessed and quantified. The National Treasury (in collaboration with KRA) should provide clear quantifiable and realistic tax administration measures towards boosting revenue collection.

c. Deficit financing

21) **Mr. Speaker**, as earlier indicated, the fiscal stance of the government during the FY 2019/20 and the medium term targets fiscal consolidation supported by restriction in the growth of recurrent spending as well as domestic resources mobilization. The target is to achieve a deficit level of -5.6% of GDP in 2019/20 with a target of 3.0 per cent fiscal deficit by 2022/23. **Mr. Speaker**, it is important for the National Treasury to adhere to its proposed expenditure plans and avoid expanding the deficit in order to limit growth of debt and release credit to the private sector. In previous financial years, this has not been adhered to leading to higher deficit levels and higher debt accumulation.

V. County Financial Management and Vertical Division of Revenue for 2019/2020

a. County Financial Management

22) **Mr. Speaker**, in terms of county financial management, the committee held consultations with the Council of Governors and raised a number of concerns which I now wish to highlight:

- i. **Development Spending Allocation:** Section 107(2) of the PFM Act 2012 requires that County Governments allocate a minimum of 30 percent of their budget to development expenditure. However, even though approved County budgets comply with this requirement, actual development expenditure for most of the Counties is below 30 percent. It is generally observed that actual spending on recurrent is on average above 75% while actual county development spending is generally below 50% on average. This raises the issue of absorption capacities as well as how much county spending goes to wealth creation and capital generation.
- ii. **Personnel Emoluments:** It was observed that counties are still paying salaries outside the Integrated Payroll and Personnel Data (IPPD) system. This implies that total wage bill may still be below the set threshold of 35% of total county receipts in line with section 25(b) of the Public Finance Management County Government Regulations, 2015. This can be attributed to unresolved staff establishment matters that resulted in recruitment of excess staff. The Council of Governors indicated to the Committee that there was an earlier retrenchment proposal which was shelved as it was not financed. County entities should provide completion timelines for the conclusion of the staff establishment exercise as well as a detailed budget forecast and implementation plan.
- iii. **Pending Bills:** According to the CoB, at the close of FY 2017/18, County Governments had accumulated pending bills worth Ksh. 108.4 billion. Whenever counties fail to meet their financial obligations to creditors/ or suppliers or fail to remit third party statutory deductions and utilities, it results into pending Bills which usually are rolled over to the subsequent financial year. During the FY 2013/14 to FY 2015/16, a number of County Governments did not settle bills amounting to Kshs 62.8 billion in FY 2013/14, Kshs 108.9 billion in FY 2014/15 and Kshs 74.9 billion in 2015/16. The Council of Governors indicated that the pending bills are as a result of poor cash transfers from the National Government. In some instances, funds are released one week towards the end of the financial year making it difficult for counties to absorb these funds.

- iv. **Irregular Procurement of Goods and Services:** This may be as a result of single sourcing, disregard of procurement rules and regulations, flouting laid down procedures and acting in disregard of the procurement process.
- v. **Proliferation of County Public Funds:** establishment of numerous county public funds outside the legal requirements poses a fiscal risk in terms of management of these funds and earmarking of funds outside the budget funds puts expenditure pressure and constrained fiscal framework in the counties. For instance, failure to establish public funds in line with section 116 of the PFM Act, 2012, mainly undermines the legality of County Governments' mortgage and car loan schemes;
- vi. **Failure by county governments to post all their financial transactions on the IFMIS** system may lead to inaccurate presentation of financial statements and failure to capture all correct financial position. In addition, it may lead to undisclosed local revenue collections and hence revenue leakages.
- vii. **Absence and/or ineffectiveness of internal audit committees and Assets register in line with the PFM (County Governments) Regulations, 2015.** County entities are required to keep a register of all assets and liabilities inherited from the defunct local authorities and assets and their value acquired under their administration.

b. Vertical Division of Revenue for 2019/2020

23) Mr. Speaker, in the 2019 BPS, the total sharable revenue is projected at Ksh. 1,877.18 billion out of which Ksh. 1,561.42 billion will be allocated as the equitable share to the national government and Ksh. 310 billion as the equitable share to the county governments. In addition, the total conditional grants allocation to counties is Kshs 61.6 billion, of which Kshs. 38.71 is from development partners. This brings the total proposed allocation to counties for FY 2019/20 to Kshs. 371.6 billion, relative to the 2018/19 total amount of Kshs 376.4 billion.

24) Mr. Speaker, I wish to point out that despite the reduction in the proposed county equitable share, the basis – that is, the recent audited and approved nationally raised revenue - has increased by 11 % from Kshs. 935. 65 billion to Kshs. 1,038.03 billion which were for the FYs 2013/14 and 2014/15 respectively. The import of the current basis is that clearing the backlog in processing the audited appropriation accounts relating to FYs 2015/16 to

2017/18 that were submitted to parliament will enable counties to achieve better resource allocation. I urge this House to expedite approval of the remaining appropriation accounts in order to provide a more up to date basis for the determination of sharable revenue.

25) Mr. Speaker, in our discussion with the Commission on Revenue Allocation, the following issues emerged:

- i. The aspects of the Big Four plan that are devolved should be implemented by county governments. In this regard, the National Government should consider providing resources to counties for implementation of the Big Four plan through conditional grants
- ii. If National government revenue projections are not realized, the shareable revenue for the county governments is at risk. Indeed, in the 2018/19 financial year, the National Government has used this position to propose a reduction in resources to county governments. The Commission on Revenue Allocation as well as the Council of Governors were of the opinion that resources allocated to the county governments for financial year 2018/19 should be maintained at Ksh. 314 billion and not revised downwards as these resources had already been committed through the county budgets.

26) Mr. Speaker, the Commission on Revenue Allocation is of the opinion that the county governments should be allocated Ksh. 335.7 billion; comprising of Ksh. 314 billion from the 2018/19 baseline and an inflation adjustment of Ksh. 21.7 billion. The inclusion of inflation adjustment to the computation of resources allocated to counties will ensure that resource allocation is done in real terms.

VI. MEDIUM TERM DEBT MANAGEMENT STRATEGY

27) Mr. Speaker, the MTDS for FY 2019/20 proposes a borrowing framework of 38% external borrowing and 62% domestic borrowing to finance the national budget deficit. External Debt will be financed through Concessional Finance (26%), Semi Concessional Finance (8%) and Commercial finance (4%). The committee has reviewed the Medium Term Debt Management Strategy (MTDS) and makes the following observations:

- i. The country is facing significant debt refinancing pressure. The refinancing needs for the next 1 year will reach USD 10.4 billion, having risen substantially from \$1.8 billion for FY 2018/19 and \$1.4 billion in FY 2017/18). The refinancing requirements of debt maturing in 1 year in FY 2019/20 will reach 50% of total revenue and will therefore require cautious domestic revenue management given the rising expenditure needs.

- ii. There is variation between the deficit financing policies indicated under the BPS and the MTDS i.e. while Budget Policy Statement (BPS) proposes to finance the deficit through external financing to domestic financing ratio of 47 percent to 53 percent, the MTDS utilizes a ratio of 62% external financing and 38% for external financing.
- iii. Commercial debt is set to continue to grow as a result of the deviations in the MTDS deficit management structure i.e. MTDS indicates that commercial debt should only make up 4% or KSh. 12.26 billion, total external borrowing, whereas the BPS target is set at 47% or KSh. 207.8 billion.
- iv. The current PFM regulations places a NPV of debt to GDP limit of 50%. This has been breached by 9.9% and is set to remain so for the rest of the medium term. Other ratios that have breached their threshold include; Debt Service to Revenue ratio and debt service to export ratio.
- v. MTDS 2019/20 is prepared on the premise that fiscal consolidation will occur in the medium term despite previous experience of lack of commitment towards this end.
- vi. Similar to 2017, BPS and MTDS 2018, MTDS 2019 overlooks the importance of listing the projects both on-going and earmarked, by sector to be implemented using debt in the medium term. Further, the MTDS should have included a detailed current debt servicing information on related projects and the status of their implementation.

VII. POLICY RECOMMENDATIONS FROM THE DEPARTMENTAL COMMITTEES

28) Mr. Speaker, during the Committee's deliberations with the Departmental Committees on the Budget Policy Statement 2019, a number of cross cutting observations and recommendations were made which I now wish to highlight:

- a. Most of the MDAs expressed concern over their resource ceiling in the BPS 2019 and presented larger resource requirements to the Departmental Committees. It is important to note that resources are rarely enough and the very essence of budgeting is to prioritize expenditure among competing needs. These are difficult times that require us to tighten our belt. In this regard, I urge the MDAs to focus on utilizing what they have been allocated efficiently before requesting for additional funds.
- b. The BPS 2019 provides very scanty information on project performance over the past years and as such, the discussion on the budget has not focused on

outputs/outcomes. The essence of programme based budgeting is to ensure that resource allocation is anchored on outputs in order to reduce resource wastage. In this regard, spending agencies should be compelled to provide information on non-financial performance, that is, on outputs of various programmes. This will make it easier to monitor efficiency in utilization of resources.

- c. The relevance and effectiveness of the MTEF process needs to be re-looked at. A review of the budgetary allocations for the various spending agencies indicates that the medium term allocations as contained in previous BPSs and budgets rarely inform the actual expenditure allocations when those years finally arrive. Honourable members, it is about time that we consider locking in medium term expenditure projections at the BPS approval stage and ensuring that these are adhered to with minimal adjustments where necessary. This will not only make it easier for a spending agency to plan but will also be instrumental in limiting unnecessary growth of government expenditures.
- d. Pending bills continue to pose a significant challenge to budgeting both at the national and county levels. Most of the MDAs indicated that pending bills were limiting their budget flexibility. Honourable Members, we need to find ways to settle pending bills and stop any further accumulation.
- e. Stalled projects continue to tie up resources yet they are not yielding any economic returns. Indeed, some Departmental Committees submitted that the list of stalled development projects provided was not exhaustive and that the total stalled projects are much more than the 545 projects identified. This is a significant cost to the economy.
- f. Some programme functions appear duplicated across the various spending agencies and could be contributing to resource wastage. The government should consider harmonization of programmes performing similar functions in order to limit resource wastage.
- g. The National Treasury should come up with a conclusive policy on leasing of motor vehicles in order to ensure value for money.
- h. Some MDAs such as the Ministry of Environment and Forestry are still reporting subscription arrears despite there being a directive that all Subscriptions to

international organizations be consolidated under the National Treasury. Subscription arrears are damaging to the image of the country and should be budgeted for promptly.

- 29) **Mr. Speaker**, I wish to bring to the attention of this House that the Committee received additional expenditure requests amounting to Ksh. 134.44 billion. Given resource constraints, most of these requests could not be approved.

VIII. RECOMMENDATIONS ON THE BUDGET POLICY STATEMENT AND THE MEDIUM TERM DEBT MANAGEMENT STRATEGY

Policy Recommendations

- 30) **Mr. Speaker**, on matters of policy, the committee recommends as follows:

- a. **Debt Sustainability:** To ensure long term debt sustainability, the government should move towards a balanced budget and eventually achieve budget surplus.
- b. **Revenue:** reduce exemptions; increase effort to raise revenue as per targets; and expedite court cases especially on withholding tax on betting and gaming. This will unlock additional revenue that will be utilized to reduce the deficit. In addition, there is need to re-invigorate the privatization commission to sell off non- strategic parastatals.
- c. **Pending bills:** revive the pending bills closing committee which will carry out an audit of all existing pending bills to verify whether they were procured in the right process and determine whether they are payable as well as the best structure of payment. The pending bills closing committee can handle pending bills at both the national and county level and will determine the pending bills which can to be urgently settled and MDAs compelled to do so.
- d. **Stalled projects:** there is need for an audit to be carried out to establish the total number of stalled projects and compel the various institutions to come up with a policy giving first priority to completion of stalled projects.

- e. **Implementation of the Big Four Plan:** The National Treasury should submit an Accountability matrix for the Big Four plan indicating the quantum resources, implementing agencies and the indicative timelines for implementation of the projects under the Big Four plan.
- f. **Public Private Partnership:** Enhance the PPP programme while managing contingent liabilities to ensure that various services can be provided by the private sector.
- g. **Enhancing Productivity:** The National Government should consider a special allocation for productive sectors of the economy such as agriculture, manufacturing that is visible and sufficient enough to unlock these sectors. This will lead to additional investments
- h. **Rationalization of additional accounting officers:** the National government should ensure rationalization in appointing more accounting officers as this brings additional administrative costs including enhancing the wage bill
- i. **Public debt:** there is a growing concern on debt serviceability versus revenue generation. The National Government should borrow wisely for development so as not to burden future generations. There is need to strike an optimal balance between external and domestic borrowing to protect from the country external shocks while ensuring credit is still available to the private sector. In this regard, It is high time that this House considers amending the PFM Act to provide for a numerical debt ceiling as opposed to the current scenario where the debt ceiling is pegged on GDP projections.
- j. Pursuant to PFM regulation 27(5), the ceiling (as a percent of GDP) for development expenditure and personnel spending should be binding for the next two years.

- k. Any additional revenue yield before finalization of the budget estimates for 2019/20 **SHALL** go towards reduction of the deficit.
- l. The borrowing strategy as contained in the MTDS 2019 is approved and any deviation in the borrowing mix must be approved by Parliament.

Financial Recommendations

31) Finally Mr. Speaker, the Committee requests this House to adopt this report and resolve as follows:

I. **That** the ceilings of each arm of government for FY 2019/2020 be capped as follows:

- ✚ Parliament – Kshs. 39.501 billion
- ✚ Judiciary – Kshs. 18.937 billion
- ✚ Executive – Kshs. 1,766.363 billion

II. **That** the financing of the 2019/20 budget and the medium term be set at a ceiling of Ksh. 2.062 trillion for 2019/20, 2020/21, 2021/22 and 2022/23. This will ensure that the deficit/fiscal balance (on commitment basis including grants) is no more than 5.1%, 3.9%, 3.3% and 3.1% respectively in 2019/20, 2020/21, 2021/22 and 2022/23. I wish to reiterate that the medium term figures for the deficit should be binding.

III. **That** in effecting the proposed ceilings for each arm of government, the National Treasury should take into consideration the summary recommendations of the Departmental Committees on specific Ministries, Departments and Agencies as attached to this report.

IV. **That** reallocations be effected as recommended by Departmental Committees and as per attached schedule 1.

V. **That** the allocations to the county governments for FY 2019/2020 be as follows:

- a. County Government Equitable share of **Kshs. 310 billion**. Furthermore **Mr. Speaker**, the Committee emphasizes that there shouldn't be any in-year revisions

on county allocations in order to enhance predictability in resource allocation. It is important therefore for the revenue projections to be as realistic as possible as this will affect division of revenue.

- b. Conditional allocations from the national government's equitable share of revenue as follows:

- ✦ Leasing of medical equipment **Ksh. 6.2 billion**
- ✦ Compensation for user fees foregone **Ksh. 900 million**
- ✦ Level 5 hospitals **Ksh. 4.326 billion**
- ✦ Supplement for construction of county headquarters **Ksh. 485.2 million**
- ✦ Rehabilitation of village polytechnics **Ksh. 2 billion**
- ✦ Allocation from Fuel Levy Fund (15% of collections) **Ksh. 8.984 billion**
- ✦ Allocation from loans and grants **Ksh. 38.705 billion**

- c. Total allocation to county governments **Kshs. 371.6 billion**

- VI. **That** the allocation in the Equalization Fund of Ksh. 5.8 billion be approved as provided in the Budget Policy Statement.
- VII. **That** once approved by this House these recommendations together with Schedule 2 **SHALL** form the basis of the 2019/2020 budget.

Schedule I: Departmental Committee Financial Recommendations

Committee	Programme/Project (proposals)	Financial Proposals (Ksh. Millions)	2019/20 Targets/Notes
Agriculture and Livestock			
State Department for Crop Development	Coffee reforms	300	Increase productivity from 2kgs per tree to about 5kgs per, increase the total production in the country to about 100,000 Metric Tonnes from the current 40,000 Metric Tonnes To cover other crops - inclusivity
	Reduce Miraa revitalization project by ksh. 600 million to Ksh. 400 million	(600)	
	Crop diversification project	300	
State Department for Livestock	Reduce Kshs. 30 Million on reconstruction of Directorate of Veterinary Services administration block due to excess allocation (resource requirement was Ksh. 70 Million but allocated 100 Million)	(30)	
	Reallocate to Production Supplies and Pasture Seeds	30	
	Reduce excess allocation of 24 Million at the construction and refurbishment of Ngong Rabbit Centre	(24)	
	Reallocate to Production Supplies & Pasture Seeds	24	
	Reduce excess allocation of 6 Million from the standard access markets program (SMAP)	(6)	

Committee	Programme/Project (proposals)	Financial Proposals (Ksh. Millions)	2019/20 Targets/Notes
	Reallocate to Production Supplies & Pasture Seeds	6	
State Department for Irrigation	Reduction of kshs 35 Million from Galana – Kulalu which was earlier allocated Kshs 55 million	(35)	--
	Saving be reallocated to National Expanded Irrigation Programme (thereby increasing the total allocation to Kshs 585 Million	35	--
	Reduce allocation to Community Based Irrigation Scheme	(100)	
	Reallocate to National Expanded Irrigation Programme	100	
State Department for Agricultural Research	Reduce allocation from Fall Army Worm	(85)	--
	Reallocate to research on coffee and cotton under KARLO.	85	
Administration and National Security			
State Department for Interior	Reduce Ksh. 200 million from Planning, Policy Coordination and Support Services (recurrent)	(200)	--
	Increase Policing Services (Criminal Investigation Services)	100	Enhance operations
	Kenya Coast Guard Services		

Committee	Programme/Project (proposals)	Financial Proposals (Ksh. Millions)	2019/20 Targets/Notes
		100	Help in Blue Economy
Education and Research			
Teachers Service Commission	Reduce recurrent by Kshs 50 Million under general administration	(50)	--
	Increase recurrent Kshs 50 million under Governance and Standards	50	Programme only received 33% of its total resource requirement
Finance and National and Planning			
Commission on Revenue Allocation	CRA to address budget shortfall: Annual recommendation on revenue sharing (Kshs. 9 million); Financing of cities and urban areas policy (Kshs. 4 million); Equitable criteria for revenue sharing from decentralized funds (Kshs. 4 million); financing and financial management for counties (Kshs. 10 million) Criteria for funding of urban slums (Kshs. 9 million)	36	Reports, recommendations, policies such as: Annual recommendation on revenue sharing; Financing of cities and urban areas policy; Equitable criteria for revenue sharing from decentralized funds; financing and financial management for counties; Criteria for funding of urban slums
State Department for Planning	Additional funding for:- 1.Operationalisation of county development planning offices – Kshs. 51 million. 2.Shortfall in personnel emolument for the in post in KIPPRA – Kshs. 66 million. 3.Shortfall in SRC recommendation, NCPD – Kshs. 25 million.	142	--
National Treasury	Reduce National Treasury's allocation.	(178)	--
Health			
Health	Acquisition of space by the	(50)	--

Committee	Programme/Project (proposals)	Financial Proposals (Ksh. Millions)	2019/20 Targets/Notes
	National AIDS Control Council-(NACC) under Preventive and Promotive Healthcare & RMNCAH: Ksh. 50 -0		
	Clinical Waste Disposal System Project under National Referral & Specialized Services: Ksh. 6.25- 0	(6.25)	
	Free Maternity Programme (Strategic Intervention) under Health Policy & Standards Health Policy, Planning & Financing : Ksh. 4,298 to 4,098	(200)	
	Basic health insurance for the informal and the poor under Health Policy & Standards: Ksh. 50 -0	(15)	
	Monitoring and evaluation under General Administration & Support Services: Ksh. 40 - 0	(40)	
	UHC Phased Out Approach (Pilot Programme) under Health Policy & Standards: Ksh. 6,000 to 5,200	(800)	
	Procurement of family planning & reproductive health commodities under Preventive and Promotive Healthcare & RMNCAH: Ksh. 87.5-300 million	212.5	
	Vaccines & Immunizations under Preventive and	98.75	

Committee	Programme/Project (proposals)	Financial Proposals (Ksh. Millions)	2019/20 Targets/Notes
	Promotive, Healthcare & RMNCAH: Ksh. 703-801.75million Provision of 3 radiotherapy equipment's under Preventive and Promotive Healthcare & RMNCAH Allocation to National Cancer control programme	600 200	3 radiotherapy equipment, other materials in Mombasa, Nakuru, Garissa Prevention, public awareness, screening within 10 chemotherapy sites
	Reduce allocation for construction of wall, building under National Spinal Injury Hospital Reallocate to purchase of equipment under National Spinal Injury Hospital	(30.5) 30.5	Provision of equipment
Justice and Legal Affairs			
Judiciary	allocation under the development vote to the Judiciary to enable the department complete its projects on time. Allocation to cater for mortgage of judges and staff, acquisition of motor vehicles for judges and court stations, facilitation of mobile courts	500 500	To complete projects Vehicles, mortgages for judges, fast-tracking corruption cases
BAC			
Parliamentary Service Commission	Senate Affairs and General Administration, Planning and Support Services: enhance funding of Senate Oversight Programme	500	To enhance Senate Oversight activities
National Assembly	National Legislation, Representation and	500	To enhance Committee activities, and to

Committee	Programme/Project (proposals)	Financial Proposals (Ksh. Millions)	2019/20 Targets/Notes
	Oversight: Committee activities (300 million); Appraisal and Open Government and capacity building (200 million)		support capacity building and activities under Feasibility, Appraisal and Open Government
Total		2,000	

SUMMARY OF MINISTERIAL BUDGET CEILINGS FOR FY 2019/20 IN KSHS IN MILLIONS

Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1011	The Presidency	8,083.00	1,213.00	9,296.00	8,083.00	1,213.00	9,296.00
	0702000 Cabinet Affairs	1,311.00	713.00	2,024.00	1,311.00	713.00	2,024.00
	0704000 State House Affairs	3,877.00	304.00	4,181.00	3,877.00	304.00	4,181.00
	0734000 Deputy President Services	2,072.00	88.00	2,160.00	2,072.00	88.00	2,160.00
	0703000 Government Advisory Services	696.00	0.00	696.00	696.00	0.00	696.00
	1008000 Resources Surveys and Remote Sensing	127.00	108.00	235.00	127.00	108.00	235.00
1021	State Department for Interior	123,230.50	13,308.70	136,539.20	123,230.50	13,308.70	136,539.20
	0601000 Policing Services	96,859.80	5,452.10	102,311.90	96,859.80	5,452.10	102,311.90
	0602000 Planning, Policy Coordination and Support Service	19,684.60	4,186.60	23,871.20	19,684.60	4,186.60	23,871.20
	0603000 Government Printing Services	739.50	200.00	939.50	739.50	200.00	939.50
	0605000 Population Management Services	3,766.80	3,070.00	6,836.80	3,766.80	3,070.00	6,836.80
	0624000 Betting Control, Licensing and Regulation Services	112.80	0.00	112.80	112.80	0.00	112.80
	0216000000 Road Safety	2,067.00	400.00	2,467.00	2,067.00	400.00	2,467.00
1023	State Department for Correctional Services	26,102.30	812.60	26,914.90	26,102.30	812.60	26,914.90
	0602000 Planning, Policy Coordination and Support Service	0.00	0.00	0.00	0.00	0.00	0.00
	0604000 Correctional services	25,650.80	812.60	26,463.40	25,650.80	812.60	26,463.40
	0623000 General Administration, Planning and Support Services	451.50		451.50	451.50	0.00	451.50
1024	State Department for Immigration and Citizen Services	2,121.20	1,090.30	3,211.50	2,121.20	1,090.30	3,211.50
	0605000 Population Management Services	2,121.20	1,090.30	3,211.50	2,121.20	1,090.30	3,211.50
1032	State Department for Devolution	993.00	8,196.00	9,189.00	993.00	8,196.00	9,189.00
	0732000 General Administration, Planning and	352.00	0.00	352.00	352.00	0.00	352.00

Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Support Services						
	0712000 Devolution Services	136.00	8,082.00	8,218.00	136.00	8,082.00	8,218.00
	P4: Management of Intergovernmental Relations	453.00	114.00	567.00	453.00	114.00	567.00
	0713000 Special Initiatives	52.00	0.00	52.00	52.00	0.00	52.00
	1013000 Integrated Regional Development			0.00	0.00	0.00	0.00
1035	State Department for Development of the ASAL	1,059.70	4,778.70	5,838.40	1,059.70	4,778.70	5,838.40
	0733000 Accelerated ASAL Development	1,059.70	4,778.70	5,838.40	1,059.70	4,778.70	5,838.40
1041	Ministry of Defence	102,062.00	14,974.00	117,036.00	102,062.00	14,974.00	117,036.00
	0801000 Defence	100,230.00	14,974.00	115,204.00	100,230.00	14,974.00	115,204.00
	0802000 Civil Aid	200.00	0.00	200.00	200.00	0.00	200.00
	0803000 General Administration, Planning and Support Services	1,432.00	0.00	1,432.00	1,432.00	0.00	1,432.00
	0805000000 National Space Management	200.00	0.00	200.00	200.00	0.00	200.00
1052	Ministry of Foreign Affairs	16,130.80	1,958.00	18,088.80	16,130.80	1,958.00	18,088.80
	0714000 General Administration Planning and Support Services	1,958.00	93.00	2,051.00	1,958.00	93.00	2,051.00
	0715000 Foreign Relation and Diplomacy	13,950.80	1,665.00	15,615.80	13,950.80	1,665.00	15,615.80
	0741000 Economic and Commercial Diplomacy	80.00	0.00	80.00	80.00	0.00	80.00
	0742000 Foreign Policy Research, Capacity Dev and Technical Cooperation	142.00	200.00	342.00	142.00	200.00	342.00
1064	State Department for Vocational and Technical Training	7,648.00	7,569.00	15,217.00	7,648.00	7,569.00	15,217.00
	0505000 Technical Vocational Education and Training	7,436.00	5,569.00	13,005.00	7,436.00	5,569.00	13,005.00
	0507000 Youth Training and Development	48.00	2,000.00	2,048.00	48.00	2,000.00	2,048.00
	0508000 General Administration, Planning and Support Services	164.00	0.00	164.00	164.00	0.00	164.00

Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
1066	State Department for Early Learning & Basic Education	90,929.00	10,152.00	101,081.00	90,929.00	10,152.00	101,081.00
	0501000 Primary Education	17,784.00	4,581.00	22,365.00	17,784.00	4,581.00	22,365.00
	0502000 Secondary Education	64,594.00	5,103.00	69,697.00	64,594.00	5,103.00	69,697.00
	0503000 Quality Assurance and Standards	3,959.00	325.00	4,284.00	3,959.00	325.00	4,284.00
	0508000 General Administration, Planning and Support Services	4,592.00	143.00	4,735.00	4,592.00	143.00	4,735.00
1067	State Department for University Education	92,963.00	10,247.00	103,210.00	92,963.00	10,247.00	103,210.00
	0504000 University Education	90,180.00	9,057.00	99,237.00	90,180.00	9,057.00	99,237.00
	0506000 Research, Science, Technology and Innovation	2,413.00	1,190.00	3,603.00	2,413.00	1,190.00	3,603.00
	0508000 General Administration, Planning and Support Services	370.00	0.00	370.00	370.00	0.00	370.00
1068	State Department for Post Training and Skills Development	165.50	0.00	165.50	165.50	0.00	165.50
	Programme 1: General Administration, Planning and Support Services	72.00	0.00	72.00	72.00	0.00	72.00
	Programme 2: Workplace Readiness Services	48.50	0.00	48.50	48.50	0.00	48.50
	Programme 3: Post-Training Information Management	45.00	0.00	45.00	45.00	0.00	45.00
1071	The National Treasury	73,009.40	34,599.80	107,609.20	72,831.40	34,599.80	107,431.20
	0717000 General Administration Planning and Support Services	66,919.40	3,449.80	70,369.20	66,741.40	3,449.80	70,191.20
	0718000 Public Financial Management	4,343.00	30,229.00	34,572.00	4,343.00	30,229.00	34,572.00
	0719000 Economic and Financial Policy Formulation and Management	1,332.00	866.00	2,198.00	1,332.00	866.00	2,198.00
	0720000 Market Competition	339.00	55.00	394.00	339.00	55.00	394.00
	0740000 Government Clearing Services	76.00	0.00	76.00	76.00	0.00	76.00
1072	State Department for Planning	11,887.00	40,865.00	52,752.00	12,029.00	40,865.00	52,894.00

		FY 2019/20			Final BPS 2019/20 Ceiling		
Vote	PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0706000 Economic Policy and National Planning	1,682.00	39,303.00	40,985.00	1,824.00	39,303.00	41,127.00
	0707000 National Statistical Information Services	9,683.00	1,435.00	11,118.00	9,683.00	1,435.00	11,118.00
	0708000 Monitoring and Evaluation Services	120.00	127.00	247.00	120.00	127.00	247.00
	0709000 General Administration Planning and Support Services	402.00	0.00	402.00	402.00	0.00	402.00
1081	Ministry of Health	56,375.00	36,671.50	93,046.50	56,405.50	36,641.00	93,046.50
	0401000 P 1: Preventive, Promotive & RMNCAH	1,820.00	9,556.00	11,376.00	1,820.00	10,639.75	12,459.75
	0402000 P2: National Referral & Specialized Services	27,110.00	12,815.40	39,925.40	27,140.50	12,778.65	39,919.15
	0403000 Health Research and Development	9,150.00	771.00	9,921.00	9,150.00	771.00	9,921.00
	0404000 General Administration, Planning & Support Services	7,054.00	800.00	7,854.00	7,054.00	760.00	7,814.00
	0405000 Health Policy, Standards and Regulations	11,241.00	12,729.10	23,970.10	11,241.00	11,691.60	22,932.60
1091	State Department of Infrastructure	61,451.00	111,013.00	172,464.00	61,451.00	111,013.00	172,464.00
	0202000 Road Transport	61,451.00	111,013.00	172,464.00	61,451.00	111,013.00	172,464.00
1092	State Department of Transport	9,798.00	87,685.00	97,483.00	9,798.00	87,685.00	97,483.00
	0201000 General Administration, Planning and Support Services	349.00	590.00	939.00	349.00	590.00	939.00
	0203000 Rail Transport	0.00	69,956.00	69,956.00	0.00	69,956.00	69,956.00
	0204000 Marine Transport	1,286.00	15,826.00	17,112.00	1,286.00	15,826.00	17,112.00
	0205000 Air Transport	8,163.00	1,313.00	9,476.00	8,163.00	1,313.00	9,476.00
	0216000 Road Safety	0.00	0.00	0.00	0.00	0.00	0.00
1093	State Department for Maritime Affairs	2,173.00	494.00	2,667.00	2,173.00	494.00	2,667.00
	0220000 Shipping and Maritime Affairs	2,173.00	494.00	2,667.00	2,173.00	494.00	2,667.00
1096	State Department for Housing, Urban Development	1,005.00	27,669.00	28,674.00	1,005.00	27,669.00	28,674.00
	0102000 Housing Development and Human	483.00	10,048.00	10,531.00	483.00	10,048.00	10,531.00

Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Settlement						
	0105000 Urban and Metropolitan Development	284.00	17,621.00	17,905.00	284.00	17,621.00	17,905.00
	0106000 General Administration Planning and Support Services	238.00	0.00	238.00	238.00	0.00	238.00
1095	State for Public Works	2,360.00	2,103.00	4,463.00	2,360.00	2,103.00	4,463.00
	0103000 Government Buildings	617.00	1,537.00	2,154.00	617.00	1,537.00	2,154.00
	0104000 Coastline Infrastructure and Pedestrian Access	73.00	178.00	251.00	73.00	178.00	251.00
	0218000 Regulation and Development of the Construction Industry	1,399.00	349.00	1,748.00	1,399.00	349.00	1,748.00
	0106000 General Administration Planning and Support Services	271.00	39.00	310.00	271.00	39.00	310.00
1107	Ministry of Water Services and Sanitation	4,319.00	52,309.00	56,628.00	4,319.00	52,309.00	56,628.00
	1001000 General Administration, Planning and Support Services	379.00	34.00	413.00	379.00	34.00	413.00
	1004000 Water Resources Management	1,269.00	5,752.00	7,021.00	1,269.00	5,752.00	7,021.00
	1017000 Water and Sewerage Infrastructure Development	2,576.00	36,586.00	39,162.00	2,576.00	36,586.00	39,162.00
	1015000 P1: Water Storage and Flood Control	45.00	9,932.00	9,977.00	45.00	9,932.00	9,977.00
	1014000 P4: Irrigation and Land Reclamation	50.00	5.00	55.00	50.00	5.00	55.00
					0.00	0.00	0.00
1108	Ministry of Environment and Forestry	10,085.00	5,759.00	15,844.00	10,085.00	5,759.00	15,844.00
	1002000 Environment Management and Protection	1,483.00	1,623.00	3,106.00	1,483.00	1,623.00	3,106.00
	1010000 General Administration, Planning and Support Services	375.00	0.00	375.00	375.00	0.00	375.00
	1012000 Meteorological Services	1,144.00	1,044.00	2,188.00	1,144.00	1,044.00	2,188.00
	1018000 Forests and Water Towers Conservation	7,083.00	3,092.00	10,175.00	7,083.00	3,092.00	10,175.00
1112	Ministry of Lands and Physical Planning	2,672.00	3,113.00	5,785.00	2,672.00	3,113.00	5,785.00

		FY 2019/20			Final BPS 2019/20 Ceiling		
Vote	PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0101000 Land Policy and Planning	2,672.00	3,113.00	5,785.00	2,672.00	3,113.00	5,785.00
1122	State Department for Information Communications and Technology & Innovation	2,777.00	18,611.00	21,388.00	2,777.00	18,611.00	21,388.00
	0207000 P1: General Administration Planning and Support Services	208.00	0.00	208.00	208.00	0.00	208.00
	0210000 P4: ICT Infrastructure Development	339.00	15,183.00	15,522.00	339.00	15,183.00	15,522.00
	0217000 P5: E-Government Services	1,465.00	3,258.00	4,723.00	1,465.00	3,258.00	4,723.00
	Programme 4: Film Development Services	765.00	170.00	935.00	765.00	170.00	935.00
1123	State Department for Broadcasting & Telecommunications	4,558.00	747.00	5,305.00	4,558.00	747.00	5,305.00
	0207000 General Administration Planning and Support Services	233.00	0.00	233.00	233.00	0.00	233.00
	0208000 Information And Communication Services	4,102.00	578.00	4,680.00	4,102.00	578.00	4,680.00
	0209000 Mass Media Skills Development	223.00	169.00	392.00	223.00	169.00	392.00
1132	State Department for Sports Development	2,863.00	700.00	3,563.00	2,863.00	700.00	3,563.00
	0901000 P.1 Sports	2,863.00	700.00	3,563.00	2,863.00	700.00	3,563.00
	0905000 P.5 General Administration Planning and Support Services				0.00	0.00	0.00
1134	State Department for Heritage	3,061.10	572.00	3,633.10	3,061.10	572.00	3,633.10
	0902000 Culture Development	1,988.90	139.00	2,127.90	1,988.90	139.00	2,127.90
	0903000 The Arts	0.00	0.00	0.00	0.00	0.00	0.00
	0904000 Library Services	759.20	433.00	1,192.20	759.20	433.00	1,192.20
	0905000 General Administration, Planning and Support Services	313.00	0.00	313.00	313.00	0.00	313.00
1152	State Department for Energy	5,809.00	64,128.00	69,937.00	5,809.00	64,128.00	69,937.00
	0211000 General Administration Planning and Support Services	358.00	115.00	473.00	358.00	115.00	473.00

Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0212000 Power Generation	1,600.00	11,648.00	13,248.00	1,600.00	11,648.00	13,248.00
	0213000 Power Transmission and Distribution	3,652.00	48,558.00	52,210.00	3,652.00	48,558.00	52,210.00
	0214000 Alternative Energy Technologies	199.00	3,807.00	4,006.00	199.00	3,807.00	4,006.00
1162	State Department for Livestock	2,115.70	4,548.20	6,663.90	2,115.70	4,548.20	6,663.90
	0112000 Livestock Resources Management and Development	2,115.70	4,548.20	6,663.90	2,115.70	4,548.20	6,663.90
1165	State Department for Crop Development	8,494.00	20,009.00	28,503.00	8,494.00	20,009.00	28,503.00
	0107000 General Administration Planning and Support Services	2,670.00	740.00	3,410.00	2,670.00	740.00	3,410.00
	0108000 Crop Development and Management	5,662.00	17,810.00	23,472.00	5,662.00	17,810.00	23,472.00
	0109000 Agribusiness and Information Management	162.00	1,459.00	1,621.00	162.00	1,459.00	1,621.00
1164	State Department for Fisheries & the Blue Economy	1,894.00	2,187.00	4,081.00	1,894.00	2,187.00	4,081.00
	0111000 Fisheries Development and Management	1,521.00	1,177.00	2,698.00	1,521.00	1,177.00	2,698.00
	0117000 General Administration, Planning and Support Services	192.00	0.00	192.00	192.00	0.00	192.00
	0118000 Development and Coordination of the Blue Economy	181.00	1,010.00	1,191.00	181.00	1,010.00	1,191.00
1167	State Department for Irrigation	943.00	7,294.00	8,237.00	943.00	7,294.00	8,237.00
	1014000 Irrigation and Land Reclamation	809.00	5,794.00	6,603.00	809.00	5,794.00	6,603.00
	Programme 2: Water Harvesting and Storage for Irrigation	0.00	1,500.00	1,500.00	0.00	1,500.00	1,500.00
	Programme 3: General Administration, Planning and Support Services	134.00	0.00	134.00	134.00	0.00	134.00
1,168	State Department for Agricultural Research	4,113.00	500.00	4,613.00	4,113.00	500.00	4,613.00
	0120000 Agricultural Research & Development	4,113.00	500.00	4,613.00	4,113.00	500.00	4,613.00
1173	State Department for Cooperatives	751.40	802.50	1,553.90	751.40	802.50	1,553.90

		FY 2019/20			Final BPS 2019/20 Ceiling		
Vote	PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0304000 Cooperative Development and Management	751.40	802.50	1,553.90	751.40	802.50	1,553.90
1175	State Department for Industrialisation	2,797.60	4,515.00	7,312.60	2,797.60	4,515.00	7,312.60
	0301000 General Administration Planning and Support Services	479.40	230.00	709.40	479.40	230.00	709.40
	0302000 Industrial Development and Investments	934.00	1,429.00	2,363.00	934.00	1,429.00	2,363.00
	0303000 Standards and Business Incubation	1,384.20	2,856.00	4,240.20	1,384.20	2,856.00	4,240.20
1174	State Department for Trade	1,658.90	550.00	2,208.90	1,658.90	550.00	2,208.90
	0307000 Trade Development and Promotion	1,658.90	550.00	2,208.90	1,658.90	550.00	2,208.90
1184	State Department for Labour	2,695.90	3,590.10	6,286.00	2,695.90	3,590.10	6,286.00
	0910000 General Administration Planning and Support Services	541.10	0.00	541.10	541.10	0.00	541.10
	0906000 Promotion of the Best Labour Practice	669.40	48.10	717.50	669.40	48.10	717.50
	0907000 Manpower Development, Employment and Productivity Management	1,485.40	3,542.00	5,027.40	1,485.40	3,542.00	5,027.40
1185	State Department for Social Protection	18,856.30	12,244.00	31,100.30	18,856.30	12,244.00	31,100.30
	0908000 Social Development and Children Services	3,259.30	983.00	4,242.30	3,259.30	983.00	4,242.30
	0909000 National Social Safety Net	15,346.00	11,261.00	26,607.00	15,346.00	11,261.00	26,607.00
	0914000 General Administration, Planning and Support Services	251.00	0.00	251.00	251.00	0.00	251.00
1192	State Department for Mining	654.00	313.00	967.00	654.00	313.00	967.00
	1007000 P1: General Administration Planning and Support Services	393.00	0.00	393.00	393.00	0.00	393.00
	Proramme 1: Geological Surveys and Geo Information	87.00	103.00	190.00	87.00	103.00	190.00
	1009000 Mineral Resources Management	174.00	210.00	384.00	174.00	210.00	384.00
1193	State Department for Petroleum	269.00	4,144.00	4,413.00	269.00	4,144.00	4,413.00
	0215000 Exploration and Distribution of Oil and	269.00	4,144.00	4,413.00	269.00	4,144.00	4,413.00

Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Gas						
1201	State Department for Tourism	2,928.90	1,530.00	4,458.90	2,928.90	1,530.00	4,458.90
	0306000 Tourism Development and Promotion	2,928.90	1,530.00	4,458.90	2,928.90	1,530.00	4,458.90
				0.00			
1203	State Department for Wildlife	7,806.00	1,094.00	8,900.00	7,806.00	1,094.00	8,900.00
	1019000 Wildlife Conservation and Management	7,806.00	1,094.00	8,900.00	7,806.00	1,094.00	8,900.00
1213	State Department for Public Service	6,587.00	1,498.00	8,085.00	6,587.00	1,498.00	8,085.00
	0710000 Public Service Transformation	2,042.00	1,498.00	3,540.00	2,042.00	1,498.00	3,540.00
	0709000 General Administration Planning and Support Services	4,545.00	0.00	4,545.00	4,545.00	0.00	4,545.00
1214	State Department for Youth	10,378.00	7,847.20	18,225.20	10,378.00	7,847.20	18,225.20
	0711000 Youth Empowerment	10,378.00	7,847.20	18,225.20	10,378.00	7,847.20	18,225.20
1212	State Department for Gender	1,606.60	2,780.00	4,386.60	1,606.60	2,780.00	4,386.60
	0911000 Community Development	0.00	2,130.00	2,130.00	0.00	2,130.00	2,130.00
	0912000 Gender Empowerment	1,257.00	650.00	1,907.00	1,257.00	650.00	1,907.00
	0913000 General Administration, Planning and Support Services	349.60	0.00	349.60	349.60	0.00	349.60
1221	State Department for East African Community	521.20	65.00	586.20	521.20	65.00	586.20
	0305000 P1: East African Affairs and Regional Integration	521.20	65.00	586.20	521.20	65.00	586.20
1222	State Department for Regional & Northern Corridor Development	2,076.30	5,746.60	7,822.90	2,076.30	5,746.60	7,822.90
	1013000 Integrated Regional Development	2,076.30	5,746.60	7,822.90	2,076.30	5,746.60	7,822.90
1251	State Law Office and Department of Justice	5,009.50	714.00	5,723.50	5,009.50	714.00	5,723.50
	0606000 Legal Services	2,606.80	0.00	2,606.80	2,606.80	0.00	2,606.80
	0607000 Governance, Legal Training and	1,776.90	658.50	2,435.40	1,776.90	658.50	2,435.40

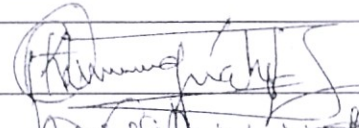
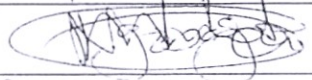
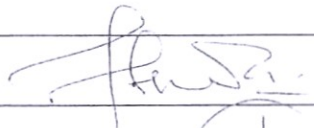
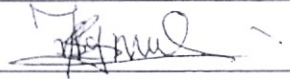
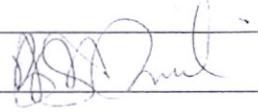
		FY 2019/20			Final BPS 2019/20 Ceiling		
Vote	PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	Constitutional Affairs						
	0609000 General Administration, Planning and Support Services	625.80	55.50	681.30	625.80	55.50	681.30
1261	The Judiciary	13,566.60	3,890.40	17,457.00	14,066.60	4,390.40	18,457.00
	0610000 Dispensation of Justice	13,566.60	3,890.40	17,457.00	14,066.60	4,390.40	18,457.00
1271	Ethics and Anti-Corruption Commission	2,941.60	25.00	2,966.60	2,941.60	25.00	2,966.60
	0611000 Ethics and Anti-Corruption	2,941.60	25.00	2,966.60	2,941.60	25.00	2,966.60
1281	National Intelligence Service	36,560.00	0.00	36,560.00	36,560.00	0.00	36,560.00
	0804000 National Security Intelligence	36,560.00	0.00	36,560.00	36,560.00	0.00	36,560.00
1291	Office of the Director of Public Prosecutions	2,936.20	100.00	3,036.20	2,936.20	100.00	3,036.20
	0612000 Public Prosecution Services	2,936.20	100.00	3,036.20	2,936.20	100.00	3,036.20
1311	Office of the Registrar of Political Parties	811.70	0.00	811.70	811.70	0.00	811.70
	0614000 Registration, Regulation and Funding of Political Parties	811.70	0.00	811.70	811.70	0.00	811.70
1321	Witness Protection Agency	481.60	0.00	481.60	481.60	0.00	481.60
	0615000 Witness Protection	481.60	0.00	481.60	481.60	0.00	481.60
2011	Kenya National Commission on Human Rights	392.00	0.00	392.00	392.00	0.00	392.00
	0616000 Protection and Promotion of Human Rights	392.00		392.00	392.00	0.00	392.00
2021	National Land Commission	1,234.30	0.00	1,234.30	1,234.30	0.00	1,234.30
	0113000 Land Administration and Management	1,234.30	0.00	1,234.30	1,234.30	0.00	1,234.30
2031	Independent Electoral and Boundaries Commission	4,760.40	43.00	4,803.40	4,760.40	43.00	4,803.40
	0617000 Management of Electoral Processes	4,260.40	43.00	4,303.40	4,260.40	43.00	4,303.40
	0618000 Delimitation of Electoral Boundaries	500.00	0.00	500.00	500.00	0.00	500.00
2051	Judicial Service Commission	480.10	0.00	480.10	480.10	0.00	480.10

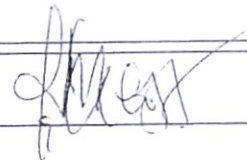
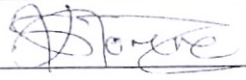
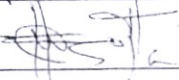
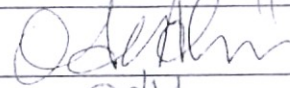
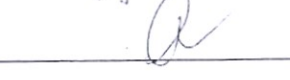
Vote	PROGRAMME CODES & TITLE	FY 2019/20			Final BPS 2019/20 Ceiling		
		GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0619000 General Administration, Planning and Support Services	480.10	0.00	480.10	480.10	0.00	480.10
2061	The Commission on Revenue Allocation	438.00	0.00	438.00	474.00	0.00	474.00
	0724000 Inter-Governmental Revenue and Financial Matters	438.00	0.00	438.00	474.00	0.00	474.00
2071	Public Service Commission	1,171.00	65.00	1,236.00	1,171.00	65.00	1,236.00
	0725000 General Administration, Planning and Support Services	747.00	65.00	812.00	747.00	65.00	812.00
	0726000 Human Resource management and Development	237.00	0.00	237.00	237.00	0.00	237.00
	0727000 Governance and National Values	168.00	0.00	168.00	168.00	0.00	168.00
	Performance and Productivity Management	19.00	0.00	19.00	19.00	0.00	19.00
2081	Salaries and Remuneration Commission	630.00	0.00	630.00	630.00	0.00	630.00
	0728000 Salaries and Remuneration Management	630.00	0.00	630.00	630.00	0.00	630.00
2091	Teachers Service Commission	253,176.70	515.00	253,691.70	253,176.70	515.00	253,691.70
	0509000 Teacher Resource Management	246,408.80	0.00	246,408.80	246,408.80	0.00	246,408.80
	0510000 Governance and Standards	27.20	400.00	427.20	77.20	400.00	477.20
	0511000 General Administration, Planning and Support Services	6,740.70	115.00	6,855.70	6,690.70	115.00	6,805.70
2101	National Police Service Commission	736.90	0.00	736.90	736.90	0.00	736.90
	0620000 National Police Service Human Resource Management	736.90	0.00	736.90	736.90	0.00	736.90
2111	Auditor General	5,389.00	224.00	5,613.00	5,389.00	224.00	5,613.00
	0729000 Audit Services	5,389.00	224.00	5,613.00	5,389.00	224.00	5,613.00
2121	Controller of Budget	723.00	0.00	723.00	723.00	0.00	723.00
	0730000 Control and Management of Public finances	723.00	0.00	723.00	723.00	0.00	723.00
2131	Commission on Administrative Justice	565.00	0.00	565.00	565.00	0.00	565.00

		FY 2019/20			Final BPS 2019/20 Ceiling		
Vote	PROGRAMME CODES & TITLE	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES	GROSS CURRENT ESTIMATES	GROSS CAPITAL ESTIMATES	GROSS TOTAL ESTIMATES
	0731000 Promotion of Administrative Justice	565.00		565.00	565.00	0.00	565.00
2141	National Gender and Equality Commission	428.90	0.00	428.90	428.90	0.00	428.90
	0621000 Promotion of Gender Equality and Freedom from Discrimination	428.90	0.00	428.90	428.90	0.00	428.90
2151	Independent Policing Oversight Authority	857.70	0.00	857.70	857.70	0.00	857.70
	0622000 Policing Oversight Services	857.70	0.00	857.70	857.70	0.00	857.70
	PARLIAMENTARY SERVICE COMMISSION (VOTE 2041 and 2042)	35,851.70	2,650.00	38,501.70	36,851.70	2,650.00	39,501.70
	Total	1,171,979.20	650,822.60	1,822,801.80	1,173,509.70	651,292.10	1,824,801.80

Members attendance list

Budget and Appropriations Committee: Date 26/2/19 Time..... Sitting:

Name	Signature
1. Hon. Kimani Ichung'wah, CBS, M.P- Chairperson	
2. Hon. Moses Lessonnet, M.P- Vice Chairperson	
3. Hon. CPA. John Mbadi, EGH, CBS, M.P.	
4. Hon. Richard Onyonka, M.P.	
5. Hon. Samwel Moroto, M.P.	
6. Hon. Millie Odhiambo, M.P.	
7. Hon. Twalib Bady, M.P.	
8. Hon. (Dr.) Gideon Ochanda, M.P.	
9. Hon. James Mwangi Gakuya, M.P.	
10. Hon. (Dr.) Makali Mulu, M.P.	
11. Hon. Moses Kiarie Kuria, M.P.	
12. Hon. Benard Masaka Shinali, M.P.	

13.	Hon. John Muchiri Nyaga, M.P.	
14.	Hon. Jude Njomo, M.P.	
15.	Hon.(Dr.) Korei Ole Lemein, M.P.	
16.	Hon. Sarah Paulata Korere, M.P.	
17.	Hon. Naisula Lesuuda, OGW, M.P.	
18.	Hon. Sakwa Bunyasi, M.P.	
19.	Hon. Danson Mwashako, M.P.	
20.	Hon. Fatuma Gedi Ali, M.P.	
21.	Hon. Florence Chepngetich Koskey, M.P.	
22.	Hon. James Gichuki Mugambi, M.P.	
23.	Hon. (Dr.) John K. Mutunga, M.P.	
24.	Hon. (Eng.) Mark Nyamita, M.P.	
25.	Hon. Paul Abuor, M.P.	
26.	Hon. Qalicha Gufu Wario, M.P.	
27.	Hon. Wangari Mwaniki, M.P.	

MINUTES OF THE 70TH SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON 21ST FEBRUARY 2019, AT SMALL DINING ROOM, NEW WING OF THE MAIN PARLIAMENT BUILDINGS AT 10:45 AM

PRESENT

- 1) Hon. Kimani Ichung'wah, CBS, M.P. - Chairperson
- 2) Hon. Moses Lessonet, M.P – Vice chairperson
- 3) Hon. (Dr.) Makali Mulu, M.P.
- 4) Hon. (Dr.) Korei Ole Lemein, M.P.
- 5) Hon. Sakwa Bunyasi, M.P
- 6) Hon. (Dr.) Gideon Ochanda, M.P.
- 7) Hon. James Gakuya, M.P.
- 8) Hon. Naisula Lesuuda, OGW M.P
- 9) Hon. Samwel Moroto, M.P.
- 10) Hon. Benard Masaka Shinali, M.P
- 11) Hon. Bady Twalib Bady, M.P.
- 12) Hon. Florence Chepngetich Koskey, M.P.
- 13) Hon. Danson Mwashako, M.P
- 14) Hon. James Gichuki Mugambi, M.P.
- 15) Hon. Fatuma Gedi Ali, M.P.
- 16) Hon. Wangari Mwaniki, M.P.
- 17) Hon. Paul Abuor, M.P.
- 18) Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGY

1. Hon. (CPA) John Mbadi, EGH, CBS, M.P.
2. Hon. Jude Njomo, M.P.
3. Hon. Moses Kiarie Kuria, M.P
4. Hon. Richard Onyonka, M.P.
5. Hon. Millie Odhiambo, M.P
6. Hon. Sarah Paulata Korere, M.P.
7. Hon. (Dr.) John K. Mutunga, M.P
8. Hon. Mark Nyamita, M.P.
9. Hon. John Muchiri Nyaga, M.P

THE COMMISSION ON REVENUE ALLOCATION

- 1) **Dr. Jane Kiringai**
- 2) Mr. George Ooko
- 3) Ms. Naomi Mathenge
- 4) Ms. Selly Nyagah
- 5) Ms. Jacinta Hezron

Chairperson CRA
Commission Secretary / CEO

PARLIAMENTARY BUDGET OFFICE / COMMITTEE SECRETARIAT

- 1) Ms. Phyllis Makau, OGW
- 2) Mr. James Chacha
- 3) Mr. Joram Barasa

Director Parliamentary Budget Office
Fiscal Analyst II & CLERK
Office Assistant

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation and adoption of Minutes
- 3) *Meeting the Commission on Revenue Allocation on resource allocation for county governments as indicated under the 2019 Budget Policy Statement*
- 4) Any Other Business

MIN BAC/70/2019/01: PRELIMINARY & ADOPTION OF THE AGENDA

The Chairperson welcomed the members into the meeting and called the meeting to order at 10:45 A.M. Thereafter Hon. Moses Lessonet, M.P, led the committee with a word of prayer.

MIN BAC/70/2019/02: CONFIRMATION AND ADOPTION OF THE PREVIOUS MINUTES

The committee confirmed and adopted minutes for the following meetings:

- i. **Minutes to the 68th sitting** were proposed by Hon. Paul Abuor, M.P. and seconded by Hon. Danson Mwashako, M.P.

- ii. **Minutes to the 67th sitting** were proposed by Hon. Naisula Lesuuda, M.P and seconded by Hon. Florence Chepngetich Koskey, M.P

MIN BAC/70/2019/3: MEETING WITH THE COMMISSION ON REVENUE ALLOCATION (CRA) ON THE RESOURCE ALLOCATION TO COUNTY GOVERNMENTS UNDER THE 2019 BUDGET POLICY STATEMENT

During the presentation by CRA, the committee was informed that:

1. Fiscal consolidation is a supported fiscal policy measure
2. In FY 2019/20 the National Governments share of revenues grows by 18.6% while that of County Governments grows by 1.6%
3. That the revenues targets projected under the 2019 BPS are likely not to be met, as a result this put the shareable revenue at risk and consequently resource allocation
4. However, it was indicated that there is no recommendation on how the KSh. 200 billion addition revenue, will be shared
5. That there is need to cater for inflation when allocating resources to the county governments in order to ensure allocation of revenues is done in real terms in order to match rising prices. This is to ensure that the equitable proposal for sharing of revenues does not affect service delivery
6. It was noted that the KSh. 305 billion indicated as the county government allocation for FY 2018/19, is not underpinned by law and therefore the baseline allocation should have been retained at KSh. 314 billion
7. In this regard, the commission recommended that the revenue allocation to county governments for FY 2019/20 should be KSh. 335.7 billion (KSh. 314 billion inclusive of KSh.21.7 billion inflation adjustment), Equalization Fund KSh. 5.2 billion and National Government at KSh. 1.87 trillion
8. That low development spending and wage bill thresholds in some counties, emanate from inherited staff, an issue which still pending at the Summit
9. That Chat-4 on pages 64 of the 2019 BPS is misleading because it does not explain the full allocation expenditure as a ratio of total expenditure. That the correct presentation is on page 45 on Table 3.1. county governments where county governments expenditure is 11% of total expenditure

10. There are aspects of Big Four Agenda that is devolved, these resources should therefore be reallocated to county governments through conditional grants

Committee recommendation

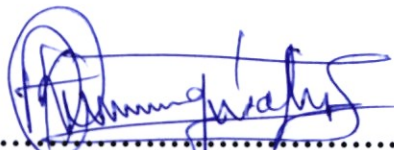
- ✓ The committee informed the CRA that their submission had been received and considered.

MIN BAC/70/2019/4: ANY OTHER BUSINESS & ADJOURNMENT

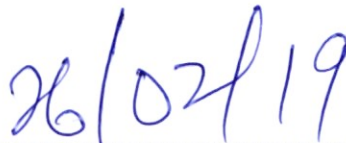
The Chairperson reminded the committee members that they were set to depart for a report writing retreat on the 2019 Budget Policy Statement at a venue Nairobi that was yet to be confirmed.

There being no other matter to consider, the meeting was adjourned at 1:10 PM, till Tuesday 26th February, 2019 at 9:00 AM.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, CBS, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE



.....
DATE

MINUTES OF THE 71ST SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON 25TH FEBRUARY 2019, AT NDOVU CONFERENCE ROOM, THEN BOMA HOTEL, NAIROBI AT 9:00 AM

PRESENT

- 1) Hon. Kimani Ichung'wah, CBS, M.P. - Chairperson
- 2) Hon. Moses Lessonet, M.P – Vice Chairperson
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. (Dr.) Makali Mulu, M.P.
- 5) Hon. (Dr.) Korei Ole Lemein, M.P.
- 6) Hon. Sakwa Bunyasi, M.P
- 7) Hon. Richard Onyonka, M.P.
- 8) Hon. (Dr.). Gideon Ochanda, M.P.
- 9) Hon. James Mwangi Gakuya, M.P.
- 10) Hon. Millie Odhiambo, M.P
- 11) Hon. Moses Kiarie Kuria, M.P
- 12) Hon. Naisula Lesuuda, M.P
- 13) Hon. Wangari Mwaniki, M.P.
- 14) Hon. Benard Masaka Shinali, M.P
- 15) Hon. Florence Chepngetich Koskey, M.P.
- 16) Hon. Danson Mwashako, M.P
- 17) Hon. James Gichuki Mugambi, M.P.
- 18) Hon. Fatuma Gedi Ali, M.P.
- 19) Hon. Paul Abuor, M.P.
- 20) Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGY

- 1) Hon. Samwel Moroto, M.P.
- 2) Hon. Jude Njomo, M.P.
- 3) Hon. Bady Twalib Bady, M.P.
- 4) Hon. Sarah Paulata Korere, M.P.
- 5) Hon. (Dr.) John K. Mutunga, M.P
- 6) Hon. (Eng.) Mark Nyamita, M.P.
- 7) Hon. John Muchiri Nyaga, M.P

DEPARTMENTAL COMMITTEE CHAIRPERSON

- | | |
|--------------------------------|------------------------------------|
| 1. Hon. Katoo Ole Metito, M.P. | Defence & International Relations |
| 2. Hon. David Gikaria, M.P. | Energy |
| 3. Hon. Paul Koinange, M.P. | Administration & National Security |

COUNCIL OF GOVERNORS

- | | |
|----------------------------------|---|
| 1) HE. Wycliffe Ambetsa Oparanya | Chairperson
Governor, Lkipia
Governor, Bungoma
CEO |
| 2) HE. Ndiritu Muriithi | |
| 3) HE. Wycliffe Wangamati | |
| 4) Ms. Jacqline Mogeni | |
| 5) Mr. Leonard Langat | |
| 6) Ms. Scholastica Obiero | |
| 7) Mr. Samuel Nzai | |
| 8) Ms. Mary Mugwayo | |
| 9) Mr. Wepondi Stanslaus | |
| 10) Mr. Kiama Kaara | |
| 11) Mr. Victor Odanga | |
| 12) Ms. Narnara Awuor | |
| 13) Ms. Nkatha Kowunya | |
| 14) Ms. Mercy Wangui | |

THE AUDITOR GENERAL

- | | |
|----------------------|------------------------|
| 1) FCPA Edward Ouko | Auditor General |
| 2) Ms. Joyce Mbaabu | |
| 3) Akaka Ramoya | |
| 4) Mr. Samuel Muhiri | |

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|------------------------|
| 1. Ms. Phyllis Makau, OGW | Director |
| 2. Mr. Martin Masinde | Senior Deputy Director |
| 3. Mr. Robert Nyaga | Deputy Director |
| 4. Ms. Lucy Makara | Chief Fiscal Analyst |

5. Ms. Millicent Makina
6. Mr. Edison Odhiambo
7. Mr. Jonathan Lemurt

Fiscal Analyst I
Fiscal Analyst
Fiscal Analyst II

COMMITTEE SECRETARIAT

1. Mr. Danson Kachumbo
2. Mr. James Chacha
3. Mr. Joram Barasa
4. Mr. Said Wako
5. Mr. Hakeem Kamiti

Fiscal Analyst II & Clerk
Fiscal Analyst II & Clerk
Office Assistant
Sergeant At Arms
Audio Officer

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation and adoption of Minutes
- 3) *Meeting the Council of Governors on resource allocation for county governments as indicated under the 2019 Budget Policy Statement*
- 4) *Meeting the Auditor General on the resource ceiling to the Office of the Auditor General for FY 2019/20*
- 5) Receiving submissions from the following Departmental Committees:
 - a. *Defense and Foreign Relations*
 - b. *Energy*
 - c. *Administration and National Security*
- 6) Any other Business

MIN BAC/71/2019/01: PRELIMINARY & ADOPTION OF THE AGENDA

The Chairperson welcomed the members to the meeting and called the meeting to order at 9:10 A.M. He thereafter led the committee with a word of prayer. The chairperson informed the committee that the committee was working within tight timelines and that the committee report on the 2019 Budget Policy Statement, was

to be tabled on Wednesday Morning. He thereafter took the committee members through the program.

MIN BAC/71/2019/02: CONFIRMATION AND ADOPTION OF THE PREVIOUS MINUTES

No Minutes were confirmed.

MIN BAC/71/2019/03: PRESENTATION ON THE ISSUES RAISED RELATING TO ADHERENCE TO FISCAL RESPONSIBILITY PRINCIPLES BY COUNTY GOVERNMENTS

The committee was taken through the objectives of the meeting that briefly looked at the issues that should be raised with the Council of Governors, by the Parliamentary Budget Office. These included;

1. On Development Spending Allocation, it was noted that Section 107(2) of the PFM Act 2012 requires that County Governments to allocate a minimum of 30 percent of their budget to development expenditure. However, even though approved County budgets comply with this requirement, actual development expenditure for most of the Counties are usually below 30 percent.
2. On Personnel Emoluments, it was indicated that Regulation 25(b) of the County Government PFM Regulations, 2015, sets a cap on county wage bill at 35% of total receipts. However, counties are still paying salaries outside the Integrated Payroll and Personnel Data (IPPD) system. This implies that total wage bill may be way beyond the set threshold. This could be as a result of unresolved staff establishment matters that lead to over employment/recruitment of excess staff. Therefore, county entities need to provide completion timelines for the conclusion of staff establishment exercise as well as a detailed budget forecast and implementation plans.
3. On Pending Bills, it was noted that according to the CoB, at the close of FY 2017/18, County Governments had accumulated pending bills worth Ksh.

108.4 billion. Whenever counties fail to meet their financial obligations to creditors/ or suppliers or fail to remit third party statutory deductions and utilities results to pending Bills which usually are rolled and spill over to successive financial year probably existence of preferential payment. During the FY 2013/14 to FY 2015/16, a number of County Governments did not settle bills amounting to Kshs 62.8 billion in FY 2013/14, Kshs 108.9 billion in FY 2014/15 and Kshs 74.9 billion in 2015/16.

4. On continuing Irregular Procurement of Goods and Services, the committee was informed that these arise as a result of single sourcing, disregard of procurement rules and regulations, flouting laid down procedures and acting in disregard of procurement process. It is outright noncompliance with relevant legislations, policies and guidelines. This leads to draining public resources available for service delivery and may be an avenue for rent-seeking and more so may be due to single sourcing, contract variations, inflation of contract prices and undocumented purchases of assets;
5. That there is proliferation of County Public Funds through establishment of numerous county public funds outside the legal requirements. This poses a fiscal risk in terms of management of resources and earmarking of funds outside the budget funds, puts expenditure pressure and constrained fiscal framework in the counties. For instance, failure to establish public funds in line with section 116 of the PFM Act, 2012, mainly undermines the legality of County Governments' mortgage and car loan schemes;
6. It was also indicated that some county governments continue to fail to post all their financial transactions on the IFMIS system leading to lead inaccurate presentation of financial statements and failure to capture all correct financial position. In addition, it may lead to undisclosed local revenue collections and hence revenue leakages.
7. Weak human resource management practices, including ineffectiveness of County Public Service Boards, which contributes to uncontrolled hiring of non-core personnel outside approved staff establishments and remuneration guidelines;
8. Absence and/or ineffectiveness of internal audit committees and Assets register in line with the PFM (County Governments) Regulations, 2015. In addition, County entities are required to keep a register of all assets and

liabilities inherited from the defunct local authorities and assets and their value acquired under their administration.

MIN BAC/71/2019/04: PRESENTATION ON THE ISSUES TO BE RAISED TO THE COUNCIL OF GOVERNORS ON FISCAL RESPONSIBILITY PRINCIPLES

After a brief round of introductions, the BAC Chairperson welcomed H.E. Wycliffe Oparanya, Governor of County of Kakamega and the Chairperson Council of Governors, to make their submission. In his introductory remarks the Chairperson Council of Governors appreciated being invited to the committee sitting the importance of discussing the vertical sharing of revenues for the FY 2019/20.

In this regard, it was indicated that the CRA & CoG had used the approved revenue base of Ksh 314 billion, indicated under in the 2018 Division of Revenue Act while the National Treasury's base has been reviewed downwards as per the Budget Policy Statement 2019 which intends to revise counties' equitable share from Ksh 314 to Ksh 305 billion in the 2018/19 FY.

The Council of Governors proposed an equitable share of revenues to counties in the 2019/20 financial year to be KSh. 335.7 billion as proposed by the Commission for Revenue Allocation.

On the reasons for the proposal, it was indicated that:

1. The current revenue base to counties is at Ksh 314 billion as approved by Parliament through the Division of Revenue Act 2018 based on the total share of ordinary revenues for FY 2018/19 worth Ksh 1,688,492,000 million.
2. The revenue sharing framework for the 2018/19 financial year was concluded in February 2018 when the equitable share of revenues to county governments was increased from the KSh. 302 billion in the 2017/18 FY to KSh. 314 billion. The increment was 4% equivalent to KSh. 12 billion. This increment of 12 billion to counties was distributed as follows to cater for county services:

-

3. KSh. 4 billion adjustment of salaries for MCAs following the court case on their salaries,
4. KSh. 800 million for the County Executive annual expenditure ceilings,
5. KSh. 7.2 billion - for enhanced service delivery due to the rising cost of service provision.

Any reduction on this will strongly affect the level of service delivery at the county levels. That will mean that county governments will have to reallocate funds from development votes to recurrent expenditure.

It was further indicated that:

1. When the revenue sharing framework was finalized in February 2018, Counties allocation of Ksh 314 billion was based on a revenue projection of Ksh 1.68 trillion. By the time the National budget was finalized in June, the National Treasury had revised the projections upwards by Ksh 85 billion to Ksh 1.796 trillion.
2. The revised projections of KSh. 85 billion was never shared with the County governments as the total allocation was allocated to National level institutions. The Counties allocations remained at ksh 314 billion. The latest revision of the revenue projections coming in September 2018 revised the projections closer to the revenue framework agreed upon in February at KSh 1.67 trillion. The down ward revision should therefore not affect county governments.
3. The fiscal framework that underpinned the Division of Revenue in February 2018 had not changed, the Supplementary I Budget 2018/19 simply revised the June 2018 budget framework back to the February 2018 framework.
4. The Current legal framework under section 5 of the Division of Revenue Act requires that the National government shall bare the revenue shortfall and in the same manner accrue benefits from over collection.
5. The National Treasury through the BPS has noted that the proposed reductions have also affected commitments on “national Interest” and “other national obligations”. There is need to understand that national obligation includes public debt of which the county governments’ have not contributed to. Counties’ are yet to borrow and this should be considered.
6. Periodically it was noted that the growth of revenue allocation by county governments has been declining over the years i.e. from 10.4% in 2015/16 down to 4% in FY 2018/19. While that allocated under the division of revenue act has slowed down to 4% in FY 2018/19 from 1406% in 2015/16

7. Since the onset of devolution, there has been no agreed revenue growth factor for county governments. There has been no uniform approach in developing a growth factor between CRA and National Treasury as the two institutions have increasingly differed in their proposals for the revenue growth save for the 2015/16 financial year when there was an agreed position to use a 3-year average in growth in ordinary revenues.
8. The approved growth rate in all the Division of Revenue Acts have been below the national growth level in ordinary revenues.
9. For the 2018/19 FY, the approved growth rate was 4% from Ksh 302 billion to Ksh 314 billion however Treasury has further proposed through the Budget Policy Statement 2019 to revise the 2018/19 allocation to Ksh 304 billion. This reduction downwards disregards the projected growth of the economy.
10. The National Treasury has further proposed a 2% revenue increase to county governments' in the 2019/20 FY. This 2% proposal is on the reduced allocation of Ksh 305 billion and not the approved Ksh 314 billion. The Treasury's proposal is therefore earmarked at Ksh 310 billion which is below the current approved allocation to counties of Ksh 314 billion.

Recommendation by the Council of Governors

- i. There is no formula or justification as to how the National Treasury arrived at reducing counties' equitable share in the 2018/19 FY from Ksh 314 billion to 305 billion. There is therefore need for IBEC to agree on a formula moving forward on how to graduate counties' equitable share.
- ii. The Council proposes for a formula that will cater for the ever increasing cost of provision of services; that is the inflation cost. The proposed 2% growth by the National Treasury does not cater for the increased cost of provision of services, and it is also based on a proposed reduction of Ksh 305 billion.

On the discussion as to the movement of share of county government share of GDP indicated the following:

- i. While the economy has continued to grow and on the upward trajectory save for 2016/17 & 2017/18 because of political activities, the Counties' allocation as a percentage of the GDP has continued to dip from 4.6% in the 2014/15 FY to 2.8% in the 2019/20 FY.
- ii. There is no explanation to this downward trend for counties in a growing economy.

During the deliberations, the following matters arose;

1. It was indicated that the underperformance of revenues is an issue that has to be recognized and that the revenue projections for FY 2019/20 are likely not to be met and that the shortfall will be met by the National Government.
2. It was noted that the issues of baseline figure should be agreed on as this could affect the processing of the DROB by Houses of Parliament
3. That costing of functions and services has not been undertaken and therefore the sharing of revenues as currently being done, might not be sufficient to meet the growing costs of providing services
4. That the recent releases by KNBS indicated that some county governments are growing at rates of 9% to 10% which is a clear indication that devolution is working in some areas
5. The committee was informed that the revision of the FY 2018/19 equitable share to county governments from KSh. 314 billion to KSh. 305 billion will have a major impact across all counties
6. It was noted that only revenues intended to meet recurrent expenditure tends to see a fair release from the National Treasury while those of development expenditure are released late and therefore affects budget performance
7. It was indicated that there might be a disproportionate comparison between revenue and National Gross Domestic Product especially since revenue base is 4 years old compared to the GDP that is current.
8. The Council of Governors was informed that they should make efforts and clear county government pending bills even while on transition. However it was indicated that accumulation of pending bills could be as a result of poor cash transfers (such as FY 2017/18 was transferred after the year ended and required to spend in a short time period) or poor budgeting
9. It was noted that wage bill provision is generally complied with apart from the small counties that inherited high staff levels. However, it was noted that the national government was meant to provide retrenchment funds in order to streamline the staffing of county government but this was not provided
10. The advisor's capacity approved by SRC is 5 and this was to be taken up by the Chairperson CoG.

MIN BAC/71/2019/05: RECEIVING SUBMISSIONS FROM THE AUDITOR GENERAL ON THE CEILING ALLOCATED TO THE OFFICE OF THE AUDITOR GENERAL OF KENYA

In his opening statement the Auditor General was grateful for being invited to the meeting and indicated that this process would be beneficial in allocating adequate resources to the Office of the Auditor General in a timely manner. It was noted that the office has not had any resource increase for the last three years

Under Recurrent Expenditure, the committee was informed that the office only sought the reimbursement of KSh. 250 million that had been provided for under recurrent for the FY 2018/19 for recruitment and other expenses that directly relate to that recruitment.

Under Development Expenditures, which as indicated was necessitated as a result of devolution, it was indicated that the construction of offices has been undergoing including offices in; Kakamega, Embu (Has begun and to be completed in 9 months) and Eldoret offices (to be completed by July) and Garissa (completed in FY 2017/18). The committee was informed that land in Mombasa and Kisumu had been bought and needed development money to construct their respective regional offices at KSh. 350 million and KSh. 250 million, each.

It was also indicated that land in upper hills has not been developed and the office wanted to construct a building worth Ksh. 3.5 billion that could cater for its offices, as well as host other government institutions. However, the office had been advised to be to consider a purchase option in upper-hill or the city center.

During the Committee deliberations, it was noted that:

- i. The office had not provided any comment on the acute shortage of revenues facing both the national and the county governments that could be affect service delivery
- ii. The office has received substantial resources over the years but the results of the audit process has not had an impact on fighting corruption. It was however indicated that there are other institutions i.e. EACC and DPP that have

responsibilities in fighting corruption and should have been working closer with the Office of the Auditor General

On steps taken to address value for money and integrity issues, the committee was informed that:

- i. The office is managing and running in a paperless system, with all audit processes having been automated and all work is done on the official office server that has all regulations, procedures uploaded. This was to guarantee standardization of the audit process and check on quality assurance. This further resulted in efficiency leading and the Office intends to publish two books/reports i.e. Blue Book for the PIC and Green Book as guide the Senate on how remedy on financial risk. This is the reason as to why the office has been requesting for a budget to buy computer.
- ii. Audit Management System put in place further tracks the auditors per projects, timelines, management query etc. and will able to streamline the audit process which benchmarked with India, Philippines and South Korea in order to improve services and framework and guidelines in audit process. This could also be used to carry out lifestyle audit on officers.

It was indicated that the office should enhance its audit of Devolved entities and facilitate efficiency of use of financial resources. The following were therefore proposed;

- i. that periodical directional audits be undertaken alongside lifestyle audits.
- ii. Internal audit should be undertaken in order to determine any officer of the office not adhering to ethical practices.

It was indicated that there might have be over emphasis on audit of CDF accounts. This however, it was indicated was as a result of direct allocation and utilization of resources under the CDF that is easy to track.

The office defended its development budget that it is in line with current and future needs and plans of the Office and the country.

MIN BAC/71/2019/05: PRESENTATIONS OF SUBMISSIONS FROM THE DEPARTMENTAL COMMITTEE ON DEFENCE AND INTERNATIONAL RELATIONS

In his opening remarks the chairperson for the Committee on Defense and Foreign Relational indicated that in reviewing the 2019 BPS ceilings, the committee received a briefing meeting from the Parliamentary Budget Office and subsequently held consultative meetings with the Ministries under its purview and on which it exercises oversight. The Ministries and departments under the purview of the Committee include-

- (i) Ministry of Defence
- (ii) Ministry of Foreign Affairs
- (iii) State Department for East African Community
- (iv) National Intelligence Service

The committee was informed that the departmental committee held several meetings with Ministries, State Departments and Agencies under its purview, and the following were some of the issues raised:

That during the committee meeting with the Principal Secretary for the Ministry of Defense, it was raised that: -

- i. On the Budget Performance for 1st half FY 2018,2019, the total exchequer requisitioned to date was KSh. 69,223 million while the Exchequer Receipts for the same period amounted to KSh. 63,680 million leaving a balance of KSh. 5,542 million.
- ii. The total Revenue received from U.N/AMISOM reimbursements in the first half of the financial year amounted to KSh. 3,790 million while revenue collected from other sources such as sale of casted vehicles, sale of tenders and rent amounted to KSh. 320.5 million. These funds were remitted to the National Treasury.
- iii. The cumulative expenditure in the first half of the financial year was KSh. 58,711 million representing 59 percent of the Budget and this expenditure included payment of pending bills amounting to KSh. 12.6 billion from the FY 2017/18.
- iv. The Modernization program funded through the Exchequer and the Export Credit Arrangement (ECA) was adversely affected as a result of the pending

bills brought forward from the last financial year however the programs implemented through the Export Credit Arrangement were on course as per the project milestones.

- v. Other achievements made over this period included safeguarding territorial integrity and national sovereignty, secure and conducive political and socio-economic environment, enhanced operation capabilities through Modernization and enhanced regional and global peace and security through participation in Peace Keeping Missions.
 - vi. The Ministry would be implementing projects linked to “The Big Four”. On affordable Housing, the Ministry will concentrate on Institutional Housing to accommodate Service Members while on Universal Healthcare, the Ministry will facilitate equipping the Defence Forces Memorial Hospital-the military referral hospital and Level III hospital for AMISOM, Rehabilitation Centre at KR Langata and medical facilities across all military institutions. On Food Security, the KDF Food Factory at Gilgil will receive enhance funding to offer supplies to both military and local market while on manufacturing, the Kenya Ordinance factories Corporation capacity shall be enhanced. Further the Kenya Space Agency shall be funded to enhance its capabilities in agricultural research development, tele-medicine-commerce and e-governance.
 - vii. To continue with the economic transformation agenda, the Ministry will continue with the modernization program including the securitization of the Kenya Somalia border.
1. During the committee meeting with the Cabinet Secretary, Ministry of Foreign Affairs, the following issues arose, that:
- i. On the budget performance review, the absorption rate for recurrent expenditure for the Ministry in 2015/16, 2016/17, 2017/18 was 97 %, 99%, 95% respectively while that of development over the same period was 92%, 96% and 87% respectively.
 - ii. The key achievements over the same period include
 - a. promotion Nairobi as a diplomatic hub and venue for major international conferences by hosting the reputable conferences which included the Global Entrepreneurship Summit, 10th Ministerial Conference of the

WTO, 14th UNCTAD, 6th TICAD, HLM2 Conference, UNEA II & III among others.

- b. Expansion of Kenya's Diplomatic footprint and representation abroad by opening missions in Luanda-Angola, Algiers-Algeria, Nairobi – UNHABITAT, Mogadishu-Somali, Havanna –Cuba
 - c. Support of restoration of peace in the region Pursuit for Peace & Security in the Horn of Africa and the Great LaKSh. Region: (Somalia, South Sudan, Burundi and DRC
 - d. Multilateral engagement at UNGA, AU, EAC, COMESA, WTO and other forums.
 - e. Strengthened the status of the United Nations Office in Nairobi- Successfully lobbied for the upgrading of the United Nations Office in Nairobi (UNON)
 - f. Acquired (purchase and construction) properties in some Missions: Chanceries, Residences & Staff Houses in Kampala-Uganda, Abuja-Nigeria, New York,
 - g. the Ministry of Foreign Affairs will support the achievement of “The Big Four” Plan through
 - Focused engagement with countries and regions which have comparative advantage to drive Kenya's agenda in the “big four”
 - Fostering economic cooperation through regional integration and other bilateral/multilateral cooperation frameworks
 - Lobbying to translate the current enabling business environment to become attraction for long term and sustained investment in the “big 4”
 - Make Kenya undisputed gateway to the East and Central Africa
 - Continue protecting our democratic credentials
- iii. The strategic priorities of the Ministry in 2019 and the Medium Term will be:
- a) Continuous broadening and deepening co-operation with traditional and non-traditional political partners by facilitating engagements at all levels – opening of new markets and export opportunities for Kenyan goods and services
 - b) Strengthening bilateral cooperation through negotiation and signing of various cooperation frameworks in key sectors of our economy

(especially in the “Big 4”)—thus expanding market for Kenya's exports, increased FDI inflows and employment creation

- c) Strengthening bilateral cooperation through negotiation and signing of various cooperation frameworks in key sectors of our economy (especially in the “Big 4”)—thus expanding market for Kenya's exports, increased FDI inflows and employment creation
- d) Articulating Kenya’s foreign policy at the international, continental, regional forums and enhance Kenya’s leadership role in environmental issues
- e) Promoting regional peace, security and stability by coordinating Kenya’s participation in Peace & Security Council Summits and meetings of the: AU, EAC, IGAD, ICGLR, COMESA & the UN and its agencies.

iv. The ministry is faced by several challenges which include: -

- a) Over the years, the Ministry’s O&M, has been grossly underfunded. The Ministry therefore always starts the year on a low base.
- b) During supplementary, Treasury implements austerity measures, on ‘non-priority’ items - foreign travel, trade exhibitions, National Days celebrations by Kenya Missions and hospitality among others.
- c) In addition, during resource sharing at the Sector, budget cuts are part of losses that Ministries share.
- d) O&M is further reduced due to foreign exchange losses, while transmitting money to Kenyan Missions
- e) Operations and Maintenance is the most critical MFA budget line, since it finances programmes that form part of the MFA mandate including:
 - Attendance to international meetings
 - Holding national days in all Kenyan Mission

v. The Ministry of Foreign Affairs requested for KSh. 46, 531 million but were only allocated Ksh. 18,088 million, representing 38.6 percent in resource allocation.

2. During the meeting with the Cabinet Secretary, Ministry of East African Community and Northern Corridor Development, the committee was informed

that: -

- i. Re-engineering of Kenya's position in the EAC. Over time Kenya has lost her competitiveness in terms of trade performance and attraction of investment. In order to reposition, the Ministry plans to engage in comprehensive research that will inform her policies on EAC.
 - ii. Launch of Sirare/Isebania OSBP and Taveta/Holili OSBP at the Heads of States level. This was in line with Presidential directive and that additional budget will be required to launch the two OSBPs.
 - iii. Kenya is assuming the role of Rapporteur at the EAC regional meetings. This implies that Kenya will have to clear a minimum of two delegates per meeting.
 - iv. The Ministry is planning to establish Jumuiya Cross Border Markets in Busia, Isebania and Taveta. The Jumuiya markets will aim to integrate the youth, women and cross border traders in the international trade chain.
 - v. To achieve this target, the Ministry has been given a proposed ceiling of KSh. 521 million for recurrent activities and KSh. 65 million for development activities against a budgetary requirement of KSh. 1,576 million for recurrent and KSh. 3,065 million for development.
3. During the consultative meeting with the Director General for National Intelligence Services, the committee was informed that:
- i. The National Intelligence Service and the Ministry of Defence are classified under the National Security Sector
 - ii. The Preparation and Implementation of the Service budget is governed by the Constitution of Kenya and other legislations such as the Public Finance Management Act 2012, Public Procurement and Asset Disposal Act 2015, Public Audit Act 2015 and National Treasury circulars
 - iii. NIS revised budget for 2018/19 was KSh. 31,211 million and the total expenditure as at December 2018 was KSh. 15,869 million with an output of timely and actionable intelligence as well as timely and effective counter intelligence. Some of their achievements included enhanced operational capabilities, promoted national interest and enhanced regional and global peace and security.
 - iv. During the 2017/18 financial year, the Service registered an absorption capacity of 99 percent.

- v. In the BPS 2019 and the Medium Term, the service will provide a role of an enabler to the Big Four agenda through the provision of secure and protected nation which is necessary for the achievement of the Big Four. Under the Program Based Budgeting, the Service will be implementing one program of National Security Intelligence.
- vi. The Medium-Term priorities include: -Modernization of Intelligence operation tools, equipment, systems and infrastructure including surveillance systems; Capacity building; Renovation and maintenance of existing development of new facilities; Research and development and Undertaking emergency security operations
- vii. To fund these priorities, the proposed expenditure ceiling for the Service is KSh. 36,560 million against a resource requirement of KSh. 48,008 million.

The committee was informed that based on the consultative meetings that had been carried out, the following were the committee's observations;

1. Under the Ministry of Foreign Affairs, it had been observed that;
 - i. The resource requirements for the Ministry of Foreign Affairs were justified
 - ii. The use of IFMIS which is a requirement of the law has not been implemented in 15 foreign missions
 - iii. Over time, the Ministry of Foreign Affairs has not adhered to House Resolutions on previous BPSs making it difficult to be used as a planning tool.
 - iv. There were limited funds for capital spending yet the assets of the Ministry in foreign missions were in deplorable conditions
2. Under the Ministry of Defense, it had been observed that;
 - i. Over time, the Ministry of Defense has not adhered to House Resolutions on previous Budget Policy Statements (BPS) making it difficult for the BPS to be used as a planning tool.
 - ii. There was no link between the 2017 approved MTEF and the proposed expenditure ceilings raising doubt on the effectiveness and application of MTEF in Kenya.
 - iii. The rising budgetary allocation for the Ministry was exacerbated by high cost of security equipment

3. Under the State Department for East African Integration the committee had observed that:

- i) There was a link between the 2017 approved MTEF and the proposed expenditure ceilings.
- ii) There were limited funds for capital spending by the State Department

4. National Intelligence Service, the Committee had observed that: -

- i) Given the security threats facing Kenya, there was absolute need to ensure the security agency operations and activities are funded well.

Therefore, based on the observations, the chairperson presented the following committee recommendations:

1. Under Policy Recommendations, it was proposed that;

- i. Due to high cost of operations in foreign missions, the Committee recommends that rationalization be done to ensure that only core staff are posted from the Headquarters and the rest are sourced from host countries.
- ii. Due to high cost of security equipment, it is recommended that the Ministry of Defence complies with the PFM Act, Procurement rules and other government policies and directives to ensure that the equipment are sourced from the most cost-effective sources.

2. On the ceilings, the committee proposed that the following to be approved:

- i. The proposed expenditure ceiling of KSh. 18,088.8 million for the Ministry of Foreign Affairs, Vote 1052
- ii. The proposed expenditure ceiling of Kshs 117,036 million for the Ministry of Defence, Vote 1041
- iii. The proposed expenditure ceiling of KSh. 586.2 million for the State Department of East African Community, Vote 1221
- iv. The proposed ceiling of KSh. 36,560 million for the National Intelligence Service, Vote 1281

3. The following were additional recommendations, that:

- i. KSh. 750 million be sourced from elsewhere to fund the operations of the State Department for East African Community. The resources will go towards Operations and Maintenance of the Department and the establishment of two "One Stop Border Posts" and establishment of Jumuiya markets.
- ii. KSh. 2 billion be sourced from elsewhere to fund renovation of Ministry of Foreign Affairs dilapidated assets in foreign missions.

MIN BAC/71/2019/06: PRESENTATION OF SUBMISSIONS FROM THE DEPARTMENTAL COMMITTEE ON ENERGY

During his opening remarks, the chairperson informed the committee that the Second Schedule to the Standing Orders mandate the Committee to consider matters relating to Fossils fuel exploration, Development, production, maintenance and regulation of energy. In executing this mandate, the Committee therefore oversees over the following State Departments:

- i. State Department for Energy,
 - a) Energy Regulatory Commission (ERC)
 - b) Kenya Power & Lighting Company Limited (KPLC)
 - c) Kenya Electricity Generating Company Limited (KenGen)
 - d) Rural Electrification Authority (REA)
 - e) Geothermal Development Company Limited (GDC)
 - f) Kenya Electricity Transmission Company Limited (KETRACO)
 - g) Kenya Nuclear Electricity Board (KNEB)
- ii. State Department for Petroleum
 - a) Kenya Pipeline Company (KPC)
 - b) National Oil Corporation (NOC) of Kenya

In the review of program and project analysis, the committee was informed that:

- i. The Energy Sub Sector has approximately 58 projects based on past submissions for FY 2018/19 budget allocation, and which is reconcilable with the development allocation of KSh. 64.3 billion. Out of these total allocation, KSh. 30.1 billion is funding through GoK including local AiA while KSh. 34.3 billion through development partners (external financing).

On Pending Bills, the following were highlighted:

- i. Following the scrutiny of the 2018 Sector Report, it was noted that pending bills in the subsector amount to KSH.. 16.5 billion as end of June 2018, composed of 98 % for State department of energy and 1 % for State department of petroleum. Out of the total reported pending bill, 44% is on

account of lack of exchequer issues while 55% is due to lack of provisions by the respective MDA.

On stalled Projects it was indicated that:

- i. The Lessos –Toror transmission line project has stalled due to litigation challenges despite expended KSh. 5.6 Billion against a project cost of KSh. 8.8 billion while project implementation status being 39% complete.
- ii. In addition, the LPG Distribution and Infrastructure Program with had the objective of distributing gas cylinders to low income groups may not be implemented as per its timelines due to court injunctions and supply of faulty cylinders that are yet to be replaced

In the review of proposed ceilings for State Departments, the following were indicated:

1. Under State department for Energy, it was indicated that;

- i. The proposed ceiling for the State Department is at KSh. 69.9 billion, a marginal increase of 5% from current allocation of 66.5 billion. The increase is towards the programs of Alternative Energy Technologies (195%), Power Generation (1%), and Power Transmission and Distribution (1%).
- ii. Under the Power Generation program with proposed allocation of KSh. 13.248 billion, the Key Performance Indicators (KPIs) include generation of additional 166 MW as compared to baseline target of 88 MW and development of geothermal wells with 188MWe by GDC as well as drilling of exploratory geothermal wells (20) for feasibility purposes by the relevant Department at the Headquarters.
- iii. On Power Transmission and Distribution Program, which is a key flag program critical towards evacuation and supply of high voltage power and balance between demands/supply of electric power within the country and between neighboring countries, is proposed to be allocated KSh. 52,210 billion. This program is also critical to ensure equitable supply of power, reduce system losses and enhance national grid infrastructure outreach across the country, thus key enabler in achieving the Big 4 through creation of employments, enhance value addition and substantially contribute to the social pillar (education and health).

- iv. Some of the KPIs under the Power Transmission and Distribution Programme which also includes rural electrification projects are:
 - a. Construction of 3200 km of distribution and 820 km of transmission lines as well as 9 sub stations by KETRACO. This compares to achievement of 530 km and 1033 km of transmission and distribution lines constructed for the period 2017/18 against a target of 1305 km and 1174 km, respectively.
 - b. Installation of 940 new transformers by KPLC/REA to enhance customer connectivity under the Last Mile Connectivity Project
 - c. Additional installation of 1000 transformers by REA and 25,000 street lights to be erected by KPLC.
 - d. REA to undertake connection of 7,440 functional Solar PVs in primary schools and maintenance of 1,452 solar panels in primary schools under the Digital Literacy Programme

2. Under the State Department of Petroleum, it was indicated that;

- i. The proposed allocation for the State Department for FY 2019/20 is KSH. 4.413 billion, of which KSH. 4.144 is for Development allocation while KSH. 269.0 million is for recurrent allocation, representing a marginal decrease of 20 percent.
- ii. The State Department plans to sign and license 5 Production Sharing Contract (PSC) with international Oil Companies and finalize agreements with another 9 PSC in the medium term. Within the period under consideration the State Departments intends to review for creation and gazettment of additional blocks totaling 63 blocks for purposes of upstream petroleum exploration.
- iii. Further, to enhance exploitation of petroleum potential in the country, the State Department has programmed to market 17 blocks for the FY 2018/20 as well as 12 and 22 blocks in the FYs 2020/21 and 2021/22 respectively.
- iv. However, based on implementation oversight engagement by the Departmental Committee on the performance of National oil Corporation of Kenya (NOCK) for the current financial year, approved allocations towards marketing of 17 blocks could not be ascertained and thus the allocation seemed to have be earmarked for other activities contingent to the data and laboratory centers.

The committee was also informed that there are other key areas that require additional funding and included:

- i. Electrification of Water Facilities – KSh. 3.2 billion: The state department is partnering with Ministry of water to electrify 2000 facilities over a period 5 years. The target is 400 facilities at cost of KSh. 3.2 billion
- ii. Installation of Transformers in the Constituencies – KSH. 4.00 billion: The state department targets to install 20 transformers per constituency in FY 2019/20 where additional KSh. 4 billion is required
- iii. Electrification of Public Facilities KSH. 4.00 billion: There is a target of universal electrification of public facilities by 2020. Therefore, yearly there is need to ensure 14,000 connections are achieved. Due to constraints the state department is requesting KSh. 4 Billion
- iv. Solar Maintenance Program KSH. 270 Million: There around 4,500 solar installations which are in dire need of maintenance at cost of KSh. 695M but for a start KSh. 270M is required.
- v. Additional funds for key projects such as Last Mile Connectivity KSh. 1.5 billion, Connectivity Subsidy KSh. 2.6 billion, street Lighting KSh. 1 billion
- vi. Transmission lines – additional allocation and funding gaps in Kenya TZ Inter- Connector KSh. 3 Billion, Ethiopia Kenya Inter-Connector KSH. 1.000 billion, Olkaria – Lessos – Kisumu KSH..800 million, Mombasa – Nairobi KSH. .120 million, Power Transmission Improvement Project KSH.. 200 million

During the meeting, chairperson highlighted the following Committee Observations per State Department

1) Under the State Department of Energy, it had been observed that:

- i. The proposed allocation for the State Department of Energy for FY 2019/20 is KSH. 69.937 billion, of which KSH. 64,128 billion is for Development allocation while KSH. 5.809 is for recurrent allocation, representing a marginal increase of 4.2 percent.
- ii. Review of funding analysis for the period under review indicates external financing component is set to increase by 15% from KSH. 34.14 billion to

KSH. 39.146 billion in FY 2019/20. This is towards financing of key development projects that are on-going under the core programmes of Power Generation, Power Transmission and Distribution and Alternative Energy Technologies.

- iii. That the proposed quantum amount from the Exchequer is reducing from the current levels of KSH. 22.931 billion to 17.672 billion, an estimated reduction of 23% in the development sub vote that is partly on account of completion of some key projects such as the Loyangalani – Suswa line that was fully Gok funded in the current FY 2018/19. Moreover, a further review indicates core projects particularly in the transmission and distribution segment require substantial exchequer funding in the medium term to fast track completion, of which key among them include Olkaria – Lessos - Kisumu transmission line, street lighting and last mile connectivity, electrification of public installations including water facilities, among others.
- iv. In improving supply and availability of affordable power, the State Department of Energy submitted that a number of key flagship projects are at different stages of completion while others are near or already completed as per the +5000MW Plan initiated in the last medium term. One major project completed is the Loiyangalani – Suswa Transmission Line in the last quarter of 2018. The project enhanced availability of grid power through evacuation of power output from Lake Turkana Wind Power to Suswa substation. In that regard, the Committee noted that there was need to undertake impact assessment of completed projects on both the current energy mix and cost of power to consumers in line with the least cost power development framework to ascertain value for money and sustainability of public investments.
- v. The committee noted that REA and Kenya Power are critical implementing agencies in the energy sector in actualizing key programmes and projects in the medium term. The Committee was informed that there is working arrangement to ensure improvement of turn-around time and delays experienced in implementation of projects are addressed. In addition, the ministry submitted it will ensure key timelines are met as per the performance contract between the State Department and the respective SAGAs.
- vi. With regards to Lessos - Tororo Transmission line as one of the stalled projects in the energy sub sector, the committee was informed of ongoing

arbitration that has affected completion of the projects which is 39% complete. However, the committee noted that the total payments was as at 64% of the total cost, implying the level of resources expended was far more than the actual work performed which might have been occasioned by poor monitoring of projects implementation and a mismatch between payments and work done by contractors. The Committee was informed by the State Department which submitted that the difference was partly due to payments for materials as is the case with transmission projects.

- vii. The Committee was informed that there are non-compliance on most counties in honoring power bill expenses accruing from street lighting. There are also other related challenges such as metering, pricing and maintenance of such assets and among other operational challenges. The committee notes with concern that this will negatively impact sustainability of completed street lighting projects and thus affect security of citizens and further impede 24-hour economy which is key to catalyzing the manufacturing sector.

Under the State Department of Petroleum, it had been observed that;

- (i.) The proposed allocation for the State Department of Petroleum for FY 2019/20 is KSH. 4.413 billion, of which KSH. 4.144 is for Development allocation while KSH. 269.0 million is for recurrent allocation, representing a marginal decrease of 20 percent.
- (ii.) Critical analysis of the funding levels for the proposed development intervention is composed of Exchequer support (37%), external loans and grants (12%) and Local AiA (51%). Further, while other sources are reflected to remain at current baseline, exchequer support is proposed to increase by more than half. The increase is towards catering for preparatory activities for crude oil (Lokichar –Lamu oil pipeline), early oil programme, fuel marking, among others.
- (iii.) On implementation status of the various programmes relating to the current FY of 2018/19 against committed targets, the committee notes that the state department progress report is below target in most key flagship projects. This is particularly pronounced in the delivery of crude oil to storage facilities where the target to deliver 200, 000 barrels of crude oil is at below 30% performance and status of exploration activities in Block T14 under the National Oil Corporation.

- (iv.) Similarly, status of monitoring testing of samples (Fuel marking) by ERC to ensure safety of motor fuel from risks of adulteration is not clear. This points to lack of coordination between the State Department of Petroleum and ERC.
- (v.) Review of the half year financial status and performance of National Oil Corporation, a key institution with one of the key mandates that includes enhancing and stabilizing distribution of petroleum products in the market, reflects declining profitability mainly on account of increasing finance costs that may point to non-optimal equity/ debt portfolio. This trend may portend difficulties in the medium term as to the effective operations of the state corporation if no concrete strategies are put in place.

Based on the provided observations, the chairperson indicated that the Committee had decided to give the following recommendations:

- 1) Under the State Department of Energy, it was recommended that:
 - i. The proposed expenditure ceilings and program allocation totaling KSh. 69.937 billion, which is broken down as KSh. 64.128 billion for development and KSh. 5.809 billion for recurrent, and as provided in the 2018/19 Budget Policy Statement, be approved.
 - ii. In addition, the Committee while cognizant of the resource constraints recommends additional funding to the State Department for the following flagship projects to be considered in the development sub-vote:
 - a. Electrification of Water Facilities – KSh. 3.2 billion under the program Power Transmission and Distribution, Sub Program Rural electrification: The state department is partnering with Ministry of water to electrify 2000 facilities over a period 5 years. The target is 400 facilities at cost of KSh. 3.2 billion
 - b. Installation of Transformers in the Constituencies – KSh. 4.00 billion under the program Power Transmission and Distribution, Sub Program Rural electrification: The state department targets to install 20 transformers per constituency in FY 2019/20.
 - c. Electrification of Public Facilities – KSh. 4.00 billion under the program Power Transmission and Distribution, Sub Program Rural electrification: There is a target of universal electrification of public

facilities by 2020. Therefore, there is need to ensure 14,000 yearly connections are achieved. Due to constraints the state department is requesting KSh. 4.000 billion.

- iii. The State Department to undertake an urgent status and impact assessment of the +5000MW plan with focus on completed projects. This should be done with a view to, among other things, to determine the impact of the utilized resources on the mix of energy in the grid indicating the displacement level of expensive power, the resulting cost of power, rate and level of connectivity and access to power. The impact assessment report be submitted to National Assembly within 6 months after approval of the 2019 BPS.
- iv. That Treasury, provide a conditional allocation towards payments of electricity expenses relating to use of completed street lighting projects in the counties. The conditional allocation, to be firmed up at the intergovernmental framework, should take cognizance of the national government contribution (State Department of Interior) and respective counties and ensure prioritization of targeted allocation towards street lighting expenses within the respective budgets.

2) For the State Department of Petroleum, it was recommended that:

- i. That, the proposed expenditure ceilings and program allocation totaling KSH. 4.413 billion, which is broken down as KSH.. 4.144 billion for development and KSH. 269 million for recurrent, and as provided in the 2018/19 Budget Policy Statement, be approved.
- ii. That, the State Department of Petroleum to ensure that performance targets outlined in key budget documents are adhered to and quarterly reports submitted the relevant agencies/Commission such Controller of Budget.
- iii. That the National Treasury in conjunction with parent ministry to review and examine the financial performance, medium term plans, policies and strategies of National oil Corporation with a view to ensure that the company is on a sound financial program and in a capacity to also support government flagship projects as is the case currently on exploration and distribution of LPG infrastructure and related activities. To ensure compliance, a status report on the above be submitted to National Assembly and Inspectorate of

State Corporation within a period of 6 months after adoption of the 2019 BPS and Medium Term.

MIN BAC/71/2019/07: SUBMISSIONS DEPARTMENTAL COMMITTEE OF ADMINISTRATION AND NATIONAL SECURITY BY THE CHAIRPERSON

During the foreword by the Chairperson, the committee was informed that the Departmental Committee on Administration & National Security in the review of the 2019 Budget policy statement, held meetings with the Parliamentary Budget Office (PBO), State Department for Interior, State Department of Correctional Services, Ministry of Public Service, National Police Service Commission, Public Service Commission, Independent Police Oversight Authority and Controller of State House to consider the Budget proposals.

The committee was informed that the in reviewing the 2019 BPS, held the several meetings and the following were summary of the deliberations:

- i. In the meeting with the Public Service Commission it was indicated that:
 - a) The objective of the Commission was to increase and improve productivity in the public service;
 - b) The Commission was in the process of finalizing on the legal framework which will be used to address the issues of integrity in the public sector;
 - c) The Commission had requested for KSh.1,6 Billion but was allocated KSh.1.20 Billion;
 - d) Currently, the performance management was still being handled by different state departments where it was not well coordinated; However, the Commission was in the process of ensuring it is brought back to the Commission where it would be well coordinated;
 - e) The Commission was mandated by the law to receive declaration of income, Assets and Liabilities forms which are filled every two years but they are not required to do analysis of those forms.
- ii. The meeting with the Independent Policing Oversight Authority, it was indicated that:
 - a) The Authority's budget for FY 2017/18 was revised from Kshs. 817m to Kshs. 796.5m during Supplementary Estimates I (a reduction of Kshs.

- 20.5m). The reduction adversely affected implementation of planned activities such as field activities and in other operational areas;
- b) The budget deficit would affect rents and rates, domestic travel and motor vehicles;
 - c) The terms and conditions of service for IPOA Board Members are on full time basis which requires that they be provided with official vehicles and with the expanded coverage in the regions there was need to purchase more vehicles;
 - d) During the 2017/18 financial year, the Authority developed strategies to attract and retain high caliber employees. One of the strategies was to convert terms of employment from contractual to permanent and pensionable basis. The Authority has thus converted the employment of 193 officers to permanent and pensionable terms, leaving 17 executive officers on contractual terms; and
 - e) During the reporting period (July-December 2018), the Authority received and processed 1520 complaints. The complaints ranged from complaints of death, forced disappearance, sexual offences, and abuse of office, physical assault and malicious prosecution among others. This brings the number of complaints received since inception to 11,901.
- iii. During the meeting with the National Police Service Commission it was indicated that;
- a) There was ongoing human resource audit in the police service
 - b) In the Budget Policy Statement the commission has a deficit of 664 million
 - c) The commission is in the process of developing a framework on counseling in the police service and engage psychologist counselors from outside service
 - d) The commission has no budgetary allocation for recruitment in the 2019/2020 financial year
- iv. During the meeting, with the Comptroller of State House (for the Presidency), it was indicated that:

- a) The budget cut would affect essential provisions such as office space, medical insurance and vehicles to the retired presidents, vice-presidents and prime ministers as required in the Retired Presidents Benefits Act;
 - b) There was transparency in selecting pupils to be mentored under the program in the presidency. The pupils are selected from each County;
 - c) On the issue of Kenya Somalia Boundary, the Committee was informed that Kenya was in the process of reaffirming its boundaries with the bordering countries.
- v. During the meeting with the State Department for Correctional Services, it was indicated that:
- a) The State Department for Correctional Services had a pending bill of KSh.6.2 Billion; the department had engaged Auditor from Treasury to help in verifying the said bills;
 - b) In the 2018/19 financial year, the department did not incur any pending bills; this was as a result of station-based budget which helped them to manage pending bills;
 - c) The department was in the process of ensuring that the judicial officers have a sitting within the correctional facilities as this would help in quick determination of cases and hence reducing the number of inmates in the facilities;
 - d) The department was in the process of restoring prison enterprise; and
 - e) There is a total of 4,800 inmates on death sentence and 2800 inmates on life sentence costing tax payers KSh. 555 million annually.
- vi. During the meeting with the State Department for Interior, it was indicated that;
- a) The Forensic Laboratory had taken inordinately long time to be completed due to inadequate funds. Other development projects such as construction of County Commissioners Offices had also stalled due to budget cuts;
 - b) The Police helicopters that were reported to be parked because of lack of insurance was as a result of change of policy by the Kenya Civil Aviation Authority that now requires government helicopters to be insured.

- c) The new police uniforms under the restructuring program had not been funded to the tune of KSh. 1.96 billion. Other areas not funded included operationalization of the newly gazetted police posts;
 - d) The department had not paid stipend to the village elders because the same had not been approved by the Salary and Remuneration Commission as required by the law; and once approved by SRC the elders who will be paid are the ones who sit in the Sub-location peace Committee; and
 - e) The department had engaged the state department for Housing to come with economical rent which the officers who would be housed in police post will pay to the government.
- vii. During the meeting with the State Department for Immigration and Citizen Services, it was indicated that:
- a) The budget cuts will affect following programs;
 - Issuance of e-passport,
 - Provision of salaries and uniforms for the new recruits, and
 - Replacing of the immigration stamps which were stolen.
 - b) The department collects KSh.7 billion annually and but receive less than half of the collection;
 - c) The country has 463,000 refugees out of which 72,000 are urban refugees.

As such the committee observed that:

- i. Public Service Commission: The Public Officer Ethics Act did not allow the Commission to make wealth declaration forms by the civil servants public and therefore an amendment to the law was necessary.
- ii. National Police Service Commission: More resources were required to provide for mortgage services for employees
- iii. Independent Police Oversight Authority: More resources were required to enable IPOA decentralize its offices further to enable the public access their services.
- iv. The Presidency: The resource requirements for the presidency were justified.
- v. State Department for Interior, the following issues were raised as matters of concern:

- a. The Forensic Laboratory had taken longer to be completed due to inadequate funds. Other development projects such as construction of County Commissioners Offices had also stalled due to budget cuts.
 - b. The Police helicopters that were reported to be parked because of lack of insurance were as a result of change of policy by the Kenya Civil Aviation Authority that now requires government helicopters to be insured.
 - c. The new police uniforms under the restructuring programme had not been funded to the tune of KSh. 1.96 billion. Other areas not funded included operationalization of the newly gazetted National Government Agencies offices to the tune of KSh. 2.5 billion, regional Counter Terrorism by KSh. 400 million and the Kenya Coast Guard Service by KSh.300 million among others.
- vi. State Department for Correctional Services, the following issues were raised as matters of concern:
- a) The pending bills pose a challenge to the implementation of the budget as approved by the House since they form the first charge in any financial year.
 - b) Despite a budgetary provision of KSh. 2 billion in the 2018/19 FY, the pending bills have not reduced and are still at KSh. 6 billion.
 - c) There is a total of 4,800 inmates on death sentence and 2800 inmates on life sentence costing tax payers KSh. 555million annually.
- vii. State Department for Immigration Services: The Department requested for 9,244.8 million but was allocated 3,211.5 million thereby creating a shortfall of 6 million.

Based on the observations, the following recommendations were put forward, that;

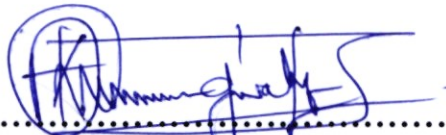
- i) The House approves the proposed expenditure ceiling of: -
 - a) KSh. 9,296 million for the Presidency, Vote 1011
 - b) KSh. 136,539.2 million for State Department for Interior, Vote 1021
 - c) KSh. 26,914.9 million for State Department for Correctional Services, Vote 1023.
 - d) KSh. 3,211.5 million the State Department of Immigration & Citizen Services Vote. 1024
 - e) KSh. 1,236 million for the Public Service Commission, Vote 2071.
 - f) KSh. 736.9 million for the National Police Service Commission, Vote 2101

- g) KSh. 857.7 million for the Independent Policing Oversight Authority, Vote 2151
- h) KSh. 3,540 million for Public Service Transformation program, under the State Department for Public Service, Vote 1213
- ii) The Committee recommends that KSh. 200 million be re-allocated from the State Department for Interior, Vote 1021 under the program Planning, Policy Coordination and Support Services, current expenditure to Policing Services Program under the same Vote, to enhance the ceiling for Criminal Investigation Services sub-program for Operations and Maintenance.
- iii) The Committee recommends that KSh. 300 million be sourced from elsewhere to enhance the expenditure ceiling for the newly created Kenya Coast Guard Services under the State Department for Interior.

MIN BAC/71/2019/08: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matter to consider, the meeting was adjourned at 2:10 PM, to resume at 3:10 PM.

SIGNED



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HON. KIMANI ICHUNG'WAH, CBS, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

26/02/19.
.....
DATE

**MINUTES OF 72nd SITTING FOR THE BUDGET AND APPROPRIATIONS
COMMITTEE RETREAT, MONDAY, 25TH FEBRUARY 2019 AT THE
BOMA HOTEL, NDOVU CONFERENCE AT 3.20 P.M.**

PRESENT

1. **Hon. Kimani Ichung'wah, CBS, M.P.- Chairperson**
2. **Hon. Moses Lessonet, M.P.- Vice Chairperson**
3. Hon. CPA. John Mbadi, EGH, CBS, M.P.
4. Hon. Millie Odhiambo, M.P.
5. Hon. James Mwangi Gakuya, M.P.
6. Hon. Richard Onyonka, M.P.
7. Hon. Naisula Lesuuda, OGW, M.P.
8. Hon. (Dr.) Gideon Ochanda, M.P.
9. Hon. (Dr.) Makali Mulu, M.P.
10. Hon. (Dr.) Korei Ole Lemein, M.P.
11. Hon. Benard Masaka Shinali, M.P.
12. Hon. Sakwa Bunyasi, M.P.
13. Hon. Florence Chepngetich Koskey, M.P.
14. Hon. James Gichuki Mugambi, M.P.
15. Hon. Fatuma Gedi Ali, M.P.
16. Hon. Paul Abuor, M.P.
17. Hon. Danson Mwashako, M.P.
18. Hon. Ruth W. Mwaniki, M.P.

ABSENT WITH APOLOGIES

1. Hon. Moses Kiarie Kuria, M.P.
2. Hon. Samwel Moroto, M.P.
3. Hon. Twalib Bady, M.P.
4. Hon. Jude Njomo, M.P.
5. Hon. Sarah Paulata Korere, M.P.
6. Hon. (Dr.) John K. Mutunga, M.P.
7. Hon. John Muchiri Nyaga, M.P.
8. Hon. (Eng.) Mark Nyamita, M.P.
9. Hon. Qalicha Gufu Wario, M.P.

THE DEPARTMENTAL COMMITTEE CHAIRPERSONS

- | | |
|---------------------------------|------------------------------|
| 1. Hon. Ali Wario, M.P. | Labour & Social Welfare |
| 2. Hon. William Kisang, M.P. | Communication |
| 3. Hon. David Pkosing | Transport & Public Works |
| 4. Hon. Kareke Mbiuki, M.P. | Environment |
| 5. Hon. Amos Kimunya, EGH, M.P. | (Vice-chairperson) Education |
| 6. Hon. Joseph Limo, M.P. | Finance & Planning |
| 7. Hon. Sabina Chege, M.P. | Health |

PARLIAMENTARY BUDGET OFFICE

- | | |
|----------------------------|------------------------|
| 1. Mrs. Phyllis Makau, OGW | Director, PBO |
| 2. Mr. Martin Masinde | Senior Deputy Director |
| 3. Mr. Robert Nyaga | Deputy Director |
| 4. Ms. Lucy Makara | Chief Fiscal Analyst |
| 5. Ms. Millicent Makina | Fiscal Analyst |
| 6. Mr. Edison Odhiambo | Fiscal Analyst II |
| 7. Mr. Jonathan Lemurt | Fiscal Analyst III |

SECRETARIAT

- | | |
|------------------------|--------------------------|
| 1. Mr. Danson Kachumbo | Fiscal Analyst II/ Clerk |
| 2. Mr. James Chacha | Fiscal Analyst II/ Clerk |
| 3. Mr. James Kimiti | Audio Officer |
| 4. Mr. Said Wako | Sergeant at Arms |
| 5. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda.
2. Confirmation of the Previous Meeting.
3. Matters Arising.
4. Agenda: *Receiving submissions from departmental committees*
5. Any Other Business.

MIN BAC /72 /2019/01: PRELIMINARIES/CONFIRMATION OF AGENDA

The Chairperson called the meeting to order at 3.30 p.m. and welcomed members of the Committee to the meeting. Thereafter, Hon. Paul Abour, M.P. led the committee with a word of prayer. He then asked the Chairperson of Labour and Social Welfare to make his submission.

MIN BAC /72 /2019/02: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON LABOUR AND SOCIAL WELFARE

The presentation highlighted that the following:

State Department for Labour

1. Despite the State Department for Labour playing a critical role in the country's development, it has not been accorded due budgetary consideration to enhance its responsiveness, efficiency and effectiveness in addressing emerging issues and challenges facing the labour sector which also has an impact on all the other sectors of the economy
2. That there is an increased backlog of labour-related disputes at the Employment and Labour Relations Court due to lack of Alternative Dispute Resolution Mechanism (ADR). However, a road map has been developed on the establishment of ADR Mechanisms, an Inter-agency committee has been constituted, concept paper prepared, and the preparation of instruments for operationalization of ADR and setting up of offices is on-going
3. The Country does not have a policy framework to guide the activities related to Labour relations which has led to an upsurge in industrial unrest particularly in the public sector, a Wages and Remuneration Policy and has therefore, continued to rely on minimum wage regulation and other administrative and unionized approaches to wage setting, Manpower Planning and Development policy and labour migration policy.
4. The construction of the Occupational safety and Health Institute has been ongoing for 8 years, the institute is expected to facilitate training and research on occupational safety and health. Delay in completion of the project was occasioned by frequent budget cut; however, the institute is set to be completed

in the FY 2018/2019 and will therefore need to equip to ensure its full utilization.

State Department for social Protection

1. The need for the process of establishing a clear policy and legal framework for the operation of the Safety Net Programme.
2. The Committee raised its concerns with the State Department on freezing of payments to the beneficiaries during the single registry transitional period. It further emphasized on the need to roll out future upgrades in a systematic manner that will not result in halting of payments to beneficiaries.
3. The Committee further expressed its concern on the monies spent on bank charges (commission) and was not convinced that the State Department is getting value for money in its transaction with the banks.

State Department for Development of ASAL

1. Delay by the National Treasury to disburse funds on a timely basis has resulted to poor budget implementation performance. This also affects implementation of donor funded projects due to lack of GOK counterpart funding
2. The National Drought Emergency Fund has not been operational due to a technicality that anchored the Fund both in the Act and under the Public Finance Management Act. A need to fast track the process of unlocking this stalemate was noted.
3. It was further observed that counterpart funding for the Hunger Safety Net Programme under the State Department from DFID is coming to a conclusion by March 2019. This component has been the main pillar of the programme and hence the need for enhancing the GOK Funding to the programme to bridge the expected gap.

State Department for Youth

New sub-programmes have been introduced to implement new mandates given to the State Department for Youth through Presidential Circular No. 2 of June 2018 (Revised) on reorganization of the government, the Sector priority in MTP III and in line with the reviewed National Youth Policy. The sub-Programmes include Youth Exchange Programme, Youth Talent Development, Youth Empowerment Centers, Youth Development Research and Innovation, Youth Mainstreaming Programme and Youth Sector Quality Management

State Department for Gender

1. The Embassy of Finland has committed to support a 4-year (2019-2022) project on **strengthening Prevention and Response to Gender Based Violence (GBV)** in Kenya. Target counties for the project are Samburu, Kilifi and Bungoma. The estimated cost of the project is EUR 6,000,000. The Embassy of Finland will give EUR 5,000,000 and GOK is required to give EUR 1,000,000 as 20% counterpart funding for the project.
2. According to Economic Survey 2018 the total number of school girls in both primary and secondary schools 3.9 million. The allocation of Kshs. 470 million towards the sanitary towels is insufficient to cover the target of 3.9 million school girls
3. Recovery rate for the Uwezo Fund has been much lower than the other affirmative action Funds due to the misconception among recipients that the Fund was a grant rather than a loan. There was therefore need to sensitize the beneficiaries on the need to pay up to enable the Fund operate in a revolving way.

National Gender and Equality Commission

The Commission does not have any allocation to run its programmes. Kshs. 375 million allocated to it annually over the past two budget cycles has been hardly adequate for its operations and maintenance expenses.

The Committee having received submissions from the various State Departments and further deliberated, scrutinized and examined the submissions and content of the 2019 Budget Policy Statement, the Committee recommends the following:

- 1) That, under the State Department for Labour, the proposed ceilings of **Kshs. 2.69 billion** for Recurrent and **Kshs. 3.59 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
- 2) That, under the State Department for Social Protection, the proposed ceilings of **Kshs. 18.86 billion** for Recurrent and **Kshs. 12.24 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
- 3) That, under the State Department for Development of the ASAL, the proposed ceilings of **Kshs. 1.06 billion** for Recurrent and **Kshs. 4.78 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department. It is further recommended that GOK funding to upscale and fill in the gap caused by the expiry of the counterpart funding by DFID be availed to the tune of **2 billion Kshs.**
- 4) That, under the State Department for Youth, the proposed ceilings of **Kshs. 10.38 billion** for Recurrent and **Kshs. 7.85 billion** for Development outlays be approved.
- 5) That, under the State Department of Gender, the proposed ceilings of **Kshs. 1.61 billion** for Recurrent and **Kshs. 2.78 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
- 6) That, under the National Gender and Equality Commission, the proposed ceilings of **Kshs. 428.9 million** under recurrent budget be approved inline and as per the proposed Programme

After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee queried whether the Departmental Committee had identified any agency that misappropriated funds or was unable to absorb funds?
2. The Committee noted with concern that one of the reasons why recovery of Uwezo Fund was low was due to delayed payment of allowances to the boards within the Fund.

3. The Committee also observed that there are very many small projects being implemented at once. Members queried whether the MDAs had the capacity to monitor them.
4. The Committee observed that the upscaling of the Cash Transfer (Inua Jamii) Programme should not be undertaken until the necessary social protection policies are put in place.
5. The Committee queried the additional allocation of Kshs. 980 million to enable the Child Welfare Society to fully implement the moratorium on adoption and closure of a number of private foster care providers.

MIN BAC /72/2019/03: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON INFORMATION, COMMUNICATION AND TECHNOLOGY

The presentation highlighted that the following:

I. The State Department for ICT and Innovation

1. The Department's resource requirement was Kshs 42,205 million out of this Kshs 3,723 million was meant for recurrent and Kshs 38,482 million was meant for development expenditure.
2. The Constituency Innovation Hubs were still ongoing and that the Ministry of ICT was supposed to cater for costs that only related to connectivity while the other costs were to be taken care of by the different constituencies.
3. The Ajira programme that was started to create jobs for the youth had not been completed due to lack of budgetary allocations.
4. To date the Presidential laptop project; the Digital Literacy programme had not been completed due to lack of funds.
5. Over 2,000 primary schools had not yet received the laptops and that among the 21,000 primary the schools that have the laptops most were not usable because of lack of electricity, security among other reasons.

6. In supplementary estimates I approximately Kshs 5 billion had been deducted due to budget rationalizations and this will affect the projects in the department and will occasion pending bills.
7. Some partner funded projects like the Eastern Africa Regional Transport, Trade development Facilitation project (EARTTDF) National Optic Fibre Backbone, (NoFBI) and the Kenya Transparency Communication Project (KTCIP) were stalled due to lack of funding from Government.
8. The Programme 'The Arts' had been moved from the state department for Heritage to the State Department for ICT and Innovation.

II. State Department for Broadcasting and telecommunications

The Committee observed that:

1. The resource requirement for the state department was Kshs 19,545 million whereas only Kshs 5,305 million is allocated out of this amount Kshs 4,558 million was meant for recurrent expenditure while Kshs 747 million was for development. The department may fail to achieve the targets.
2. The State Department recorded a very low absorption rate for the half year 2018/19. This was attributed to the late disbursement of funds by the National Treasury and the DCI investigations and prosecutions of officers involved in payment process.
3. The studio *mashinani* had not been implemented wholly despite the budgetary allocations over the years.
4. There was a delay in the exchequer releases by the national treasury to the state department. This has delayed service delivery by the department.

COMMITTEE RECOMMENDATIONS

I. State Department for ICT and Innovation

The Committee recommends that there is need for:

- 1) The National Treasury to increase the allocation by Kshs 20,817 million to the state department to cater for the ongoing projects and enable it achieve their key targets.
- 2) The State department to reorganize their priorities in order to create space for the implementation of the big four agenda.
- 3) The government to spearhead the marketing of the Konza City so as to create awareness to the public and to other countries.
- 4) The National Treasury allocate Kshs 420 million to Konza City, out of this Kshs 220 million is to cater for pending bills and Kshs 200 million to start off Phase II of the project.
- 5) The National Treasury to allocate funds for the partner funded projects in order to acquire funds from the donors.
- 6) State Department to reprioritize their key targets for better results given the limited resources.
- 7) Going forward, the National Treasury should allocate funds to the Ministry of ICT to implement Constituency Innovation Hubs in all wards.

II. State Department for Broadcasting and Telecommunications

- 1) That there is need to restructure Kenya Broadcasting Corporation in order to mitigate the huge wage bill in the organization and make it competitive.
- 2) The Kenya Broadcasting Corporation and the Communications authority to fully disclose the funds generated internally.

- 3) There is need to fast track the implementation of various programmes such as the *studio mashinani*.

After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee noted with concern that the Ministry of Industrialization had suffered several budget cuts in the recent past and this has affected implementation of flagship projects.
2. The Committee queried about the Digital Literacy programme as it was observed that there is a shift in policy from providing tablets to schools to building computer labs
3. The Committee observed that there was need for the Communications Authority of Kenya to fully disclose the funds generated internally.
4. The Committee queried about the status of various projects such as Konza City and 'Mashinani' Studio.

MIN BAC /72 /2019/04: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON TRANSPORT AND PUBLIC WORKS

The presentation highlighted that the following:

That Based on ceilings provided and resources requirement, it is evident that resources are usually limited relative to spending needs. It is therefore prudent for all State Departments to prioritize their programmes and activities, implement efficiency and productivity measures in order to use the limited resources to achieve the performance targets including supporting the 'Big Four' agenda. Therefore, the Budget and Appropriations Committee approves the Ceilings as follows;

1. **Vote 1091** The State Department for Infrastructure **Kshs. 172,464 million**
2. **Vote 1092** the State Department for Transport **Kshs.97,483 million**
3. **Vote 1093** The State Department for Shipping and Maritime **Kshs. 2,667 million**
4. **Vote 1094** the State Department for Housing and Urban Development **Kshs. 28,674 million**
5. **Vote 1095** The State Department for Public Works **Kshs. 4,462 million**

A. State Department for Infrastructure

1. That net GoK for the State Department for Infrastructure be enhanced **Kshs. 8,700 million** to cater for the amount the State Department used from its budget for rehabilitation of Flood damaged roads whose budget was removed in supplementary 1 of 2018/19.
2. That the law should be amended to allow for Kenya Roads Board (KRB) to borrow and enable them float Roads Bond.
3. That the National Treasury allows floating of Roads Bond Securitized by the fuel levy.
4. that the Mombasa- Nairobi Express Way be financed through Public Private Partnership (PPP) to avoid further delay of the project.

B. State Department for Transport

1. With regards to the LAPSSET project the committee recommends all stakeholders (National Treasury, Kenya Ports Authority and the Ministry) to come together and come up with best and most cost-effective model of financing the project to avoid further unnecessary delays Particularly the Lamu Port.
2. That funding for the following programmes be provided under the State Department of Transport;
3. Kshs. 50 million for Funding of Directorate Air Accident
4. Kshs. 5,030 million shortfall for Lamu port
5. Kshs. 3,500 million for Relocation Action Plan (RAP) in Kibera Mukuru for the Rail-way Line.
6. Kshs. 300 million for refurbishment of the headquarters

7. Kshs. 400 million for marking and pegging of boundaries of the entire LAPSSET corridor.

C. State Department for Housing and Urban Development;

1. That the funding for all critical enablers of the affordable housing Programme as one of the BIG 4 agendas be provided and managed under the State Department for Housing and Urban Development. This will ease the delivery of all infrastructural facilities alongside the housing units.
2. That a scheme be established to be Known as **National Affordable Housing Scheme** with representation from several bodies in its board to ensure continuity and certainty of the Programme amid change of governments in every five years.
3. That the Kenya Urban Support Programme be managed at the ministry to enhance accountability and ease of oversight by Parliament or transferred directly through the Division of Revenue Act.

D. State Department for Public Works;

1. That the state Department of Public Works should pursue its core mandate of setting standards and quality Assurance while the project implementation left with the respective Ministries and agencies.
2. That there is need for policy interventions to restate and clearly demarcate functional mandates of the State Department for Public Works.

a. State Department for Shipping and Maritime;

- i. That the state Department ensures prompt and smooth takeover of the Bandari Maritime Academy following the Gazette Notice No. 233 of 2018.
- ii. That additional Kshs. 400 million should be provided to facilitate relevant trainings in the college with a view of tapping the 25,000 job opportunities negotiated with the international shipping lines/companies like Mediterranean Shipping Company (MSC) which will give about 10,000 jobs to Kenyans,

European (Abojeb Maritime Consulting Company) with potential to recruit 10,000 Kenyans and Japanese line with a potential of employing 5,000 Kenyans.

After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee queried why the government was keen to setting up National Affordable Housing Scheme instead of using existing institutions such as National Housing Corporation to implement the Affordable Housing Program?
2. It observed that the policies surrounding the implementation of Affordable Housing Program are not clear.
3. The Committee queried the Kshs. 8.7 billion allocation for rehabilitation of Flood damaged roads whose budget was removed in supplementary 1 of 2018/19.

MIN BAC /72 /2019/05: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON ENVIRONMENT AND NATURAL RESOURCES

The presentation highlighted that the following:

COMMITTEE RECOMMENDATIONS

Fiscal Recommendations

The Committee having received submissions from the various State Departments and further deliberated, scrutinized and examined the submissions and content of the 2019 Budget Policy Statement, the Committee recommends the following:

1. That, under the Ministry of Environment and Forestry, the proposed ceilings of **Kshs. 10.09 billion** for Recurrent and **Kshs. 5.76 billion** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the Ministry.
2. That, under the Ministry of water and sanitation, the proposed ceilings of **Kshs. 4.32 billion** for Recurrent and **Kshs. 52.31 billion** for Development

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

3. That, under the State Department for Mining, the proposed ceilings of **Kshs. 654 million** for Recurrent and **Kshs. 313 million** for Development outlays be approved, and in-line with the various proposed allocation per each Programme under the State Department.
4. That, under the State Department for Wildlife, the proposed ceilings of **Kshs. 7.81 billion** for Recurrent and **Kshs. 1.09 billion** for Development outlays be approved and in-line with the various proposed allocation per each Programme under the State Department

After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee observed that the government was awarding some projects without securing of land which is critical.
2. There was scanty information on the programme connecting 200 schools with water. The Committee requested for additional information to be provide such as the location of the schools
3. It was observed that some dams were being built without the provision of infrastructure to support domestic use.
4. The Committee noted that there was need for government to develop a policy for the coordination of National government projects in Counties.
5. It was observed that there was laxity by government to find permanent solutions to the Human Wildlife Conflict.

**MIN BAC /72/2019/05: SUBMISSION BY THE DEPARTMENTAL
COMMITTEE ON EDUCATION AND RESEARCH**

The presentation highlighted that the following:

a) Policy Recommendations

- i. **Infrastructural Audit and Policy** - the Committee recommends that the Ministry undertakes a comprehensive audit of infrastructure in all public primary and secondary schools to identify infrastructural gaps and plan of action to mitigate the problem in view of the 100% transition policy. Further the Committee recommends that the Ministry develop a National Public schools infrastructural Policy and submit it to the Committee for scrutiny.
- ii. **National Education Management Information System (NEMIS)** - The Committee recommends that this be the main ICT system to be used to capture learners' information at all levels of education (Pre-primary, Primary, Secondary, Tertiary, and University) instead of each level developing its own parallel ICT system. This will ensure that a single platform is available on learners' information.
- iii. **Conditional grant for VTC's** – The Committee recommends that during the submission of the Budget estimates for 2019/20, this conditional should not be lumped together as under the development budget since part of it is being utilized to give capitation to student. Thus it should be disintegrated between recurrent and development budget.
- iv. **Ring-fencing use of the conditional grant**—in order to prevent the application of these grants to other areas of expenditure by county governments, the Committee recommends that the ring-fencing of this grants, perhaps through creation of a special purpose account or any other means that will commit the county governments to utilizing this grant strictly for the intended purpose.

- v. The Committee recommends that the conditional grant for VTC's in 2018/19 financial year for the counties which have not complied in terms of using this allocation to support VTC's be reallocated in the 2018/19 supplementary budget towards construction of 15 additional Technical Training Institutes (TTI's).
- vi. **Internship policy for Teachers-** given the existing shortage of Teachers and to support the 100% transition policy, the Committee recommends that the TSC and the Ministry develops an internship policy, structure and legal framework for teachers and submit it to the Committee for review and adoption.
- vii. The Ministry of Education should undertake a costing of the free primary and free day Secondary Schools programmes to ensure that the capitation allocated to these flagship programmes are sufficient and efficiently utilized. This is critical given the inclusion of infrastructure and insurance in the current capitation for secondary schools which were items not initially included in the computations that arrived at the current capitation.
- viii. The Ministry should come up with a policy framework on the collaboration between the Ministry and the National Government Constituency Development Fund (NG-CDF) in terms of providing support to TVET students through bursaries and internships given the expected increase in number of students in these institutions and the limited resources available to support them through capitation.

b) Recommendations on the proposed 2019/20 Budget Ceilings for the sector

The Committee makes the following recommendations:

- i. Approves the 2019/20 proposed budget ceilings for the State Department for Early Learning and Basic Education of Kshs 101.1 Billion;
- ii. Approves the 2019/20 proposed budget ceilings for the State Department for University Education and Research of Kshs 103.2 Billion;
- iii. Approves 2019/20 the proposed budget ceiling for TSC of Kshs 253.6 Billion and makes the following reallocations within the below programmes under the Teachers Service Commission;

Programme	Adjustment	Justification
General Administration	Reduce recurrent by Kshs 50 Million	This programme has been allocated more than its resource requirement.
Governance and Standards	Add recurrent Kshs 50 million	This programme only received 33% of its total resource requirement

- iv. The Committee recommends that the Budget and Appropriations Committee considers allocating additional resources to the State Department of Vocational and Technical Training since there is a discrepancy between policy pronouncements on TVETS and the budget ceiling provided. The major funding gaps in the Department are:

Funding Gap	Amount required
TVET Students capitation due to expected increased enrolment	Kshs 5.3 Billion
Recruitment of 2,000 Additional TVET instructors	Kshs 1.3 Billion

- v. The Committee recommends that the Budget and Appropriations Committee considers allocating additional resources to the State Department for Post Training and Skills Development since the functions captured under the Executive Order which created the State Department and resources allocated in the Budget Policy Statement 2019 are not in tandem. The major funding gaps are:

Funding Gap	Amount required
Proposed rollout of internship/apprenticeship Programme	Kshs 680 Million
Development of skills and employment management information system and skills data centre	Kshs 140 Million

After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee observed that there was need for government to formulate a policy on setting of school and also issue guidelines on building of schools
2. The Committee noted with concern that the distribution of funding by the Ministry of Education as well as deployment of teachers by Teachers Service Commission (TSC) is not equitable
3. The Government needs to fast track the completion of TTIs
4. It was noted with concern that the Ministry of Education is undertaking several transitional issues, which has led to implementation challenges. There is need to concentrate in a few so as to ensure completion.

MIN BAC /72/2019/06: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON FINANCE & PLANNING

The presentation highlighted that the following:

Having considered the ceilings for each of the spending agencies, the Committee has come up with recommendations ie. Policy and financial as follows: -

A. COMMISSION FOR REVENUE ALLOCATION (CRA)

The Committee recommends that:-

Policy Recommendations

1. There is need to review the variable in the revenue sharing formula to include water mass as one of the parameters in the formula. The current formula does not recognize water mass in the formula.
2. The parameters to identify marginalized areas as recommended by the Constitution should be strictly adhered to.

Financial Recommendation

The Committee recommends that the Commission be given an additional **Kshs. 36 million** to cater for the underfunded areas as follows; Annual recommendation on revenue sharing (vertical share) (**Kshs. 9 million**); Recommendation of financing of cities and urban areas (**Kshs. 4 million.**); Equitable criteria for revenue sharing from decentralized funds (**Kshs. 4 million**); financing and financial management for counties (**Kshs. 10 million**) and criteria for funding of urban slums (**Kshs. 9 million**)

B. CONTROLLER OF BUDGET (COB)

The Committee recommends that:-

Policy Recommendation

1. The Office should identify ways of building the capacity of MCAs for better oversight of the county executive expenditure as contained in the quarterly reports from the Controller of Budget.
2. There is need to come up with a legal framework to ensure that spending agencies are compelled to provide complete data that will enable the Controller of Budget to prepare comprehensive data containing non-financial performance i.e outputs and targets. This will go a long to evaluate whether there is value for money in the budgetary allocations.
3. There is need to provide guidelines as to what constitute pending Bills as some of the counties are categorizing loans as pending bills and thereby compromising reporting.

4. There is need for formulation of a national policy framework to guide own source revenue to ensure that the counties do not overestimate their own source revenue . The overestimation of own source revenue has contributed greatly to the huge pending bills.

Financial Recommendation: -

The Committee recommends that the ceiling of **Kshs. 723,000,000** be approved for the FY 2019/20.

C. SALARIES AND REMUNERATION COMMISSION (SRC)

The Committee recommends that:-

Policy Recommendation

1. A policy on how Collective Bargaining Agreements should be drawn and by whom should be written.
2. The Public Service Commission should give policy direction on staff establishment in various counties taking into account the size and needs of each individual county.

Financial Recommendation

The Committee recommends that the ceiling of **Kshs. 630,000,000** be approved for the FY 2019/20.

D. MINISTRY OF DEVOLUTION

The Committee recommends that:-

Policy Recommendations

1. The Ministry should relook at the formula used to establish areas that should benefit from relief food in order to ensure that all needy areas are catered for.
2. The Ministry should interrogate why the defunct local governments used to collect more OSR than county governments.

3. There is need to review the policy on food relief programme and whether the allocation should be domiciled in the National Treasury or the State Department for Devolution. The policy should also factor in the efficiency where the funds are domiciled with National Treasury and the policy with State Department for Devolution.

E. STATE DEPARTMENT FOR PLANNING

The Committee recommends that:-

Policy recommendations

1. The State Department should come up with a policy to ensure that there is an interface and sharing of information between the proposed County Planning Office and the county governments.
2. The State Department should expedite the drafting of the Monitoring and Evaluation Bill and approval of the attendant policy in order to facilitate effective monitoring and evaluation of the government policies, projects and programmes.
3. The State Department should come up with a forum to share information and build synergies among the Vision 2030 secretariat, Monitoring and Evaluation Department in the Ministry of Planning, the Delivery Unit at the Presidency and the Project Implementation Unit in the National Treasury.

Financial Recommendation

The Committee recommends an additional funding of **Kshs. 142 million** to cater for:-

1. Operationalisation of county development planning offices – **Kshs. 51 million.**
2. Shortfall in personnel emolument for the in post in KIPPRA – **Kshs. 66 million.**
3. Shortfall in SRC recommendation, NCPD – **Kshs. 25 million.**

F. THE NATIONAL TREASURY

The Committee recommends that:-

Policy recommendation

1. A policy on the issue of pending bills should be drawn; pending bills should be a part of handing over and taking over. The law that requires pending bills to be a first charge should be implemented to the latter.
2. The National Treasury should come up with a conclusive policy on the leasing of vehicles by the government.

Financial Recommendation: -

The Committee recommends that the ceiling of **Kshs. 107, 431.022** be approved for the FY 2019/20.

General Recommendation to cover the resource gap

The Committee recommends that the total of **Kshs 0.178 billion** additional funding should be taken from the National Treasury's allocation.

MIN BAC /72 /2019/07: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON HEALTH

(a) Financial Recommendations of the Committee

From the foregoing, the Committee makes the financial recommendations in the capital expenditure ceilings as shown in the table 1.0:

Table 1.0: Summary of Proposed Capital Expenditure Reductions in Ksh. Million					
Programme	Sub-Programme	Project	Allocation	Reduction	Balance
1. Preventive and Promotive Healthcare & RMNCAH	Non-Communicable Disease	1081107400 Acquisition of space by the National AIDS Control Council-(NACC)	50	50	0
2. National Referral & Specialized Services	Forensic & Diagnostic	1081103700 Clinical Waste Disposal System Project	6.25	6.25	0
3. Health Policy & Standards	Health Policy, Planning & Financing	1081104500 Free Maternity Programme (Strategic Intervention)	4298	200	4098

4. Health Policy & Standards	Health Policy, Planning & Financing	1081101500 program for basic health insurance for the informally and the poor	15	15	0
5. General Administration & Support Services	Project Management and Coordination	Monitoring and evaluation	40	40	0
6. Health Policy & Standards	Universal Health Coverage	UHC Phased Out Approach (Pilot Programme)	6,000	800	5200
TOTAL				1,111.25	

The Committee recommends that the savings realized from the proposed reduction be utilized for capital projects as shown in table 2.0:

Table 2.0: Summary of Proposed Capital Expenditure Proposed for Increases in Ksh. Million					
Programme	Sub-Programme	Project	Allocation	Increase	Proposed
1. Preventive and Promotive Healthcare & RMNCAH	Reproductive, Maternal and Neo-natal Child and adolescent health (RMNCAH)	1081105300 Procurement of family planning & reproductive health commodities	87.5	212.5	300
2. Preventive and Promotive Healthcare & RMNCAH	Reproductive, Maternal and Neo-natal Child and adolescent health (RMNCAH)	1081105500 (Vaccines & Immunizations)	703	98.75	801.75
3. Preventive and Promotive Healthcare & RMNCAH	Non Communicable Diseases	Establishment of comprehensive cancer centers	400	800	1,200
TOTAL				311.25	

The increase of Ksh. 800 million for establishment of comprehensive cancer centres is for completion of on-going projects under Cancer Control Programme. The cancer centres (Kisii and Nyeri) will be completed by facilities from BADEA and from the Hungarian government. The Cancer Control Programme has been allocated Ksh. 400 million in the FY 2019/20, the Committee therefore recommends an increase for the Cancer control program as follows;

- 1) Allocate Ksh. 600,000,000 in 2019/20 to procure the 3-radiotherapy equipment and supporting peripherals to operationalize the radiotherapy treatment in for Mombasa, Nakuru and Garissa; and
 - 2) Allocate Ksh. 200,000,000 of recurrent funds to the national cancer control program for prevention, public awareness, screening and procurement of cancer drugs to support counties within the 10 chemotherapy sites.
- b. The Ministry further recommends that capital expenditure provided under the National Referral Services programme be utilized for the following activities:
 - c. The Ksh. 30.5 million allocated for constructing a wall, renovation of building and at the National Spinal Injury Hospital be used for purchase of equipment for National Spinal Injury Hospital

(b) Other Financial Recommendations of the Committee

The Committee would recommend that the National Treasury consider providing additional resources for the following areas in the FY 2019/20;

1. Support for the portable clinics' operationalization under the UHC programme as a conditional grant to counties for installation and to provide personnel and medical supplies at Ksh. 666 million; and
2. Support infrastructural development at Mathari Teaching & Referral Hospital by providing an additional allocation of Ksh. 100 million.

After the presentation, members deliberated on the report presented and raised the following concerns:

- 1) The Committee observed that there is need for a policy for establishing referral hospitals level 5 and 6. The Kenyatta University Teaching, Research and Referral Hospital; Mwai Kibaki Teaching and Referral Hospital (formerly Othaya Level 6 Hospital); the National Spinal Injury Hospital and Mathari Mental Hospital do not have constitutive instruments and financial autonomy. These national referral facilities operate as either Departments of the Ministry of Health as Departments of Universities. These governance arrangements greatly compromise quality and standards including services delivery.
- 2) It was observed that the government should not proceed with the implementation of equipping the 6,200 health facilities across the country with basic equipment until there is clarity on what basic equipment

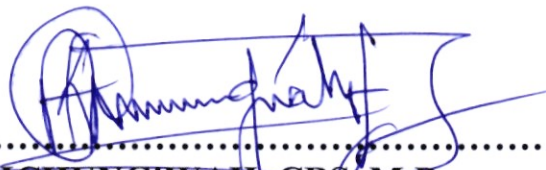
constitutes and a report detailing how the 6200 health facilities were identified to justify the need to roll out the programme;

- 3) The Committee observed that KEMSA should consider scaling down its Ksh. 3 billion warehouses to only essential space.
- 4) The Committee noted with concern that flagship MES project has been allocated a conditional grant of Ksh. 6.2 Billion in FY. 2019/20 compared to Ksh. 9.4 Billion in the FY 2018/19. The total contract sum for this project has increased from approximately Ksh. 34 billion in the FY 2014/15 to approximately Ksh. 42 billion in the FY 2018/19. Further, the ICT component approved in the previous financial year is stalled as the Ministry awaits advise from the Attorney General to issue the contractor with a letter of support;

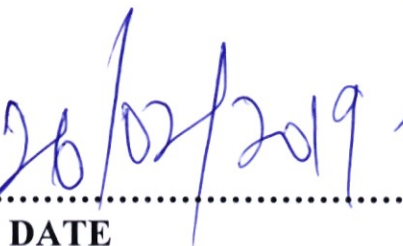
MIN BAC /72/2019/08: ADJOURNMENT

The committee adjourned for tea break. The next sitting was at 6.00 p.m.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, CBS, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE


.....
DATE

**MINUTES OF 73rd SITTING FOR THE BUDGET AND APPROPRIATIONS
COMMITTEE RETREAT, MONDAY, 25TH FEBRUARY 2019 AT THE
BOMA HOTEL, NDOVU CONFERENCE AT 6.00 P.M.**

PRESENT

1. **Hon. Kimani Ichung'wah, CBS, M.P.- Chairperson**
2. **Hon. Moses Lessonet, M.P.- Vice Chairperson**
3. Hon. James Mwangi Gakuya, M.P
4. Hon. (Dr.) Gideon Ochanda, M.P.
5. Hon. (Dr.) Makali Mulu, M.P.
6. Hon. (Dr.) Korei Ole Lemein, M.P.
7. Hon. Richard Onyonka, M.P.
8. Hon. Benard Masaka Shinali, M.P.
9. Hon. Naisula Lesuuda, OGW, M.P.
10. Hon. Sakwa Bunyasi, M.P.
11. Hon. Florence Chepngetich Koskey, M.P.
12. Hon. James Gichuki Mugambi, M.P.
13. Hon. Paul Abuor, M.P.

ABSENT WITH APOLOGIES

1. Hon. CPA. John Mbadi, EGH, CBS, M.P.
2. Hon. Millie Odhiambo, M.P.
3. Hon. Moses Kiarie Kuria, M.P.
4. Hon. Samwel Moroto, M.P.
5. Hon. Twalib Bady, M.P.
6. Hon. Jude Njomo, M.P.
7. Hon. Sarah Paulata Korere, M.P.
8. Hon. (Dr.) John K. Mutunga, M.P
9. Hon. Fatuma Gedi Ali, M.P.
10. Hon. Danson Mwashako, M.P.
11. Hon. Ruth W. Mwaniki, M.P.
12. Hon. John Muchiri Nyaga, M.P.
13. Hon. (Eng.) Mark Nyamita, M.P.
14. Hon. Qalicha Gufu Wario, M.P.

THE DEPARTMENTAL COMMITTEE CHAIRPERSONS

- | | |
|------------------------------------|--------------------------------|
| 1. Hon. William Cheptumo, M.P. | Justice & Legal Affairs |
| 2. Hon. (Dr.) Rachael Nyamai, M.P. | Lands |
| 3. Hon. (Dr.) Victor Munyaka, M.P. | Sports, Culture & Tourism |
| 4. Hon. Kanini Kega, M.P. | Trade, Industry & Cooperatives |
| 5. Hon. Adan Ali, M.P. | Agriculture |

PARLIAMENTARY BUDGET OFFICE

- | | |
|----------------------------|------------------------|
| 1. Mrs. Phyllis Makau, OGW | Director, PBO |
| 2. Mr. Martin Masinde | Senior Deputy Director |
| 3. Mr. Robert Nyaga | Deputy Director |
| 4. Ms. Lucy Makara | Chief Fiscal Analyst |
| 5. Ms. Millicent Makina | Fiscal Analyst |
| 6. Mr. Edison Odhiambo | Fiscal Analyst II |
| 7. Mr. Jonathan Lemurt | Fiscal Analyst III |

SECRETARIAT

- | | |
|------------------------|--------------------------|
| 1. Mr. Danson Kachumbo | Fiscal Analyst II/ Clerk |
| 2. Mr. James Chacha | Fiscal Analyst II/ Clerk |
| 3. Mr. James Kimiti | Audio Officer |
| 4. Mr. Said Wako | Sergeant at Arms |
| 5. Mr. Joram Baraza | Office Attendant |

AGENDA

1. Preliminaries / Confirmation of Agenda.
2. Confirmation of the Previous Meeting.
3. Matters Arising.
4. Agenda: *Receiving submissions from departmental committees*
5. Any Other Business.

**MIN BAC /73 /2019/01: SUBMISSION BY THE DEPARTMENTAL
COMMITTEE ON JUSTICE AND LEGAL AFFAIRS**

The presentation highlighted that the following:

A.JUDICIARY AND JUDICIAL SERVICE COMMISSION

Observations

1. The total resource requirements for the judiciary for the FY 2019/20 amounts to Kshs. 23.3 Billion composed Kshs 16.9 Billion for recurrent expenditure and Kshs. 6.3 Billion for Development/Capital Expenditure. However, the Judiciary was allocated a budget ceiling of Kshs. 17.5 Billion composed of Kshs 13.6 billion for recurrent expenditure and Kshs 3.9 billion for development expenditure leading to a shortfall of Kshs 5.2 billion.
2. The Judiciary has out of its shortfall of Kshs 5.2 billion requested the committee to consider the allocation of Kshs 3.4 billion composed of Kshs 1.5 billion for development expenditure and Kshs 1.9 billion for recurrent expenditure.
3. The additional allocation of Kshs 1.5 billion will enable the judiciary to successfully complete the ongoing projects in FY 2019/120. Therefore, it is important for the government to hasten the completion of those projects in order to realize value for the funds expended towards those projects so far.
4. The additional allocation under the recurrent vote will enable the judiciary to cater for the following critical arears; Mortgages for judges and staff – Kshs 800 million, Pension arrears – Kshs 479 million, ICT Automation – Kshs 800 million, facilitation of existing mobile courts and Purchase of motor vehicles for judges and Court stations – Ksh 200 million.
5. The committee observed that the Judicial Service Commission resource requirement was Kshs 1.2 billion. However, the commission was given a ceiling of Kshs 481 million leading to a deficit of Kshs 775 million.

6. The critical areas of the commission that are underfunded include the following; provision of land/ office premises for the Judiciary training institute – Kshs 800 million, capacity building and training for the new commissioners – 250 million, legal fees – Kshs 50 million.
7. The committee has also observed that there is a cute shortage of judges in the Environment and Land Court. However, the commission assured the committee there are in the process of recruiting additional judges to alleviate the situation.

Recommendations

- a) The Committee recommends the allocation of an additional Kshs 1.5 Billion under the development vote to the Judiciary in FY 2019/20 to enable the department complete its projects on time.
- b) The committee also recommends an additional allocation Kshs 1.9 billion to cater for mortgage of judges and staff, acquisition of motor vehicles for judges and court stations, facilitation of mobile courts particularly in sub-counties that don't have magistrate courts, fast tracking of corruption cases, and facilitation of dispute resolution and mediation.
- c) The committee recommends the judiciary to rationalize project coverage across the country when undertaking new court constructions over the medium giving particular emphasis to areas that are in far flung areas.

B. OFFICE OF THE ATTORNEY GENERAL AND DEPARTMENT OF JUSTICE

Observation

1. The committee observed that the office resource requirement for the FY 2019/20 stood at Kshs 13.2 billion composed of Kshs 7.7 billion for recurrent expenditure and Kshs 5.2 billion for development expenditure. However, the office was allocated Kshs 5.7 billion comprised of Kshs 5.0 billion for recurrent expenditure

and Kshs 0.7 billion for development expenditure leading to a shortfall of Kshs 7.5 billion.

2. The shortfall will affect the following areas; Automation of civil litigation business process/ video conference system – Kshs 25 million, Purchase/Construction of office block in upper hill – Kshs 2.5 billion, Development of marriages and divorces database – Kshs 100 million, and acquisition of office space for national council for law reporting – Kshs 638 million among other projects.
3. The committee further observed that the limited budgetary allocation to the sector has affected the critical operations of the office. In particular, the office ability to competently defend the country against international suits has been hampered. Of importance is the international dispute regarding our coastline with Somalia that is before the International Court of Arbitration (ICA) which needs adequate funding in order for the country to defend our coast line.
4. The committee was also concerned about the inability of the office to retain staff with competent legal counsels with experience and skills due to unfavorable terms of service. This issue has hampered the ability of the office to discharge its function properly and adequately leading to huge pending bills inform of court awards against the government.
5. The committee further observed that there are suits against the government with financial risks to the tune of Kshs 1.2 trillion. In addition, the awards against the government pending payment stand at Kshs 88.1 billion and they are ranging from awards to victims of torture as well as business litigants against the state.
6. It has further been observed by the committee that the Attorney General's Office litigates on behalf of the state agencies however when the court awards claims against those agencies, they don't promptly settle the claims but abandon the claims with the attorney General office.

Recommendations

- a) The Attorney General's Office should be allocated an additional Kshs 100 million specifically for facilitating the arbitration of international disputes especially with other nations to protect the interest of the country.
- b) As a matter of priority, the government should consider setting up a fund for settling court awards against the government. In this regard, the committee recommends the allocation of Kshs 1 billion in FY 2019/20 to the Attorney General Office in order for the office to settle some of the claims.
- a) In addition, the committee further recommends additional funding for the office to enable it review undertake salary for its staff in order for the office to retain and attract legal counsels with experience and skills so as to enable the office discharge its function properly and adequately.

C.REGISTRAR OF POLITICAL PARTIES

Observations

- 1. The Office had requested Kshs. 4941.4 million out of which Kshs. 801.3 million was to cater for ORPP operations and Kshs. 4140 million was to go towards the Political Parties Fund. The Kshs. 4140 million was 0.3% of the projected national revenue for FY 2019/20. However, due to budgetary limitation, the office has been allocated Kshs. 811.7 million out of which 440.5 million is for office operations and Kshs. 371.2 million is for the Political Parties Fund.
- 2. Further the committee has observed that the allocation to the Political Parties Fund of Kshs 371.2 million is not in compliance with the provision of the section 24 of the Registrar of political parties act as well as the ruling of Justice Aburili on the implementation of the section 24 of the Act.
- 3. The committee has also observed that the Office of the Registrar of Political Parties is frequently enjoined in matters filed in courts and in the Political Parties Dispute Tribunal (PPDT) arising from intra and inters political parties' wrangles. This affects the office in terms of legal fees and time used in defending cases.

4. The government consolidated funds for advertisements under the Government Advertising Agency. The office has faced delays when making advertisements through the Government Advertising Agency and this has affected the office work.

Recommendations

- a) The committee recommends the allocation of an additional Kshs. 150 million during the FY2019/20 for the office to effectively undertake the development of Policy on Party primaries and undertake country wide Stakeholder and Public Participation as well as undertake Inspection, Audit and Monitoring of political parties to ensure compliance with the political Parties Act.
- b) The committee also recommends an additional allocation of Kshs 3,768.8 billion for the political parties fund in compliance with the provisions of section 24 of the Registrar of Political Parties Act and in compliance with the ruling of Justice Aburili issued on 2nd January 2018.

D.INDEPENDENT ELECTORAL AND BOUNDARIES COMMISSION

Observation

1. The Commission resource requirement for FY 2019/20 is estimated to be Kshs 14.4 billion against an allocation of Kshs 4.8 billion ceiling resulting in a deficit of about Kshs. 9.6 billion for the next FY 2019/20.
2. The deficit will affect the settling of pending legal fees incurred in the FY 2017/2018 estimated to be Kshs 3.9 billion, the Proposed Uchaguzi Centre (Kshs. 1 billion), ICT licenses and Equipment for existing electoral technologies (Kshs. 247 million) and signature verification exercise for Punguza Mizigo Referendum - Kshs. 35 million.
3. The committee also observed the need for the commission to undertake electoral reforms way in advance rather than when the election is approaching a general

election to avoid the unnecessary push and pull that has been witnessed in the last general election.

4. The committee noted there is need for the commission to undertake continuous voter registration to allow the citizens their right to participate in electoral processes.
5. The committee also observed the need for standardization in the legal fees charged by the law firms and confining their charges within a certain range when engaged by the commission to guard against the inflation of their legal fees.

Recommendations

- a) The committee recommends an additional funding for the commission of Kshs 1.5 billion for settling the validated pending bills that has been processed by the Commission.

E. OFFICE OF THE DIRECTOR OF PUBLIC PROSECUTION

Observations

1. For the coming F/Y 2019/20, the ODPP was allocated Ksh. 3.0 Billion composed of Kshs 2.9 billion for recurrent expenditure and Kshs 100 million for development expenditure against a resource requirement of Ksh. 4.957 Billion hence resources short fall of Ksh 1.921 Billion.
2. The committee further observed that the budgetary shortfall will affect the following; Kshs 250 million for the continuing anti-corruption and counter terrorism initiatives, witness facilitation – Kshs 50 million, Mobile courts – Kshs 50 million, ICT Networking and implementation of a case management system – Kshs 100 million, implementation of new organizational structure – Kshs 100 million, setting up, and refurbishing and equipping of ODPP Regional, County and Sub-county offices – Kshs 100 million.

Recommendations

- a) The Committee recommends the approval of an additional allocation of Kshs 750 million to the ODPP to fund the following critical areas; Kshs 250 million for the

continuing Anti-corruption and counter terrorism initiatives, witness facilitation – Kshs 50 million, Mobile courts – Kshs 50 million, ICT Networking and implementation of a case management system – Kshs 100 million, implementation of new organizational structure – Kshs 100 million, setting up, and refurbishing and equipping of ODPP Regional, County and Sub-county offices – Kshs 100 million.

F. ETHICS AND ANTI-CORRUPTION COMMISSION

Observation

1. The commission budget ceiling for FY 2019/20 is Kshs 2.967 billion against a requirement of 6.2 billion. Consequently, the commission will face a funding short fall of Kshs 3.2 billion which will greatly undermine its ability to effectively discharge the prescribed mandate.
2. The committee observed that the commission plays a critical role in the Big Four Agenda since it will be useful in abetting corruption as the government undertakes the big four projects.
3. The committee also observed there is need for the commission to devolve to all counties to aid against the rampant that has been witnessed at the county level so as to aid against the misuse of devolved funds.
4. In addition, the committee also observed that there is need for the commission to actualize the life style audit of all the state officers as well as the public servants both at national and county level. However, the commission informed the members that there are in the process of developing a regulation that will guide the process.

Recommendations

- a) The committee recommends an additional allocation of Kshs 3.2 billion in order for the commission to effectively undertake its prescribed function and discharge its role effectively.
- b) The additional allocation will enable the commission to recruit an additional 350 technical officers so as to implement targeted investigations, undercover and sting operations on programmes and projects linked to the BIG 4 Agenda, undertake targeted tracing and recovery of corruptly acquired assets among others.

G. COMMISSION FOR ADMINISTRATIVE JUSTICE

Observation

1. The committee noted that the commission allocation under the FY 2019/20 is Kshs 565 million against a resource requirement of Kshs 818 million.
2. The committee stressed the need for the commission to create awareness on its mandate particularly in ensuring the citizen right to quality service both at the national and county level of government is not compromised.

Recommendations

The committee recommends an additional allocation of Kshs 300 million to cater for recruitment of additional staff – Kshs 30 million, public awareness and civic education – Kshs 30 million, access to information activities – Kshs 40 million, procurement of motor vehicles – Kshs 50 million, systematic investigations and research – Kshs 20 million, staff mortgage and car loan scheme – Kshs 50 million among other activities.

H. KENYA HUMAN RIGHT COMMISSION

Observations

1. The Commission has been given a budget of Kshs. 392 million in the FY 2019/20 against a resource requirement of Kshs. 600 million by the National Treasury. This leaves a resource gap of about Kshs. 208 million.
2. The committee was concerned that the commission budget has consistently been declining over the years Kshs 450 million in FY 2015/16 to Kshs in FY 2019/20. This is despite the fact that the commission plays a crucial role in mainstreaming human right matters in the country.
3. The committee further observed that the commission has critical areas that are underfunded. In particular the commission fleet has aged attracting high maintenance cost and therefore the commission needs to acquire 6 field vehicles – Kshs 30 million, Expansion (New Regional Offices) to enhance the commission's presence in the counties – Kshs 30 million, refurbishment of the Head Office and the North Rift Office – Kshs 10.5 million, staff medical scheme – Kshs 5 million and carrying out Public Inquiries into Systemic Human Rights Violations, Reforms and Accountability – Kshs 23 million.

Recommendations

- a) The committee recommends an additional allocation of Kshs 98.5 million to the commission's budget to cover the following critical that are not funded; acquisition of Field vehicles – Kshs 30 million, New Regional Office - Kshs 30 million, staff medical scheme – Kshs 5 million, Public Inquiries into Systemic Human Rights Violations, Reforms and Accountability – Kshs 23 million.

I. WITNESS PROTECTION AGENCY

Observations

1. In the FY 2019/20, the agency's proposed budget is Kshs 481.6 million against a resource requirement of Kshs 713.2 million. The committee observed that the agency is underfunded significantly on its witness protection programme. The programme proposed allocation is Kshs 195.7 million against a resource requirement is Kshs 425.8 million and this has hampered the office ability to protect the witnesses under the programme.
2. The committee acknowledges the critical role the office plays in the criminal justice system particularly in guaranteeing the safety and security of witnesses. Indeed the committee noted the significant role the office has played in the prosecution of complex corruption and terrorism related cases.
3. The committee stressed the need for the Agency to reduce the cost of maintaining a witness from Kshs 2.5 million per year to below Kshs 2 million since the current cost is exorbitant and it's likely to make the programme unsustainable.

Recommendations

- a) The committee recommends an additional allocation of Kshs 200 million to enable the office protect the witnesses under its care adequately.
- b) The committee recommends an additional allocation of Kshs 100 million for the decentralization of witness protection services to Central and Rift valley Regions and an additional allocation of Kshs 100 million for the operationalization of staff mortgage scheme.

After the presentation, members deliberated on the report presented and raised the following concerns:

The Committee noted with concern that the National Treasury is not allocating Political Parties Fund 0.3 percent of totals revenues as per statutory requirement. This has hindered the operations of some political parties.

**MIN BAC /73 /2019/02: SUBMISSION BY THE DEPARTMENTAL
COMMITTEE ON LANDS**

The presentation highlighted that the following:

The Committee made the following observations, that:

1. The Ministry of Lands and Physical Planning was justified to request for additional funding considering that revenue collection at the ministry for the 2018/2019 Financial year stood at **Ksh.5, 374,989,779** against a target of **Ksh. 8, 942,110,817**. The Ministry indicated that it had the capacity to raise **Ksh 12 billion** in revenue, if it was provided with adequate financial resources. However, the Ministry needs to upscale on their outputs if it must get additional funding.
2. There is need for the Ministry of Information Communication and Technology to fast track the implementation of the Land Information Management System on behalf of the Ministry of Lands & Physical Planning and the National Land Commission to facilitate access to reliable data on land records and to realize the Big Four Agenda projects.
3. Although the National Land Commission indicated that it required Kshs. 128 million to facilitate the employment of more technical staff to serve in the County offices. According to the presentation made by the Commission, Personnel emoluments accounted for 66% of the commission's total budgetary ceiling while operations and maintenance formed 44% of the allocation.
4. The request made by the National Land Commission for additional funding to facilitate the purchase of 18 vehicles for the county offices was merited given that the commission had only 8 vehicles serving both the Headquarters and the Counties.
5. There was no link between the 2017 approved MTEF and the proposed expenditure ceilings raising doubt on the effectiveness and application of MTEF Budget in Kenya.

Policy Recommendation

The Ministry of Lands and Physical Planning has demonstrated that it has the potential to raise revenues to the tune of **Ksh 12 billion** and above in a year. Efforts should, therefore, be put in place to enhance resources allocated to facilitate revenue

collection by the Ministry. The Ministry also needs to partner with the Kenya Revenue Authority to stop any leakages in revenue collection in order to achieve this target.

Financial Recommendations

The Committee recommends further that the House approves: -

- 1) The proposed expenditure ceiling of **Ksh 5,785 million** for the Ministry of Lands and Physical Planning vote 1112.
- 2) The proposed expenditure ceiling of **Ksh 1,234 million** for the National Land Commission vote 2021.

Other Recommendations

- 1) **Ksh. 180 million** be sourced from elsewhere to fund the National Land Commission Vote 2021. The amount will be used to finance the purchase of 18 vehicles for the County offices to facilitate service delivery in the Counties.

- 2) **Ksh 223 million** be sourced from elsewhere to fund the Ministry of Lands and Physical Planning vote 1112 in order to facilitate the following activities;

❖ **Kshs. 69 million** for land Control Board allowances.

❖ **Kshs. 24 million** for operations and maintenance of county land offices.

❖ **Kshs 130 million** for the procurement / leasing of vehicles to cater for field operations.

After the presentation, members deliberated on the report presented and raised the following concerns:

The Committee noted with concern that some of the programs under the sector such as digitization of registry have consumed large some of monies and yet they project is not near to completion. Therefore, there is need for the Ministry of Information Communication and Technology to fast track the implementation of the Land Information Management System on behalf of the Ministry of Lands & Physical Planning and the National Land Commission to facilitate access to reliable data on land records and to realize the Big Four Agenda projects.

**MIN BAC /73 /2019/04: SUBMISSION BY THE DEPARTMENTAL
COMMITTEE ON SPORTS, CULTURE AND TOURISM**

The presentation highlighted that the following:

a. State Department of Tourism

The Committee observed that:

1. The state department had a requirement of Kshs 10,510 million and was only allocated Kshs 4,458.9 million.
2. The Ushanga Initiative Programme had not yet commenced, this was despite an allocation of funds
3. There were various SAGAs under the Ministry that had duplicating roles and mandates.
4. The Various SAGAS under the Ministry collected AIA and this was remitted to the National Treasury.
5. Given the mandate of the state department some projects were wrongly placed under the state department.
6. The state department had indicated fairly very high absorption rates over the years; however, this did not reflect the actual performance of the department.
7. There were many ongoing projects e.g the Ronald Ngali Utalii college that would likely stall due to lack of budgetary allocations
8. The Kenya Airways direct flight to New York had reduced its frequency to three flights per day.
9. The department had started off new projects despite the presidential directive to halt all new projects
10. There is in place the Air Passengers tax that had not been unlocked as per the recommendations of the BPS 2018.

b. State Department of Heritage

The committee observed that

1. Over the years the state department had recorded very high absorption rates, this however did not reflect the actual performance of the departments and this is attributed to budget cuts over the years.
2. The state department's resource requirement was Kshs 5,539 but only Kshs 3,632.9 million is allocated in the BPS. The under allocation is likely to affect service delivery by the state department.
3. The state department had a total of Kshs 639.91 million as pending bills. Out of this amount the recurrent pending bills were Kshs 620.18 million and the development pending bills were Kshs 73.73 million.
4. There were some projects that were likely to stall due to non- budgetary allocation e.g. fort Jesus and national museums in various parts of the Country.

c. State Department of Sports Development

The committee observed that

1. The state department resource requirement was Kshs 7.5 billion whereas the allocation was only Kshs 3.5 billion.
2. The Kenya Academy of Sports which is based in Kasarani was still at 87 % completion and was expected to be completed by June 2018.
3. As at June 2018, the state department had pending bills totaling to Kshs 3,274 million. This was mainly attributed to the Stadia under construction.
4. The feasibility study for the three National Stadia in Nairobi, Eldoret and Mombasa was still ongoing and only Kshs 150 million had been allocated and used for feasibility studies.
5. The classification of stadia was not very elaborate and this made monitoring and evaluation difficult.
6. Cash awards totaling to Kshs 245 million had not been honoured to date.

7. Plans were underway to have mashinani Kenya Academy of sports throughout the country. This will promote talents throughout the country.
8. The state department had experienced various budget cuts and this had affected the implementation of projects especially the regional stadia
9. The distribution of regional stadia had not incorporated other regions in the country.

RECOMMENDATIONS

a. State Department of Tourism

There is need for the National Treasury to disburse funds to the state department in time to enhance implementation of Key targets.

There is need to reorganize the state departments mandate to realign the projects being undertaken by it. This will enhance proper planning, monitoring and evaluation.

1. There is need to implement the presidential directive of merging all the parastatals that have duplicating mandates in order to reduce on costs and overlaps.
2. There is need to halt any new projects in the state department, have the monies directed to the already ongoing projects. This will reduce the number of pending bills as well as stalled projects.

b. State Department of Heritage

Going forward, there is need for the National Treasury to disburse funds to the state department to enhance the implementation of key projects. This will as well reduce the number of pending bills in the state department.

c. State Department of Sports Development

There is need for the National Treasury to disburse funds in time in order to reduce accumulation of pending bills and stalled projects.

There is need to allocate an additional Kshs 3,274.38 million to cater for the pending bills that have accumulated from the projects in the state department

After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee was interested to know the completion date of Ronald Ngala Utalii College
2. The Committee questioned the underlying issues as to why the cash awards were not being honoured on time
3. It was noted with concern that there was duplication of functions and resources from various MDAs. Therefore merging of the SAGAs would result to savings for the government.
4. It was noted with concern that some regions in Kenya had not being considered for construction of stadia.

MIN BAC /73 /2019/04: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON TRADE, INDUSTRY AND COOPERATIVES

The presentation highlighted that the following:

1. The Ministry of Trade, Industry and Co-operative have perennially been subjected to budget cuts despite now being a pillar in the Big 4 development plan. During the processing of the current financial year, there was a reduction of by Ksh.4 Billion from the initial allocations. These reductions impair the achievement of the noble targets set to spur economic growth.
2. With the government commitment to achieve full transition at all levels of education, there should be deliberate initiatives and investment towards revamping the technical and vocational education training (TVET) institutions as well as reviving the Constituency Industrial Development Centres (CIDCs) so as to provide the requisite ingredients required towards industrialization for job creation and economic growth.
3. The Ministry of Trade, Industry and Cooperatives plays a pivotal role in the successful implementation of the government's "Big 4" economic plan through

value addition of the agricultural production, production of low-cost housing materials, manufacturing of medical equipment and medicines among other things. Nevertheless, scrutiny of the Budget Policy Statement 2019 reveals that there seems no commensurate focusing of resources towards these noble endeavours. Therefore, the ceiling of this critical Ministry should be enhanced to ensure effective achievement of its mandate.

Specific Observations

State Department for Industrialization

1. Additional **Ksh 348 million** for Construction/Refurbishment and Equipping of Constituency Industrial Development Centres (CIDCs). Developing industrial infrastructure such as Constituency Industrial Development centres will create **jobs** for Kenyans. The programme needs to be funded to be complete stalled CIDCs to install machines that are lying idle. The successful completion of these CIDCs will provide opportunities for the students who graduate from Technical and Vocational Education Training (TVET) institutions to apply their gained skills. This will ultimately promote job creation opportunities.
2. **Ksh 300 million** is required towards supporting initiatives for cotton production. As RIVATEX embarks in modernizing its machinery, production of cotton which is a raw material should be promoted for proper utilization of the modern machines. Further in increasing production, employment opportunities are created thus increased revenue from textile industry. Indeed, the backward and forward linkages in the textile value chain will facilitate manufacturing and value addition for job creation.
3. Export processing Zones have several infrastructural facilities that were initiated such as go-downs / sheds that are incomplete. This is despite the high demand for these sheds by the various investors.
4. There are substantial resources already committed in purchase of equipment and machinery to facilitate modernization of Rivatex. The machineries are lying idle and unsecured and without generating the envisaged returns to investment of creating job opportunities and value addition. There is need to fast track the operationalization of the factory.
- 5.

The state Department for Trade

1. Kshs. 57 million towards establishment of Entrepreneurship Training Centre (EMPRETEC). This will provide training of youth and SMEs in relevant business areas for self-employment.
2. To improve Kenya's Global Ranking on Doing Business Indicators from our current position of 92 to within the top 50 and further lower cost of Doing Business for both Domestic and Foreign investors requires Reengineering and remodelling of Business Environment Indicators..
3. Micro, small and medium enterprises are the drivers of the growth in the informal sector; however, there is still inadequate funding towards policies meant to protect them from illegal business activities (counterfeits and commodity damping) and competition arising from cheap imports
4. There is need to fund the Kenya National Accreditation Services towards enhancing conformity assessments to international standards.
5. International Trade involves travels thus austerity measures affect execution of the mandate of such department. It will be prudent for Treasury to consider exempting those departments whose prime mandate involves travelling for them to deliver.

State Department for Cooperatives

1. There is need to facilitate development of National Co-operative Policy and reviews of the Co-operative Act of 2004, SACCO Act of 2008 and the various enabling regulations in order to align them to the constitution. This will enhance good governance and create financially sound deposit taking Saccos and safeguard members' deposits; Further, the funds will facilitate transformation of matatu Saccos into transport cooperatives which will promote the culture of saving in the public transport sector.
2. Enough allocation is required to address governance issues in SACCOS through, inspection, supervision and enforcement of the Co-operative Act. There is need for partnership with EACC to detect, prevent and investigate corruption in cooperatives. This will curtail the embezzlement and mismanagement of SACCO members' funds which seems to be on the rise.

3. To achieve all these requires the ceiling of the State Department of Cooperatives to be raised by 700 Million

5.0 COMMITTEE RECOMMENDATIONS

Having considered the ceilings for each of the spending agencies, the Committee recommends that the overall ceiling of the Ministry of Trade, Industry and Cooperatives should be raised by **KSh. 1.791 billion** to accommodate the programmes as follows:

State Department of Industrialization

The ceiling for the State Department for Industrialization to be increased by **KSh. 1,091 million** which will comprise of the following:

1. **KSh. 348 million** for constructing/refurbishing/equipping the Constituency Industrial Development Centres (CIDCs) and
2. **KSh. 300 million** to support production of cotton required for the modernized Rift Valley Textile (RIVATEX) factory.
3. **Ksh.200 Million** to finance the construction of perimeter wall around Rivatex and for operationalization of the Machines
4. **Ksh 200 million** towards the completion of the Export Processing Zones sheds/go downs
5. **Ksh. 38 million** towards Kenya National Accreditation services(KENAS) to facilitate the operationalization of the Authority

State Department of Trade

The ceiling for the State Department for Trade to be increased by **KSh. 357 million** towards the following;

1. **Ksh 57 million** for establishment of Entrepreneurship Training Centre (EMPRETEC)
2. **Ksh 100 million** towards lowering cost of Doing Business for both Domestic and foreign investors. This is aimed to be achieved through Reengineering and remodelling of Business Environment Indicators.

3. **Ksh 200 million** towards Anti Counterfeit Agency to enhance compliance with commodity standards

State Department of Cooperatives

The ceiling of the State Department for Cooperatives be increased by **KSh. 348 million** which will be utilized in the programme of cooperative development and management as follows;

1. **Ksh 152 million** towards Cooperative Ethics and Governance
2. **Ksh 61 million** towards Cooperative Audit Services
3. **Ksh 100 million** towards the office of Commissioner of cooperatives
4. **Ksh 35 million** Administrative services

After the presentation, members deliberated on the report presented and raised the following concerns:

1. It was noted with concern that the Ministry plays a critical role in achieving agenda four and yet the Ministry of Industrialization is underfunded. Members queried whether formulation of government policies leads to more resources.
2. There is need to facilitate development of National Co-operative Policy and reviews of the Co-operative Act of 2004, SACCO Act of 2008 and the various enabling regulations in order to align them to the constitution. This will enhance good governance and create financially sound deposit taking Saccos and safeguard members' deposits; Further, the funds will facilitate transformation of matatu Saccos into transport cooperatives which will promote the culture of saving in the public transport sector.

MIN BAC /73 /2019/05: SUBMISSION BY THE DEPARTMENTAL COMMITTEE ON AGRICULTURE

The presentation highlighted that the following:

The Committee made the following recommendations: -

1. State Department for Crop Development

The Ministry to ensure prudent financial discipline to avoid accumulating huge pending bills and use funds allocated for a specific financial year for the approved vote.

- i) The committee recommends an additional allocation of Kshs 300 million outside the ceiling for the implementation of the Coffee reforms so as to create the necessary impetus for investment, growth, job creation, social order and security. It is estimated that with this reform programme, coffee production per tree will increase from the current level of about 2kgs per tree to about 5kgs per tree in the next 2- 3 years. This will increase the total production in the country to about 100,000 Metric Tonnes from the current 40,000 Metric Tonnes thereby doubling foreign exchange earnings and farmers' incomes.
- ii) The Committee recommends the reallocation of Kshs 600 million from the proposed Kshs 1 billion for miraa revitalization project to the Crop diversification project to cover other scheduled crops. The justification is to cover crop and farmers from other areas and for inclusivity.

2. State Department for Livestock

- i) The Committee recommends an additional allocation of Kshs 125 million outside the ceiling for the department to the Kenya Meat Commission for the ongoing modernization and re-engineering of Kenya Meat Commission infrastructure.
- ii) The Committee further recommends the re-allocation of Kshs. 30 Million reconstruction of DVS administration Block. The Committee observed that the resource requirement as submitted by the state department was 70 Million, compared with 100 Million they were allocated. Hence, over-allocation of Kshs 30 Million. The Committee therefore, recommends moving of Kshs 30 million to priority programmes under the same state department. The Kshs 30 Million to be allocated to Production Supplies Pasture Seeds vote 1-1162-1162000601-3111301.
- iii) The Committee further recommends moving of the excess amount of 24 Million from the construction and refurbishment of Ngong Rabbit Centre which was allocated 27 Million against the departments resource requirement of Kshs 3 Million hence an excess allocation of 24 Million. The Committee therefore, recommends moving of Kshs 24 million to Production Supplies Pasture Seeds vote 1-1162-1162000601-3111301.

- iv) The Committee observed that the resource requirement as submitted by the state department for Standard Access Markets Programme (SMAP) was 42 Million, compared to what was allocated of Kshs 48 Million. Hence, an over-allocation of Kshs 6 Million. The Committee therefore Recommends moving Kshs 6 million to priority programmes under the same state department. The Committee recommends the Kshs 6 Million to be allocated to Production Supplies Pasture Seeds vote 1-1162-1162000601-3111301.

3. State Department for Irrigation

- i) The Committee received additional information from the State Department proposing reduction of Kshs 35 Million from Galana – Kulalu which was earlier allocated Kshs 55 Million. The Committee recommends that the savings be Re-allocated to National Expanded Irrigation Programme vote 1167100800.
- ii) The Committee recommends a reduction of Kshs 100 Million from Community Based Irrigation Scheme and re allocate the amount to National Expanded Irrigation Programme 1167100800. Therefore, the amount for the National expanded Irrigation Programme increases by Kshs 135 Million to Kshs 2,185 Million. The justification is that this programme is Nationwide covering far reaching areas with the ability to impact on the grassroots farmers and Kenyans.

4. State Department for Fisheries Aquiculture and Blue Economy

The Committee recommends the approval of the department's budget ceiling as captured in the 2019/20 BPS.

5. State Department for Agricultural Research

The Committee recommends re-allocation of Kshs. 85 Million from Crop Production specifically Fall Army Worm Eradication Programme, which was earlier allocated Kshs 385 Million, to fund research on coffee and cotton under KARLO. Therefore, the fall army worm programme is adjusted to Kshs 300 Million owing to the fact that last year the same programme benefitted from Kshs 300 Million allocation.

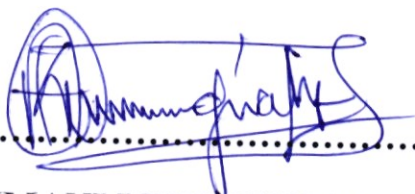
After the presentation, members deliberated on the report presented and raised the following concerns:

1. The Committee queried the re-allocation of Kshs. 85 Million from Crop Production specifically Fall Army Worm Eradication Programme. The Committee questioned whether the reallocation would affect the initiatives put in place by the Ministry to fight fall army worm infestation.
2. The Committee queried whether the programs and projects highlighted would help the country achieve the Big Four Agenda. The Committee observed that the allocation to support the Blue Economy in FY2019/20 may not be enough to drive the Agenda of the Big Four?
3. Members queried whether there was value for money in investing in the Kenya Meat Commission (KMC) as well as Galana Kulalu Irrigation Scheme

MIN BAC/74/2019/05: ANY OTHER BUSINESS & ADJOURNMENT

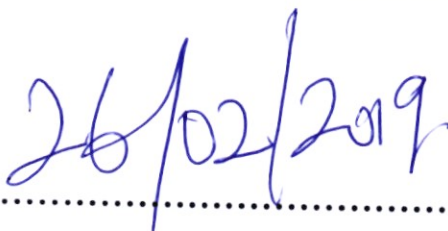
There being no other business the meeting was adjourned at 9.30 p.m.

SIGNED



HON. KIMANI ICHUNG'WAH, CBS, M.P.

CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE



DATE

MINUTES OF THE 74th SITTING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON TUESDAY, 26TH FEBRUARY 2019, AT NDOVU CONFERENCE ROOM, THEN BOMA HOTEL, NAIROBI AT 9:00 AM

PRESENT

1. **Hon. Kimani Ichung'wah, CBS, M.P. - Chairperson**
2. **Hon. Moses Lessonet, M.P – Vice Chairperson**
3. Hon. (CPA) John Mbadi, EGH, CBS, M.P.
4. Hon. Millie Odhiambo, M.P
5. Hon. (Dr.) Makali Mulu, M.P.
6. Hon. (Dr.) Gideon Ochanda, M.P.
7. Hon. (Dr.) Korei Ole Lemein, M.P.
8. Hon. Sakwa Bunyasi, M.P
9. Hon. Richard Onyonka, M.P.
10. Hon. James Mwangi Gakuya, M.P.
11. Hon. Samwel Moroto, M.P.
12. Hon. Wangari Mwaniki, M.P.
13. Hon. Benard Masaka Shinali, M.P
14. Hon. Florence Chepngetich Koskey, M.P.
15. Hon. Danson Mwashako, M.P
16. Hon. Fatuma Gedi Ali, M.P.
17. Hon. (Dr.) John K. Mutunga, M.P
18. Hon. James Gichuki Mugambi, M.P.
19. Hon. (Eng.) Mark Nyamita, M.P.
20. Hon. Sarah Paulata Korere, M.P.
21. Hon. John Muchiri Nyaga, M.P
22. Hon. Qalicha Gufu Wario, M.P.
23. Hon. Paul Abuor, M.P.

ABSENT WITH APOLOGY

1. Hon. Jude Njomo, M.P.
2. Hon. Moses Kiarie Kuria, M.P
3. Hon. Naisula Lesuuda, OGW, M.P
4. Hon. Bady Twalib Bady, M.P.

THE PARLIAMENTARY SERVICE COMMISSION

- | | |
|----------------------------------|-------------------------------------|
| 1) Hon. (Dr.) Naomi Shaban, M.P. | Vice- Chairperson |
| 2) Hon. Adan Keynan, M.P. | Commissioner |
| 3) Hon. Aaron Cheriya, M.P. | Commissioner |
| 4) Dr. Lonah Mumelo, M.P. | Commissioner |
| 5) Mr. Jeremiah Nyegenye, CBS | Secretary PSC / Clerk of The Senate |
| 6) Mr. Michael Sialai, EBS | Clerk National Assembly |
| 7) Mr. Clement Nyendiere | Director Joint Services |
| 8) Mr. George Wakah
Services | Director Finance & Accounting |
| 9) Ms. Shadia Faryd | |
| 10) Mr. Irungi Kigundu | |
| 11) Mr. Kennedy Malinda | |
| 12) Mr. Osbourne Obayo | |
| 13) Mr. Crispus Tima | |
| 14) Mr. Peter Mwangangi | |

PARLIAMENTARY BUDGET OFFICE

- | | |
|---------------------------|-----------------------------|
| 1. Ms. Phyllis Makau, OGW | Director, PBO |
| 2. Mr. Martin Masinde | Senior Deputy Director, PBO |
| 3. Mr. Robert Nyaga | Deputy Director, PBO |
| 4. Ms. Lucy Makara | Chief Fiscal Analyst |
| 5. Ms. Millicent Makina | Fiscal Analyst I |
| 6. Mr. Edison Odhiambo | Fiscal Analyst II |
| 7. Mr. Jonathan Lemurt | Fiscal Analyst III |

COMMITTEE SECRETARIAT

- | | |
|------------------------|---------------------------|
| 1) Mr. Danson Kachumbo | Fiscal Analyst II & Clerk |
| 2) Mr. James Chacha | Fiscal Analyst II & Clerk |
| 3) Mr. Said Wako | Serjeant at Arms |
| 4) Mr. Joram Baraza | Office Assistant |
| 5) Mr. Hakeem Kamiti | Audio Officer |

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation and adoption of Minutes
- 3) *Presentation by the Parliamentary Budget Office on key 2019 policy options*
- 4) *Meeting the Parliamentary Service Commission on proposed expenditure ceilings for Parliament*
- 5) A.O.B & Adjournment

MIN BAC/74/2019/01: PRELIMINARY & ADOPTION OF THE AGENDA

The Chair welcomed the members to the meeting and called the meeting to order at 9:10 A.M. Thereafter Hon. Sarah Paulata Korere, M.P. led the committee with a word of prayer.

MIN BAC/74/2019/02: CONFIRMATION AND ADOPTION OF THE PREVIOUS MINUTES

No Minutes were confirmed.

MIN BAC/74/2019/03: PRESENTATION BY THE PARLIAMENTARY BUDGET OFFICE ON KEY POLICY OPTIONS FOR 2019 & THE MEDIUM TERM

The committee was taken through the following key policy proposals:

- 1) On Economic Growth – Target vs. Actual, it was
 - i. The projected economic growth for 2019 is 6.1 percent can only be attained through effective implementation of the budget including the projects contained therein.
 - ii. It was also noted that based on ICOR estimations, the investment requirement to reach the required this growth rate is high which will be a challenge if it depends primarily on the volatile agricultural sector
- 2) On Revenue growth as a percentage of GDP 2014/15 – 2020/21, it was indicated that:
 - i. Revenue performance will be determined by economic growth as well as what policies the National government implements to expand the tax base by

removal of tax exemptions e.g. VAT exceptions worth KSh. 113 billion could be unlocked or through rationalizing the expenditures.

- ii. It was noted that there could be the need to adjust the VAT rate to 18% in line with regional countries that could raise an additional KSh. 210 billion over 3 years.
- iii. All these options should also include the need to seal revenue loopholes.

3) On Expenditure Growth, it was indicated;

- i. Expenditure is projected to decline over the medium term in terms of percentage of GDP. Given the expenditure demands on government – implementation of the Big four (two of which are social inclined and a least likely to create any capital assets), pressures from labor unions, debt service payments – it may be a challenge to actually achieve a lower expenditure.
- ii. There is contraction in public spending hence the need to tighten the belt further and focus on efficiency. Therefore, the target should be non-wage bill expenditure (but keeping expenditure constant) but not development spending that will result in huge pending bills, non-debt spending (but actively addressing constraints to fiscal space), all development spending should be run centrally.

4) On Public Debt growth, it was indicated that;

- i. Trend of Debt Stock 2013/14 – 2020/21 is expected to continue to increase in the medium term. This has grown consistently over the past 10 years from 1.89billion to 5.7 trillion in FY 2019/20 and reach 7.2 trillion FY 2022/23
- ii. Debt projections indicate a lowering of the debt to GDP ratio to 50% by 2021/22. This is achievable if the government limits its appetite for debt funded projects and if economy records reasonable growth over the medium term.

Other issues raised include:

- i. Vertical distribution of resources: The Treasury has proposed an allocation of KSh. 310 to counties what is the proposal. It was proposed that the baseline should be the figure indicated in the DROB 2018 and adjusted by inflation rate of 5%. The committee was to commit on a recommendation.
- ii. The BPS does not have a matrix of implementation that can be monitored

- iii. Stalled projects: An analysis of stalled government projects in the country reveals a total of 545 projects with an estimated cost of KSh.365.9 billion, comprising of an estimated GoK funding of KSh.286.9 billion and foreign financing is KSh.78.9 billion. The total expenditure incurred for the implementation of the projects as at June 2018 amounts KSh.74.5 billion (20 % of the estimated cost) while outstanding projects cost are estimated at KSh.293.4 billion. There will be need to have a complete list of all stalled projects.
- iv. Pending bills: This is almost an emergency both at the national and at the county level. There is need to find ways to settle pending bills and stop any further accumulation.
- v. Wage bill: further industrial strikes may be witnessed this year and it is important to curb the wage bill. It was indicated that wages for the central government has increased consistently from KSh. 298 billion in 2014/15 to KSh. 470 in 2019/20 and projected to rise to KSh. 544.5 trillion in 2022/23
- vi. Program based budgeting and its place of BPS. This approach to budgeting requires the presentation of performance information alongside budget amounts and decision making focusing on results to be achieved. It is obvious the approach is not fully developed both at the executive and at the legislature. Review of BPS should really focus on policies, Results to be achieved and discussions on outputs and appropriateness of programs.

MIN BAC/74/2019/04: MEETING THE PARLIAMENTARY SERVICE COMMISSION ON PROPOSED EXPENDITURE CEILINGS FOR PARLIAMENT

During the presentation by the parliamentary service commission, it was noted that:

- i. The committee was informed that the PSC is an independent constitutional commission established under Article 127 of the Constitution of Kenya 2010. It is mandated to carry out its mandate through the Parliamentary Service Commission Vote 2041 and the National Assembly Vote 2042.
- ii. The committee was informed that the FY 2019/2020 is a critical year for Parliament because the PSC will be implementing its newly developed Strategic Plan 2019-2030 that is anchored on national economic blue print

Vision 2030 and the *Big Four Development Agenda*. The ultimate mission of PSC during this strategic planning period is to facilitate Members of Parliament to effectively and efficiently discharge their constitutional mandate of representation, legislation and oversight.

- iii. This Strategic Plan therefore is expected give strategic direction and the road map for implementation of Parliament's activities and projects. Successful implementation of any strategic plan requires financial and human resources. Resource requirements for the financial year 2019/20 has therefore been based on priority areas identified in this new strategic plan. It is against this background that this paper has been prepared to bid for resources during the Budget Policy Statement (BPS) for the Financial Year 2019/20.

On the Financial Performance for the FY 2018/19, the committee was informed that:

1. Under the Parliamentary Service Commission - vote 2041, the committee was informed that;
 - i. The Parliamentary Service Commission was allocated a total KSh. 11.456 Billion, KSH. 13.64 billion and KSH. 12.475 billion for the Financial Years 2015/2016, 2016/2017, and 2017/2018, out of which KSH. 9.36 Billion, KSH. 10.486 Billion, and KSH. 10.287 Billion were allocations for Recurrent Expenditures while KSH. 2.1 billion, KSH. 3.15 billion and KSH.2.1875 billion were allocations for development expenditures, for the respective financial years.
 - ii. An analysis of the Development Expenditure utilization for the last three financial years was KSH. 1,971 million, KSH. 1,880 million and KSH. 1,021 million for the Financial Years 2015/2016, 2016/2017, and 2017/2018 respectively. This indicates a budget absorption rate of 77%, 86% and 84% respectively for recurrent expenditure and 94%, 60% and 47% for the same period for development budget.
2. Under the National Assembly - Vote 2042, the committee was informed that;
 - i. The National Assembly started operations in Financial Year 2015/2016 with first allocation of KSH. 15.45 Billion under Vote 2042. The approved estimates for Financial Year 2016/2017 and 2017/2018 were 16.94 Billion and 19.59 Billion respectively. This shows an annual increment 9% and 16% in the Financial Years 2016/17 and 2017/2018.

- ii. The 16% increment during Financial Year 2017/2018 is attributed to provision for other capital grants and transfers to cater for new member's car grant and compensation to employees by constituency offices in terms of service gratuities at the end of term of 11th Parliament.
- iii. Absorption of expenditures in the Financial Years 2015/16, 2016/2017 and 2017/2018 was KSH. 13.6 Billion, KSH. 15.9 Billion and KSH. 16.1 Billion translating into a budget absorption rate of 88%, 94 % and 82 % respectively.

The committee was further informed that the following were the commissions observations on budget implementation:

- i. that the Commission is having difficulties in managing expenditures within its approved work plans due to constant emergence of unexpected issues and events that require the attention and intervention of the Legislature as well as invitations from implementing agencies that are critical to the work of the Legislature.
- ii. It is observed that foreign travels, domestic expenditure, training and hospitality supplies are items that perpetually experience budgetary constraints due to over absorption. This is largely as a result of supplementary estimates that result in reduction of the budgetary estimates below the required resource envelope requested for at the planning stage.

In the consideration of financial resources requirements for Parliament for the FY 2019/2020, the committee was informed on the following:

1. Under the Projected resource requirements, the committee was informed that:
 - i. It is critical to note that the proposed annual budget for the Financial Year 2019/20 is the first one to be developed based on the new PSC Strategic Plan 2019-2030. The strategic plan took into consideration the critical role Parliament is expected to play in the realization of not only the Vision 2030 but also the *Big Four Development Agenda* items. Critical activities have therefore been factored into the annual work plans to realize this objective. It is the hope of the Commission that the National Assembly will provide a budget ceiling that will be able to accommodate funding requirement for these critical activities.

- ii. The PSC Strategic Plan 2019-2030 is anchored on seven strategic pillars and their related strategic objectives such as Effective Representation, Legislation and Oversight, Excellence in Service delivery, Public Trust, embrace green compliant parliament etc. Successful implementation of this strategic plan requires adequate financial and human resources. The projected resource requirement for parliament in the medium term is therefore predicated on these strategic pillars and Objectives.
- iii. It is further important to note that the Parliamentary Service Commission commissioned is currently in the process of reviewing its organizational structure. This process of is almost complete. This review is expected to lead to a comprehensive review of the schemes of service and staff establishment. It is also noted that the Commission resolved to create a third Vote in a bid to improve service delivery. It is expected that there will be adjustments in both financial and human resource required to operationalize the final results of the restructuring process. PSC will therefore request for additional funding should the need arise.
- iv. The National Treasury tabled the Budget Policy Statement (BPS) for the Financial Year 2019/20 in the National Assembly on 14th February 2019 pursuant to Section 25 (2) of the Public Finance Management (PFM) Act 2012 and Standing Order 232. In this BPS, Parliament was allocated a total budget ceiling of KSH. 38.5 Billion distributed among its three programs.
- v. In a letter dated 22nd February 2019, the Principal Secretary of the National Treasury wrote to the Clerk of the National Assembly vide a letter Ref: RES 2042/18/01/A (26) advising that since Parliament did not participate in the sector working groups, the total ceiling of KSH. 38.5017 Billion was not distributed at program level. The letter therefore advise that Parliament should review and apportion of the ceiling into its program to fit specific requirements of each program while retaining the overall ceiling at the BPS amount of KSH. 38.5017 Billion.
- vi. This was distributed as follows:
 - a) For the parliamentary service commission, the allocations were as follows;
 - Senate affairs – KSh. 7.9406 and KSh. 2.650 for recurrent and capital respectively giving a total allocation of 10.6 billion
 - General administration, Planning and Support services – the total budget is composed of recurrent budget worth KSh. 5.38 billion

- b) For the National assembly
 - National Legislation, Representation and Oversight program, the allocation of KSh. 22.5 billion recurrent budget
- vii. The Commission through the Directorate of Finance and Accounting Services organized Annual work planning sessions for all the three program of Parliament. This was a consultative process involving all the Directorates and Department. The objectives of these workshops come with the following deliverables to guide resource requirements in the Financial Year 2019/20:
 - a) Annual Work plans
 - b) Budget Estimates
 - c) Draft procurement plans
- viii. A summation and rationalization of Annual Work Plans at Directorate and Departmental level resulted in a total resources requirement of KSH. 46.5815 Billion to finance operations in the Financial Year 2019/20. based the output of the annual planning process
- ix. The amount budgeted for in the Senate Affairs Program includes One (KSH. 1) Billion Kenya shillings required to finance the Senate County Oversight program. This is in response to concerns raised on the corporate governance issues in the County Government such as alleged corruption within the County Governments and lack of effective utilization of resources earmarked for development.
- x. Senate County Oversight program are expected to ensure proper mechanism are put in place to adders these concerns and result in effective management of public finances.

Parliamentary Service Resource Requirements for the financial year 2019/20 was KSh. 49.58 billion, was broken down as follows:

- i. Under the parliamentary service commission, the allocation was the following programs
 - a) Senate Affairs which aims to strengthen the representation, legislative capacity and oversight function of the Senate was allocated KSh. 8.3 billion in recurrent budget
 - b) General Administration, Planning and Support Services (that aims enhance service delivery, staff performance and improve the working environment)

worth 10.3 billion composed of 6.8 billion and 3.5 billion in recurrent and development ceilings respectively.

- ii. Under the National Assembly, the allocation was the following program
 - a) National Legislation, Representation and oversight (To strengthen the representation, legislative capacity and oversight) has been allocated KSh. 27.9 billion in recurrent expenditure.
- iii. Under the National Legislation, Representation and Oversight Programme managed by the National Assembly under Vote 2042, the total resource requirement has been projected at KSh. 27.93 Billion. This amount includes KSh. 873 million expected to finance feasibility studies and appraisals of implementation of existing governments projects to find out the actual status of implementation as compared to the resolutions of the House. This amount also includes a component for capacity building for Members of the National Assembly on areas of Monitoring and Evaluation and Project Management. This is expected to increase capacity of Members to effectively discharge their constitutional duty of overseeing the Executive Arm of Government.

On the budget deficit the committee was informed that:

- i. Projected resource requirements for the entire Parliament in the financial year 2019/20 is projected to be KSh. 46.5815 Billion (KSh. 43.0765 Billion for recurrent expenditure and KSh. 3.505 billion for capital expenditures) compared to the total budget ceiling of KSh. 38.5017 Billion. This has led to a total projected financing deficit is KSh. 8.0798 billion distributed among the three programs. Broken down as follows:
 - National Legislation, Representation and Oversight – 5.4 billion
 - Senate Affairs – 422.8 million
 - General Administration, Planning and Support Services – *Recurrent – KSh. 1.4 billion*
 - General Administration, Planning and Support Services – *Development – Ksh. 855 million*
- ii. the wage drift has factored in salaries for Members of Parliament approved by the Salaries and Remuneration Commission (SRC) and a wage drift of 7% for the staff within the establishment. Further, amounts that were budgeted to facilitate

accommodation and transport facilitation have also been factored in the proposed budget;

- iii. The Personal Emoluments component includes provision of KSh. 200 million under the Senate Affairs Program and KSh. 1.3 Billion under the National Legislation, Representation and Oversight Program to cater gratuity for Members who served for only one term in the 11th Parliament. This amount is payable subject to reimbursement of government contribution and interest they already received from the Director of Pensions in the National Treasury;
- iv. KSh. 1 billion and KSh. 873 Million under the Senate Affairs and National Legislation, Representation and Oversight meant to cater for County Oversight by the Senate and feasibility studies and appraisals of implementation of existing governments projects by the National Assembly;
- v. The Commission has approved creation of a new Vote in the on-going restructuring of Parliament. The support of the National Treasury and the National Assembly will be required once this process is completed. There may also be a need to take care of additional staff complement arising out of the restructuring as when the process will have been finalized.

In submission of its recommendations the Commission requested the Budget and Appropriations Committee of the National Assembly to:

- i. Increase the Budget Estimates baseline for Parliamentary Service for the Financial Year 2019/20 since this is the first planning period for the ten years envisaged implementation period for the PSC Strategic Plan 2019-2030;
- ii. Correct the error and move the budget ceiling for development from the Senate Affairs Program to the General Administration, Planning and Support Services where it has always been budgeted;
- iii. Consider funding the projected budget deficit of KSh. 8.07 Billion arising out of additional funding requirements in each of the three programs as follows:
 - a. KSh. 5.404 Billion under the National Legislation, Representation and Oversight Program; and
 - b. KSh. 1.398 Billion to fund additional recurrent expenditure requirements under the General Administration, Planning and Support Services Program; and

- c. KSh. 855 million to fund additional development expenditure requirements under the General Administration, Planning and Support Services Program; and
- d. KSh. 422.8 Million under the Senate Affairs Program

During deliberations of the committee, the following matters arose:

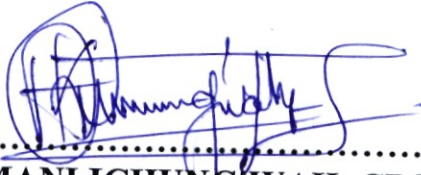
- 1) On the need to reallocate the development budget ceiling from the Senate Affairs Program to the General Administration, Planning and Support Services where it has always been budgeted (KSh. 3.505 billion), the commission was advised to do so as it was within their prerogative of the commission.
- 2) It was noted that the capacity of the commission to implement capital projects could be limited despite the increasing budgets every year. This it was indicated, could be as a result of linkage between outcomes/ outputs and the overall target of the commission leading to issues such as growing number of vacant buildings around Parliament
- 3) The senate monitoring program had initially proposed at KSh. 2 billion but reduced to KSh. 500 million and now it being refunded to KSh. 1 billion.
- 4) On M&E framework (Public feasibility and appraisal program) is a new initiative in the National Assembly but lacks capacity but there are donors and partners willing to partner with the commission in order to achieve this. This will not involve feasibility but aims to facilitate the oversight role of M&E.
- 5) The senate pulled out of joint committees because it could not produce its counterpart funding because of lack of finance for domestic travel
- 6) It was noted that there are certain drastic proposals under the PSC bill undertaken in order to enhance service delivery currently not sufficiently met. It was noted that weaknesses under the PSC structure could be a contributor and it was noted that some services are shared while some can be handled by the Clerks of the two Houses. It was further indicated that steps are taken to provide services, such as;
 - a) In Catering: the commission has decided to meet the Committee on Delegation Legislation and share regulations to run the catering services in line with the car loan model where there will be a committee established to oversee the catering services. Outsourcing these services had been rejected in the past but that option adopted and will come instituted when the new building is completed. The two models will run concurrently.

- b) Going forward more services will be devolved to the Clerk of the various Houses
- c) It was indicated that the assembly allocated 30 million, 32 million senate and joint services 15 million. However, the buildings around parliament will require substantial overhaul of the drainage system, staff for maintenance in parliament are few and have to be procured.
- 7) On communication facilities, it was indicated that ICT services need to be enhanced
- 8) On Routine maintenance, the commission had commissioned a study which advised that maintenance section should be established at House level under the administration of the respective Clerk in order to decentralize the services
- 9) Some buildings are already in use such as the red cross building, and others are housing police officers, it was indicated that some are at the design stage to provide for CPST offices and training rooms
- 10) On Gratuity for members of parliament who serve only one term, it was indicated that the original position required one to receive gratuity or refund of contribution, interest plus government contribution and not both. It was indicating that discussions are ongoing with the SRC to come to an agreement.
- 11) On the linking between performance outputs request of resource increments for committees, it was indicated that this was based on costing of work plans and contributions for the Liaison Committee. In the National Assembly, foreign travel, KSh. 1 billion had been allocated cut to KSh. 976 million, 80/20 rule was applied, the intention was to triple committee allocation and added other factors to reach the total figure proposed. The commission was to provide a breakdown.
- 12) On Staff rationalization it was indicated that the commission had decided to maintain the staff levels at current levels, but a study was undertaken and whose recommendations will be considered by the commission. However, the commission was informed that the rationalization needs to drive skill resources towards areas of priority of Parliament.

MIN BAC/74/2019/05: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matter to consider, the meeting was adjourned at 1.00 p.m. to resume at 2:10 PM.

SIGNED



.....
HON. KIMANI ICHUNG'WAH, CBS, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

26/02/2019

.....
DATE

MINUTES OF THE 75TH MEETING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON 26TH FEBRUARY 2019, AT NDOVU CONFERENCE ROOM, THEN BOMA HOTEL, NAIROBI AT 2:30 PM

PRESENT

- 1) **Hon. Kimani Ichung'wah, CBS, M.P. - Chairperson**
- 2) **Hon. Moses Lessonet, M.P – Vice Chairperson**
- 3) Hon. (CPA) John Mbadi, EGH, CBS, M.P.
- 4) Hon. (Dr.) Makali Mulu, M.P.
- 5) Hon. Sakwa Bunyasi, M.P
- 6) Hon. Richard Onyonka, M.P.
- 7) Hon. (Dr.). Gideon Ochanda, M.P.
- 8) Hon. James Mwangi Gakuya, M.P.
- 9) Hon. Wangari Mwaniki, M.P.
- 10) Hon. Benard Masaka Shinali, M.P
- 11) Hon. Florence Chepngetich Koskey, M.P.
- 12) Hon. Danson Mwashako, M.P
- 13) Hon. James Gichuki Mugambi, M.P.
- 14) Hon. Fatuma Gedi Ali, M.P.
- 15) Hon. Paul Abuor, M.P.
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- 21) Hon. John Muchiri Nyaga, M.P
- 22) Hon. Qalicha Gufu Wario, M.P.

ABSENT WITH APOLOGY

- 1) Hon. Jude Njomo, M.P.
- 2) Hon. Moses Kiarie Kuria, M.P
- 3) Hon. Millie Odhiambo, M.P
- 4) Hon. Naisula Lesuuda, M.P
- 5) Hon. Bady Twalib Bady, M.P.

ATTENDEES FROM THE NATIONAL TREASURY

- 1) Mr. Henry Rotich – Cabinet secretary - National Treasury
- 2) DR. Kamau Thuge - Permanent secretary - National Treasury
- 3) Mr. Benard Ndungu
- 4) Mr. Kennedy Ondieki
- 5) Mr. Maurice Omete
- 6) Mr. Ken Nyochiro
- 7) Ms. Elizabeth Mutheu
- 8) Mr. Samuel Kiiru
- 9) Ms. Miriam Musyoki
- 10) Mr. John K. Njera
- 11) Mr. Livingstone Bumbe
- 12) Mr. Catherine Kalachia

PARLIAMENTARY BUDGET OFFICE / COMMITTEE SECRETARIAT

- 1) Ms. Phyllis Makau – Director Parliamentary Budget Office
- 2) Mr. Martin Masinde – Senior Deputy Director, Parliamentary Budget Office
- 3) Mr. Robert Nyaga - Deputy Director Parliamentary Budget Office
- 4) Ms. Lucy Makara – Chief Fiscal Analyst
- 5) Ms. Millicent Makina – Fiscal Analyst I
- 6) Mr. Danson Kachumbo - Fiscal Analyst II & Committee Secretariat
- 7) Mr. James Chacha - Fiscal Analyst II & Committee Secretariat
- 8) Mr. Edison Odhiambo – Fiscal Analyst II
- 9) Mr. Jonathan Lemurt - Fiscal Analyst III
- 10) Mr. Said Wako – Serjeant at Arms
- 11) Mr. Joram Barasa – Office Assistant
- 12) Mr. Hakeem Kamiti - Audio Officer

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation and adoption of Minutes
- 3) Engagement with the National Treasury on the 2019 BPS and the 2019 MTDS
- 4) A.O.B & Adjournment

MIN BAC/75/2019/01: PRELIMINARY & ADOPTION OF THE AGENDA

The Chair welcomed the members to the meeting and called the meeting to order at 2:30 P.M. Thereafter Hon. Mark Nyamita, M.P. led the committee with a word of prayer.

MIN BAC/75/2019/02: CONFIRMATION AND ADOPTION OF THE PREVIOUS MINUTES

No Minutes were confirmed

MIN BAC/75/2019/03: ENGAGEMENT WITH THE NATIONAL TREASURY ON THE 2019 BPS AND THE 2019 MTDS

- i. After a brief round introduction, the CS National Treasury gave his appreciation for being invited to the committee meeting to discuss the 2019 Budget Policy Statement and the 2019 Medium Term Debt Management Strategy. The legal basis for the two documents were highlighted and preparation process was also reiterated as having involved consultations.
- ii. On policy design, the committee was informed that the 2019 BPS have been aligned to the Big Four Agenda;
 - a) Under Manufacturing, it was indicated that reforms are ongoing including enhancement of fight against illicit trade and contraband in order to protect genuine businesses and traders
 - b) In order to enhance food and nutrition security, policies under the Agricultural Sector have been aligned towards increasing food production, boosting smallholder productivity and reducing cost of food production
 - c) To make universal health accessible, the pilot phase of the program has been launched in Kisumu, Machakos, Nyeri and Isiolo
 - d) On housing, the committee was informed that the government has established the Housing Development Fund which will be responsible for mobilizing capital to finance the affordable housing project. Additionally, the Kenya Mortgage Refinance Company has been established to leverage funds from development partners and the private sector and provide secure long-term

funding to financial institutions, thereby increasing the availability and affordability of mortgage loans to Kenya

- iii. It was also indicated that the government will leverage on public private partnership arrangements given the shrinking fiscal space primarily in support of the Big Four Agenda
- iv. On realism of revenue projections, it was indicated that going forward the Treasury's projections will be conscious, the new income tax bill is considered as key in achieving the targets set, while the revenue measures introduced last year will continue to take full effect in the medium term.
- v. In addition, it was indicated that a study has been undertaken to understand as to why revenues underperform. KRA is to continue administrative reforms in order to enhance revenue collection i.e. through the regional electronic tracking system, the I-Tax system etc.
- vi. On adequate resources for the Big Four Plan, it was indicated that interventions by ministries have been supported, but is not only being funded by the national budget outlays but also through partnership with the private sector where developers will raise their own resources in the housing program, or in the healthcare sector where a fund has been established to finance universal health care.
- vii. On the outline of the 2019 BPS the committee was informed that it was being prepared on the backdrop of global economic growth of 3.5 percent in 2019, while the domestic economy is expected to grow at 6.2 percent in 2019. This will be supported by strong agriculture and manufacturing activities underpinned by favorable weather conditions, stable macroeconomic environment, low inflation, stable exchange rate etc.
- viii. That revenues are expected to grow to Ksh. 1.85 trillion or 18.35 percent of GDP. As at January 2019, cumulative revenue including AIA amounted to KSh. 924.8 billion composed of, ordinary revenue at KSh. 847.7 billion, AIA Ksh. 77.1 billion. However, this was still a 10% improvement in annual rate.

On reforms to support the fiscal consolidation plan, the committee was informed that:

- i. The intention was to reduce the fiscal deficit from 7.2% of GDP in the FY 217/18 to 3.1 percent over the medium term and in line with the EAMU protocol that targets a ceiling of 3 percent of GDP.
- ii. This will be on the backdrop of enhanced revenue mobilization and rationalization of recurrent expenditure, while protecting capital expenditure.

On issues raised to the National Treasury, the following responses were given:

- i. On the realism of revenue projections, it was indicated that this was based on the policy interventions instituted and are likely to start taking effect and the upcoming income tax bill that could unlock bottlenecks. It was indicated that that the forecast are consistent with KRA corporate plan but more cautious.
- ii. On the Big Four Agenda quantum resource requirements, it was indicated that this could require KSh. 2.625 trillion to implement, inclusive of enablers, over the next five years. The requirement for FY 2019/20, is KSh 1.002 trillion comprising of KSh. 474.5 trillion in GOK and KSh. 518.8 billion from donors and PPP arrangements.
- iii. On measures for controlling debt servicing expenses, it was indicated that the MTDS has determined strategies that seek to minimize cost and risks of deficit financing, the government is undertaking fiscal consolidation and that the Public Debt Management Office will be strengthened to enhance its capability in debt management options.
- iv. On the difference between the deficit financing framework provided for in the 2019 Medium Term Debt Management Strategy and the 2019 Budget Policy Fiscal framework, it was indicated that while the MTDS recommends in gross terms, the financing under the 2019 BPS only considers external redemptions leaving out domestic debt roll over.
- v. On Specific steps to be undertaken to reduce the cost of doing business the following were some of the measures that were provided;
 - a) Cutting down the number of licenses at both national and county level
 - b) Merging formal procedures that businesses needed to comply and register
 - c) Reducing the cost of construction permits by elimination of clearance fees

- vi. On enhancing food and nutrition security to all Kenyans, it was indicated that three MDAs are implementing identified interventions, and KSh. 13.8 billion and KSh. 16.4 billion have been allocated in FY 2018/19 and 2019/20 respectively.
- vii. On the incentives that will be employed to ensure that the manufacturing share of GDP increases from 9.2% to 15% as indicated in the 2019 Budget Policy Statement, the committee was informed that some of the measures will include;
 - a) Cutting the cost of off-peak power by half and working on modalities of bringing down the cost of energy
 - b) Introduction of tax incentives in Finance Act 2018
 - c) Promotion of provision of financial and credit supply to MSMEs
 - d) Implementation of the National Exports Strategy to broaden range of products and diversification of the export market

During the committee deliberations, the following issues were raised;

- i. It was noted that unless there are express policies, stalled projects and pending bills will remain uncontrolled. The committee was informed that the policy of *no new projects* will remain in force until all projects have been completed – priority being ongoing projects.
- ii. The Treasury indicated that it will reactivate the pending Bills Closing Committee to review all stalled projects and clear them
- iii. There is aging analysis for pending bills ongoing to clear pending bills
- iv. On projects that have stalled as a result of litigation, there is a committee under the AG to meet legal claims. In addition, there is now a Project Implementation Management Unit at the National Treasury to control introduction of projects to only those that have proper feasibility, procurement and management. Guidelines have been introduced and could probably become regulations
- v. On measures for revenue mobilization, it was indicated that tax reforms are yet to fully take off, but beginning March 2019 the National Treasury will relook the whole tax framework in order to understand as to why targets are not improving especially given that most tax laws are modern, except Income Tax Act.
- vi. On tax administration, it was indicated that the Treasury meets the KRA weekly to follow up on tax targets and ICT investment have been undertaken

to facilitate compliance and minimize leakage. The challenge therefore is converting data into revenue collection.

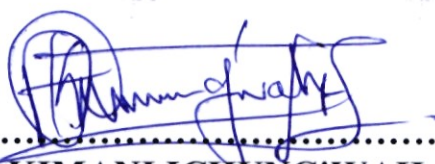
- vii. On Incentives for manufacturing and the need to link TIVETS to the housing agenda, it was indicated that the target was not only agro-based manufacturing, but also FDI financed and other domestic investment financed manufacturing. The critical objective is to increase competitiveness through reduction of power costs alongside specific/targeted intervention. All the housing projects are being standardized and that there are numerical machines in the rural areas for housing. Parliament will be briefed on what is being done in manufacturing.
- viii. On the dispersion in agriculture, it was indicated that the National treasury has been in discussion with the Ministry of Agriculture. However, the interventions have not born fruit and the sector needs a complete transformation. This will deal with regulatory issues and too few state agencies, loss of research initiatives, lack of updated laws etc.
- ix. On Land reforms, there have been interventions to using ICT in land registration and there are legal reforms being undertaken – the Sectional Tightening Bill that will be coming to Parliament
- x. On rebasing of the economy, it was indicated that tax to revenue GDP dropped but that should not affect the nominal amount of tax collected. The growth of GDP could also indicate that there could be sectors not taxed or new sectors not captured.
- xi. There are inter-ministerial committees that have been established to determine the issues slowing customs clearance
- xii. On the vertical allocation of revenues, it was recommended that the provisions constitution should be the basis resource allocation as opposed to growing revenues based on factors such as inflation or share of GDP.

MIN BAC/75/2019/05: ANY OTHER BUSINESS & ADJOURNMENT

The committee decided to call the Ministry of Interior to appear before it to discuss the utilization of funds from the Contingencies Fund.

There being no other matter to consider, the meeting was adjourned at 5:30 PM.

SIGNED



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HON. KIMANI ICHUNG'WAH, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

26/2/2019

.....
DATE

MINUTES OF THE 76TH MEETING OF THE BUDGET AND APPROPRIATIONS COMMITTEE HELD ON 26TH FEBRUARY 2019, AT NDOVU CONFERENCE ROOM, THEN BOMA HOTEL, NAIROBI AT 6:30 PM

PRESENT

1. **Hon. Kimani Ichung'wah, CBS, M.P. - Chairperson**
2. **Hon. Moses Lessonet, M.P – Vice Chairperson**
3. Hon. (CPA) John Mbadi, EGH, CBS, M.P.
4. Hon. (Dr.) Makali Mulu, M.P.
5. Hon. (Dr.) Gideon Ochanda, M.P.
6. Hon. (Dr.) Korei Ole Lemein, M.P.
7. Hon. Sakwa Bunyasi, M.P
8. Hon. Richard Onyonka, M.P.
9. Hon. James Mwangi Gakuya, M.P.
10. Hon. Millie Odhiambo, M.P
11. Hon. Benard Masaka Shinali, M.P
12. Hon. Florence Chepngetich Koskey, M.P.
13. Hon. James Gichuki Mugambi, M.P.
14. Hon. Paul Abuor, M.P.
15. Hon. Danson Mwashako, M.P
16. Hon. (Dr.) John K. Mutunga, M.P
17. Hon. Qalicha Gufu Wario, M.P.
18. Hon. Samwel Moroto, M.P.
19. Hon. Mark Nyamita, M.P.
20. Hon. John Muchiri Nyaga, M.P
21. Hon. Sarah Paulata Korere, M.P.
22. Hon. Wangari Mwaniki, M.P.
23. Hon. Fatuma Gedi Ali, M.P.

ABSENT WITH APOLOGY

- 1) Hon. Jude Njomo, M.P.
- 2) Hon. Bady Twalib Bady, M.P.
- 3) Hon. Naisula Lesuuda, OGW, M.P
- 4) Hon. Moses Kiarie Kuria, M.P

PARLIAMENTARY BUDGET OFFICE

1) Mrs. Phyllis Makau, OGW	Director, PBO
2) Mr. Martin Masinde	Senior Deputy Director
3) Mr. Robert Nyaga	Deputy Director
4) Ms. Lucy Makara	Chief Fiscal Analyst
5) Ms. Millicent Makina	Fiscal Analyst I
6) Mr. Edison Odhiambo	Fiscal Analyst II
7) Mr. Jonathan Lemurt	Fiscal Analyst III

COMMITTEE SECRETARIAT

1) Mr. Danson Kachumbo	Fiscal Analyst II & Clerk
2) Mr. James Chacha	Fiscal Analyst II & Clerk
3) Mr. Said Wako	Serjeant at Arms
4) Mr. James Kamiti	Audio Officer
5) Mr. Joram Barasa	Office Assistant

AGENDA

- 1) Preliminary & Adoption of the Agenda
- 2) Confirmation and Adoption of Minutes
- 3) *Adoption of Report on The 2019 Budget Policy Statement & The 2019 Medium Term Debt Management Strategy*
- 4) A.O.B & Adjournment

MIN BAC/76/2019/01: PRELIMINARY & ADOPTION OF THE AGENDA

The Chair welcomed the members to the meeting and called the meeting to order at 6:30 P.M. He thereafter led the committee with a word of prayer. The Committee adopted the report with the following recommendations:

MIN BAC/76/2019/02: CONFIRMATION AND ADOPTION OF THE PREVIOUS MINUTES

The committee confirmed and adopted minutes in the following manner:

- i. **Minutes to the 70th sitting** were proposed by *Hon. Bernard Shinali, M.P.* and seconded by *Hon. Paul Abuor, M.P.*
- ii. **Minutes to the 71st sitting** were proposed by *Hon. Wangari Mwaniki, M.P.* and seconded by *Hon. James Gakuya, M.P.*
- iii. **Minutes to the 72nd sitting** were proposed by *Hon. Richard Onyonka, M.P.* and seconded by *Hon. Danson Mwashako, M.P.*
- iv. **Minutes to the 73rd sitting** were proposed by *Hon. Sakwa Bunyasi, M.P.* and seconded by *Hon. Paul Abuor, M.P.*
- v. **Minutes to the 74th sitting** were proposed by *Hon. Danson Mwashako, M.P.* and seconded by *Hon. (Dr.) Korei Ole Lemein, M.P.*
- vi. **Minutes to the 75th sitting** were proposed by *Hon. (Dr.) Korei Ole Lemein Lemein, M.P.* and seconded by *Hon. (Dr.) John K. Mutunga, M.P.*
- vii. **Minutes to the 76th sitting** were proposed by *Hon. Paul Abuor, M.P.* and seconded by *Hon. (Dr.) John K. Mutunga, M.P.*

MIN BAC/76/2019/03: ADOPTION OF REPORT ON THE 2019 BUDGET POLICY STATEMENT AND THE 2019 MEDIUM TERM DEBT MANAGEMENT STRATEGY

The committee adopted the report as follows:

I. RECOMMENDATIONS ON THE BUDGET POLICY STATEMENT AND THE MEDIUM TERM DEBT MANAGEMENT STRATEGY

Policy Recommendations

1) **Mr. Speaker, on matters of policy, the committee recommends as follows:**

- a. **Debt Sustainability:** To ensure long term debt sustainability, the government should move towards a balanced budget and eventually achieve budget surplus.
- b. **Revenue:** reduce exemptions; increase effort to raise revenue as per targets; and expedite court cases especially on withholding tax on betting and gaming. This will unlock additional revenue that will be utilized to reduce the deficit. In addition, there is need to re-invigorate the privatization commission to sell off non- strategic parastatals.
- c. **Pending bills:** revive the pending bills closing committee which will carry out an audit of all existing pending bills to verify whether they were procured in the right process and determine whether they are payable as well as the best structure of payment. The pending bills closing committee can handle pending bills at both the national and county level and will determine the pending bills which can to be urgently settled and MDAs compelled to do so.
- d. **Stalled projects:** there is need for an audit to be carried out to establish the total number of stalled projects and compel the various institutions to come up with a policy giving first priority to completion of stalled projects.
- e. **Implementation of the Big Four Plan:** The National Treasury should submit an Accountability matrix for the Big Four plan indicating the quantum resources, implementing agencies and the indicative timelines for implementation of the projects under the Big Four plan.

- f. **Public Private Partnership:** Enhance the PPP programme while managing contingent liabilities to ensure that various services can be provided by the private sector.
- g. **Enhancing Productivity:** The National Government should consider a special allocation for productive sectors of the economy such as agriculture, manufacturing that is visible and sufficient enough to unlock these sectors. This will lead to additional investments
- h. **Rationalization of additional accounting officers:** the National government should ensure rationalization in appointing more accounting officers as this brings additional administrative costs including enhancing the wage bill
- i. **Public debt:** there is a growing concern on debt serviceability versus revenue generation. The National Government should borrow wisely for development so as not to burden future generations. There is need to strike an optimal balance between external and domestic borrowing to protect from the country external shocks while ensuring credit is still available to the private sector. In this regard, It is high time that this House considers amending the PFM Act to provide for a numerical debt ceiling as opposed to the current scenario where the debt ceiling is pegged on GDP projections.
- j. Pursuant to PFM regulation 27(5), the ceiling (as a percent of GDP) for development expenditure and personnel spending should be binding for the next two years.
- k. Any additional revenue yield before finalization of the budget estimates for 2019/20 **SHALL** go towards reduction of the deficit.
- l. The borrowing strategy as contained in the MTDS 2019 is approved and any deviation in the borrowing mix must be approved by Parliament.

Financial Recommendations

2) Finally **Mr. Speaker**, the Committee requests this House to adopt this report and resolve as follows:

I. **That** the ceilings of each arm of government for FY 2019/2020 be capped as follows:

✦ Parliament – Kshs. 39.501 billion

✦ Judiciary – Kshs. 18.937 billion

✦ Executive – Kshs. 1,766.363 billion

II. **That** the financing of the 2019/20 budget and the medium term be set at a ceiling of Ksh. 2.062 trillion for 2019/20, 2020/21, 2021/22 and 2022/23. This will ensure that the deficit/fiscal balance (on commitment basis including grants) is no more than 5.1%, 3.9%, 3.3% and 3.1% respectively in 2019/20, 2020/21, 2021/22 and 2022/23. I wish to reiterate that the medium term figures for the deficit should be binding

III. **That** in effecting the proposed ceilings for each arm of government, the National Treasury should take into consideration the summary recommendations of the Departmental Committees on specific Ministries, Departments and Agencies as attached to this report.

IV. **That** reallocations be effected as recommended by Departmental Committees and as per attached schedule 1.

V. **That** the allocations to the county governments for FY 2019/2020 be as follows:

a. County Government Equitable share of **Kshs. 310 billion**. Furthermore Mr. Speaker, the Committee emphasizes that there shouldn't be any in-year revisions on county allocations in order to enhance predictability in resource allocation. (realism of the revenue projections affects division of revenue)

b. Conditional allocations from the national government's equitable share of revenue as follows:

- ✚ Leasing of medical equipment **Ksh. 6.2 billion**
- ✚ Compensation for user fees foregone **Ksh. 900 million**
- ✚ Level 5 hospitals **Ksh. 4.326 billion**
- ✚ Supplement for construction of county headquarters **Ksh. 485.2 million**
- ✚ Rehabilitation of village polytechnics **Ksh. 2 billion**
- ✚ Allocation from Fuel Levy Fund (15% of collections) **Ksh. 8.984 billion**
- ✚ Allocation from loans and grants **Ksh. 38.705 billion**

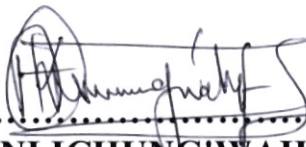
c. Total allocation to county governments **Kshs. 371.6 billion**

- VI. **That** the allocation in the Equalization Fund of Ksh. 5.8 billion be approved as provided in the Budget Policy Statement.
- VII. **That** once approved by this House these recommendations together with Schedule 2 **SHALL** form the basis of the 2019/2020 budget.

MIN BAC/76/2019/04: ANY OTHER BUSINESS & ADJOURNMENT

There being no other matter to consider, the meeting was adjourned at 7:30 PM.

SIGNED



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HON. KIMANI ICHUNG'WAH, CBS, M.P.
CHAIRMAN, BUDGET AND APPROPRIATIONS COMMITTEE

26/2/2019

.....
DATE