



THE REPUBLIC OF KENYA

OFFICE OF THE CONTROLLER OF BUDGET

NATIONAL GOVERNMENT

BUDGET IMPLEMENTATION  
REVIEW REPORT

FIRST QUARTER FY 2014/15



October, 2014



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## FOREWORD

I am pleased to present the Budget Implementation Review Report for the first quarter, Financial Year (FY) 2014/15. This report has been prepared pursuant to Article 228 of the Constitution of Kenya 2010, which mandates OCOB to oversee budget implementation and submit to Parliament a report on the implementation of the budgets of the national and county governments every four months.

This report covers the period July 1 to September 30, 2014 and highlights the status of budget execution by the National Government's Ministries, Departments and Agencies (MDAs). It presents revenue and expenditure performance, program performance, and also recognizes that budget implementation faces various challenges. The key issues faced during the period under review are identified and appropriate recommendations are made to improve budget implementation.

I take this opportunity to acknowledge and appreciate all those who have contributed to the production of this report. In particular, this report has been made possible because of the hard work and dedication of OCOB staff and the timely submission of returns by some MDAs. The report is largely based on analysis of expenditure returns by MDAs and data generated from the Integrated Financial Management System (IFMIS). It is also informed by continuous monitoring of exchequer issues and reviews, and, trends from prior reporting periods. Notably, the quality, quantity, and comparability of information available on budget implementation continue to grow. This in itself is a real achievement, and testifies to the value of continuous budget monitoring.

All MDAs are impressed upon to adopt and implement the recommendations contained in this report to enhance adherence to the principles of public finance as enshrined in Article 201 of the Constitution. Key stakeholders such as Parliament and the public at large will also find the report very useful in many ways, including policy formulation. Already, several stakeholders have commended the OCOB for promoting transparency and accountability in the use of public resources through the quarterly Budget Implementation Review Reports.

Finally, the Office calls upon all stakeholders to increase participation in monitoring use of public resources in order to enhance the achievement of targets set in the FY 2014/15 budget.



**Mrs. Agnes Odhiambo**  
**Controller of Budget**

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## EXECUTIVE SUMMARY

The Office of the Controller of Budget (OCOB) is an independent office established under **Article 228** of the Constitution of Kenya. It is mandated to oversee implementation of the budgets of the national and county governments by; controlling and monitoring use of public funds, and reporting on budget implementation.

This is the first Budget Implementation Review Report (BIRR) for the National Government for FY 2014/15. The report covers the period July 1 to September 30, 2014. It presents the macro-economic environment in which the budget was executed, highlights revenue and expenditure performance, identifies key challenges faced in budget implementation and makes appropriate recommendations. The analysis also compares current budget performance to a similar period in FY 2013/14.

Through this report, OCOB expects to contribute in providing budget implementation information that will inform policy decisions aimed at improving budget performance. Ultimately, it will lead to attainment of the national development goals and objectives contained in the national development plans.

In the FY 2014/15, the national government has a total budget of Kshs.1.840.1 billion, comprising of Kshs.242.4 billion allocation to County Governments; Kshs.415.6 billion to the Consolidated Fund Services (CFS); Kshs.687.2 billion, and Kshs.494.9 billion for recurrent and development activities respectively. The development allocation comprised of Kshs.307.1 billion to be funded from domestic resources while Kshs.187.8 billion was to be funded from project loans and grants mobilised externally. It is worth noting that at least 30 percent of the National Budget was allocated to development expenditure in line with the fiscal responsibility principles outlined in the Public Finance Management Act (PFMA), 2012.

The Kenya Revenue Authority (KRA) projected to collect Kshs.1,056 billion in FY 2014/15 with the first quarter target being Kshs.267 billion or 23.8 per cent of the annual projection. However, actual collections amounted to Kshs.249.1 billion representing **93.3 per cent** of the quarter's target. In order to supplement resources mobilised locally to finance development activities in FY 2014/15, the Government anticipates raising Kshs.187.8 billion from development partners through loans and grants. Actual performance for this category in the first quarter was Kshs.14.8 billion representing **7.92 per cent** of the annual printed estimates.

During the first quarter of FY 2014/15, MDAs received total exchequer issues amounting to Kshs.177.1 billion (equivalent to **18.7 per cent** of the total annual net estimates), which is a slight decline from the Kshs.191.9 billion issued in a similar period in FY 2013/14 (equivalent to **23.5 per cent** of the total annual net estimates). **Total expenditure for the period was Kshs.331.7 billion comprising of Kshs.133.7 billion spent on recurrent activities, Kshs.55.3 billion on development activities and Kshs.142.7 billion on CFS.**

The total recurrent expenditure by the MDAs in the first quarter of FY 2014/15 of Kshs.133.7 billion represented an absorption rate of **19.4 per cent of the annual recurrent gross estimates**, a decline from the Kshs.139.3 billion (absorption rate of **22.8 per cent of the annual recurrent gross estimates**) spent during the first quarter of FY 2013/14. Analysis of the recurrent expenditure by the MDAs excluding the National Security Sector indicated that the personnel emoluments amounted to Kshs.58.8 billion (**51.4 per cent** of the total recurrent expenditure for the period) while Operations and Maintenance (O&M) was Kshs.55.7 billion (**48.6 per cent** of the total recurrent expenditure for the period). The total expenditure for Consolidated Fund Services (CFS) amounted to Kshs.142.7 billion (absorption rate of **34.3 per cent** of the annual CFS gross estimates), a significant increase from Kshs.29.5 billion (absorption rate of **7.7 per cent** of the annual CFS gross estimates), recorded in the same period during FY 2013/14.

Total development expenditure for the period of Kshs.55.3 billion represented an absorption rate of **11.2 per cent of the annual development gross estimates**. This was a significant improvement from the first quarter of FY 2013/14 where Kshs.36.0 billion (absorption rate of **8.1 per cent of the annual development gross estimates**) was spent on development activities.

This report also highlights some key challenges that the MDAs experienced during the implementation of the budget in the period under review. These include; (i) discrepancies between the IFMIS and IPPD payroll data, and programme implementation reports, and (ii) failure to report on programme achievements by the MDAs. In order to increase transparency in the use of public resources MDAs should disclose achievement of set targets as contained in the FY 2014/15 Budget.

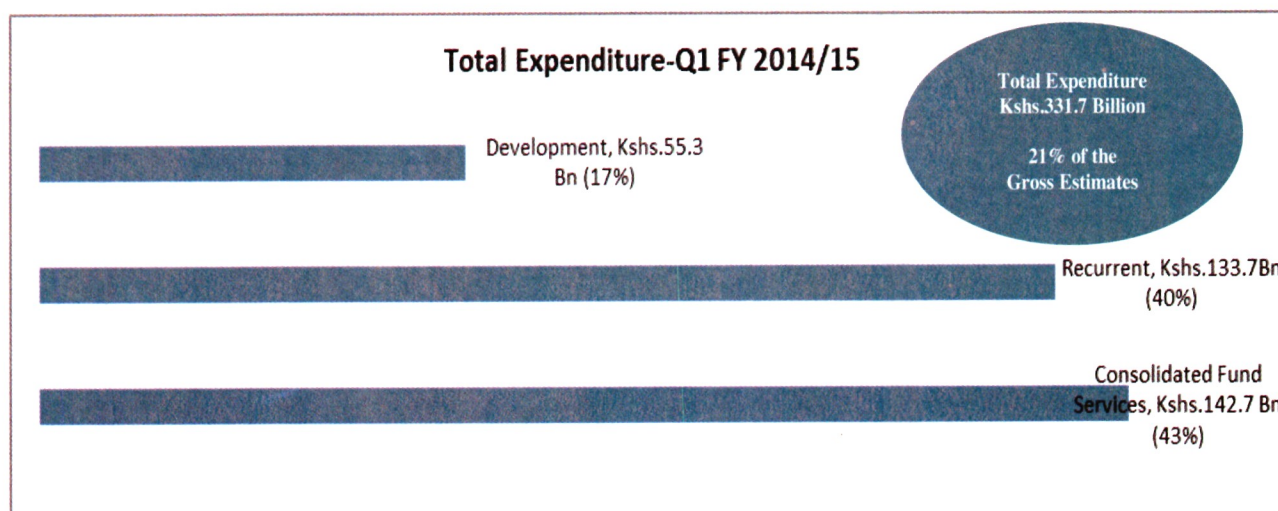
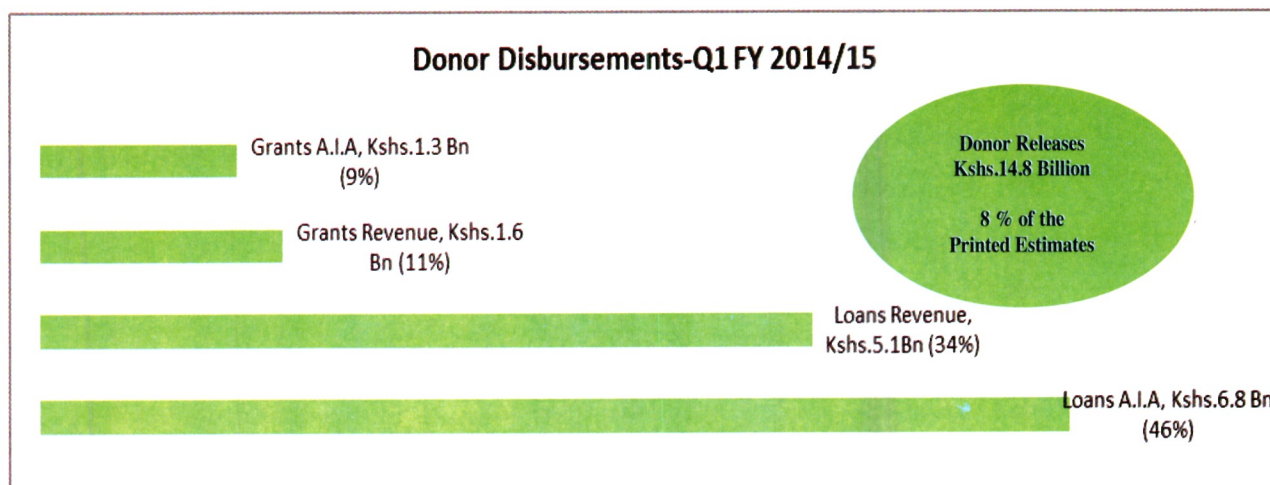
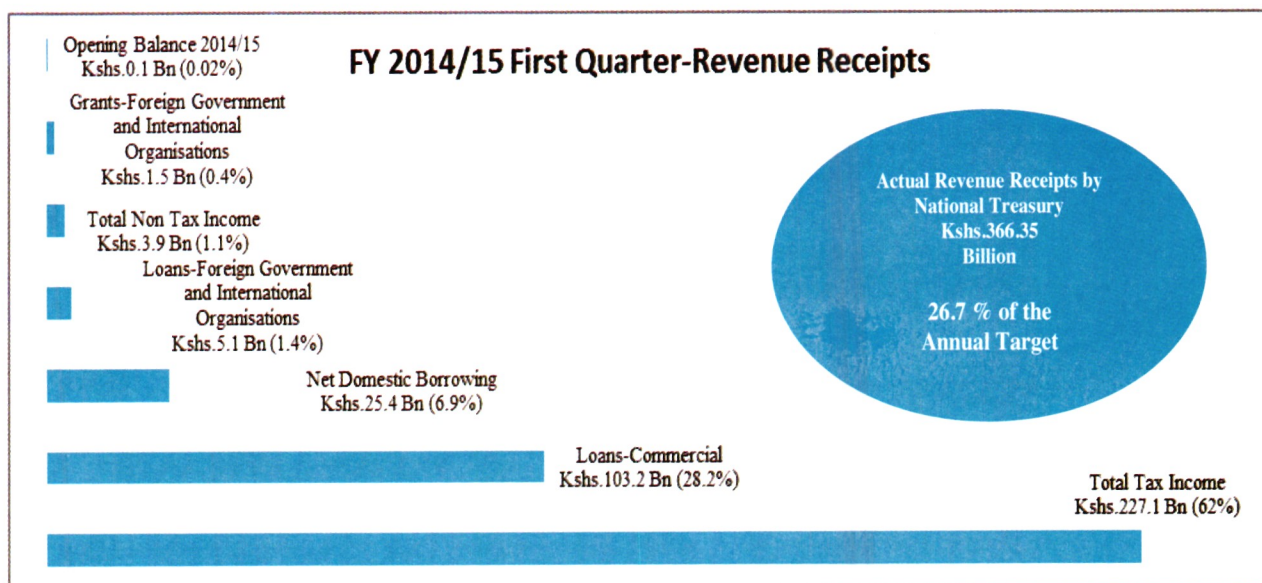
Through this report, OCOB hopes to contribute in providing budget implementation information that will inform policy decisions and ultimately help in improving budget performance. Eventually, this will lead to attainment of national development objectives and goals as envisioned in the national long-term development blue-print, Vision 2030.

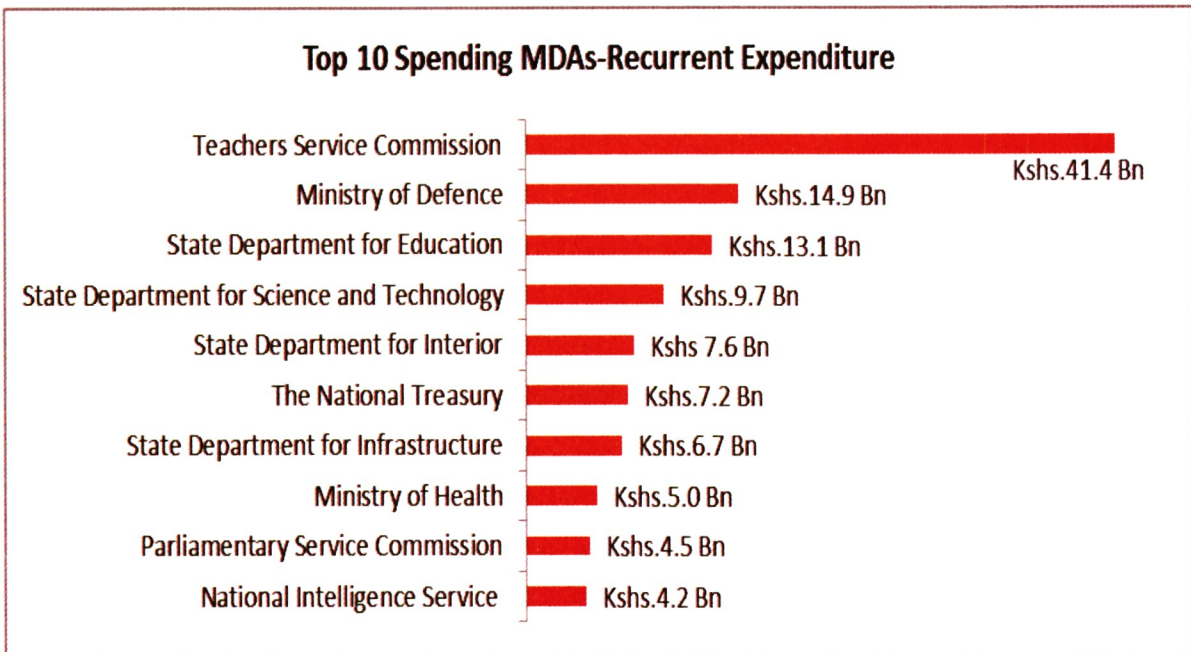
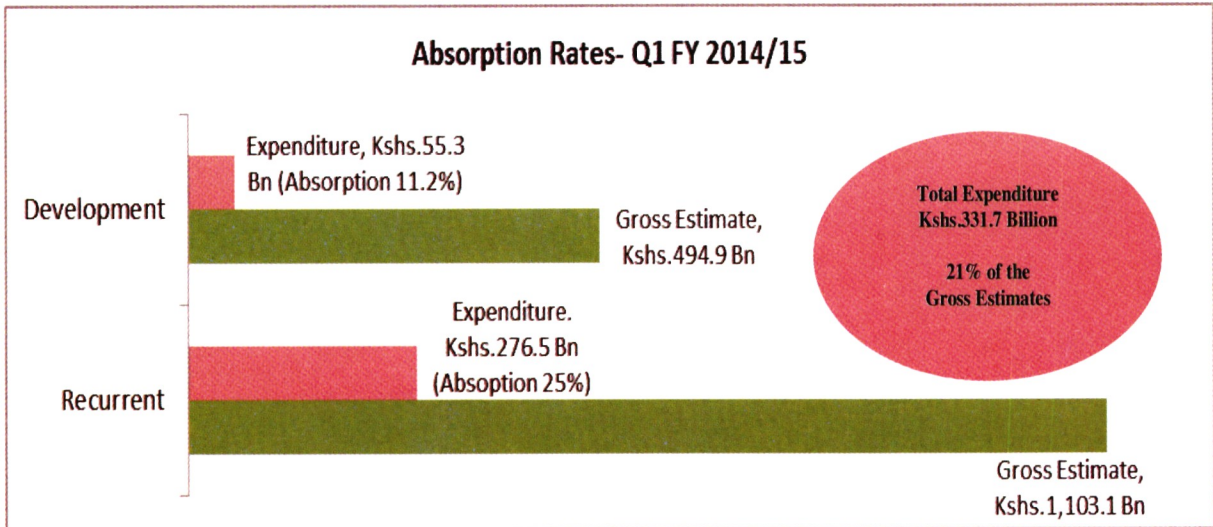
## ACRONYMS

|          |  |
|----------|--|
| A-I-A    | Appropriations in Aid  |
| AIDS     | Acquired Immune Deficiency Syndrome                            |
| AMISOM   | Africa Union Mission in Somali                                 |
| AR & UD  | Agricultural Rural and Urban Development                       |
| Bn       | Billion  |
| BIRR     | Budget Implementation Review Report                            |
| BPS      | Budget Policy Statement  |
| CBK      | Central Bank of Kenya  |
| CFS      | Consolidated Fund Services                                     |
| CIC      | Commission for Implementation of the Constitution              |
| COB      | Controller of Budget   |
| CPI      | Consumer Price Index   |
| DPP      | Directorate of Public Prosecutions                             |
| EACC     | Ethics and Anti-Corruption Commission                          |
| EI & ICT | Energy Infrastructure and Information Communication Technology |
| ERC      | Energy Regulatory Commission                                   |
| FY       | Financial Year   |
| GBP      | Great Britain Pound  |
| GDP      | Gross Domestic Product   |
| GECA     | General Economic and Commercial Affairs                        |
| GJLOS    | Governance, Justice, Law and Order Sector                      |
| HIV      | Human Immunodeficiency Virus                                   |
| IEBC     | Independent Electoral and Boundaries Commission                |
| IFMIS    | Integrated Financial Management Information System             |
| IPOA     | Independent Police Oversight Authority                         |
| IPPD     | Integrated Personnel Payment Data                              |
| JSC      | Judicial Service Commission                                    |
| KEMRI    | Kenya Medical Research Institute                               |
| KEMSA    | Kenya Medical Supplies Agency                                  |
| KMTC     | Kenya Medical Training College                                 |
| KIHBS    | Kenya Integrated Household Budget Survey                       |

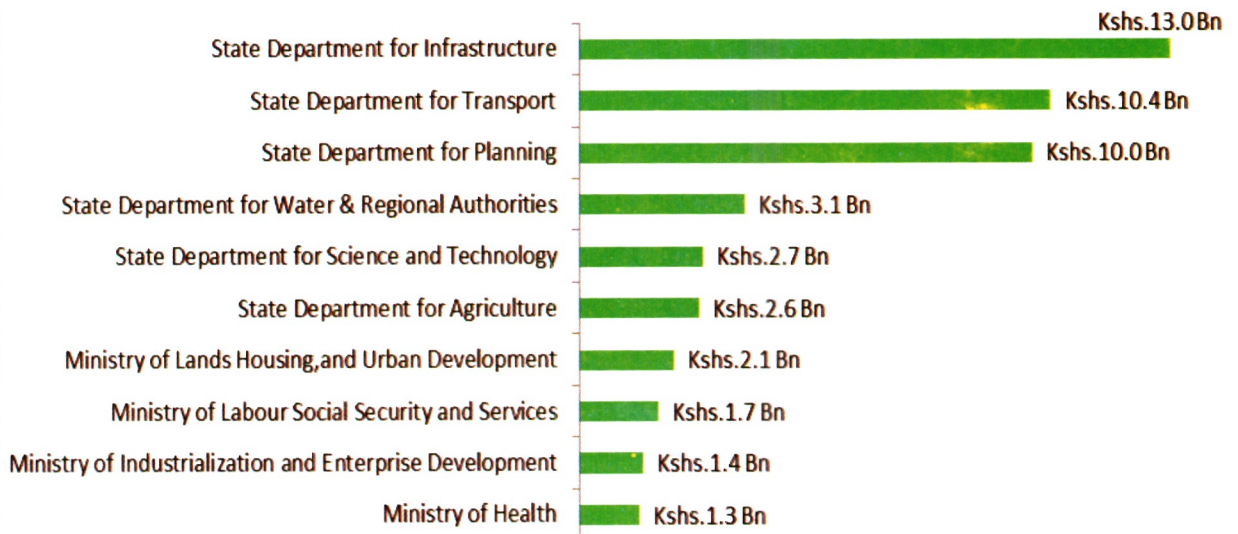
|         |   |
|---------|---|
| KNBS    | Kenya National Bureau of Statistics               |
| KNCHR   | Kenya National Commission for Human Rights        |
| KNH     | Kenyatta National Hospital                        |
| KRA     | Kenya Revenue Authority                           |
| Kshs.   | Kenya Shillings                                   |
| MDAs    | Ministries Departments and Agencies               |
| MOEST   | Ministry of Education Science and Technology      |
| NACC    | National Aids Control Council                     |
| NGEC    | National Gender and Equality Commission           |
| NHIF    | National Hospital Insurance Fund                  |
| NIS     | National Intelligence Service                     |
| NLC     | National Land Commission                          |
| NPSC    | National Police Service Commission                |
| NT      | National Treasury                                 |
| OCOB    | Office of the Controller of Budget                |
| O&M     | Operations and Maintenance                        |
| PAIR    | Public Administration and International Relations |
| PAYE    | Pay As You Earn                                   |
| PFM Act | Public Finance Management Act                     |
| RPP     | Registrar of Political Parties                    |
| SAGAs   | Semi-Autonomous Government Agencies               |
| TARDA   | Tana Athi River Development Authority             |
| TSC     | Teachers Service Commission                       |
| USD     | United States Dollars                             |
| VAT     | Value Added Tax                                   |
| WPA     | Witness Protection Agency                         |

KEY HIGHLIGHTS





**Top 10 Spending MDAs - Development Expenditure**



Total Public Debt Stock  
Kshs.2.3 Trillion  
48.3% of GDP

Domestic- Kshs.1.2 Trillion  
Foreign-Kshs.1.1 Trillion

**PUBLIC DEBT PAYMENT/SERVICING**

Domestic: Redemption Kshs.37.6 Billion

Interest Kshs.34.7 Billion

Foreign: Principal Kshs.59.8 Billion

Interest Kshs.3.9 Billion



## 1 INTRODUCTION

The Constitution of Kenya, 2010 mandates the Controller of Budget (COB) to report to the Legislature, the Executive, and the Kenyan citizens on the utilization of public resources. Specifically, Article 228 (6) requires the COB to submit to each House of Parliament a report on the implementation of the budgets of the national and county governments. This report has been prepared pursuant to this requirement and provides status on the budget implementation by the National Government during the first quarter of the FY 2014/15.

The report presents key variables in budget implementation over the period July 1 to September 30, 2014 that can be used to assess progress made towards the attainment of the six thematic areas of intervention that the FY 2014/15 Budget is anchored upon. These themes are: (i) enhancing business environment for job creation; (ii) improving productivity and competitiveness in the domestic and international markets, through development of an elaborate and modern transport and logistics network; (iii) easing the cost of living on a long-term basis, through transforming agriculture in order to ensure food security; (iv) protecting the poor and the vulnerable; (v) creating employment opportunities especially among the Youth and Women, and (vi) strengthening devolution so as to facilitate efficient delivery of services to our people. Upon successful implementation of the FY 2014/15 Budget, it is projected that our economy will grow by 5.8 per cent and 6.4 per cent in 2014 and 2015, respectively.

The report presents analysis of budget estimates, exchequer issues and actual expenditure by MDAs during the period under review. Absorption rate is used to present expenditure and is computed as the proportion of expenditure as a percentage of approved gross estimates. Expenditure is classified either as recurrent or development with recurrent expenditure being analysed further by economic classification, namely; Compensation to Employees, and Operations and Maintenance (O&M). The report also assesses adherence to the fiscal responsibility principles enshrined in the PFM Act, 2012. It also reviews the prevailing macro-economic environment under which the budget was implemented while at the same time providing an analysis of revenue performance, absorption of donor funds, domestic borrowing, external debt expenses, consolidated fund services (CFS) expenses, recurrent expenditure, and development expenditure.

Chapter two of the report gives an overview of the prevailing macro-economic environment under which the budget was implemented. It provides a detailed summary of the macro-economic indicators namely: economic growth, revised Gross Domestic Product (GDP), inflation rate, exchange rate and the interest rate, which invariably influences fiscal policy and the budget implementation.

Chapter three of the report presents an overview of the revenue collection by KRA and the expenditure performance of the various sectors and sub-sectors. This chapter gives an overview of the exchequer

issues to the MDAs and the CFS as well as donor releases to MDAs. The chapter also provides an analysis of the **actual expenditure to gross estimates (absorption rate)** and an analysis of the **exchequer issues to net estimates** for various sectors and sub-sectors in the period under review.

The report also covers a review of how FY 2014/15 budget programmes performed in absorbing allocated resources. This is presented in chapter four where all sector programmes are reviewed. In some instances programme expenditure reports for the MDAs differed with the IFMIS generated expenditure report, which points towards the need for regular reconciliation of data from IFMIS and the data maintained by MDAs.

Chapter five of this report highlights key issues and challenges that the MDAs experienced during the implementation of the budget during the period under review and makes appropriate recommendations. It is our hope that by highlighting these challenges, authorities will take appropriate corrective steps and hence, improve the budget implementation process in subsequent periods to ensure value for money for Kenyans. Chapter six provides the conclusion to this report.

## 2 MACRO-ECONOMIC HIGHLIGHTS

The 2014 Budget Review and Outlook Paper (BROP) emphasizes on the government's fiscal strategy that focuses on maintaining a strong revenue effort, shifting composition of expenditure from recurrent to productive capital expenditures and optimally ensuring efficiency and effectiveness in the use of public resources. This strategy recognizes the need to strike a balance between growth and fiscal sustainability, with emphasis on higher investments in agriculture, human capital and infrastructure development for a stable and sustainable economic growth in future.

### 2.1 Economic Growth

The World Bank observed that Gross Domestic Product (GDP) growth for 2013 and 2014 in Kenya, Uganda, Tanzania, Rwanda and the entire Sub-Saharan Africa demonstrated good recovery from year 2012. This is attributed to renewed investors' confidence, implementation of bold economic policies and structural reforms and sound economic management over the last decade.

**Figure 2.1: GDP Growth 2013 and 2014 (World Bank Projection)<sup>1</sup>**

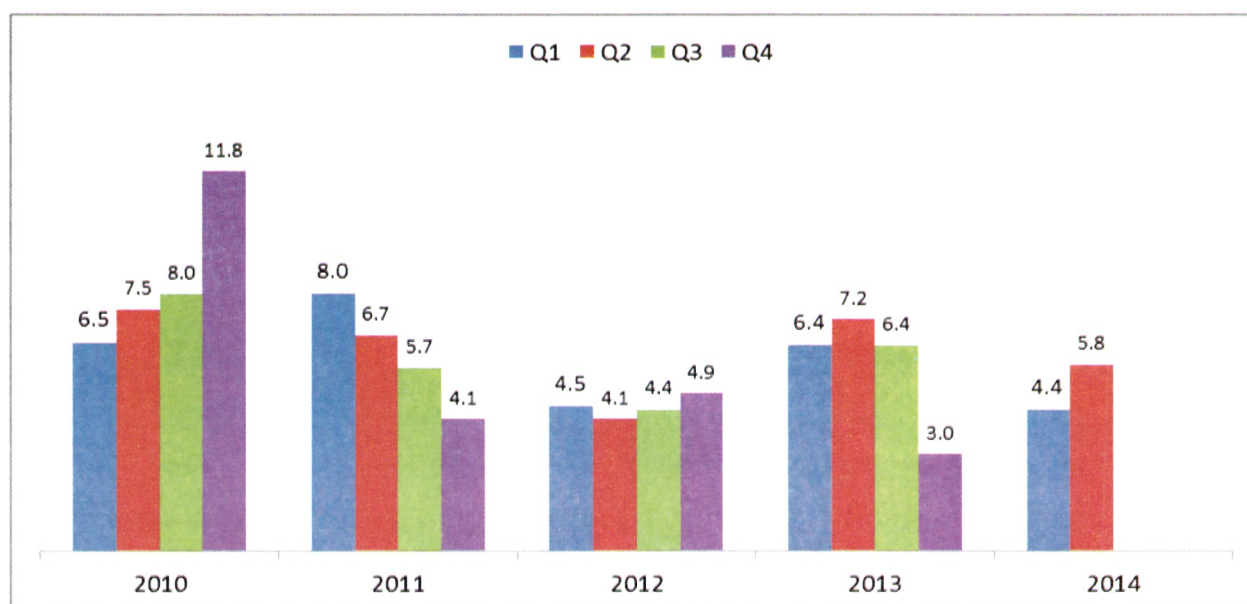
| Year | Kenya | Uganda | Tanzania | Rwanda |
|------|-------|--------|----------|--------|
| 2013 | 4.7%  | 6%     | 6.9%     | 5%     |
| 2014 | 5.8%  | 7%     | 7%       | 6.9%   |

Source: World Bank

The Kenyan economy remains robust and resilient, growing at an average of about 4.9 percent over the last four years, underpinned by macro-economic stability, a strong fiscal performance and expanded activities in most key sectors of the economy. The 2014 Budget Policy Statement (BPS) projects that the Kenyan economy will grow by 5.8 per cent during 2014 up from 4.7 per cent in 2013. This projection is based on the assumption that the country will experience normal weather patterns and that the government will continue to implement robust economic policies, and structural reforms.

According to the Kenya National Bureau of Statistics (KNBS) 2014 revised second quarter report (calendar year), the country's GDP grew by 5.8 per cent, a decline from the 7.2 per cent growth realised in the same period in 2013. When compared to the first quarter of 2014 (calendar year), the country's GDP registered better performance that was mainly attributed to expansion in activities of transport and communication, manufacturing, wholesale and retail trade, mining and quarrying, and the energy sector activities. Performance of the economy was slowed down by the agriculture sector due to erratic weather patterns that resulted in depressed agricultural output. There was also a deceleration in the growth of the hotel industry which was largely due to insecurity concerns and adverse travel advisories by some key tourist source countries. Low absorption of development funds by MDAs and counties also affected economic performance in the first quarter of the year. Figure 2.2 illustrates quarterly and annual growth rates from 2010 to 2014.

1 Source: <http://www.worldbank.org/en/publication/global-economic-prospects/data?variable=NYGDPMKTPKDZ&region=SST> (Accessed on 3rd Nov. 2014)

**Figure 2.2: Revised GDP Growth Rates for the period 2010-2014**

Source: KNBS 2014

While the macro-economic environment remains conducive, a continued slowdown in tourism and emerging challenges facing the agricultural sector in some parts of the country call for caution in fiscal projections. There is therefore need for the government to come up with measures to ensure that the targeted level of economic growth is achieved.

## 2.2 Revised GDP

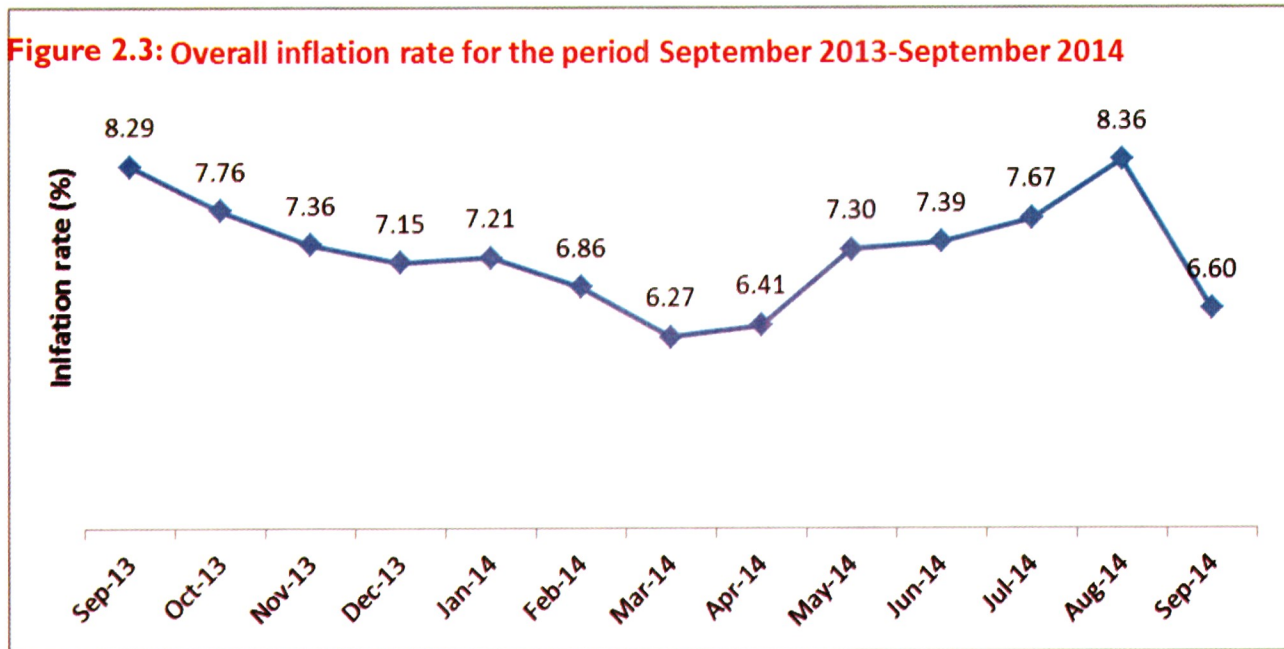
Kenya has been classified as a middle-income country after a statistical reassessment increased the size of the economy by 25 per cent, based on 5-year average of 2009 to 2013, with Gross Domestic Product (GDP) expanding to Kshs.4.76 trillion up from Kshs.3.8 trillion, making it the continent's ninth biggest economy in Africa and fifth biggest in sub-Saharan Africa. GDP per capita stands at Kshs.111,330 up from Kshs.88,813. The revision also shows that Kenya's growth rate in 2013 was 5.7 per cent, well above the previous estimate of 4.7 per cent, which is the average in sub-Saharan Africa. This revision also lowered the country's debt-to-GDP ratio from 56 per cent to 48 per cent and makes it eligible for new borrowing at a time when the Government is looking to tap international markets to fund infrastructure projects.

## 2.3 Inflation

Kenya's month-on-month inflation rate dropped for the first time in September 2014 after rising for five consecutive months between March 2014 and August 2014. The last month of the first quarter of FY 2014/15 saw a substantial drop in the inflation rate from 8.36 per cent in August 2014 to 6.6 per cent in September 2014.

The drop is attributed to the notable fall in the cost of kerosene and electricity. In mid-September 2014, the Energy Regulatory Commission (ERC) reduced the price of super petrol by Kshs.4.98 per litre, kerosene by Kshs.1.42 per litre and diesel which decreased by 0.62 Kenya shillings per litre. The transport index decreased 0.41 per cent, mainly due to reduction of pump price of petrol and diesel in September 2014 compared to August 2014.

Nonetheless, the country's Consumer Price Indices (CPI) increased by 0.15 per cent from 152.02 in August to 152.24 in September 2014. The food and non-alcoholic drinks' index increased by 0.58 per cent as well, due to a net effect of both falls and rises in the prices of a number of food products.

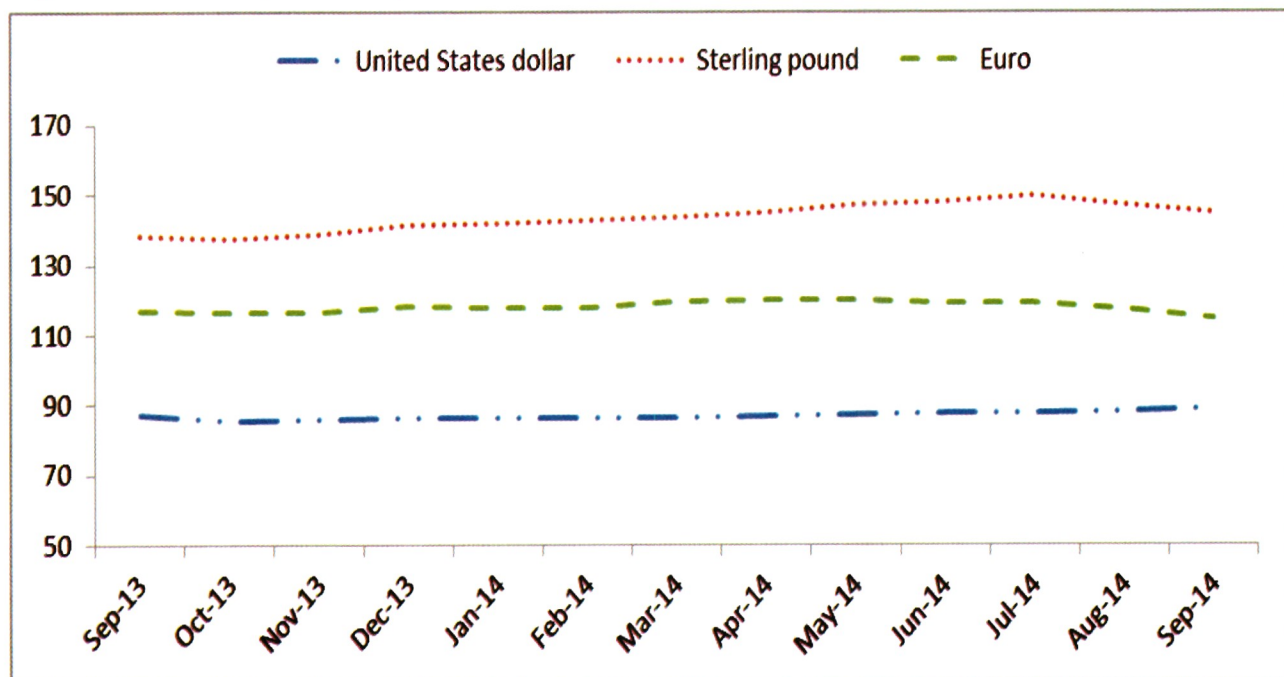


Source: KNBS, 2014

## 2.4 Exchange Rate

In the first quarter of FY 2014/15, the Kenya Shilling registered slight fluctuations against the US Dollar, the Euro and the Sterling Pound as shown in figure 2.4, but remained relatively stable over the past twelve months.

**Figure 2.4: Kenya Shilling Exchange Rate for the period Sept. 2013 to Sept 2014**



Source: CBK, 2014

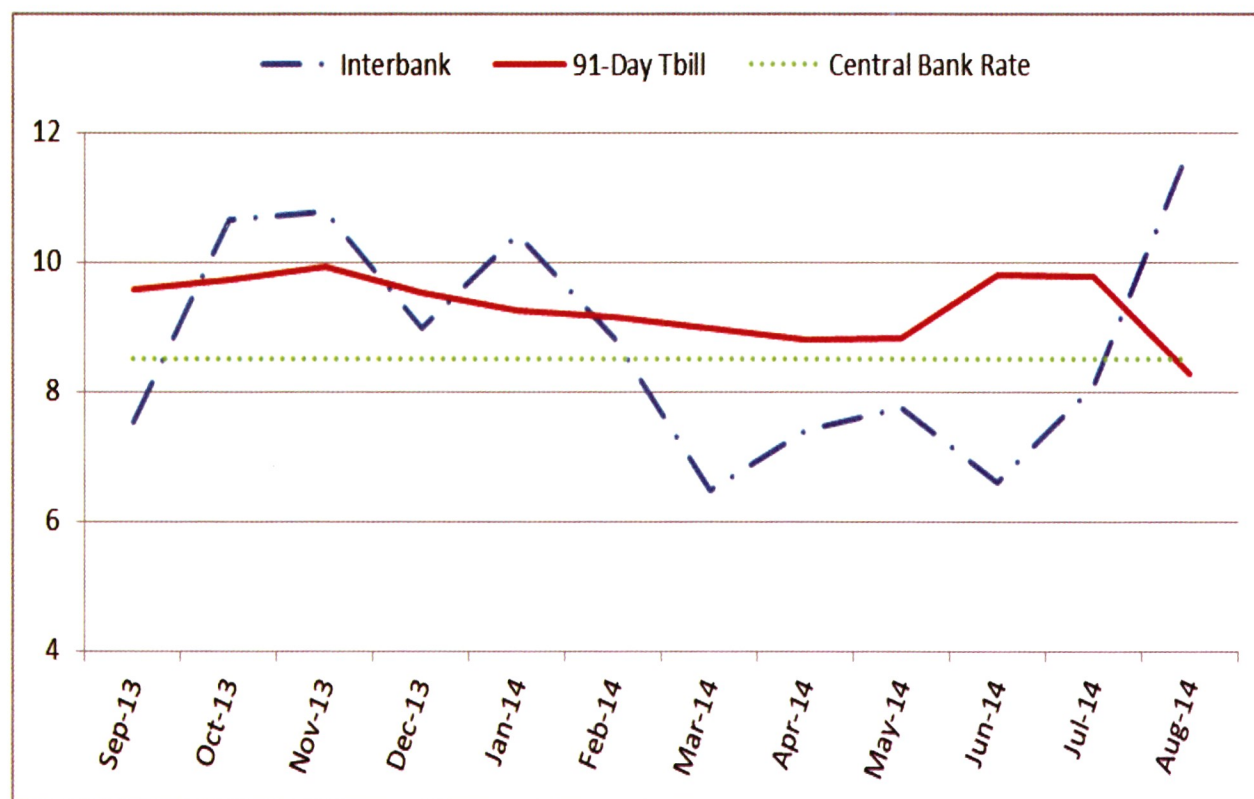
The Kenya Shilling steadily depreciated against the US dollar in all the three months of the first quarter of FY 2014/15, trading at an average rate of Kshs.88.86/USD in September. On the other hand, the local currency appreciated against the Sterling Pound in August and September 2014, with the Sterling Pound trading at an average rate of Kshs.147.24/GBP in August and Kshs.144.99/GBP in September. The shilling also steadily appreciated against the Euro throughout the three months of FY 2014/15, trading at Kshs.118.93/EURO, Kshs.117.40/EURO, and Kshs.114.74/EURO in July, August and September respectively.

The mixed performance of the Kenya Shilling against major world currencies in the first quarter could be attributed to the appreciative effect of the proceeds of the Eurobond, which were disbursed in June 2014, and the depreciative effect of the declining earnings from tourism.

## 2.5 Interest Rates

The average yield rate for the 91-day Treasury bills, which is a benchmark for the general trend of interest rates, fell to 8.29 per cent in August 2014 from 9.78 per cent in July 2014. The interbank rates increased to 11.72 per cent during the same period. The Central Bank rate however stood at a constant rate of 8.5 percent for the 16<sup>th</sup> consecutive month since May 2013.

**Figure 2.4 Interest Rates for the Period September 2013 and August 2014**



Source: CBK 2014

### 3 FINANCIAL ANALYSIS OF FIRST QUARTER, FY 2014/15 BUDGET IMPLEMENTATION

#### 3.1 Analysis of Revenue Estimates

In order to finance the Kshs.1,840 billion budget, the National Treasury projects to raise Kshs.1,374.1 billion in exchequer revenue during the FY 2014/15. Some of the key sources targeted to raise the exchequer revenue include the tax income category (Kshs.1.1 trillion), Net domestic borrowing (Kshs.190.8 billion), Commercial Loan (Kshs.36.4 billion), Non-Tax Income (Kshs.36.2 billion) and Loans from Foreign Governments and International Organisations. Other sources that will add to the national exchequer revenue include Grants from Foreign Governments and International Organisations (Kshs.10 billion), Grants from AMISOM (Kshs.6.1 billion), Social Safety Net Loan (Kshs.2.0 billion) and Domestic Lending (Kshs.2 billion).

##### 3.1.1 Revenue Receipts by National Treasury

During the first quarter of FY 2014/15, National Treasury (NT) receipts amounted to Kshs.366.3 billion or 26.7 per cent of the 2014/15 annual target. This is a 44.6 per cent growth over the Kshs.253.2 billion received in the first quarter of FY 2013/14.

Among the various revenue categories, the tax income category contributed the highest share of revenue amounting to Kshs. 227.1 billion or 62 per cent of the total revenue for the quarter. The National Treasury did not receive funds from AMISOM, Domestic Lending/On-Lending, and the Loan-Budget Support categories in the three months' period.

Actual receipts from the Commercial Loans category amounted to Kshs.103.2 billion against an annual target of Kshs.36.4 billion, a performance of 283 per cent. The non-tax income category had the lowest revenue amounting to Kshs.3.9 billion translating to a performance rate of 10.7 per cent.

**Table 3.1: Statement of Actual Revenue for the Period July- Sept 2014 (Kshs. Billions)**

| Revenue Category   | Printed Estimate FY 2014/15 | Actual Receipts 30 <sup>th</sup> Sept 2014 | Performance Against Target (%) | Contribution by Category(%) | Actual Receipts by Sept 2013 | Growth Over FY 2013/14 |
|--|-----------------------------|--|--------------------------------|-----------------------------|------------------------------|------------------------|
| Opening Balance 2014/15                                    | -                           | 0.1  |                                | 0.0%                        | 0.5                          | -82.1%                 |
| Total Tax Income   | 1,050.9                     | 227.1                                      | 21.6%                          | 62.0%                       | 201.1                        | 13.0%                  |
| Total Non-Tax Income                                       | 36.2                        | 3.9  | 10.7%                          | 1.1%                        | 0.3                          | 1238.3%                |
| Net Domestic Borrowing                                     | 190.8                       | 25.4                                       | 13.3%                          | 6.9%                        | 43.0                         | -41.0%                 |
| Loans-Foreign Government and International Organisation    | 36.2                        | 5.1  | 14.2%                          | 1.4%                        | 7.5                          | -31.4%                 |
| Loans-Commercial   | 36.4                        | 103.2                                      | 283.3%                         | 28.2%                       | -                            | -                      |
| Loan-Budget Support(Social Safety Net)                     | 5.4                         | -  | 0.0%                           | 0.0%                        | -                            | -                      |
| Domestic Lending and On-Lending                            | 2.0                         | -  | 0.0%                           | 0.0%                        | -                            | -                      |
| Grants-Foreign Governments and International Organisations | 10.0                        | 1.5  | 15.2%                          | 0.4%                        | 1.4                          | 8.2%                   |
| Grants from AMISOM   | 6.1                         | -  | 0.0%                           | 0.0%                        | -                            | -                      |
| <b>GRAND TOTAL</b>   | <b>1,374.1</b>              | <b>366.3</b>                               | <b>26.7%</b>                   | <b>100.0%</b>               | <b>253.2</b>                 | <b>44.6%</b>           |

Source: National Treasury October 2014

### 3.1.2 Revenue Collection by Kenya Revenue Authority

In the FY 2014/15 Kenya Revenue Authority (KRA) estimated to collect Kshs.1,055.9 billion. The targeted revenue for the first quarter was Kshs.267.0 billion or 23.8 per cent of the annual estimate.

During the first quarter, the total revenue collected was Kshs.249.2 billion representing 92.7 per cent of the quarter's target. This consisted of Kshs.233.2 billion in exchequer revenue and Kshs.16 billion as agency revenue.

A review of exchequer revenue performance by the three different categories indicates that the custom services category was the highest performing by achieving 93.05 per cent of its first quarter target while the road transport had the lowest performance at 80.8 per cent.

Overall revenue performance grew by 9.9 per cent from the Kshs.212.2 billion achieved in the first quarter of FY 2013/14 as summarised in Table 3.2. Growth was registered in all the three revenue categories in the period under review, namely: Road Transport, Domestic Taxes, and Custom Services. The Road Transport category recorded the highest growth at 18.2 per cent followed by the Domestic Taxes and Custom Services at 10.1 per cent and 9.2 per cent respectively.

**Table 3.2: Exchequer Revenue Performance for July - September 2014 (Kshs. Millions)**

| Revenue Category | Actual Q1, 2014/15 | Target Q1, 2014/15 | Variance | Performance Rate (%) | Actual Q1, 2013/14 | Growth Rate Over 2013/14 (%) |
|------------------|--------------------|--------------------|----------|----------------------|--------------------|------------------------------|
| Customs Services | 71,614             | 76,960             | (5,346)  | 93.05                | 65,562             | +9.2%                        |
| Domestic Taxes   | 160,725            | 173,653            | (12,928) | 92.6                 | 145,938            | +10.1%                       |
| Road Transport   | 859                | 1,063              | (204)    | 80.8                 | 726                | +18.2%                       |
| Total            | 233,198            | 251,676            | (18,478) | 92.7                 | 212,225            | +9.9%                        |

Source: KRA October 2014 Revenue Report

In its endeavour to support the increasing demand for budget support, KRA has undertaken to implement the Capital Gains tax as well as enforce PAYE and VAT remittance by County Governments. Other revenue enhancement measures being pursued by KRA include implementation of withholding VAT requirements and deployment of new staff to boost customs performance.

### 3.2 Exchequer Issues to MDAs and County Governments

The total budget for FY 2014/15 amounts to Kshs.1.84 trillion, comprising of: Kshs.687.2 billion for recurrent, Kshs.494.9 billion for development, Kshs.415.6 billion and Kshs.226.7 billion for the Consolidated Fund Service (CFS) and County unconditional allocation respectively.

In the first quarter of FY2014/15, MDAs received total exchequer issues amounting to Kshs.177.1 billion (equivalent to 18.7 per cent of the total net estimates), a slight decline from the total exchequer issues (Kshs.191.9) released in the same period last financial year.

**Table 3.3: Total Exchequer Issues, July to September, 2014 (Kshs. Bn)**

| Name of the Sector  | Q1, FY 2014/2015 |                |              |                       | Q1, FY 2013/2014 |                |              |                       |
|---|------------------|----------------|--------------|-----------------------|------------------|----------------|--------------|-----------------------|
|   | Gross Est.       | Net Est.       | Exch. Issues | % of Exch. To N. Est. | Gross Est.       | Net Est.       | Exch. Issues | % of Exch. To N. Est. |
| Agriculture, Rural & Urban Development  | 60.2             | 53.4           | 3.8          | 7.1                   | 53.3             | 46.9           | 10.6         | 22.6                  |
| Education   | 308.4            | 282.8          | 62.6         | 22.1                  | 276.2            | 248.9          | 70.6         | 28.4                  |
| The Energy, Infrastructure and Information Communications Technology (EI & ICT) | 256.9            | 102.3          | 4.8          | 4.7                   | 216.5            | 73.3           | 12.6         | 17.2                  |
| The Environmental Protection, Water and Natural Resources                       | 50.8             | 35.2           | 3.1          | 9.0                   | 57.1             | 34.3           | 4.7          | 13.7                  |
| General Economic & Commercial Affairs (GECA)                                    | 16.2             | 15.6           | 2.5          | 16.1                  | 12.9             | 12.2           | 3.0          | 24.6                  |
| The Governance, Justice, Law and Order (GJLOS)                                  | 130.5            | 129.2          | 22.2         | 17.3                  | 125.7            | 124.5          | 23.6         | 19.0                  |
| The Health  | 47.4             | 36.1           | 6.5          | 18.1                  | 36.2             | 28.8           | 17.6         | 61.1                  |
| The Public Administration and International Relations                           | 196.9            | 177.3          | 48.7         | 27.5                  | 173.5            | 142.3          | 27.0         | 19.0                  |
| The Social Protection, Culture and Recreation                                   | 24.1             | 23.7           | 1.9          | 7.9                   | 20.5             | 19.8           | 3.2          | 16.2                  |
| National Security   | 90.7             | 90.7           | 20.8         | 22.9                  | 84.7             | 84.7           | 19.0         | 22.4                  |
| <b>Sub-Total for MDAs</b>   | <b>1,182.1</b>   | <b>946.4</b>   | <b>177.1</b> | <b>18.7</b>           | <b>1,056.6</b>   | <b>815.7</b>   | <b>191.9</b> | <b>23.5</b>           |
| <b>Sub-Total Consolidated Fund Services</b>                                     | <b>415.6</b>     | <b>415.6</b>   | <b>125.7</b> | <b>30.3</b>           | <b>380.3</b>     | <b>380.3</b>   | <b>28.7</b>  | <b>7.5</b>            |
| <b>County Governments</b>   | <b>242.4</b>     | <b>228.5</b>   | <b>9.1</b>   | <b>4.0</b>            | <b>210.0</b>     | <b>190.0</b>   | <b>32.9</b>  | <b>17.3</b>           |
| <b>Grand Total</b>  | <b>1,840.1</b>   | <b>1,590.5</b> | <b>311.9</b> | <b>19.6</b>           | <b>1,646.9</b>   | <b>1,386.0</b> | <b>253.5</b> | <b>18.3</b>           |

Source: Office of the Controller of Budget

From table 3.3 above, the Consolidated Fund Services (CFS) received exchequer issues amounting to Kshs.125.7 billion representing 30.3 per cent of the net estimates in the period under review which is an increase from 7.5 per cent recorded in the same period last financial year.

During the period under review, the Public Administration and International Relations sector received a total of Kshs.48.7 billion which represents 27.5 per cent of the total net estimates, the highest percentage among the sectors. The Energy, Infrastructure, Information and Communications Technology sector received Kshs.4.8 billion which represents 4.7 per cent of the total net estimates and the lowest percentage among the sectors.

### 3.2.1 Sectoral Recurrent Exchequer Issues

Total exchequer issues amounting to Kshs.165.0 billion for recurrent expenditure (26.4 per cent of the total recurrent net estimates) were released during the period under review. This compares favourably against the exchequer issues for the same period in the last financial year of Kshs.156.4 billion (28.1 per cent of the total recurrent net estimates in FY 2013/14).

**Table 3.4: Sectoral Recurrent Estimates and Exchequer issues (Kshs. Billions)**

| Name of the Sector  | Q1, FY 2014/15 |              |              |                       | Q1, FY 2013/14 |              |              |                       |
|---|----------------|--------------|--------------|-----------------------|----------------|--------------|--------------|-----------------------|
|   | Gross Est.     | Net Est.     | Exch. Issues | % of Exch. to N. Est. | Gross Est.     | Net Est.     | Exch. Issues | % of Exch. to N. Est. |
| Agriculture, Rural & Urban Development  | 16.0           | 15.5         | 2.0          | 13.1                  | 15.0           | 13.9         | 4.1          | 29.7                  |
| Education   | 273.4          | 252.4        | 61.9         | 24.5                  | 245.8          | 225.9        | 69.3         | 30.7                  |
| The Energy, Infrastructure and Information Communications Technology (EI & ICT) | 35.6           | 6.5          | 1.4          | 21.9                  | 27.5           | 6.8          | 2.1          | 30.5                  |
| The Environmental Protection, Water and Natural Resources                       | 14.7           | 9.7          | 2.4          | 24.6                  | 13.2           | 8.2          | 2.2          | 26.3                  |
| General Economic and Commercial Affairs (GECA)                                  | 6.7            | 6.6          | 1.9          | 28.5                  | 7.9            | 7.5          | 2.3          | 31.1                  |
| The Governance, Justice, Law and Order (GJLOS)                                  | 118.8          | 118.1        | 22.3         | 18.8                  | 111.3          | 110.8        | 22.8         | 20.6                  |
| The Health  | 26.1           | 22.2         | 4.9          | 22.0                  | 20.3           | 16.5         | 14.2         | 86.3                  |
| The Public Administration and International Relations                           | 94.2           | 92.8         | 46.0         | 49.5                  | 73.9           | 72.4         | 18.6         | 25.7                  |
| The Social Protection, Culture and Recreation                                   | 11.1           | 10.9         | 1.4          | 12.8                  | 10.9           | 10.8         | 1.8          | 16.5                  |
| National Security   | 90.7           | 90.7         | 20.8         | 22.9                  | 84.7           | 84.7         | 19.0         | 22.4                  |
| <b>Total</b>  | <b>687.2</b>   | <b>625.5</b> | <b>165.0</b> | <b>26.4</b>           | <b>610.5</b>   | <b>557.4</b> | <b>156.4</b> | <b>28.1</b>           |

Source: Office of the Controller of Budget

During the period under review, the Education sector received exchequer issues of Kshs.61.9 billion for recurrent expenditure, which was 24.5 per cent of the total recurrent net estimates and the highest percentage among the sectors. However, this is a decline from 30.7 per cent of the exchequer issues to net estimates recorded in the same period in the last financial year. The Social Protection, Culture and Recreation sector received the lowest percentage of exchequer issues to recurrent net estimates among the sectors at 12.8 per cent. This was a decline from the 16.5 per cent of the exchequer issues to recurrent net estimates recorded in the same period last financial year.

### 3.2.2 Sectoral Development Exchequer Issues

During the period under review, exchequer issues for development expenditure amounting to Kshs.12.1 billion (3.8 per cent of the total development net estimates) were released to MDAs. This was a significant decline compared to Kshs.35.6 billion exchequer issues released to the MDAs in the same period last financial year (13.8 per cent of the total development net estimates in FY2013/14).

**Table 3.5: Sectoral Development Estimates and Exchequer Issues (Kshs. Billions)**

| Name of the Sector  | FY 2014/15   |              |              |                       | FY 2013/14   |              |              |                       |
|---|--------------|--------------|--------------|-----------------------|--------------|--------------|--------------|-----------------------|
|   | Gross Est.   | Net Est.     | Exch. Issues | % of Exch. to N. Est. | Gross Est.   | Net Est.     | Exch. Issues | % of Exch. to N. Est. |
| Agriculture, Rural & Urban Development  | 44.3         | 38.0         | 1.8          | 4.6                   | 38.3         | 33.0         | 6.5          | 19.8                  |
| Education   | 35.0         | 30.4         | 0.6          | 1.9                   | 30.4         | 23.0         | 1.3          | 5.5                   |
| The Energy, Infrastructure and Information Communications Technology (EI & ICT) | 221.3        | 95.8         | 3.4          | 3.5                   | 189.0        | 66.5         | 10.5         | 15.8                  |
| The Environmental Protection, Water and Natural Resources                       | 36.1         | 25.5         | 0.8          | 3.0                   | 43.9         | 26.1         | 2.5          | 9.5                   |
| General Economic and Commercial Affairs (GECA)                                  | 9.6          | 9.0          | 0.6          | 7.0                   | 5.0          | 4.7          | 0.7          | 14.8                  |
| The Governance, Justice, Law and Order (GJLOS)                                  | 11.7         | 11.1         | 0.2          | 1.8                   | 14.4         | 13.7         | 0.8          | 6.1                   |
| The Health  | 21.3         | 13.9         | 1.7          | 11.9                  | 15.9         | 12.3         | 3.4          | 27.8                  |
| The Public Administration and International Relations                           | 102.7        | 84.5         | 2.7          | 3.2                   | 99.6         | 69.9         | 8.4          | 12.1                  |
| The Social Protection, Culture and Recreation                                   | 13.0         | 12.7         | 0.5          | 3.7                   | 9.6          | 9.0          | 1.4          | 16.2                  |
| <b>Total</b>  | <b>494.9</b> | <b>320.9</b> | <b>12.1</b>  | <b>3.8</b>            | <b>446.2</b> | <b>258.2</b> | <b>35.6</b>  | <b>13.8</b>           |

Source: Office of Controller of Budget

The Health sector received the highest percentage of Development exchequer issues to net estimates at 11.9 per cent, though, a decline from the 27.8 per cent recorded in the same period in the last financial year. Conversely, the Education sector received the lowest percentage of Development exchequer issues to net estimates at 1.9 per cent, a decline from 5.5 per cent recorded in the same period last financial year.

### 3.3 Donor Releases

In the FY2014/15, the Government budgeted to raise a total of Kshs.187.8 billion from the development partners to supplement resources for development expenditure. The donor funds comprise of; Loans Revenue (Kshs.36.2 billion), Grants Revenue (Kshs.10 billion), Loans A.I.A (Kshs.100.1 billion) and Grants A.I.A (Kshs.41.4 billion). The actual disbursements in the first quarter of FY2014/15 were Kshs.14.8 billion representing 7.9 per cent of the gross estimates. Grants revenue realized was the highest at 16.4 percent of the gross estimates in the period under review while grants A.I.A was the lowest at 3.2 percent of the target.

**Table 3.6: Summary of Grants and Loans Disbursement for FY2014/15 (Kshs. Billion)**

| Funding Type   | Estimates FY 2014/2015 | Cumulative Disbursement as at Sept 2014 |                                     | Q1, FY 2013/14 |                                       |
|----------------|------------------------|---|-------------------------------------|----------------|---------------------------------------|
|                |                        | Disbursements                           | % Disbursed against Gross Estimates | Disbursements  | % Disbursed against Printed Estimates |
| Loans Revenue  | 36.2                   | 5.1                                     | 14.1%                               | 2.81           | 6.10                                  |
| Grants Revenue | 10.0                   | 1.6                                     | 16.4%                               | 0.12           | 1.14                                  |
| Loans A.I.A    | 100.1                  | 6.8                                     | 6.8%                                | 1.70           | 1.26                                  |
| Grants A.I.A   | 41.4                   | 1.3                                     | 3.2%                                | 0.21           | 0.43                                  |
| Totals         | 187.8                  | 14.8                                    | 7.92%                               | 4.84           | 2.01                                  |

Source: National Treasury 2014.

### 3.4 Consolidated Fund Services (CFS)

The CFS was allocated Kshs.415.6 billion during the FY 2014/15. The Public debt had the highest allocation of Kshs.378.0 billion which represents 91.0 per cent of total allocation to the CFS. As at 30<sup>th</sup> September, 2014; cumulative exchequer issues to the CFS amounted to Kshs.125.7 billion. This included Kshs.118.0 billion for servicing public debt obligations, Kshs. Ksh.6.3 billion and Kshs.650 million for Pensions & Gratuities, and Constitutional office holders' salaries and allowances respectively. During the period under review, total CFS expenditure was Kshs.142.7 billion, or an absorption rate of 34 per cent.

**Table 3.7: Cumulative Expenditures from CFS (Kshs. Millions)**

| CFS                         | Gross Estimates  | Net Estimates    | Exchequer Issues | Actual Expend.   | Exchequer Issues as % Net Est. | Expenditure as a % of Gross Estimates |             |
|-----------------------------|------------------|------------------|------------------|------------------|--------------------------------|---------------------------------------|-------------|
|                             |                  |                  |                  |                  |                                | 2014/2015                             | 2013/2014   |
| Public Debt                 | 378,010.4        | 378,010.4        | 118,592          | 135,927.5        | 31.4%                          | 36%                                   | 6.5%        |
| Pensions and Gratuities     | 32,356.0         | 32,356.0         | 6,266            | 6,012.9          | 19.4%                          | 19%                                   | 17.9%       |
| Salaries and Allowances     | 4,071.4          | 4,071.4          | 650              | 570.2            | 16.0%                          | 14%                                   | 11.8%       |
| International Organisations | 0.5              | 0.5              | -                | -                | 0.0%                           | 0%                                    | 0%          |
| Miscellaneous Services      | 128.0            | 128.0            | -                | -                | 0.0%                           | 0%                                    | 0%          |
| Guaranteed Loans            | 1,013.1          | 1,013.1          | 207              | 181.2            | 20.4%                          | 18%                                   | 14.7%       |
| <b>Total</b>                | <b>415,579.5</b> | <b>415,579.5</b> | <b>125,715</b>   | <b>142,691.8</b> | <b>30.3%</b>                   | <b>34%</b>                            | <b>7.7%</b> |

Source: National Treasury

#### 3.4.1 Sovereign Bond Proceeds

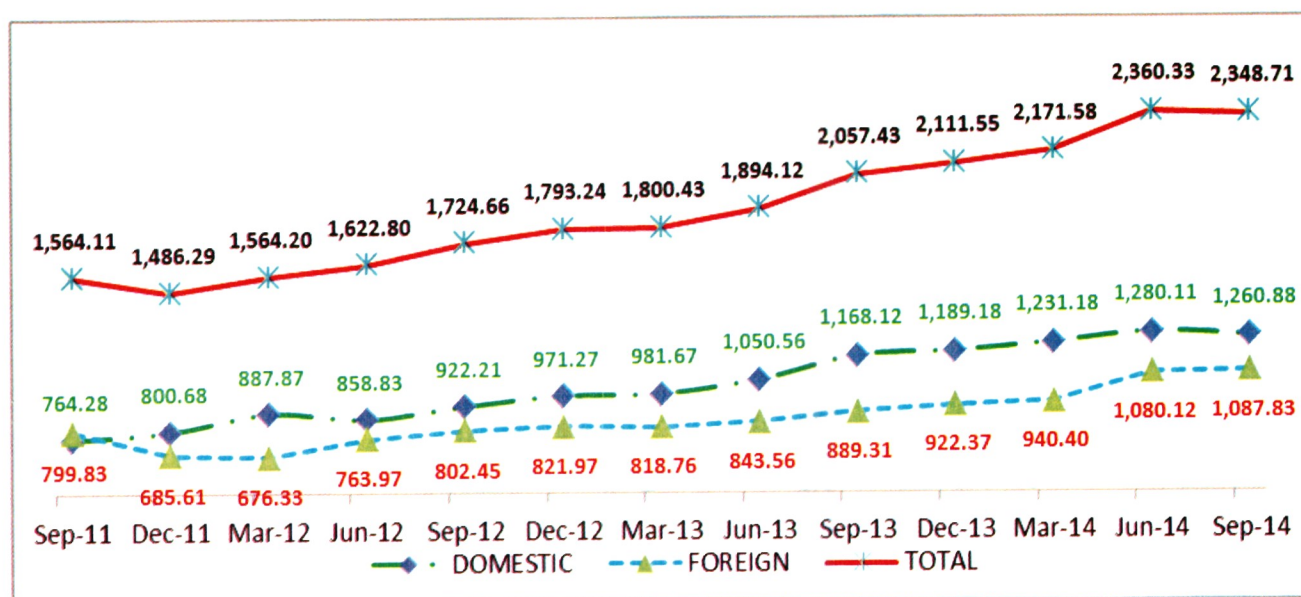
At the end of last financial year, the government secured a Sovereign Bond of USD 2 billion or approximately Kshs.178 billion. The bond was meant to; (i) fund development projects, and (ii) repay the syndicated loan. However, part of the proceeds amounting to Kshs.50 billion was used to meet shortfall in domestic borrowing. Table 3.8 provides a breakdown on how the Sovereign Bond proceeds were utilised.

**Table 3.8: Sovereign Bond Proceeds Allocation**

| Details (use of proceeds)   | Amount in Kshs. Bn |
|---|--------------------|
| Repayment of Syndicate Loan   | 53.8               |
| Transfers to Exchequer for Infrastructure Projects                      | 35.2               |
| Amount transferred to Exchequer to meet shortfall in domestic borrowing | 50.0               |
| Balance in Special Account at CBK as of 9/30/2014                       | 38.5               |
| <b>Total</b>  | <b>177.5</b>       |

### 3.4.2 Public Debt

The current public debt stock stood at Kshs.2.3 trillion as at 30<sup>th</sup> September, 2014 comprising of Kshs.1.2 trillion and Kshs.1.1 trillion for both domestic and foreign debt respectively. During the period under review, cumulative exchequer amounting to Kshs.118.8 billion was released to service public debt. Actual expenditure on servicing public debt obligations was Kshs.135.9 billion or an absorption rate of 36 per cent of the annual allocation to public debt. This actual expenditure exceeded exchequer issues by Kshs.17.1 billion. It is therefore, necessary to undertake urgent reconciliation and verification of the Public Debt account.

**Figure 3.1: Upblic Debt Stock (Sept. 2011 to Sept. 2014) Kshs. Billions**

National Treasury, Public Debt Management Office

#### 3.4.2.1 Domestic Debt

In the three month's period to 30th September, 2014, a total of Kshs.110.4 billion was issued towards repayment of domestic debt. This comprised of Kshs.81.4 billion for debt redemption and Kshs.29.0 billion for interest payment.

Actual expenditure for the period amounted to Kshs.72.2 billion comprising of Kshs.37.6 billion for redemption and Kshs.34.7 billion for interest repayment. Interest payment exceeds the exchequer issues for interest payment by Kshs.5.7 billion. It is therefore, essential to undertake an urgent reconciliation and verification of the Domestic Debt account to explain this difference.

### 3.4.2.2 Foreign Debt

The total foreign debt exchequer issues for the first quarter of FY 2014/2015 amounted to Kshs.8.3 billion comprising of Kshs.6.1 billion and Kshs.2.2 billion for principal and interest payments respectively. Actual expenditure in the same period amounted to Kshs.63.7 billion consisting of Kshs.59.8 billion for principal redemption and Kshs.3.9 billion for interest repayment. The reported expenditure is Kshs.57.6 billion more than what was issued to pay foreign debt obligations. This is partly explained by repayment of the Syndicated Loan of Kshs.53.8 billion from a special account into which, the Sovereign Bond proceeds were deposited. There is however, need to undertake an urgent reconciliation and verification of the Foreign Debt account to explain any other difference.

### 3.4.3 Guaranteed Debt to State Parastatals

A total of Kshs1.0 billion was allocated to service government –guaranteed loans in the FY 2014/15. The loans serviced during the period under review were for Tana Athi River Development Authority (TARDA) for irrigation rehabilitation project and Nairobi City Council for Umoja II Housing Project. The exchequer issues for the repayments of the two loans was Kshs.185.2 million and Kshs.22.6 million for principal and interest respectively as shown in the table below.

Actual debt repayment under this category amounted to Kshs.181.2 million which was 18 per cent of the gross estimates.

**Table 3.9: Exchequer Issues for Guaranteed Loans (Kshs)**

| Loan Title       | Principal          | Interest          | Total              |
|------------------|--------------------|-------------------|--------------------|
| Umoja II housing | 38,250,000         | 413,324           | 38,663,324         |
| TARDA            | 146,940,000        | 22,222,158        | 169,162,158        |
| <b>Total</b>     | <b>185,190,000</b> | <b>22,635,482</b> | <b>207,825,482</b> |

*Source: National Treasury*

### 3.4.4 Salaries and Allowances for Constitutional Office Holders

The National Government allocated Kshs.4.1 billion towards payment of salaries for the Constitutional Office holders in FY 2014/15. During the period under review, the Controller of Budget approved exchequer issues amounting to Kshs.650 million which represented 16 per cent of the annual allocation. Actual salaries and allowances paid out amounted to Kshs.570.2 million, or an absorption of 14 per cent of the gross estimates. This is an improvement from the 11.8 per cent absorbed in a similar period in FY 2013/14.

### 3.4.5 Pensions and Gratuities

During the FY 2014/15, Kshs.32.3 billion was allocated for payment of pensions and gratuities which represents 8 per cent of the total allocation (Kshs.415.6 billion) to CFS. In the FY 2013/14, this category was allocated Kshs.38 billion or 10 per cent of the Kshs.380 billion allocated for CFS.

In the period under review, the COB approved release amounting to Kshs.6.3 billion for the payment of pension and gratuities. Actual expenditure for the quarter was Kshs.6 billion representing and absorption of 19 per cent of the gross estimates.

### 3.5 Overall Budget Performance

In the first quarter of FY 2014/15, Kshs.310.4 billion was issued to finance the national and county governments' operations, representing 19.5 per cent of the total annual net estimates. This amount comprised of Kshs.290.7 billion for recurrent activities, Kshs.12.1 billion and Kshs.9.1 billion for development activities and county governments respectively. Besides the Kshs.9.1 billion issued to the county governments from the Exchequer Account, the National Treasury also advanced Kshs.28.5 billion to counties due to the delay in the approval of the County Allocation of Revenue Act, 2014.

The National Government spent Kshs.332.2 billion attaining overall absorption rate of 21 per cent of the net estimates. This expenditure consisted of Kshs.276.4 billion and Kshs.55.3 billion on recurrent and development activities respectively. Table 3.10 summarises the overall performance on the budget.

**Table 3.10: Overall Budget Performance (Kshs. Billions)**

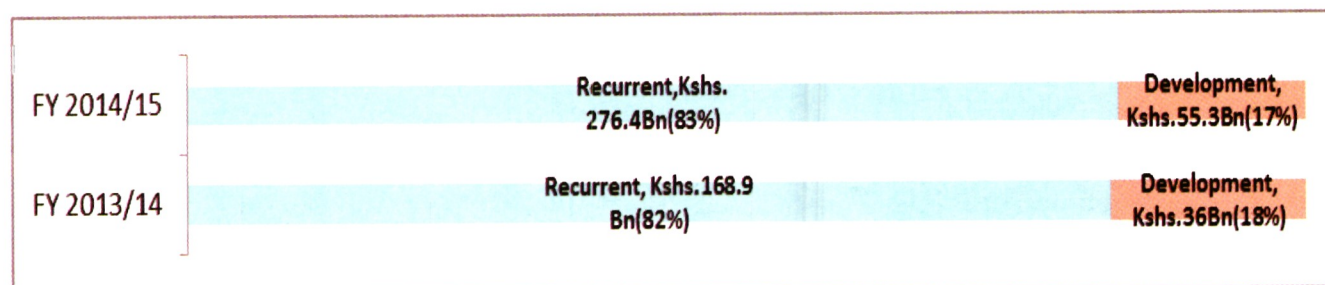
| Class              | FY 2014/15            |                      |                     |                |                                 |                    | FY 2013/14     |                |              |              |
|--------------------|-----------------------|----------------------|---------------------|----------------|---------------------------------|--------------------|----------------|----------------|--------------|--------------|
|                    | Annual Gross Estimate | Annual Net Estimates | Q1 Exchequer Issues | Q1 Expenditure | % of Exchequer to Net Estimates | Q1 Absorption Rate | Gross Estimate | Net Estimate   | Expenditure  | Absorption   |
| Recurrent          | 1,103.1               | 1,041.4              | 290.7               | 276.4          | 27.9                            | 25.0               | 990.8          | 937.7          | 168.9        | 17.0%        |
| Development        | 494.9                 | 320.9                | 12.1                | 55.3           | 3.8                             | 11.2               | 446.2          | 258.2          | 36.0         | 8.1%         |
| County Governments | 242.4**               | 228.5                | 9.1                 | 44.0*          | 4.0                             | 18.2               | 210.0**        | 193.4          | 13.3         | 6.3%         |
| <b>Total</b>       | <b>1,840.1</b>        | <b>1,590.5</b>       | <b>310.4</b>        | <b>375.7</b>   | <b>19.5</b>                     | <b>20.4</b>        | <b>1,647.0</b> | <b>1,389.3</b> | <b>218.2</b> | <b>13.2%</b> |

Source: National Treasury and MDAs

\* Provisional expenditure for the County Governments

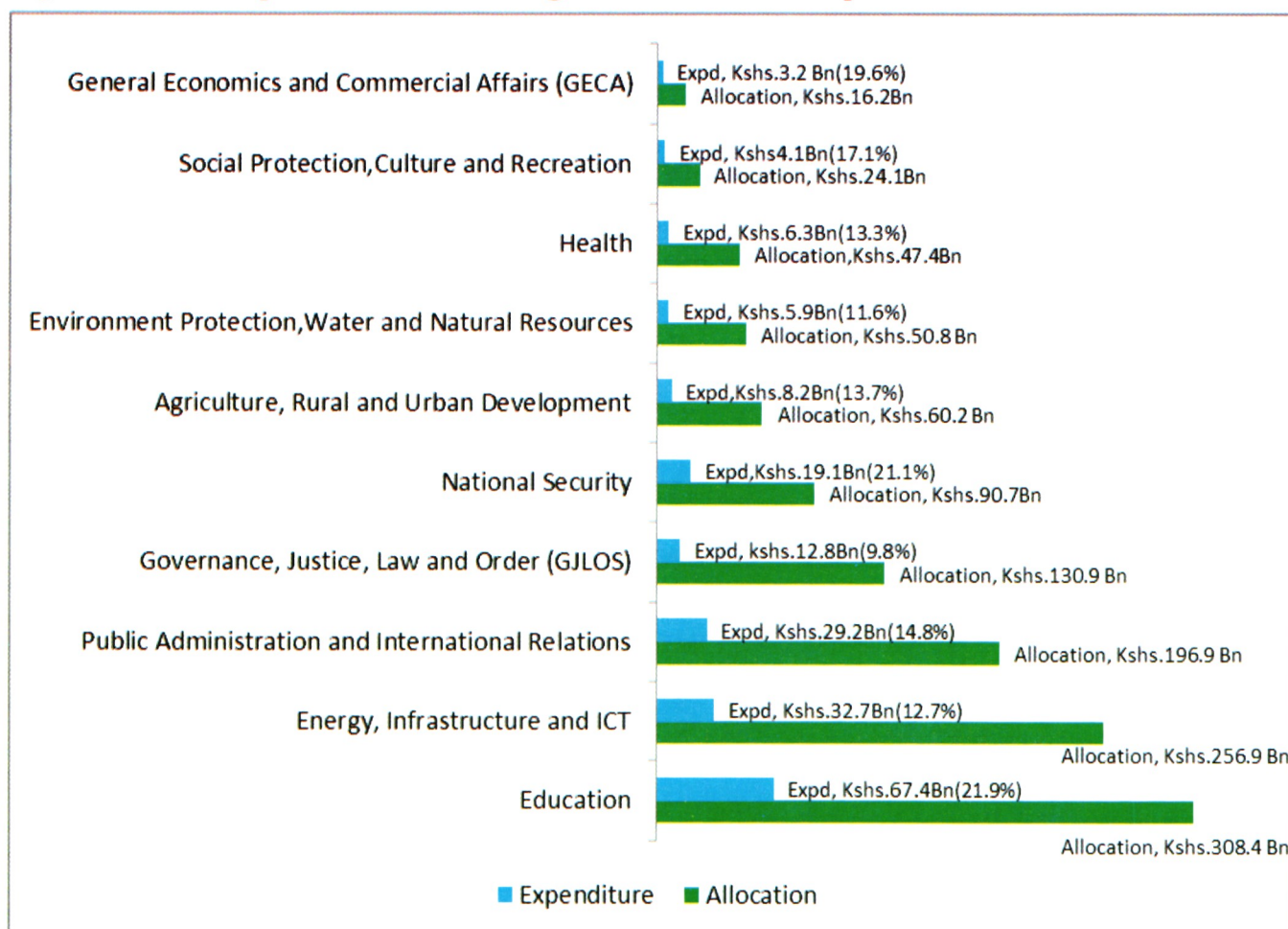
\*\* Does not include expenses to be financed by revenue from local sources

### Figure 3.2: Composition of Expenditure



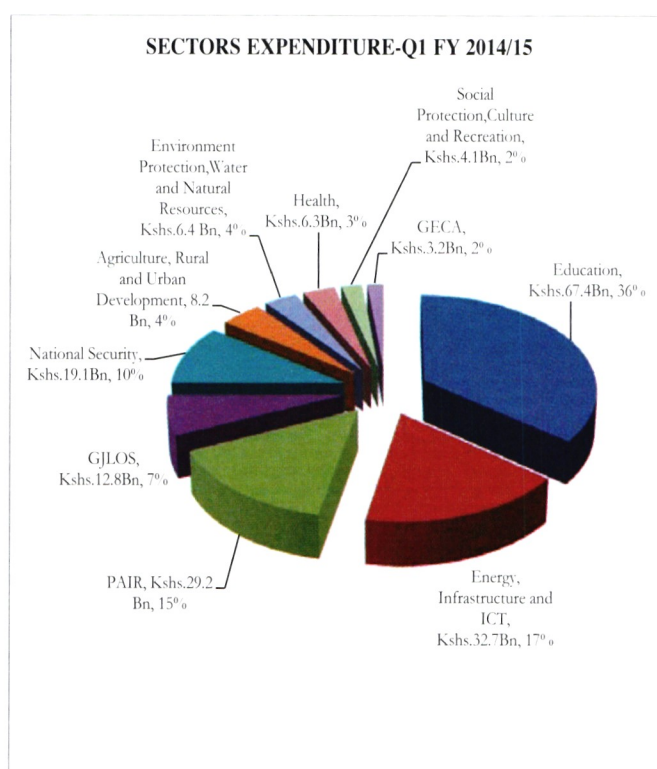
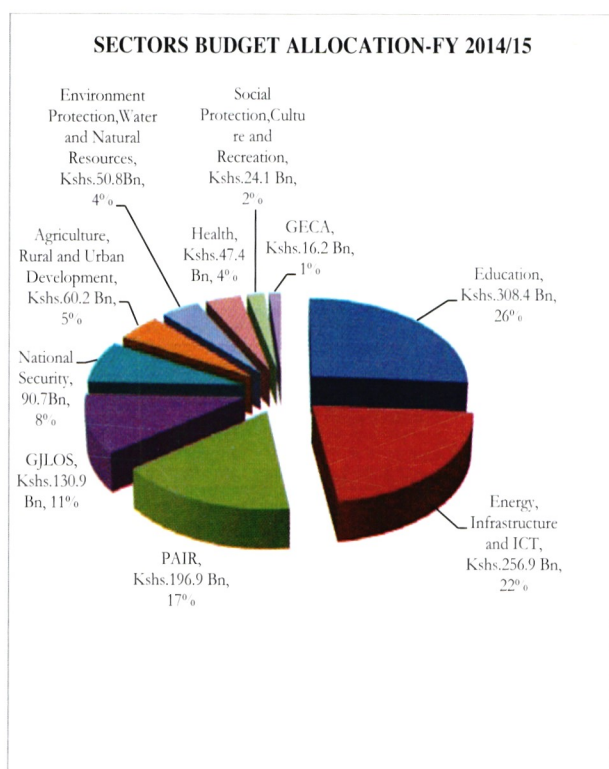
Source: National Treasury and MDAs

**Figure 3.3: Comparison of Sector Budget Allocations and Expenditure for FY 2014/15**



Source: National Treasury and MDA

**FY 2014/15 BUDGET SECTORAL ALLOCATION AND FIRST QUARTER EXPENDITURE**



### 3.6 MDAs Recurrent Expenditure Analysis

During the period under review, MDAs recurrent expenditure amounted to Kshs.133.7 billion, representing an absorption rate of 19.4 per cent of the annual recurrent gross estimates. Expenditure in a similar period in the previous financial year was Kshs.139.3 billion, an absorption rate of 22.8 per cent of the annual gross recurrent expenditure allocation. The recurrent expenditure incurred during the first quarter of FY 2014/15 represents a marginal decline from the recurrent expenditure reported in the first quarter of FY 2013/14.

Table 3.11 provides a detailed breakdown of recurrent expenditure by twelve categories. These are; personnel emoluments, domestic travel, foreign travel, hospitality, conferences and catering, training, printing and advertisement, rental and rates for non-residential buildings, motor vehicle maintenance, other assets maintenance, legal fees, transfers to SAGAs, and other expenses. Five MDAs have reported significant expenditure under the other expenses category. These are analysed below.

**National Treasury (kshs.1.34 billion):** Amount includes Kshs.865.6 million spent on operating expenses and Kshs. 417.2 million for insurance costs.

**Judiciary (Kshs.693.3 million):** Amount includes Kshs.301.3 million for Judiciary staff housing loans, Kshs.143.4 million as pension for judiciary staff, Kshs.93.6 million for contracted guards and cleaning services, Kshs.46 million for general office supplies and computer accessories, and Kshs.15 million for refined fuel and lubricants.

**State Department for Interior (Kshs.1.7 billion):** Expenditure includes Kshs.517.3 million for purchase of police and security equipment, Kshs.420 million payment for electricity, telephone, courier services, water and sewerage charges, Kshs.270.4 million for security operations, Kshs.79.5 million for food rations, Kshs.41.5 million for maintenance of motor vehicles and other assets, Kshs.37.3 million for staff uniform and clothing, and Kshs.23.7 million for purchase of NYS small machinery and other supplies.

**State Department for Education (Kshs.8.9 billion):** Expenditure includes Kshs.8.2 billion for the free primary and secondary school education programme, and Kshs.193.9 million for boarding expenses of low cost boarding primary schools.

**State Department for Science and Technology (Kshs.844.8 million):** Expenditure was a transfer to the Higher Education Loans Board.

Table 3.11: Breakdown of Recurrent Expenditure by MDAs (Kshs. Million) \*\*

| MINISTRY/STATE DEPARTMENT                                | Personnel Emoluments | Domestic Travel | Foreign Travel | Hospitality Conferences and Catering Costs | Training | Printing and Advertising | Rentals and Rates-Non Residential | Maintenance Expenses-Motor Vehicle | Maintenance Expenses-Other Assets | Legal Fee | Current Transfers to SAGAs | Others  | Total   |
|--|----------------------|-----------------|----------------|--|----------|--------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------|----------------------------|---------|---------|
| The Presidency   | 258.7                | 63.4            | 11.5           | 83.6                                       | 5.9      | 2.1                      | 3.5                               | 31.3                               | 3.1                               | -         | 43.1                       | 208.6   | 714.8   |
| Ministry of Foreign Affairs and International Trade      | 218.0                | 1.7             | 280.7          | 7.1  | 0.2      | 1.3                      | -                                 | 1.9                                | -                                 | -         | -                          | 86.9    | 597.7   |
| The National Treasury                                    | 434.4                | 1.8             | 10.4           | 17.1                                       | 7.5      | 0.5                      | 0.07                              | 1.0                                | 0.3                               | -         | 5,345.1                    | 1,339.5 | 7,157.7 |
| Ministry of Health                                       | 643.5                | 6.5             | 1.9            | 4.3  | 23.8     | 3.4                      | 6.4                               | -                                  | -                                 | 5.5       | 4,041.8                    | 242.6   | 4,979.6 |
| Ministry of Lands Housing, and Urban Development         | 50.9                 | 10.4            | 1.2            | 3.8  | 1.5      | 1.1                      | 18.2                              | 2.2                                | 3.8                               | -         | 209.5                      | 65.7    | 368.3   |
| Ministry of Information & Communication and Technology   | 132.5                | 7.6             | 4.0            | 5.1  | 2.2      | 0.9                      | 30.2                              | 0.2                                | 1.1                               | 0.2       | 229.4                      | 15.3    | 428.6   |
| Ministry of Sports Culture and Arts                      | 68.2                 | 2.9             | 1.9            | 7.9  | 1.1      | 0.3                      | 9.7                               | 2.7                                | 1.0                               | -         | 540.3                      | 85.5    | 721.6   |
| Ministry of Labour Social Security and Services          | 380.6                | 4.8             | 5.6            | -  | 11.0     | 0.3                      | 0.0                               | 1.0                                | -                                 | 1.3       | 352.6                      | 364.6   | 1,121.9 |
| Ministry of Energy and Petroleum                         | 72.0                 | 2.5             | 1.1            | 3.4  | 7.1      | 0.0                      | 2.0                               | 0.4                                | 1.9                               | -         | -                          | 3.2     | 93.7    |
| Ministry of Industrialization and Enterprise Development | 127.2                | 11.2            | 5.5            | 3.4  | 6.1      | 2.8                      | 4.3                               | 4.1                                | -                                 | -         | 497.1                      | 9.1     | 670.8   |
| Ministry of Mining                                       | 73.0                 | 2.8             | 2.2            | 2.5  | 0.5      | 0.3                      | -                                 | 4.5                                | 4.4                               | -         | 8.4                        | 32.6    | 131.1   |
| Office of the Attorney General and Department of Justice | 209.3                | 0.7             | 4.8            | 1.3  | 1.2      | 0.6                      | 26.6                              | 0.1                                | -                                 | 1.4       | -                          | 355.9   | 601.8   |
| The Judiciary  | 966.8                | 60.2            | 2.4            | 18.6                                       | 0.3      | 15.6                     | 40.9                              | 17.5                               | 15.8                              | -         | 38.5                       | 693.3   | 1,869.9 |
| Ethics & Anti-Corruption Commission                      | -                    | -               | -              | -  | -        | -                        | -                                 | -                                  | -                                 | -         | -                          | -       | -       |
| Directorate of Public Prosecution                        | 1.0                  | 3.4             | (0.0)          | 8.8  | 1.7      | 0.1                      | -                                 | 0.0                                | -                                 | -         | -                          | 13.9    | 28.9    |
| Commission for Implementation of the Constitution        | 38.6                 | 3.9             | 0.01           | 4.1  | 0.6      | 9.0                      | 11.0                              | 2.5                                | 0.2                               | 1.1       | -                          | 11.0    | 82.0    |

| MINISTRY/STATE DEPARTMENT                                | Personnel Emoluments | Domestic Travel | Foreign Travel | Hospitality Conferences and Catering Costs | Training | Printing and Advertising | Rentals and Rates-Non Residential | Maintenance Expenses-Motor Vehicle | Maintenance Expenses Other Assets | Legal Fee | Current Transfers to SAGAs | Others  | Total    |
|--|----------------------|-----------------|----------------|--|----------|--------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------|----------------------------|---------|----------|
| Registrar of Political Parties                           | 13.9                 | 1.4             | -              | 0.7  | -        | 0.2                      | 7.1                               | -                                  | -                                 | -         | -                          | 1.0     | 24.3     |
| Witness Protection Agency                                | 22.6                 | 0.1             | 0.5            | 1.2  | 2.1      | 1.3                      | 5.9                               | 0.9                                | 0.1                               | -         | -                          | 42.7    | 77.4     |
| State Department for Interior                            | 5,700.4              | 62.4            | 2.8            | 8.4  | 52.0     | 1.0                      | 41.9                              | 12.7                               | -                                 | 58.7      | -                          | 1,680.6 | 7,621.0  |
| State Department for Coordination of National Government | 901.3                | 15.4            | 2.5            | 4.4  | 1.6      | 0.2                      | 26.8                              | 9.1                                | 0.5                               | -         | -                          | 183.0   | 1,144.7  |
| State Department for Planning                            | 2,486.2              | 12.2            | 1.9            | 15.6                                       | 6.6      | 1.3                      | 30.8                              | -                                  | -                                 | -         | 659.9                      | 254.7   | 3,469.1  |
| State Department for Devolution                          | 69.5                 | 1.6             | 0.9            | 1.0  | 0.5      | 0.1                      | 19.5                              | -                                  | -                                 | -         | 172.0                      | 2.1     | 267.2    |
| State Department for Education                           | 59.6                 | 3.2             | 2.1            | 2.4  | 0.3      | 0.2                      | 4.0                               | 2.1                                | -                                 | 0.3       | 4,087.0                    | 8,924.3 | 13,085.5 |
| State Department for Science and Technology              | 737.8                | 1.7             | 0.3            | -  | 0.4      | -                        | -                                 | -                                  | -                                 | -         | 8,112.5                    | 844.8   | 9,697.4  |
| State Department for Infrastructure                      | 273.9                | 0.6             | 0.3            | 0.6  | -        | 0.3                      | -                                 | 0.3                                | -                                 | 12.1      | 6,402.3                    | 0.3     | 6,690.7  |
| State Department for Transport                           | 35.5                 | 1.3             | 0.3            | 0.8  | 1.7      | 0.1                      | 0.4                               | 0.2                                | 0.1                               | -         | 228.1                      | 8.8     | 277.4    |
| State Department for Environment & Natural Resources     | 247.0                | 2.3             | 0.9            | 1.6  | 0.6      | 0.2                      | -                                 | -                                  | -                                 | -         | 1,283.5                    | 33.4    | 1,569.4  |
| State Department for Water & Regional Authorities        | 0.1                  | 4.4             | 1.3            | 0.6  | 1.2      | 0.1                      | 0.1                               | 0.5                                | 0.2                               | -         | 575.4                      | 17.2    | 601.1    |
| State Department for Agriculture                         | 243.5                | 5.9             | 1.6            | 0.7  | 0.2      | 0.2                      | -                                 | 1.2                                | 0.1                               | -         | 862.9                      | 7.3     | 1,123.7  |
| State Department for Livestock                           | 0.4                  | 0.4             | -              | 0.1  | 0.2      | -                        | -                                 | -                                  | -                                 | -         | 21.3                       | 347.4   | 369.8    |
| State department for Fisheries                           | 43.8                 | 1.2             | 0.1            | 0.6  | 1.9      | 0.1                      | -                                 | 0.2                                | 0.1                               | -         | 130.4                      | 4.0     | 182.3    |
| State Department for East African Affairs                | 24.7                 | 1.3             | 3.8            | 7.9  | 0.8      | 0.4                      | 9.5                               | 0.3                                | 0.1                               | -         | 488.9                      | 0.8     | 538.5    |
| State Department for Commerce & Tourism                  | 0.1                  | 4.1             | 18.8           | 12.2                                       | 0.3      | 0.1                      | 9.8                               | 0.5                                | 0.1                               | -         | 424.7                      | 11.4    | 482.2    |
| Kenya National Human Rights & Equality Commission        | 36.7                 | 0.8             | 0.3            | 0.1  | 0.9      | 0.7                      | 8.5                               | 0.8                                | -                                 | -         | -                          | 5.8     | 54.7     |

| MINISTRY/STATE DEPARTMENT                       | Personnel Emoluments | Domestic Travel | Foreign Travel | Hospitality Conferences and Catering Costs | Training | Printing and Advertising | Rentals and Rates-Non Residential | Maintenance Expenses-Motor Vehicle | Maintenance Expenses-Other Assets | Legal Fee | Current Transfers to SAGAs | Others   | Total     |
|---|----------------------|-----------------|----------------|--|----------|--------------------------|-----------------------------------|------------------------------------|-----------------------------------|-----------|----------------------------|----------|-----------|
| National Lands Commission                       | 70.8                 | 2.2             | 0.8            | 47.0                                       | 0.4      | 10.6                     | 0.2                               | 3.6                                | -                                 | -         | -                          | 45.3     | 180.9     |
| Independent Electoral and Boundaries Commission | 127.9                | 5.6             | 6.8            | 1.1  | 1.4      | 2.3                      | 28.6                              | 0.2                                | 0.1                               | 0.6       | -                          | 24.9     | 199.5     |
| Parliamentary Service Commission                | 2,292.9              | 557.6           | 94.2           | 65.4                                       | 3.5      | 80.7                     | 121.2                             | 8.5                                | 17.3                              | -         | -                          | 70.3     | 4,470.0   |
| Judicial Service Commission                     | -                    | 2.1             | 1.6            | 9.7  | 5.5      | 1.2                      | 1.4                               | -                                  | 0.0                               | -         | -                          | 0.2      | 21.9      |
| The Commission on Revenue Allocation            | 25.9                 | 2.4             | 2.0            | 1.6  | 0.9      | 0.5                      | 8.3                               | 0.6                                | 0.1                               | -         | -                          | 7.8      | 50.2      |
| Public Service Commission                       | 118.1                | 5.1             | 0.3            | 9.6  | 10.4     | 2.8                      | 1.9                               | 0.5                                | 0.4                               | -         | 0.3                        | 59.3     | 208.7     |
| Salaries & Remuneration Commission              | 28.6                 | 0.7             | 0.0            | 10.5                                       | 0.2      | 0.2                      | -                                 | 0.1                                | 0.0                               | -         | -                          | 4.6      | 45.0      |
| Teachers Service Commission                     | 41,203.0             | -               | -              | -  | -        | -                        | -                                 | -                                  | -                                 | -         | -                          | 197.2    | 41,400.2  |
| National Police Service Commission              | 36.5                 | 1.0             | -              | 0.8  | 0.0      | 0.1                      | 13.9                              | 0.2                                | -                                 | 0.0       | -                          | 3.4      | 55.8      |
| Auditor General                                 | 237.4                | 4.5             | 1.9            | 0.9  | 3.6      | 3.2                      | 5.1                               | 1.4                                | 2.3                               | -         | -                          | 161.5    | 421.8     |
| Controller of Budget                            | 44.9                 | 1.5             | 1.6            | 1.4  | 3.0      | 6.3                      | -                                 | 0.5                                | 0.1                               | 0.0       | -                          | 7.1      | 66.4      |
| The Commission on Administrative Justice        | 34.0                 | 0.4             | 0.1            | 1.1  | 0.2      | 0.1                      | 16.3                              | 0.6                                | 0.0                               | 0.8       | -                          | 9.6      | 63.1      |
| National Gender & Equality Commission           | -                    | -               | -              | -  | -        | -                        | -                                 | -                                  | -                                 | -         | -                          | 27.6     | 27.6      |
| Independent Police Oversight Authority          | 42.1                 | 3.7             | 0.1            | 1.1  | 0.3      | 1.8                      | 6.6                               | 0.3                                | 0.1                               | -         | -                          | 5.0      | 61.1      |
| <b>TOTAL</b>                                    | 58,832.9             | 890.9           | 480.8          | 380.1                                      | 171.4    | 154.4                    | 479.8                             | 114.7                              | 53.4                              | 82.0      | 34,754.9                   | 18,056.6 | 114,452.3 |
| Percentage (%)                                  | 51.4%                | 0.78%           | 0.42%          | 0.33%                                      | 0.15%    | 0.14%                    | 0.42%                             | 0.10%                              | 0.05%                             | 0.07%     | 30.37%                     | 15.78%   | 100%      |

Source: MDAs October 2014

\*\* Analysis does not include the National Security Sector (Ministry of Defence and NIS) which spent Kshs.19.1 billion in the first quarter of FY 2014/15.

As illustrated in table 3.11 the breakdown of the first quarter expenditure shows that 51 per cent of all the recurrent expenditure was on personnel emoluments totalling Kshs.58.8 billion. Current transfers to Semi-Autonomous Government Agencies (SAGAs) by Ministries were Kshs.34.8 billion and accounted for 30.4 per cent of the total recurrent expenditure.

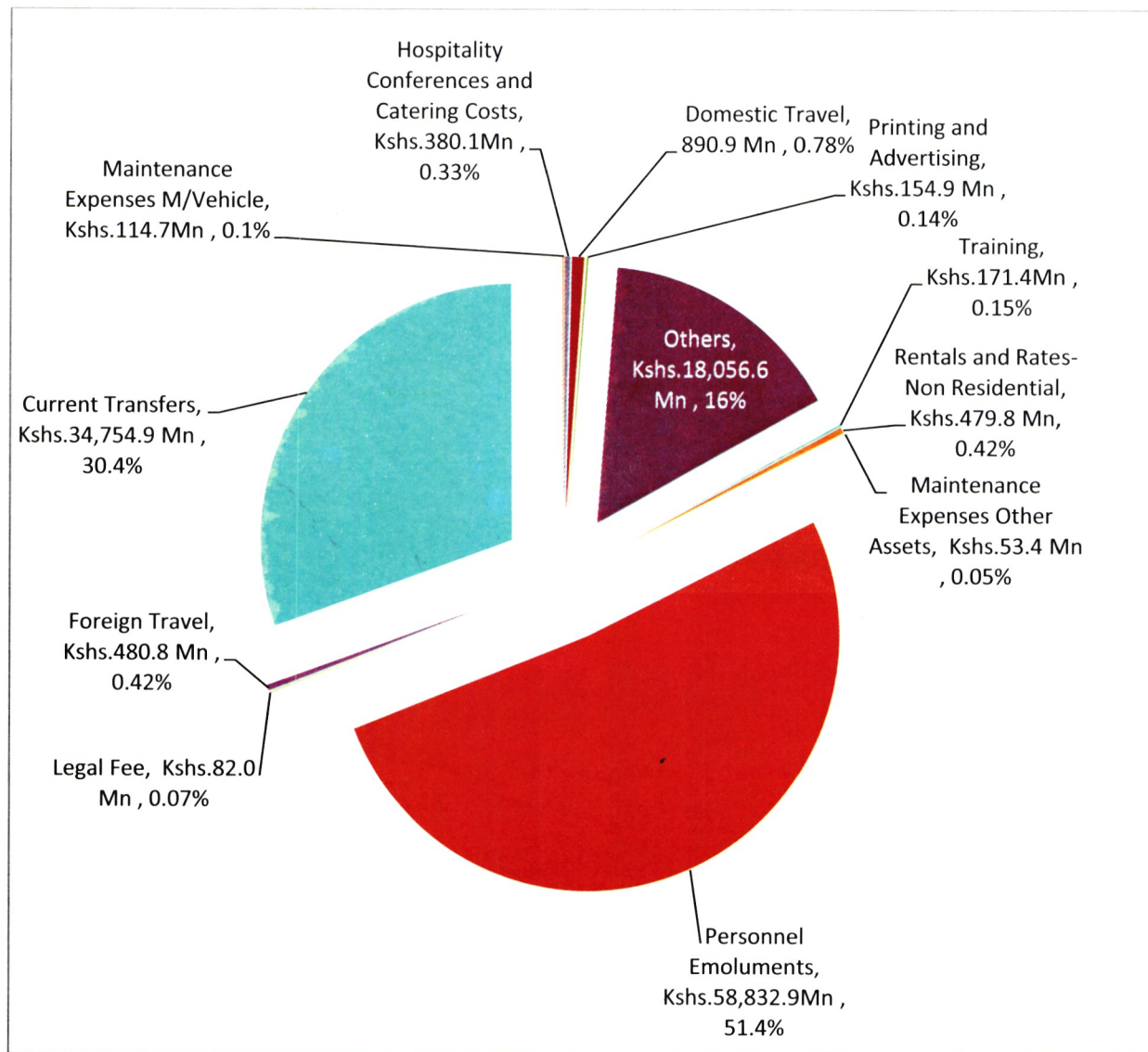
A review on the categorisation of MDAs' recurrent expenditure shows that the Teachers Service Commission incurred the highest expenditure on personnel emoluments at Kshs.41.2 billion on salaries to teachers. This was 69.9 per cent of the combined personnel expenditure by all MDAs.

The Ministry of Foreign Affairs had the highest expenditure on foreign travel at Kshs.280.7 million while the Parliamentary Service Commission had the highest expenditure on domestic travel at Kshs.557.6 million. This amount represents 60 per cent and 63 per cent of the total amounts spent by MDAs on foreign and domestic travel respectively. The high expenditure on foreign travel by the Ministry of Foreign Affairs is due to trips by diplomatic staff on foreign assignments in line with the Ministry mandate of promoting foreign relations as well as driving the country's international policy. The Parliamentary Service Commission incurred high domestic travel expenditure mainly due to mileage claim reimbursements to Members of Parliament.

The Parliamentary Service Commission also recorded the highest expenditure in three other categories namely; printing and advertising (Kshs.80.7 million), rentals and rates for non-residential buildings (Kshs.121.2 million) and maintenance of other assets (Kshs.17.3 Million). This expenditure for the three categories represented 56 per cent, 24 per cent and 34 per cent respectively of the MDAs' total specific-category spending.

The Presidency reported the highest expenditure on hospitality services at Kshs.83.6 million and maintenance of motor vehicles, at Kshs.31.3 million. This may be attributed to hosting of state functions and coordination of government business. The Ministry of Health incurred the highest expenditure on training at Kshs.23.8 million attributable to training of health workers.

Figure 3.4: MDAs Recurrent Expenditure Analysis for July-September 2014



Source: MDAs October 2014

### 3.7 MDAs Development Expenditure Analysis

In the first quarter of FY 2014/15 total development expenditure amounted to Kshs.55.8 billion representing an absorption rate of 11.3 per cent. This was a significant improvement compared to the Kshs.36.0 billion spent in a similar period in FY 2013/14, or an absorption rate of 8.1 per cent. The reported development expenditure of Kshs.55.8 billion is more than the development exchequer issues of Kshs.12.1 billion due to availability of FY 2014/15 opening balances and A-I-A resources generated by the MDAs. Table 3.12 contains a column on A-I-A showing development expenditure that is not funded by exchequer revenue.

The highest development expenditure was the transfers to national government entities at Kshs.33.6 billion, accounting for 60.2 per cent of the total MDAs development spending followed by expenditure on refurbishment of buildings, infrastructure works, and civil works at Kshs.19.0 billion or 34 per cent. The categories with the least expenditure were maintenance of other assets and motor vehicles at Kshs.157.1 million and Kshs.7.0 million respectively, accounting for 0.3 per cent and 0.01 per cent of the total MDAs' development expenditure.

Expenditure on contracted technical and professional services accounted for Kshs.268.6 million or 0.5 per cent of the total development expenditure. The Ministry of Information & Communication and Technology spent Kshs.211.1 million, the highest under this category, representing 78 per cent of the total MDAs expenditure in this category. The State department for Infrastructure had the highest capital transfers to its SAGAs amounting to Kshs.15.4 billion. This was 46 per cent of the total spending in this category.

Construction and purchase of non-residential buildings including offices, schools and hospitals amounted to Kshs.3.4 billion or 6.2 per cent of the total development expenditure while construction and purchase of residential buildings including hostels was Kshs.756.6 million accounting for 1.4 per cent of the total development expenditure. The Ministry of Education, Science and Technology (MOEST) whose role includes development of educational infrastructure had the highest expenditure for both non-residential and residential buildings at Kshs.1.9 billion and Kshs.617.4 million respectively. These amounts translated to 55 per cent and 84 per cent for the two expenditure categories respectively.

The State Department for Transport spent Kshs.10 billion on refurbishment of buildings, infrastructure and civil works representing 53 per cent of the Kshs.19 billion spent in this category. Table 3.12 and figure 3.5 illustrate how the MDAs utilised development resources by category.

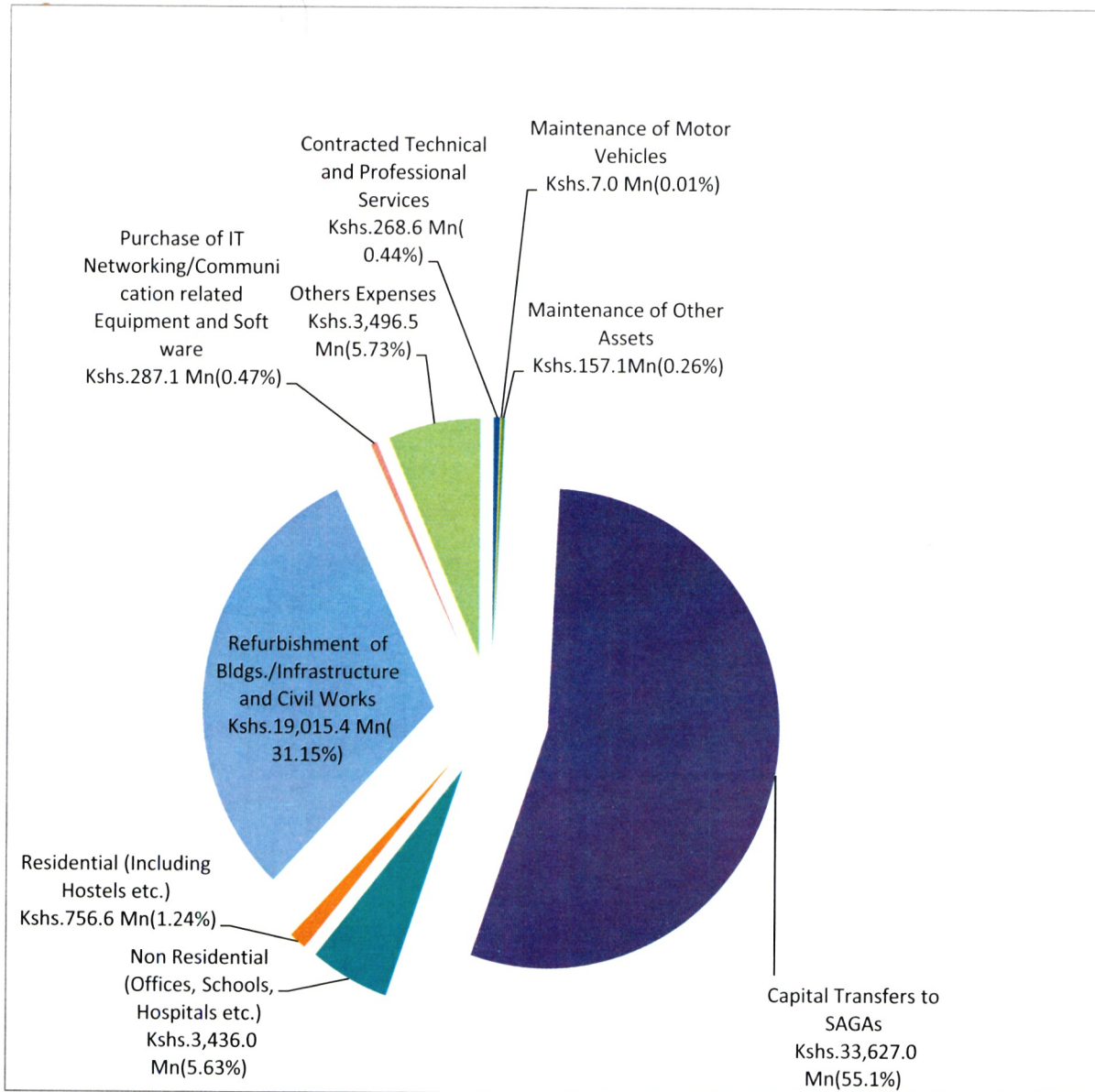
**Table 3.12: Development Expenditure Analysis (Kshs. Millions)**

| MDAs/STATE DEPARTMENT                                    | Contracted Technical and Professional Services | Maintenance of Motor Vehicles | Maintenance of Other Assets | Capital Transfers to SAGAs | Non Residential (Offices, Schools, Hospitals etc.) | Residential (Including Hostels etc.) | Refurbishment of Bldgs./ Infrastructure and Civil Works | Purchase of IT Networking/ Communication related Equipment and Soft ware | Others Expenses | (A-I-A) | Total Expenditure |
|--|--|-------------------------------|-----------------------------|----------------------------|--|--------------------------------------|---|--|-----------------|---------|-------------------|
| The Presidency   | -  | -                             | -                           | -                          | -  | -                                    | 104.0   | 4.5  | 5.4             | -       | 113.9             |
| Ministry of Foreign Affairs                              | -  | -                             | -                           | -                          | -  | -                                    | 1.3   | -  | -               | -       | 1.3               |
| The National Treasury                                    | -  | -                             | 15.1                        | 836.5                      | 236.2  | -                                    | 8.0   | 75.8   | 34.3            | -       | 1,205.9           |
| Ministry of Health                                       | -  | 0.0                           | 105.5                       | 625.5                      | -  | -                                    | -   | -  | 587.6           | -       | 1,318.7           |
| Ministry of Lands Housing, and Urban Development         | 11.4   | -                             | -                           | -                          | 728.6  | -                                    | 939.9   | -  | 397.1           | -       | 2,077.0           |
| Ministry of Information & Communication and Technology   | 211.1  | -                             | -                           | 599.7                      | -  | -                                    | -   | 16.2   | 85.7            | -       | 912.6             |
| Ministry of Sports Culture and Arts                      | -  | -                             | -                           | 100.0                      | -  | -                                    | 410.8   | -  | 28.7            | -       | 539.4             |
| Ministry of Labour Social Security and Services          | -  | -                             | -                           | 1,709.5                    | 29.6   | -                                    | 0.5   | 6.9  | 28.0            | (37.1)  | 1,737.4           |
| Ministry of Energy and Petroleum                         | 3.5  | -                             | -                           | -                          | -  | -                                    | 843.6   | -  | 17.9            | -       | 864.9             |
| Ministry of Industrialization and Enterprise Development | 2.9  | 0.4                           | -                           | 1,104.0                    | -  | -                                    | 200.0   | -  | 106.4           | -       | 1,413.7           |
| Ministry of Mining                                       | -  | -                             | 0.8                         | -                          | -  | -                                    | -   | 13.9   | 62.5            | -       | 77.2              |
| Office of the Attorney General and Department of Justice | -  | -                             | -                           | 56.8                       | -  | -                                    | -   | -  | -               | -       | 56.8              |
| The Judiciary  | -  | -                             | -                           | 96.7                       | 137.6  | -                                    | 6.4   | 89.9   | 0.2             | -       | 330.8             |
| State Department for Interior                            | -  | -                             | 6.7                         | -                          | -  | 14.8                                 | -   | 9.7  | 95.5            | -       | 126.6             |
| State Department for Coordination of National Government | -  | -                             | -                           | -                          | 12.4   | -                                    | 29.6  | 6.4  | 8.4             | -       | 56.8              |

| MDAs/STATE DEPARTMENT                                | Contracted Technical and Professional Services | Maintenance of Motor Vehicles | Maintenance of Other Assets | Capital Transfers to SAGAs | Non Residential (Offices, Schools, Hospitals etc.) | Residential (Including Hostels etc.) | Refurbishment of Bldgs./ Infrastructure and Civil Works | Purchase of IT Networking/ Communication related Equipment and Soft ware | Others Expenses | (A-I-A)          | Total Expenditure |
|--|--|-------------------------------|-----------------------------|----------------------------|--|--------------------------------------|---|--|-----------------|------------------|-------------------|
| State Department for Planning                        | 7.4  | 4.0                           | 26.5                        | 8,572.2                    | -  | 122.0                                | 973.5   | 34.1   | 244.5           | -                | 9,984.2           |
| State Department for Devolution                      | -  | -                             | -                           | 45.5                       | -  | -                                    | -   | -  | -               | -                | 45.5              |
| State Department for Education                       | -  | -                             | -                           | 134.9                      | 367.0  | 2.4                                  | 0.8   | 29.7   | (0.0)           | -                | 534.7             |
| State Department for Science and Technology          | 6.0  | -                             | -                           | 75.0                       | 1,879.3  | 617.4                                | 98.1  | -  | 36.7            | -                | 2,712.4           |
| State Department for Infrastructure                  | -  | -                             | -                           | 15,428.8                   | -  | -                                    | 2,346.8   | -  | 0.4             | (4,754.7)        | 13,021.3          |
| State Department for Transport                       | -  | -                             | -                           | 785.5                      | -  | -                                    | 10,022.6  | -  | 300.3           | (725.4)          | 10,383.0          |
| State Department for Environment & Natural Resources | 6.0  | 2.6                           | 2.4                         | 100.0                      | 10.5   | -                                    | 106.5   | -  | 160.9           | -                | 388.8             |
| State Department for Water & Regional Authorities    | 2.9  | -                             | -                           | 504.0                      | -  | -                                    | 2,615.6   | -  | 1,042.0         | -                | 3,123.6           |
| State Department for Agriculture                     | 17.5   | -                             | -                           | 2,133.6                    | -  | -                                    | -   | -  | 695.1           | (208.1)          | 2,638.0           |
| State Department for Livestock                       | -  | -                             | -                           | 632.0                      | -  | -                                    | -   | -  | -               | -                | 632.0             |
| State department for Fisheries                       | -  | -                             | -                           | 55.0                       | -  | -                                    | -   | -  | 600.1           | -                | 655.1             |
| State Department for Commerce & Tourism              | -  | -                             | -                           | 31.9                       | -  | -                                    | 40.0  | -  | -               | -                | 71.9              |
| Parliamentary Service Commission                     | -  | -                             | -                           | -                          | -  | -                                    | 267.4   | -  | -               | -                | 267.4             |
| Public Service Commission                            | -  | -                             | -                           | -                          | 34.9   | -                                    | -   | -  | -               | -                | 34.9              |
| <b>Total</b>   | <b>268.6</b>                                   | <b>7.0</b>                    | <b>157.1</b>                | <b>33,627.0</b>            | <b>3,436.0</b>                                     | <b>756.6</b>                         | <b>19,015.4</b>   | <b>287.1</b>   | <b>3,496.5</b>  | <b>(5,725.3)</b> | <b>55,325.9</b>   |
| <b>Percentage</b>                                    | <b>0.44%</b>                                   | <b>0.01%</b>                  | <b>0.26%</b>                | <b>55.08%</b>              | <b>5.63%</b>                                       | <b>1.24%</b>                         | <b>31.15%</b>   | <b>0.47%</b>   | <b>5.73%</b>    |                  |                   |

Source: MDAs and National Treasury

**Figure 3.5: Composition of Development Expenditure**



Source; MDAs and National Treasury

## 3.8 Recurrent and Development Expenditure Analysis by Sector

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

This sector is composed of five sub-sectors namely. The Ministry of Land, Housing and Urban Development, State Department for Agriculture, State Department for Livestock, State Department for Fisheries and the National Land Commission (NLC). This sector has significant contribution to the country's economy through provision of raw materials for agro-based industries, agricultural exports as well as availing food for consumption. The goal of the sector is to attain food security, sustainable land management, affordable housing and urban infrastructure development.

The budgetary allocation to the sector for FY 2014/15 is Kshs.60.2 billion which comprises of Kshs.44.3 billion (73.6 per cent) for development expenditure and Kshs.15.9 billion (26.4 per cent) for recurrent expenditure. The FY 2014/15 allocation is Kshs.6.9 billion more from the Kshs.53.3 billion allocated in FY 2013/14. The State Department for Agriculture had the highest budgetary allocation for both recurrent and development expenditure at Kshs.7.9 billion and Kshs.21.4 billion respectively. The State Department for Fisheries received the lowest recurrent budgetary allocation in the sector at Kshs.0.9 billion while the National Land Commission received the least allocation in the sector for development activities at Kshs.0.5 billion.

**Table 3.13: Analysis of Expenditure and Net Exchequer Issues for AR &UD Sector (Kshs. Billions)**

| Name of the Sub Sector                          | FY2014/15-Recurrent |             |              |            |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|---|---------------------|-------------|--------------|------------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
|   | Gross Est.          | Net Est.    | Exch. Issues | Exp.       | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| Ministry of Land, Housing and Urban Development | 4.1                 | 4.0         | 0.5          | 0.4        | 13.5                   | 9.0                  | 17.5                  | 15.4            | 0.7                 | 2.1         | 4.3                           | 11.9                        |
| State Department for Agriculture                | 7.9                 | 7.5         | 0.8          | 1.1        | 11.1                   | 14.2                 | 21.4                  | 17.6            | 1.0                 | 2.6         | 5.6                           | 12.3                        |
| State Department for Livestock                  | 1.8                 | 1.8         | 0.2          | 0.4        | 13.3                   | 20.1                 | 3.7                   | 3.3             | 0.1                 | 0.6         | 1.9                           | 17.1                        |
| State department for Fisheries                  | 0.9                 | 1.0         | 0.2          | 0.2        | 19.4                   | 18.8                 | 1.2                   | 1.1             | 0.1                 | 0.7         | 4.4                           | 56.4                        |
| National Land Commission                        | 1.2                 | 1.2         | 0.2          | 0.2        | 18.6                   | 15.6                 | 0.5                   | 0.5             | 0.0                 | 0.0         | -                             | -                           |
| <b>Total</b>                                    | <b>15.9</b>         | <b>15.5</b> | <b>2.0</b>   | <b>2.2</b> | <b>13.1</b>            | <b>13.9</b>          | <b>44.3</b>           | <b>38.0</b>     | <b>1.8</b>          | <b>6.0</b>  | <b>4.6</b>                    | <b>13.6</b>                 |
| <b>Total for the Sector-FY2014/15</b>           |                     |             |              |            |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>                                |                     |             |              |            |                        |                      | 15.9                  | 15.5            | 2.0                 | 2.2         | 13.1                          | 13.9                        |
| <b>Development</b>                              |                     |             |              |            |                        |                      | 44.3                  | 38.0            | 1.8                 | 6.0         | 4.6                           | 13.6                        |
| <b>Total</b>                                    |                     |             |              |            |                        |                      | <b>60.2</b>           | <b>53.4</b>     | <b>3.8</b>          | <b>8.2</b>  | <b>7.1</b>                    | <b>13.7</b>                 |

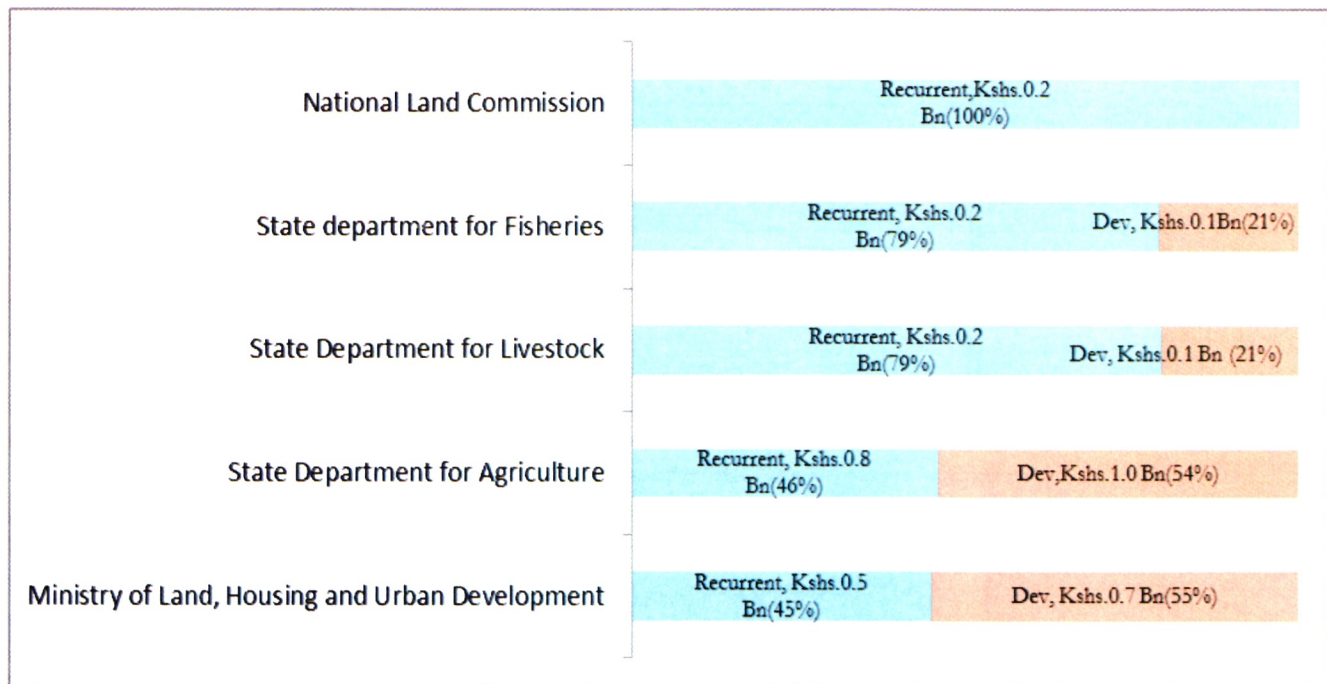
Source: MDAs and National Treasury

During the first quarter of FY 2014/15, the sector received exchequer issues amounting to Kshs.3.8 billion, or 7.1 per cent of the net estimates. The exchequer issues comprised of Kshs.2 billion for recurrent expenditure, or 13.1 per cent of the recurrent net estimates and Kshs.1.8 billion for development expenditure, or 4.6 per cent of development net estimates. The State Department for Fisheries received the highest proportion of the recurrent exchequer issues at 19.4 per cent of the net estimates while the State Department for Agriculture received the least proportion of recurrent exchequer issues at 11.1 per cent of the net estimates. The State Department for Agriculture received the highest share of exchequer for development activities at 5.6 per cent of the net estimates while the State Department for Livestock had the least proportion of exchequer issues for development activities at 1.9 per cent of the net estimates.

The sector spent a total of Kshs.8.2 billion which translates to an absorption rate of 13.7 per cent. This expenditure included Kshs.2.2 billion for recurrent activities, representing an absorption rate of 13.9 per cent of the gross recurrent estimates and Kshs.6 billion for development expenditure representing an absorption rate of 13.6 per cent of the gross development estimates. The State Department for Livestock registered the highest absorption rate for recurrent expenditure at 20.1 per cent while the Ministry of Land, Housing and Urban Development recorded the lowest absorption rate of recurrent budget at 9 per cent. The State Department for Fisheries had the highest absorption rate for development budget at 56.4 per cent while the Ministry of Land, Housing and Urban Development recorded the lowest absorption of development funds at 11.9 per cent.

In FY 2014/15, the government aims at expanding the Country’s agricultural output in order to increase food supply to ensure food security. One of the government’s flagship projects in agriculture is the Galana irrigation project which has been allocated Kshs.3.5 billion in the current financial year.

**Figure 3.6: AR &UD Sector Exchequer Issues**



Source: National Treasury

### 3.8.2 Education Sector

The Sector consists of the State Department of Education, State Department of Science and Technology, the Teachers Service Commission (TSC) and affiliated institutions. Education is a vital component in the realization of Kenya's Vision 2030 and a key economic and social right recognized by the Constitution of Kenya, 2010. As a result, the sector's goal is to increase access to education and training; improve quality and relevance of education, reduce inequality as well as exploit knowledge and skills in science, technology and innovation for global competitiveness.

In the FY 2014/15, this sector has been allocated Kshs.308.4 billion representing 16.8 per cent of the total budget. This is an increment of Kshs.32.2 billion compared to Kshs.276.2 billion allocated in FY 2013/14. This allocation comprises of Kshs.273.4 billion (89 per cent) for recurrent and Kshs.35.0 billion (11 per cent) for development activities.

The exchequer issues in the first quarter to the education sector amounted to Kshs.62.5 billion representing 22.1 per cent of the net estimates and consists of Kshs.61.9 billion for recurrent expenditure and Kshs.0.6 billion for development activities. Recurrent exchequer issues to the State Department for Education were Kshs.13.3 billion representing 26.6 per cent of the net estimates, the State Department for Science and Technology sub sector received Kshs.7.2 billion representing 19.5 per cent of the net estimates while TSC received 41.4 billion or 25.0 per cent of the net estimates. Development exchequer issues to the State Department for Science and Technology was 0.6 billion representing 5.6 per cent of the net estimates.

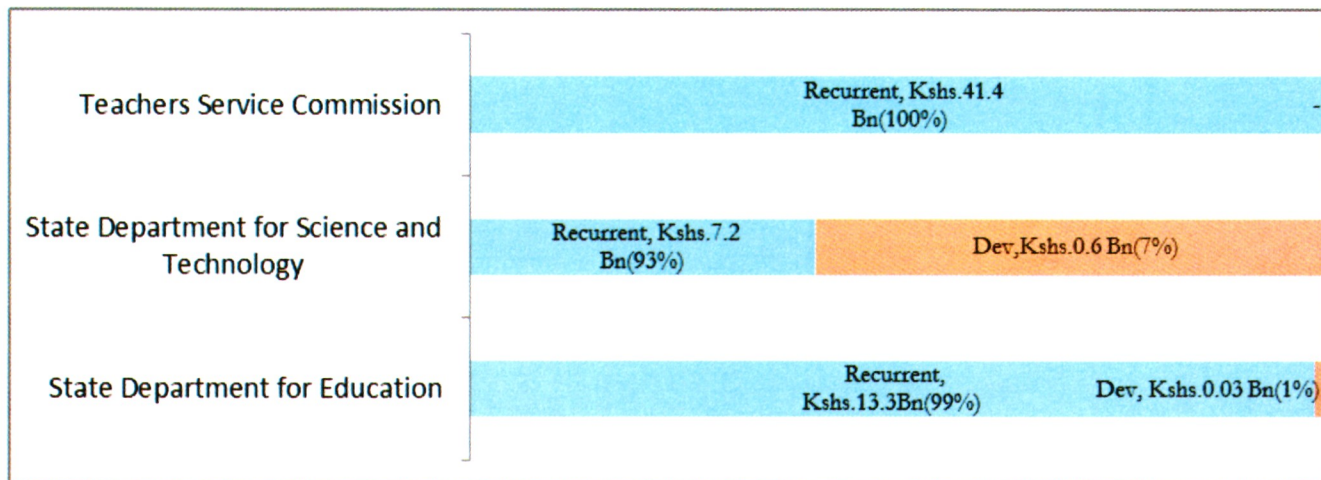
**Table 3.14: Analysis of Recurrent Expenditure and Net Exchequer Issues for Education Sector (Kshs. Billions)**

| FY 2014/15-Recurrent                       |            |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|--|------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
| Name of the Sub Sector                     | Gross Est. | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| State Department of Education              | 54.1       | 50.0     | 13.3         | 13.1 | 26.6                   | 24.2                 | 22.1                  | 20.3            | 0.0                 | 0.5         | 0.1                           | 2.4                         |
| State Department of Science and Technology | 53.8       | 37.1     | 7.2          | 9.7  | 19.5                   | 18.0                 | 12.7                  | 10.0            | 0.6                 | 2.7         | 5.6                           | 21.4                        |
| Teachers Service Commission                | 165.5      | 165.4    | 41.4         | 41.5 | 25.0                   | 25.1                 | 0.1/0.2               | -               | -                   | -           | -                             | -                           |
| <b>Total</b>                               | 273.4      | 252.4    | 61.9         | 64.2 | 24.5                   | 23.5                 | 35.0                  | 30.4            | 0.6                 | 3.2         | 1.9                           | 9.3                         |
| <b>Total for the Sector-FY2014/15</b>      |            |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>                           |            |          |              |      |                        |                      | 273.4                 | 252.4           | 61.9                | 64.2        | 24.5                          | 23.5                        |
| <b>Development</b>                         |            |          |              |      |                        |                      | 35.0                  | 30.4            | 0.6                 | 3.2         | 1.9                           | 9.3                         |
| <b>Total</b>                               |            |          |              |      |                        |                      | 308.4                 | 282.8           | 62.5                | 67.5        | 22.1                          | 21.9                        |

Source: MDAs and National Treasury

The sector’s expenditure in the first quarter of FY 2014/15 amounted to Kshs.67.5 billion representing an absorption rate of 21.9 per cent of the gross estimates. The sector spent Kshs.64.2 billion on recurrent activities and Kshs.3.2 billion on development activities which represented an absorption of 23.5 per cent and 9.3 per cent respectively.

**Figure 3.7: Education Sector Exchequer Issues**



Source: National Treasury

### 3.8.3 The Energy, Infrastructure and Information Communications Technology (EI & ICT) Sector

This sector comprises of four sub-sectors which includes; State department for Infrastructure, State Department for Transport, Ministry of Information Communication and Technology and Ministry of Energy and Petroleum. The sector is gearing towards becoming a world-class provider of cost-effective public utility infrastructure facilities and services in the areas of energy, transport and ICT that meet international standards to make Kenya a globally competitive country.

The EI & ICT sector was allocated a total of Kshs. 256.9 billion which translates to 14 per cent of the FY 2014/15 total budget. This is an increase of Kshs.40.4 billion from the Kshs.216.5 billion allocated in FY 2013/14. The allocation includes Kshs.35.6 billion for recurrent activities and Kshs.221.3 billion for development expenditure. The State Department for Infrastructure had the highest allocation for both recurrent and development activities at Kshs.25.8 billion and Kshs.99 billion respectively. Similarly, the Ministry of Information, Communication and Technology had the least allocation for both recurrent and development activities at Kshs.2 billion and Kshs.8.2 billion respectively.

Table 3.15 presents an analysis of expenditure and exchequer issues for the sector in the period under review.

**Table 3.15: Analysis of Expenditure and Exchequer Issues for EI & ICT Sector (Kshs. Billions)**

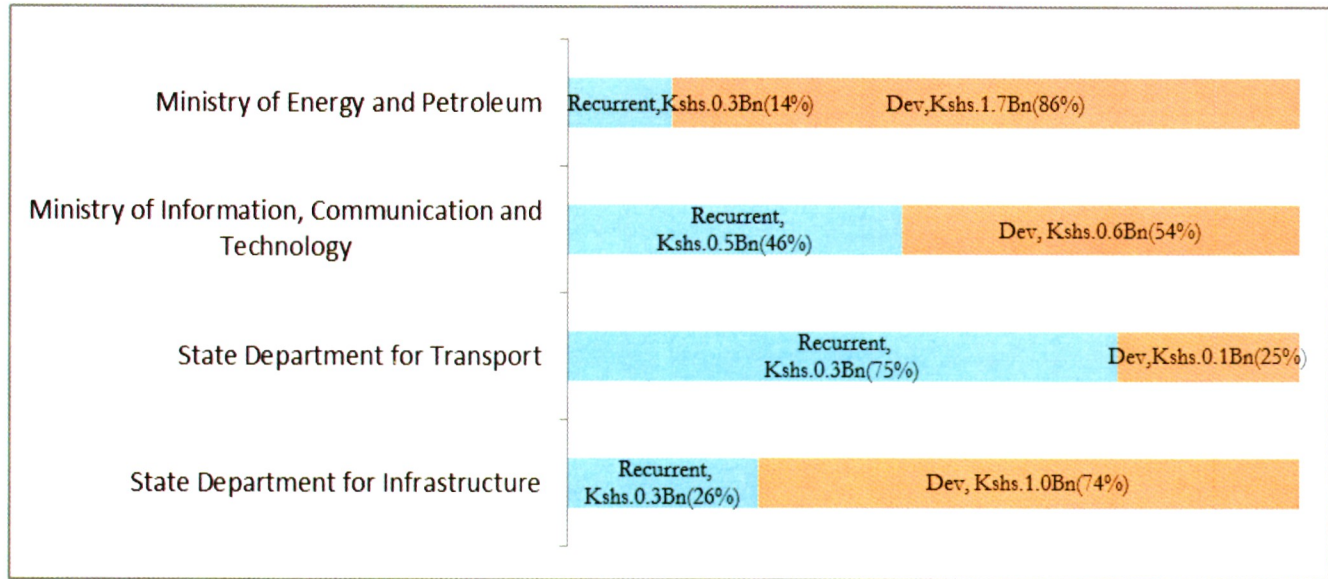
| Name of the Sub Sector                                | FY2014/15-Recurrent |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|---|---------------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
|   | Gross Est.          | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| State Department for Infrastructure                   | 25.8                | 1.4      | 0.3          | 6.7  | 23.7                   | 25.9                 | 99.0                  | 59.0            | 1.0                 | 13.0        | 1.7                           | 13.1                        |
| State Department for Transport                        | 5.8                 | 1.4      | 0.3          | 0.3  | 22.9                   | 4.8                  | 39.8                  | 7.8             | 0.1                 | 10.4        | 0.8                           | 26.1                        |
| Ministry of Information, Communication and Technology | 2.0                 | 1.9      | 0.5          | 0.4  | 25.2                   | 21.1                 | 8.2                   | 4.9             | 0.6                 | 0.9         | 11.8                          | 11.1                        |
| Ministry of Energy and Petroleum                      | 2.0                 | 1.7      | 0.3          | 0.1  | 15.9                   | 4.7                  | 74.3                  | 24.1            | 1.7                 | 0.9         | 7.0                           | 1.2                         |
| <b>Total</b>  | 35.6                | 6.5      | 1.4          | 7.5  | 21.9                   | 21.0                 | 221.3                 | 95.8            | 3.4                 | 25.2        | 3.5                           | 11.4                        |
| <b>Total for the Sector-FY2014/15</b>                 |                     |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>                                      |                     |          |              |      |                        |                      | 35.6                  | 6.5             | 1.4                 | 7.5         | 21.9                          | 21.0                        |
| <b>Development</b>                                    |                     |          |              |      |                        |                      | 221.3                 | 95.8            | 3.4                 | 25.2        | 3.5                           | 11.4                        |
| <b>Total</b>  |                     |          |              |      |                        |                      | 256.9                 | 102.3           | 4.8                 | 32.7        | 4.7                           | 12.7                        |

Source: MDAs and National Treasury

During the first quarter of FY 2014/15, the sector received exchequer issues amounting to Kshs.4.8 billion which translates to 4.7 per cent of the sector's net estimates. The exchequer issues comprised of Kshs.1.4 billion for recurrent activities and Kshs.3.4 billion for development projects representing 21.9 per cent and 3.5 per cent of the respective net estimates.

During the period July to September, 2014, the sector spent a total of Kshs.32.7 billion which translates to an absorption rate of 12.7 per cent of the gross estimates. This comprised of Kshs.7.5 billion expenditure on recurrent and Kshs.25.2 billion on development activities thereby attaining an absorption rate of 21 per cent and 11.4 per cent respectively.

The State Department for Infrastructure attained the highest absorption rate for recurrent expenditure at 25.9 per cent while the Ministry of Energy and Petroleum recorded the lowest absorption rate at 4.7 per cent. The State Department for Transport attained the highest absorption rate at 26.1 per cent on development activities while the Ministry of Energy and Petroleum registered the lowest absorption rate of 1.2 per cent.

**Figure 3.8: EI & ICT Exchequer Issues**

Source: COB and National Treasury

### 3.8.4 Environmental Protection, Water and Natural Resource Sector

This sector consists of three sub-sectors namely: State Department for Environment & Natural Resources; State Department for Water and Regional Authorities and Ministry of Mining. The sector endeavours to provide decent, secure and habitable environment as well as access to portable water. It also promotes mineral exploration and mining management, development of mineral development policies, conducting inventory and mapping of mineral resources.

In the FY 2014/15, the sector was allocated Kshs.50.8 billion which is 2.8 percent of the total budget estimates. This was a decrease of Kshs.6.3 billion from the Kshs.57.1 billion allocated in FY 2013/14. A total of Kshs.14.7 billion (29 per cent) was allocated for recurrent activities while Kshs.36.1 billion (71 per cent) towards development activities. State Department for Water and Regional Authorities received the highest allocation of Kshs.31.2 billion, or 61.5 percent of the sectors' total budget allocation. The Ministry of Mining was allocated the least amount of Kshs.1.9 billion representing 3.9 percent of the total sector budget.

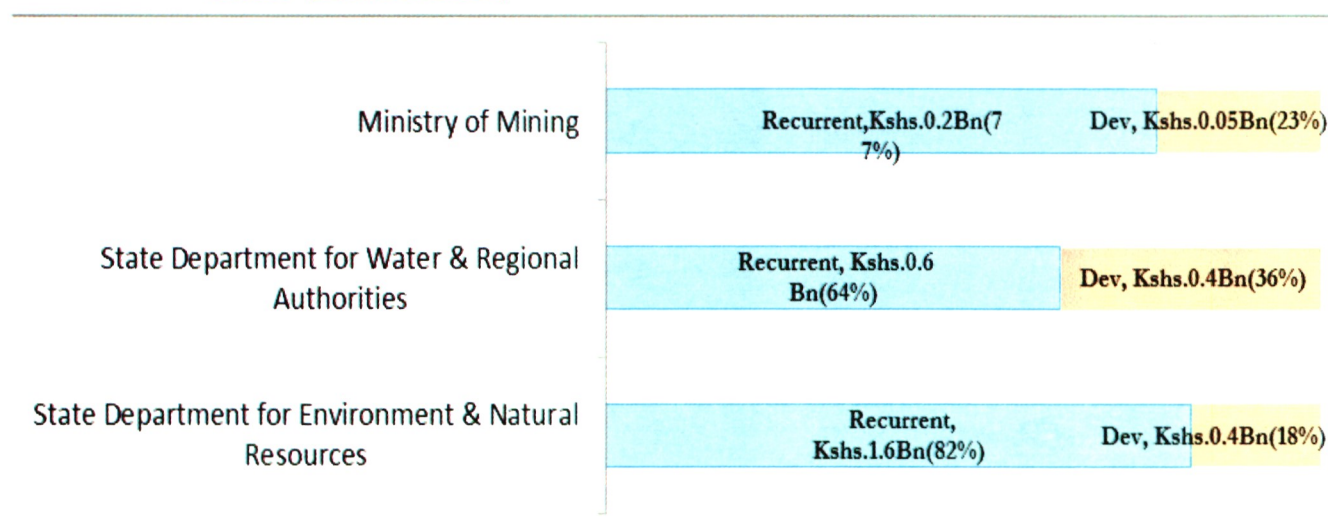
**Table 3.16: Analysis of the Environmental Protection, Water and Natural Resources Sector (Kshs. Billion)**

| Name of the Sub Sector                               | FY2014/15-Recurrent |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|--|---------------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
|  | Gross Est.          | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| State Department for Environment & Natural Resources | 9.7                 | 6.9      | 1.6          | 1.6  | 23.2                   | 16.1                 | 7.8                   | 6.4             | 0.4                 | 0.4         | 5.5                           | 5.0                         |
| State Department for Water & Regional Authorities    | 4.2                 | 2.1      | 0.6          | 0.6  | 30.0                   | 14.2                 | 27.0                  | 17.8            | 0.4                 | 3.6         | 2.0                           | 13.5                        |
| Ministry of Mining                                   | 0.7                 | 0.7      | 0.2          | 0.1  | 21.9                   | 18.2                 | 1.2                   | 1.2             | 0.0                 | 0.1         | 3.8                           | 6.2                         |
| <b>Total</b>   | 14.7                | 9.7      | 2.4          | 2.3  | 24.6                   | 15.7                 | 36.1                  | 25.5            | 0.8                 | 4.1         | 3.0                           | 11.4                        |
| <b>Total for the Sector-FY2014/15</b>                |                     |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>                                     |                     |          |              |      |                        |                      | 14.7                  | 9.7             | 2.4                 | 2.3         | 24.6                          | 15.7                        |
| <b>Development</b>                                   |                     |          |              |      |                        |                      | 36.1                  | 25.5            | 0.8                 | 4.1         | 3.0                           | 11.4                        |
| <b>Total</b>   |                     |          |              |      |                        |                      | 50.8                  | 35.2            | 3.1                 | 6.4         | 9.0                           | 12.6                        |

Source: The National Treasury and MDAs

The first quarter exchequer issues to the sector amounted to Kshs.3.1 billion which represents 9.0 per cent of the net estimates for the FY 2014/15. This amount includes Kshs.2.4 billion issued for recurrent activities and Kshs.0.8 billion for development projects representing 24.6 percent and 3.0 per cent of the net estimates respectively. The State Department for Water and Regional Authorities received the highest proportion of exchequer issues at Kshs.0.6 billion representing 30.0 per cent of the net estimates and the Ministry of Mining received the lowest, at Kshs.0.2 billion representing 21.9 per cent of the net estimates.

The total expenditure by the sector was Kshs.6.4 billion translating to an absorption rate of 12.6 per cent. The sector spent Kshs.2.3 billion on recurrent activities which represented an absorption rate of 15.7 per cent of the recurrent budget while a total of Kshs.4.1 billion was spent on development activities translating to an absorption rate of 11.4 per cent of the development budget. The Ministry of Mining had the highest absorption rate of the recurrent budget at 18.2 per cent while the State Department for Water and Regional Authorities recorded the least absorption rate of 14.2 per cent of the recurrent budget. Similarly, the State Department for Water and Regional Authorities recorded the highest absorption rate on development expenditure at 13.5 per cent whereas the State Department for Environment and Natural Resources absorbed the least at 5.0 per cent.

**Figure 3.9: Exchequer Issues for Environmental Protection, Water and Natural Resources Sector (Kshs. Billions)**

Source: National Treasury

### 3.8.5 General Economic and Commercial Affairs (GECA) Sector

The General Economic and Commercial Affairs (GECA) Sector comprises of three Sub-Sectors namely; Industrialization and Enterprise Development, State Department for East African Affairs and State Department for Commerce and Tourism. The sector aims at promoting regional integration and cooperation; growth and development of commerce; tourism promotion and development; savings and investment mobilization; employment creation; and industrial and entrepreneurship development. The sector contributes significantly to the overall national development agenda accounting for about 33 percent of the overall GDP. It is also a major source of government revenue in form of taxes, duties, license fees, National Park entry fees, among others.

The budgetary allocation to the sector in the FY 2014/15 was Kshs.16.2 billion consisting of Kshs.6.7 billion (41.4 per cent) for recurrent expenditure and Kshs.9.6 billion (58.6 per cent) for development expenditure. The sector's allocation for FY 2014/15 is an increase of Kshs.3.3 billion from the Kshs.12.9 billion allocated in FY 2013/14. The State Department for Commerce and Tourism was allocated the highest amount of Kshs.2.8 billion for recurrent expenditure while the State Department for East African Affairs was allocated the least at Kshs.1.6 billion. The Ministry of Industrialization and Enterprise Development was allocated the highest amount of Kshs.7.4 billion for development projects while the State Department for East African Affairs was allocated the least at Kshs.0.1 billion.

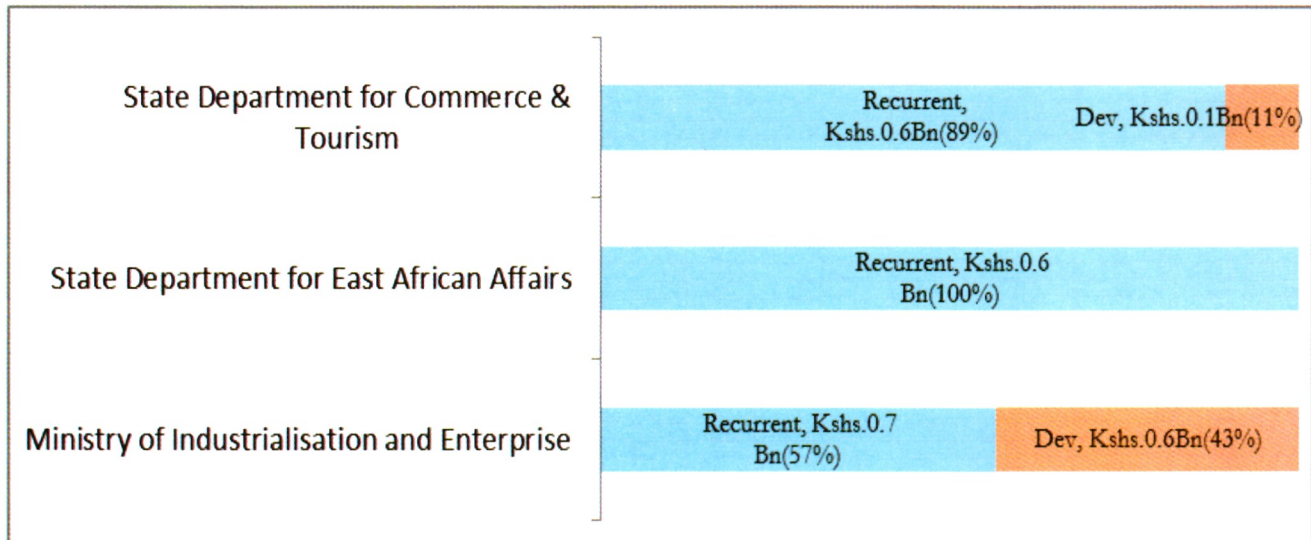
**Table 3.17: Analysis of the GECA Sector (Kshs. Billion)**

| Name of the Sub Sector                                   | FY2014/15-Recurrent |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|--|---------------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
|  | Gross Est.          | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| Ministry of Industrialisation and Enterprise Development | 2.3                 | 2.3      | 0.7          | 0.7  | 32.2                   | 29.4                 | 7.4                   | 6.9             | 0.6                 | 1.4         | 8.1                           | 19.0                        |
| State Department for East African Affairs                | 1.6                 | 1.6      | 0.6          | 0.5  | 34.0                   | 33.3                 | 0.1                   | -               | -                   | -           | -                             | -                           |
| State Department for Commerce & Tourism                  | 2.8                 | 2.7      | 0.6          | 0.5  | 22.1                   | 17.5                 | 2.1                   | 2.1             | 0.1                 | 0.1         | 3.4                           | 3.4                         |
| <b>Total</b>   | 6.7                 | 6.6      | 1.9          | 1.7  | 28.5                   | 25.4                 | 9.6                   | 9.0             | 0.6                 | 1.5         | 7.0                           | 15.5                        |
| <b>Total for the Sector-FY2014/15</b>                    |                     |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>   |                     |          |              |      |                        |                      | 6.7                   | 6.6             | 1.9                 | 1.7         | 28.5                          | 25.4                        |
| <b>Development</b>                                       |                     |          |              |      |                        |                      | 9.6                   | 9.0             | 0.6                 | 1.5         | 7.0                           | 15.5                        |
| <b>Total</b>   |                     |          |              |      |                        |                      | 16.2                  | 15.6            | 2.5                 | 3.2         | 16.1                          | 19.6                        |

Source: MDAs and National Treasury

The exchequer issues to the sector during the first quarter amounted to Kshs.2.5 billion or 16.1 per cent of the net estimates consisting of Kshs.1.9 billion for recurrent expenditure and Kshs.0.1 billion for development expenditure. The State Department for East African Affairs received the highest exchequer issues to net estimates at 34.0 per cent while the State Department for Commerce and Tourism had the least at 22.1 per cent. The Ministry of Industrialization and Enterprise Development received the highest development exchequer issues to net estimates at 8.1 per cent with the State Department for Commerce and Tourism receiving the lowest at 3.4 per cent of net estimates.

Total expenditure in the period under review was Kshs.3.2 billion representing an absorption rate of 19.6 per cent to the annual gross estimates. A total of Kshs.1.7 billion was spent on recurrent activities representing an absorption rate of 25.4 per cent while Kshs.1.5 billion was spent on development activities representing an absorption rate of 15.5 per cent. The State Department for East African Affairs spent Kshs.0.5 billion attaining the highest percentage to the annual recurrent net estimates while the State Department for Commerce and Tourism spent Kshs.0.5 billion and attained the lowest absorption rate of 22.1 per cent of the annual recurrent gross estimates. On development activities, the Ministry of Industrialization and Enterprise Development spent Kshs.1.4 billion, representing an absorption rate of 19.0 per cent of the annual gross development estimates while State Department for Commerce and Tourism spent Kshs.0.1 billion, representing an absorption rate of 3.4 per cent of the annual gross development estimates.

**Figure 3.10: Exchequer Issues for GECA**

Source: National Treasury

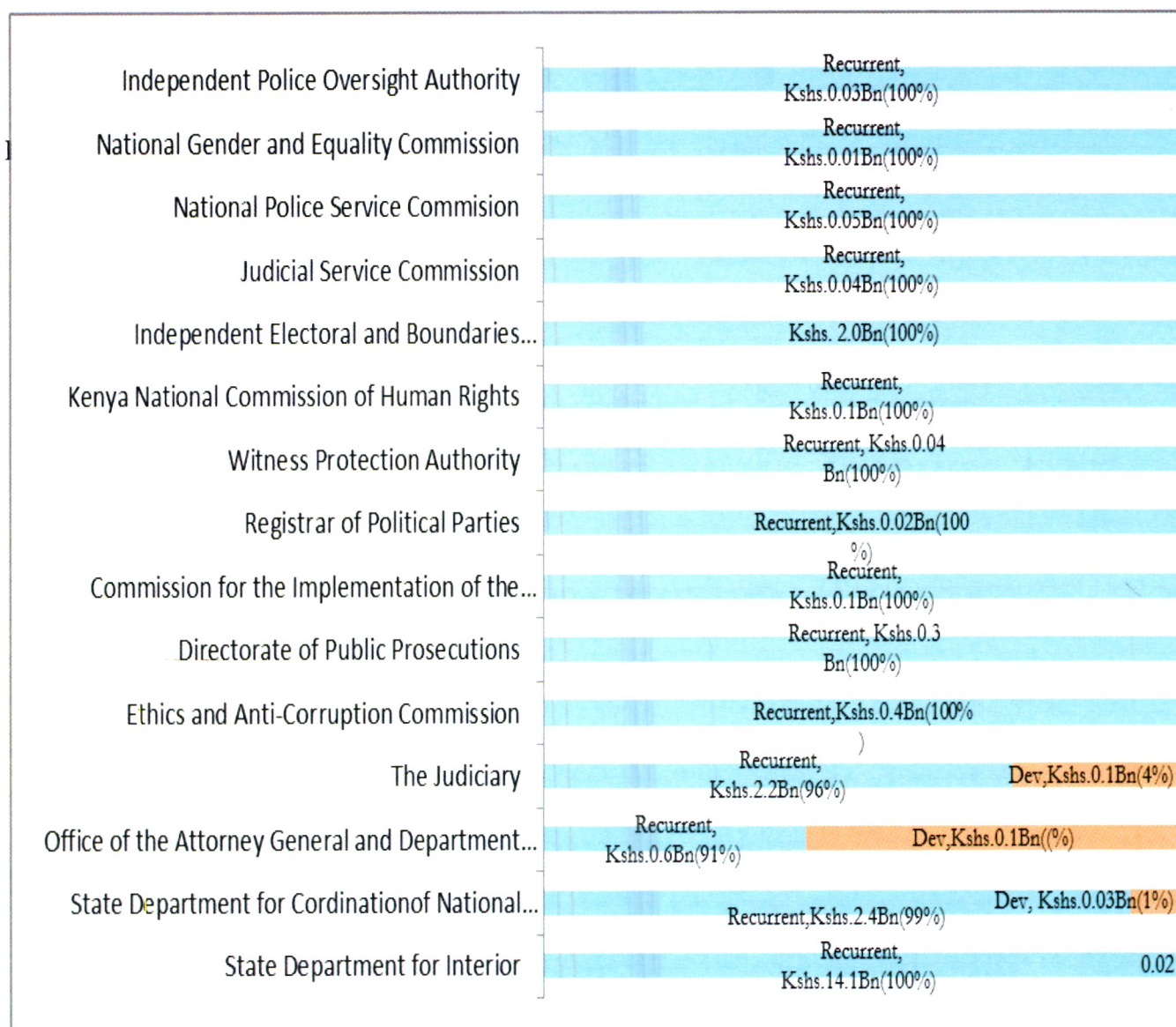
### 3.8.6 Governance, Justice, Law and Order Sector (GJLOS)

The GJLOS sector comprises of 14 sub-sectors that include; Ministry of Interior and Coordination of National Government, Office of the Attorney General and Department of Justice, Directorate of Public Prosecution(DPP), the Judiciary, Judicial Service Commission (JSC), Ethics and Anti-Corruption Commission (EACC), Kenya National Commission for Human Rights(KNCHR), Registrar of Political Parties (RPP), Witness Protection Agency(WPA), National Police Service Commission(NPSC), Independent Electoral and Boundaries Commission (IEBC), National Gender and Equality Commission (NGEC), Commission for Implementation of the Constitution (CIC) and Independent Police Oversight Authority(IPOA).

The role of the sector includes provision of security, prosecution services, management of elections and electoral boundaries, ensuring good governance and accountability of public resources, registration and regulation of political parties, facilitate and oversee constitution implementation. The sector also aims at protecting and promoting human rights, rehabilitation, reintegration and resettlement of custodial and non-custodial offenders, providing migration services, maintaining law and order, judicial and legal services and promotion of cohesion, transparency and integrity.

During the FY 2014/15, the sector was allocated Kshs.130.9 billion translating to 7.1 per cent of the total budget and an increase from the Kshs.125.7 billion for FY 2013/14. The sector allocated Kshs.119.2 billion (91 per cent) to recurrent activities and Kshs.11.7 billion (9 per cent) for development activities.

The exchequer issues to the sector during the first quarter amounted to Kshs. 22.5 billion or 17.3 per cent of the annual net estimates. The exchequer issues for recurrent expenditure to the sector were Kshs.22.3 billion representing 18.8 per cent of the gross annual recurrent estimates while the development exchequer issues were Kshs.0.2 billion representing 1.8 per cent of the annual gross development estimates.

**Figure 3.11: Analysis of Exchequer Issues for GJLOS (Kshs. Billions)**

Source: National Treasury

The total expenditure for the period under review was Kshs.12.9 billion which translates to an absorption rate of 10.3 per cent of the annual gross recurrent estimates. A total of Kshs.12.3 billion was spent on recurrent activities and Kshs.0.6 billion on development activities translating to an absorption rate of 10.3 per cent and 4.9 per cent respectively of the respective annual gross estimates.

**Table 3.18: Analysis of Recurrent Expenditure and Net Exchequer Issues for GJLOs (Kshs. Billions)**

| FY2014/15-Recurrent                                      |            |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|--|------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
| Name of the Sub Sector                                   | Gross Est. | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| State Department for Interior                            | 79.3       | 78.9     | 14.1         | 7.6  | 17.9                   | 9.6                  | 4.4                   | 4.3             | 0.0                 | 0.1         | 0.4                           | 2.9                         |
| State Department for Coordination of National Government | 15.4       | 15.4     | 2.4          | 1.1  | 15.9                   | 7.4                  | 0.7                   | 0.7             | 0.0                 | 0.1         | 4.6                           | 8.6                         |
| Office of the Attorney General and Department of Justice | 3.7        | 3.4      | 0.6          | 0.6  | 17.3                   | 16.2                 | 0.5                   | 0.2             | 0.1                 | 0.1         | 24.5                          | 10.6                        |
| The Judiciary  | 11.9       | 11.9     | 2.2          | 1.9  | 18.3                   | 15.8                 | 5.6                   | 5.6             | 0.1                 | 0.3         | 1.6                           | 5.9                         |
| Ethics and Anti-Corruption Commission                    | 1.5        | 1.5      | 0.4          | 0.3  | 23.3                   | 21.7                 | 0.3                   | 0.1             | -                   | -           | -                             | -                           |
| Directorate of Public Prosecutions                       | 1.7        | 1.7      | 0.3          | 0.03 | 15.7                   | 1.6                  | 0.1                   | 0.1             | -                   | -           | -                             | -                           |
| Commission for the Implementation of the Constitution    | 0.3        | 0.3      | 0.1          | 0.1  | 33.2                   | 26.8                 | -                     | -               | -                   | -           | -                             | -                           |
| Registrar of Political Parties                           | 0.5        | 0.5      | 0.02         | 0.02 | 3.3                    | 5.2                  | -                     | -               | -                   | -           | -                             | -                           |
| Witness Protection Authority                             | 0.2        | 0.2      | 0.04         | 0.1  | 17.7                   | 31.0                 | -                     | -               | -                   | -           | -                             | -                           |
| Kenya National Commission of Human Rights                | 0.4        | 0.4      | 0.1          | 0.1  | 16.0                   | 15.4                 | -                     | -               | -                   | -           | -                             | -                           |
| Independent Electoral and Boundaries Commission          | 3.0        | 3.0      | 2.0          | 0.3  | 66.4                   | 10.8                 | 0.1                   | 0.1             | -                   | -           | -                             | -                           |
| Judicial Service Commission                              | 0.4        | 0.4      | 0.04         | 0.04 | 8.0                    | 5.0                  | -                     | -               | -                   | -           | -                             | -                           |
| National Police Service Commission                       | 0.3        | 0.3      | 0.05         | 0.1  | 17.3                   | 15.2                 | -                     | -               | -                   | -           | -                             | -                           |
| National Gender and Equality Commission                  | 0.3        | 0.3      | 0.01         | 0.03 | 9.5                    | 3.3                  | -                     | -               | -                   | -           | -                             | -                           |
| Independent Police Oversight Authority                   | 0.2        | 0.2      | 0.03         | 0.1  | 14.6                   | 50.0                 | -                     | -               | -                   | -           | -                             | -                           |
| <b>Total</b>   | 119.2      | 118.4    | 22.3         | 12.3 | 18.8                   | 10.3                 | 11.7                  | 11.1            | 0.2                 | 0.6         | 1.8                           | 4.9                         |
| <b>Total for the Sector-FY2014/15</b>                    |            |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>   |            |          |              |      |                        |                      | 119.2                 | 118.4           | 22.3                | 12.3        | 18.8                          | 10.3                        |
| <b>Development</b>                                       |            |          |              |      |                        |                      | 11.7                  | 11.1            | 0.2                 | 0.6         | 1.8                           | 4.9                         |
| <b>Total</b>   |            |          |              |      |                        |                      | 130.9                 | 129.6           | 22.5                | 12.9        | 17.3                          | 9.8                         |

Source: MDAs and National Treasury

### 3.8.7 The Health Sector

The Health sector comprise of the Ministry of Health. The Ministry discharges its functions through eight Semi-Autonomous Government Agencies (SAGAs) namely; Kenyatta National Hospital (KNH), Moi Teaching and Referral Hospital, Kenya Medical Research Institute (KEMRI), Kenya Medical Supplies Agency (KEMSA), Kenya Medical Training College (KEMTC), National Health Insurance Fund (NHIF), National AIDS Control Council (NACC) and HIV & AIDS Equity Tribunal. The SAGAs are specialized in health service delivery; medical research and training; procurement and distribution of drugs; and financing through health insurance. The sector's mandate is to promote and participate in the provision of integrated and high quality curative, preventive and rehabilitative services that are equitable, responsive, accessible and accountable to Kenyans.

The budgetary allocation to the sector in FY 2014/15 was Kshs.47.4 billion or 13.3 per cent of the total budget; this is an increase of Kshs.11.2 billion compared to the Kshs.36.2 billion allocated in FY 2013/14. The sector's allocation included Kshs.26.1 billion (55.1 per cent) for recurrent activities and Kshs.21.3 billion (44.9 per cent) for development activities.

During the period under review, the total exchequer issues to the sector amounted to Kshs.6.5 billion representing 18.1 per cent of the annual net estimates. Recurrent exchequer issues to the Sector was Kshs.4.9 billion, or 22.0 per cent of annual recurrent net estimates while the development exchequer issues was Kshs.1.7 billion representing 11.9 per cent of annual development net estimates.

Actual expenditure during the first quarter of FY 2014/15 amounted to Kshs.6.3 billion representing an absorption rate of 13.3 per cent of the annual gross estimates. The recurrent expenditure by the Sector was Kshs.5 billion, representing an absorption rate of 19.1 per cent of the annual recurrent gross estimates while development expenditure was Kshs.1.3 billion, representing an absorption rate of 6.2 per cent of the annual gross development estimates.

**Figure 3.12: Analysis of Recurrent Expenditure and Net Exchequer Issues for Health**

| Sector (Kshs. Billions)                |            |          |              |      |                        |                      | FY 2014/15-Development |                 |                     |             |                               |                             |
|--|------------|----------|--------------|------|------------------------|----------------------|------------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
| FY 2014/15-Recurrent                   |            |          |              |      |                        |                      | FY 2014/15-Development |                 |                     |             |                               |                             |
| Name of the Sub Sector                 | Gross Est. | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.             | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| Ministry of Health                     | 26.1       | 22.2     | 4.9          | 5.0  | 22.0                   | 19.1                 | 21.3                   | 13.9            | 1.7                 | 1.3         | 11.9                          | 6.2                         |
| <b>Total</b>                           | 26.1       | 22.2     | 4.9          | 5.0  | 22.0                   | 19.1                 | 21.3                   | 13.9            | 1.7                 | 1.3         | 11.9                          | 6.2                         |
| <b>Total for the Sector-FY 2014/15</b> |            |          |              |      |                        |                      | <b>Gross Est.</b>      | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| Recurrent                              |            |          |              |      |                        |                      | 26.1                   | 22.2            | 4.9                 | 5.0         | 22.0                          | 19.1                        |
| Development                            |            |          |              |      |                        |                      | 21.3                   | 13.9            | 1.7                 | 1.3         | 11.9                          | 6.2                         |
| <b>Total</b>                           |            |          |              |      |                        |                      | 47.4                   | 36.1            | 6.5                 | 6.3         | 18.1                          | 13.3                        |

Source: MDAs and National Treasury

### **3.8.8 The Public Administration and International Relations (PAIR) Sector**

The Public Administration and International Relations (PAIR) sector comprises of the following sub-sectors; The Presidency, Ministry of Devolution and Planning, Ministry of Foreign Affairs, National Treasury, Parliamentary Service Commission, Commission on Revenue Allocation, Public Service Commission, Salaries and Remuneration Commission, Auditor General, Controller of Budget and the Commission on Administrative Justice. The sector plays a significant role in national policy formulation and implementation, monitoring and evaluation of government projects. In addition, the sector links all other sectors with the rest of the world on matters of international treaties, agreements, co-operation and resource mobilization. In the FY 2014/15, the sector was allocated Kshs.196.9 billion for recurrent and development activities.

Total allocation to the PAIR sector amounted to Kshs.196.9 billion (11 per cent of total budget) which is Kshs.23.4 billion more than the Kshs.173.5 billion allocated in FY 2013/14. Allocation for recurrent expenditure was Kshs.94.2 billion (47.8 per cent of the sector's budget) while Kshs.102.7 billion (51.2 per cent of the sector's budget) was for development expenditure. The National Treasury had the highest allocation for recurrent expenditure of Kshs.37.8 billion whereas the Commission on Revenue Allocation had the lowest allocation of Kshs.0.3 billion. On development expenditure allocation, the State Department for Planning had the highest allocation of Kshs.53.4 billion followed by the National Treasury at Kshs.38.1 billion.

During the period under review, exchequer issues to the sector amounted to Kshs.48.7 billion which represents 27.5 per cent of the annual net estimates. The recurrent exchequer issues were Kshs.46.0 billion or 49.5 per cent of the recurrent net estimates while the development exchequer issues were Kshs.2.7 billion or 3.2 per cent of the annual development net estimates. The National Treasury received Kshs.32.0 billion or 84.6 per cent of their annual recurrent exchequer issues which included Kshs.28.5 billion advanced to the county governments due to delay in the passing of the County Allocation of Revenue Bill, 2014. The Salaries and Remuneration Commission received the least recurrent exchequer issues to annual net estimates at 2.3 per cent.

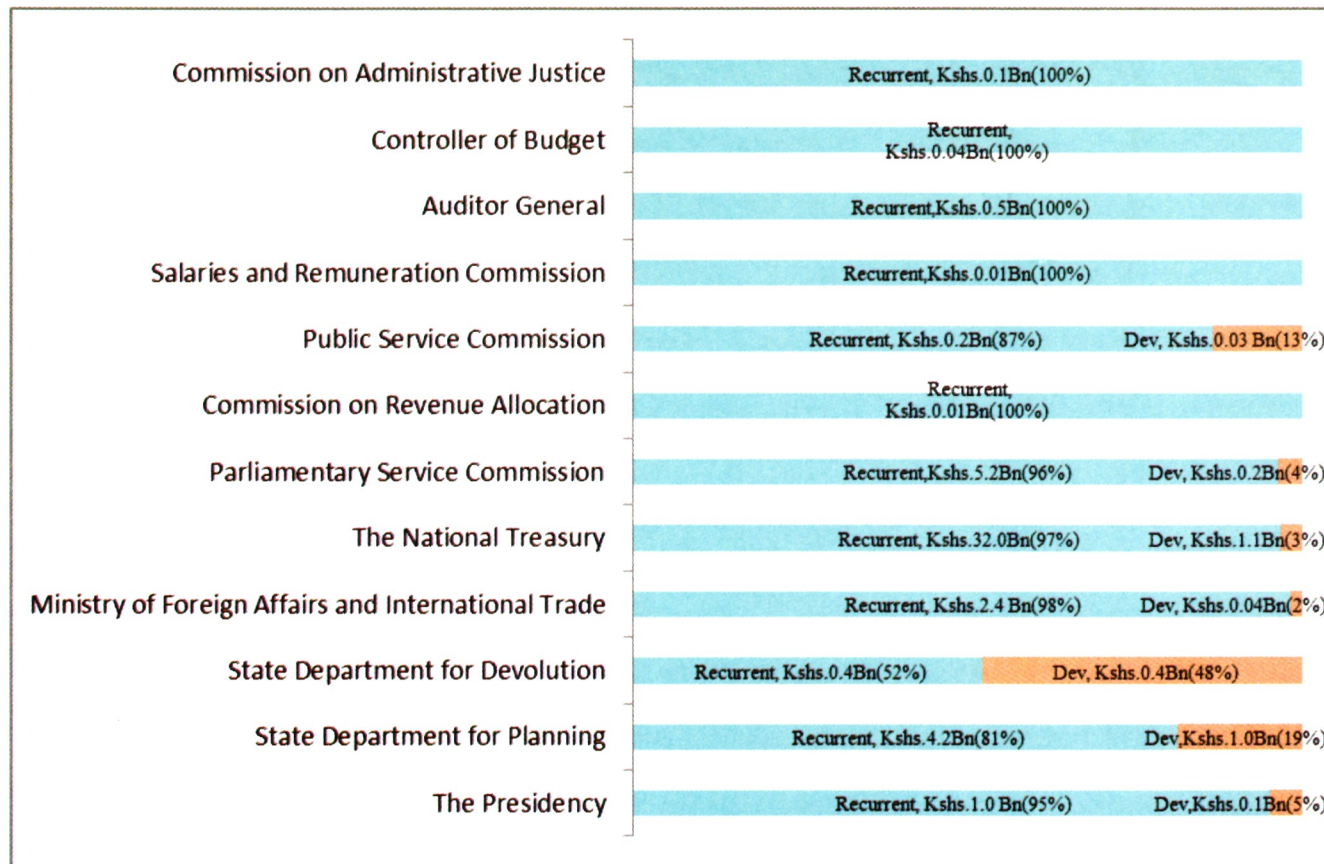
**Table 3.19: Analysis of Recurrent Expenditure and Net Exchequer Issues for PAIR (Kshs. Billions)**

| FY2014/15-Recurrent                                 |            |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|---|------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
| Name of the Sub Sector                              | Gross Est. | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| The Presidency                                      | 3.5        | 3.5      | 1.0          | 0.7  | 29.5                   | 20.3                 | 0.8                   | 0.8             | 0.1                 | 0.1         | 6.7                           | 14.5                        |
| State Department for Planning                       | 14.8       | 14.6     | 4.2          | 3.5  | 28.5                   | 23.4                 | 53.4                  | 50.5            | 1.0                 | 10.0        | 1.9                           | 18.7                        |
| State Department for Devolution                     | 2.2        | 2.2      | 0.4          | 0.3  | 18.4                   | 12.3                 | 5.1                   | 3.5             | 0.4                 | 0.05        | 10.4                          | 0.9                         |
| Ministry of Foreign Affairs and International Trade | 10.9       | 9.8      | 2.4          | 0.6  | 24.0                   | 5.5                  | 1.6                   | 1.6             | 0.04                | 0.00        | 2.8                           | 0.1                         |
| The National Treasury                               | 37.8       | 37.8     | 32.0         | 7.2  | 84.6                   | 18.9                 | 38.1                  | 24.4            | 1.1                 | 1.2         | 4.4                           | 3.2                         |
| Parliamentary Service Commission                    | 20.0       | 20.0     | 5.2          | 4.5  | 26.0                   | 26.0                 | 3.1                   | 3.1             | 0.2                 | 0.3         | 6.2                           | 8.5                         |
| Commission on Revenue Allocation                    | 0.3        | 0.3      | 0.01         | 0.1  | 3.5                    | 2.7                  | -                     | -               | -                   | -           | -                             | -                           |
| Public Service Commission                           | 0.9        | 0.9      | 0.2          | 0.2  | 24.1                   | 23.7                 | 0.2                   | 0.2             | 0.0                 | 0.0         | 19.6                          | 20.8                        |
| Salaries and Remuneration Commission                | 0.4        | 0.4      | 0.01         | 0.05 | 2.3                    | 10.2                 | -                     | -               | -                   | -           | -                             | -                           |
| Auditor General                                     | 2.6        | 2.5      | 0.5          | 0.4  | 20.7                   | 16.2                 | 0.4                   | 0.4             | -                   | -           | -                             | -                           |
| Controller of Budget                                | 0.4        | 0.4      | 0.04         | 0.1  | 9.3                    | 15.4                 | -                     | -               | -                   | -           | -                             | -                           |
| Commission on Administrative Justice                | 0.4        | 0.4      | 0.1          | 0.1  | 16.6                   | 16.9                 | -                     | -               | -                   | -           | -                             | -                           |
| <b>Total</b>  | 94.2       | 92.8     | 46.0         | 17.5 | 49.5                   | 18.6                 | 102.7                 | 84.5            | 2.7                 | 11.7        | 3.2                           | 11.3                        |
| <b>Total for the Sector-FY2014/15</b>               |            |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>                                    |            |          |              |      |                        |                      | 94.2                  | 92.8            | 46.0                | 17.5        | 49.5                          | 18.6                        |
| <b>Development</b>                                  |            |          |              |      |                        |                      | 102.7                 | 84.5            | 2.7                 | 11.7        | 3.2                           | 11.3                        |
| <b>Total</b>  |            |          |              |      |                        |                      | 196.9                 | 177.3           | 48.7                | 29.2        | 27.5                          | 14.8                        |

Source: MDAs and National Treasury

The total expenditure for the period was Kshs.29.2 billion, representing an absorption rate of 14.8 per cent of the annual gross estimates. The total recurrent expenditure for the period was Kshs.17.5 billion or 18.6 per cent of the annual gross recurrent budget estimates while the total development expenditure was Kshs.11.7 billion or 11.3 per cent of annual gross development estimates.

**Figure 3.13: Analysis of Exchequer Issues for PAIR (Kshs. Billions)**



Source: National Treasury

### 3.8.9 Social Protection, Culture and Recreation Sector

The sector consists of two sub-sectors namely; the Labour, Social Security and Services, and the Sports, Culture and Arts. The sector contributes to Kenya’s development through promotion of harmonious industrial relations, safety and health at workplaces, employment promotion, industrial training, productivity management, national human resource planning and development, social security, children welfare, and social development.

The sector had a budgetary allocation of Kshs.24.1 billion which is 1.3 per cent of the total budget and comprises of Kshs.11.1 billion (46 per cent of the sector’s budget) for recurrent expenditure and Kshs.13.0 billion (54 per cent of the sector’s budget) for development expenditure. The FY 2014/15 budget is Kshs.3.6 billion more than the Kshs.20.5 billion allocated in FY 2013/14.

The exchequer issues to the sector during the first quarter amounted to Kshs.1.9 billion translating to 7.9 per cent of the sectors annual gross estimates. The issues consisted of Kshs.1.4 billion issued for recurrent activities and Kshs.0.5 billion for development projects. The Ministry of Sports, Culture and Arts had the highest exchequer issues with Kshs.0.7 billion for recurrent activities and Kshs.0.5 billion for development activities while the Ministry of Labour, Social Security and Services received exchequer

issues of Kshs.0.7 billion for recurrent activities only.

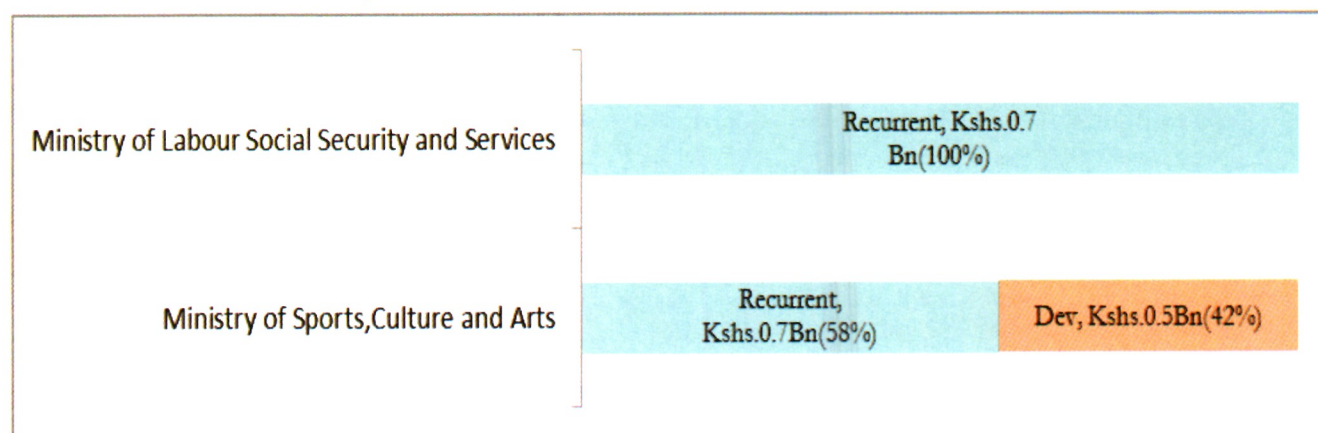
In the period under review, the sector had a total expenditure of Kshs.4.1 billion translating to an absorption rate of 17.1 per cent of the annual gross estimates. The total recurrent expenditure was Kshs1.8 billion while that for development expenditure was Kshs.2.3 billion representing 16.6 per cent and 17.6 per cent absorption rates respectively.

**Table 3.20: Analysis of Exchequer Issues and Expenditure for Social Protection, Culture and Recreation Sector (Kshs. Billions)**

| FY2014/15-Recurrent                             |            |          |              |      |                        |                      | FY2014/15-Development |                 |                     |             |                               |                             |
|---|------------|----------|--------------|------|------------------------|----------------------|-----------------------|-----------------|---------------------|-------------|-------------------------------|-----------------------------|
| Name of the Sub Sector                          | Gross Est. | Net Est. | Exch. Issues | Exp. | % of Exch. to Net Est. | % of Exp. to G. Est. | Gross Est.            | Net Est.        | Exch. Issues        | Exp.        | % of Exch. to Net Est.        | % of Exp. to G. Est.        |
| Ministry of Sports, Culture and Arts            | 2.6        | 2.6      | 0.7          | 0.7  | 26.1                   | 27.9                 | 1.4                   | 1.3             | 0.5                 | 0.5         | 36.3                          | 39.4                        |
| Ministry of labour Social Security and Services | 8.5        | 8.4      | 0.7          | 1.1  | 8.7                    | 13.2                 | 11.6                  | 11.4            | -                   | 1.7         | -                             | 15.0                        |
| <b>Total</b>                                    | 11.1       | 10.9     | 1.4          | 1.8  | 12.8                   | 16.6                 | 13.0                  | 12.7            | 0.5                 | 2.3         | 3.7                           | 17.6                        |
| <b>Total for the Sector-FY2014/15</b>           |            |          |              |      |                        |                      | <b>Gross Est.</b>     | <b>Net Est.</b> | <b>Exch. Issues</b> | <b>Exp.</b> | <b>% of Exch. to Net Est.</b> | <b>% of Exp. to G. Est.</b> |
| <b>Recurrent</b>                                |            |          |              |      |                        |                      | 11.1                  | 10.9            | 1.4                 | 1.8         | 12.8                          | 16.6                        |
| <b>Development</b>                              |            |          |              |      |                        |                      | 13.0                  | 12.7            | 0.5                 | 2.3         | 3.7                           | 17.6                        |
| <b>Total</b>                                    |            |          |              |      |                        |                      | 24.1                  | 23.7            | 1.9                 | 4.1         | 7.9                           | 17.1                        |

Source: MDAs and National Treasury

**Figure 3.14: Analysis of Exchequer Issues for Social Protection, Culture and Recreation (Kshs. Billions)**



Source: National Treasury

### 3.8.10 National Security Sector

This sector consists of the Ministry of Defence and National Intelligence Services (NIS). The Mandate of this sector is to safeguard the security of the country against any threats emanating both from within and externally, defend the country and provide support to civil power in the maintenance of peace and order.

The National Security Sector was allocated Kshs.90.7 billion for recurrent expenditure. The Defence sub-sector was allocated Kshs.73.3 billion while allocation to the National Intelligence Service sub-sector was Kshs.17.4 billion.

The exchequer issues to the sector amounted to Kshs.20.8 billion representing 19.1 per cent of the net estimates for FY 2014/15. The National Intelligence Service sub-sector received exchequer amounting Kshs.16.5 billion while the Defence sub-sector received Kshs.4.3 billion translating to 24.4 per cent and 22.5 per cent of the annual net estimates respectively.

**Table 3.21: Analysis of Expenditure and Net Exchequer Issues for the Security Sector (Kshs. Billions)**

| FY2014/15-Recurrent           |                 |               |                  |             |                                 |                                     |
|-------------------------------|-----------------|---------------|------------------|-------------|---------------------------------|-------------------------------------|
| Name of the Sub Sector        | Gross Estimates | Net Estimates | Exchequer Issues | Expenditure | % of Exchequer to Net Estimates | % of Expenditure to Gross Estimates |
| Ministry of Defence           | 73.3            | 73.3          | 16.5             | 14.9        | 22.5                            | 20.4                                |
| National Intelligence Service | 17.4            | 17.4          | 4.3              | 4.2         | 24.4                            | 24.0                                |
| <b>Total</b>                  | <b>90.7</b>     | <b>90.7</b>   | <b>20.8</b>      | <b>19.1</b> | <b>22.9</b>                     | <b>21.1</b>                         |

Source: MDAs and National Treasury

A total of Kshs.19.1 billion was spent by the sector, translating to an absorption rate of 21.1 per cent of the annual gross estimates. The National Intelligence Services sub-sector spent Kshs.4.2 billion representing an absorption rate of 24 per cent of the gross estimates while the Defence sub-sector spent Kshs.14.9 billion translating to an absorption rate of 20.4 per cent of the annual gross estimates.

## 4 PERFORMANCE OF FY 2014/15 BUDGET PROGRAMMES

This chapter presents analysis of the first quarter programme expenditure of the National Government for the 2014/15 financial year based on the Programme Based Budgeting (PBB) framework. Programmes under each sub-sector are analysed to determine absorption rates for both recurrent and development expenditure as a measure of implementation status.

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

The sector is implementing fourteen programmes in the FY 2014/15. During the period under review total expenditure for the sector programmes amounted to Kshs.8.2 billion achieving absorption rate of 14 per cent. The sector's recurrent expenditure amounted to Kshs.2.2 billion (27 per cent) while Kshs.6 billion (73 per cent of total expenditure) was spent on development projects.

The Fisheries Development and Management programme recorded the highest absorption rate at 40 per cent while the General Administration, Planning and Support Services programme reported the lowest absorption rate at 1 per cent. Approximately one third of the programmes under this sector recorded absorption rates of below 10 per cent with one programme reporting no expenditure in the first quarter.

**Table 4.1: Agricultural, Rural and Urban Development (AR&UD) Sector (Kshs. Millions)**

| Name of Sub-Sector                             | Programme  | Approved Gross Estimates |           |                         | Expenditure |           |            | Programme Absorption Rate (%) |
|--|--|--------------------------|-----------|-------------------------|-------------|-----------|------------|-------------------------------|
|  |  | Rec. Est.                | Dev. Est. | Total Approved Estimate | Rec. Exp.   | Dev. Exp. | Total Exp. |                               |
| Ministry of Land Housing and Urban Development | Land Policy and Planning                             | 1,925                    | 3,661     | 5,586                   | 80          | 235       | 315        | 6                             |
|  | Housing Development and Human Settlement             | 1,062                    | 3,931     | 4,993                   | 214         | 273       | 488        | 10                            |
|  | Government Buildings                                 | 315                      | 1,443     | 1,758                   | 5           | 616       | 621        | 35                            |
|  | Coastline Infrastructure and Pedestrian Access       | 56                       | 291       | 347                     | 0.11        | 90        | 90         | 26                            |
|  | Urban and Metropolitan Development                   | 314                      | 7,979     | 8,293                   | 34          | 828       | 862        | 10                            |
|  | General Administration Planning and Support Services | 414                      | 153       | 567                     | 33          | -         | 33         | 6                             |
| State Department for Agriculture               | General Administration Planning and Support Services | 689                      | 587       | 1,276                   | 133         | 6         | 139        | 11                            |
|  | Crop Development and Management                      | 6,346                    | 6,573     | 12,919                  | 907         | 209       | 1,117      | 9                             |
|  | Agribusiness and Information Management              | 199                      | 3,195     | 3,394                   | 20          | 48        | 68         | 2                             |
|  | Irrigation and Drainage Infrastructure               | 649                      | 11,053    | 11,702                  | 63          | 2,375     | 2,438      | 21                            |
|  | Livestock Resources Management and Development       | 21                       | -         | 21                      | -           | -         | -          | -                             |

| Name of Sub-Sector             | Programme                                      | Approved Gross Estimates |               |                         | Expenditure  |              |              | Programme Absorption Rate (%) |
|--------------------------------|--|--------------------------|---------------|-------------------------|--------------|--------------|--------------|-------------------------------|
|                                |  | Rec. Est.                | Dev. Est.     | Total Approved Estimate | Rec. Exp.    | Dev. Exp.    | Total Exp.   |                               |
| State Department for Livestock | Livestock Resources Management and Development | 1,838                    | 3,696         | 5,534                   | 370          | 632          | 1,002        | 18                            |
| State Department for Fisheries | Fisheries Development and Management           | 971                      | 1,163         | 2,134                   | 182          | 655          | 837          | 39                            |
| National Land Commission       | Land Administration and Management             | 1,156                    | 542           | 1,698                   | 182          | -            | 182          | 11                            |
| <b>Total</b>                   |  | <b>15,957</b>            | <b>44,266</b> | <b>60,224</b>           | <b>2,225</b> | <b>5,968</b> | <b>8,193</b> | <b>14</b>                     |

Source: MDAs and National Treasury

## 4.2 Education Sector

Total expenditure for the twelve programmes under this sector was Kshs.67.4 billion, translating to an absorption rate of 22 per cent. The programmes' recurrent expenditure amounted to Kshs.64.2 billion (95 per cent of total expenditure) while development expenditure was Kshs.3.2 billion (5 per cent of total expenditure).

The Research, Science, Technology and Innovation programme recorded the highest absorption rate at 50 per cent while Youth Training and Development programme recorded the lowest absorption rate at 0.1 per cent. About one third of sector programmes attained absorption rates of below 10 per cent.

**Table 4.2: Education Sector (Kshs. Millions)**

| Name of Sub-Sector                          | Programme   | Approved Gross Estimates |               |                          | Expenditure   |              |               | Programme Absorption Rate (%) |
|---|---|--------------------------|---------------|--------------------------|---------------|--------------|---------------|-------------------------------|
|   |   | Rec. Est.                | Dev. Est.     | Total Approved Estimates | Rec. Exp.     | Dev. Exp.    | Total Exp.    |                               |
| State Department for Education              | Primary Education                                     | 17,354                   | 19,126        | 36,481                   | 3,977         | 48           | 4,025         | 11                            |
|   | Secondary Education                                   | 28,667                   | 974           | 29,641                   | 8,323         | 187          | 8,510         | 29                            |
|   | Quality Assurance and Standards                       | 4,950                    | 724           | 5,674                    | 383           | 267          | 650           | 11                            |
|   | General Administration, Planning and Support Services | 3,147                    | 1,314         | 4,460                    | 403           | 32           | 435           | 10                            |
| State Department for Science and Technology | University Education                                  | 50,613                   | 5,513         | 56,127                   | 9,286         | 2,073        | 11,359        | 20                            |
|   | Technical Vocational Education and Training           | 1,160                    | 4,568         | 5,728                    | 98            | 542          | 639           | 11                            |
|   | Research, Science, Technology and Innovation          | 592                      | 180           | 772                      | 296           | 90           | 386           | 50                            |
|   | Youth Training and Development                        | 958                      | 1,120         | 2,078                    | 1             | 1            | 3             | 0.1                           |
|   | General Administration, Planning and Support Services | 459                      | 1,317         | 1,777                    | 17            | 6            | 23            | 1                             |
| Teachers Service Commission                 | Teacher Resource Management                           | 161,133                  | -             | 161,133                  | 41,203        | -            | 41,203        | 26                            |
|   | Governance and Standards                              | 53                       | -             | 53                       | -             | -            | -             | -                             |
|   | General Administration, Planning and Support Services | 4,293                    | 135           | 4,428                    | 197           | -            | 197           | 4                             |
| <b>Total</b>                                |   | <b>273,380</b>           | <b>34,971</b> | <b>308,351</b>           | <b>64,183</b> | <b>3,247</b> | <b>67,430</b> | <b>22</b>                     |

Source: MDAs and National Treasury

### 4.3 Energy, Infrastructure and Information, Communication and Technology Sector

The sector spent a total of Kshs.32.7 billion to implement its seventeen programmes achieving an absorption rate of 13 per cent. The sector's recurrent expenditure amounted to Kshs.7.5 billion (23 per cent of total expenditure) while Kshs.25.2 billion (77 per cent of total expenditure) was spent on development projects. The Rail Transport programme recorded the highest absorption rate at 31 per cent. About 50 per cent of the programmes recorded absorption rate below 10 per cent.

**Table 4.3: Energy, Infrastructure and Information, Communication and Technology Sector (Kshs. Millions)**

| Name of Sub-Sector                                    | Programme   | Approved Gross Estimates |                |                          | Expenditure  |               |               | Programme Absorption Rate (%) |
|---|---|--------------------------|----------------|--------------------------|--------------|---------------|---------------|-------------------------------|
|   |   | Rec. Est.                | Dev. Est.      | Total Approved Estimates | Rec. Exp.    | Dev. Exp.     | Total Exp.    |                               |
| State Department of Transport                         | General Administration, Planning and Support Services | 330                      | 139            | 469                      | 34           | 1             | 35            | 8                             |
|   | Road Transport  | 382                      | 127            | 509                      | 96           | -             | 96            | 19                            |
|   | Rail Transport  | 0                        | 26,222         | 26,222                   | -            | 8,115         | 8,115         | 31                            |
|   | Marine Transport                                      | 530                      | 5,600          | 6,130                    | 133          | 300           | 433           | 7                             |
|   | Air Transport   | 4,389                    | 7,689          | 12,079                   | 5            | 1,967         | 1,973         | 16                            |
|   | Government Clearing Services                          | 131                      | 20             | 151                      | 9            | -             | 9             | 6                             |
| State Department of Infrastructure                    | General Administration, Planning and Support Services | 1,315                    | -              | 1,315                    | 288          | -             | 288           | 22                            |
|   | Road Transport  | 24,490                   | 99,029         | 123,519                  | 6,403        | 13,022        | 19,425        | 16                            |
| Ministry of Information, Communication and Technology | General Administration Planning and Support Services  | 432                      | 129            | 561                      | 96           | 10            | 107           | 19                            |
|   | Information And Communication Services                | 1,353                    | 662            | 2,016                    | 299          | 16            | 314           | 16                            |
|   | Mass Media Skills Development                         | 196                      | 143            | 339                      | 10           | -             | 10            | 3                             |
|   | ICT Infrastructure Development                        | 41                       | 7,256          | 7,296                    | 20           | 892           | 912           | 12                            |
| Ministry of Energy and Petroleum                      | General Administration Planning and Support Services  | 301                      | 18             | 319                      | 54           | -             | 54            | 17                            |
|   | Power Generation                                      | 733                      | 21,962         | 22,695                   | 8            | 208           | 216           | 1                             |
|   | Power Transmission and Distribution                   | 839                      | 47,892         | 48,731                   | 3            | 635           | 638           | 1                             |
|   | Alternative Energy Technologies                       | 107                      | 2,768          | 2,876                    | 25           | 3             | 28            | 1                             |
|   | Exploration and Distribution of Oil and Gas           | 24                       | 1,644          | 1,668                    | 3            | 21            | 24            | 1                             |
| <b>Total</b>  |   | <b>35,593</b>            | <b>221,301</b> | <b>256,894</b>           | <b>7,487</b> | <b>25,190</b> | <b>32,677</b> | <b>13</b>                     |

Source: MDAs and National Treasury

#### 4.4 Environment Protection, Water and Natural Resources

During the period under review, the sector implemented ten programmes, spending Kshs.5.9 billion, which translates to an absorption rate of 12 per cent. The sector's recurrent expenditure amounted to Kshs.2.3 billion (39 per cent of total expenditure) while development expenditure was Kshs.3.6 billion (61 per cent of total expenditure).

The highest absorption rate was reported under both the Integrated Regional Development programme and the Resources Surveys and Remote Sensing programme at 21 per cent each. Conversely, the Mineral Resources Management programme recorded the lowest absorption rate at 3 per cent.

**Table 4.4: Environment Protection, Water and Natural Resources (Kshs. Millions)**

| Name of Sub-Sector                                     | Programme   | Approved Gross Estimates |               |                          | Expenditure  |              |              | Programme Absorption Rate (%) |
|--|---|--------------------------|---------------|--------------------------|--------------|--------------|--------------|-------------------------------|
|  |   | Rec. Est.                | Dev. Est.     | Total Approved Estimates | Rec. Exp.    | Dev. Exp.    | Total Exp.   |                               |
| State Department for Environment and Natural Resources | General Administration, Planning and Support Services | 589                      | 57            | 646                      | 75           | -            | 75           | 12                            |
|  | Environment Management and Protection                 | 1,217                    | 3,244         | 4,461                    | 166          | 257          | 423          | 9                             |
|  | Natural Resources Conservation and Management         | 6,867                    | 3,473         | 10,341                   | 1,132        | 132          | 1,264        | 12                            |
|  | Meteorological Services                               | 1,067                    | 1,049         | 2,116                    | 197          | -            | 197          | 9                             |
| State Department for Water and Regional Authorities    | General Administration, Planning and Support Services | 760                      | 175           | 934                      | 80           | 85           | 165          | 18                            |
|  | Water Resources Management                            | 2,858                    | 23,518        | 26,376                   | 231          | 2,485        | 2,716        | 10                            |
|  | Integrated Regional Development                       | 623                      | 3,345         | 3,969                    | 279          | 554          | 833          | 21                            |
| Ministry of Mining                                     | General Administration Planning and Support Services  | 227                      | 5             | 232                      | 46           | -            | 46           | 20                            |
|  | Resources Surveys and Remote Sensing                  | 248                      | 387           | 635                      | 55           | 75           | 130          | 21                            |
|  | Mineral Resources Management                          | 247                      | 851           | 1,098                    | 30           | 2            | 32           | 3                             |
| <b>Total</b>   |   | <b>14,704</b>            | <b>36,103</b> | <b>50,807</b>            | <b>2,291</b> | <b>3,590</b> | <b>5,880</b> | <b>12</b>                     |

Source: MDAs and National Treasury

#### 4.5 General Economic and Commercial Affairs (GECA) Sector

During the FY 2014/15, nine programmes were budgeted to be implemented under this sector. The first quarter programme expenditure for the sector amounted to Kshs.3.1 billion, translating to an absorption rate of 19 per cent.

The Standards and Business Incubation programme attained the highest absorption rate at 44 per cent while the General Administration, Planning and Support programme under State Department for Commerce and Tourism recorded the lowest absorption rate at 5 per cent. About half of the programmes reported absorption rates of less than 10 per cent.

**Table 4.5: General Economic and Commercial Affairs (GECA) Sector (Kshs. Millions)**

| Name of Sub-Sector                                       | Programme   | Approved Gross Estimates |              |                          | Expenditure  |              |              | Programme Absorption Rate (%) |
|--|---|--------------------------|--------------|--------------------------|--------------|--------------|--------------|-------------------------------|
|  |   | Rec. Est.                | Dev. Est.    | Total Approved Estimates | Rec. Exp.    | Dev. Exp.    | Total Exp.   |                               |
| Ministry of Industrialization and Enterprise Development | General Administration Planning and Support Services  | 310                      | 26           | 337                      | 29           | -            | 29           | 9                             |
|  | Industrial Development and Investments                | 735                      | 5,231        | 5,966                    | 176          | 370          | 545          | 9                             |
|  | Standards and Business Incubation                     | 936                      | 2,157        | 3,093                    | 389          | 987          | 1,376        | 44                            |
|  | Cooperative Development and Management                | 303                      | 30           | 333                      | 77           | 8            | 84           | 25                            |
| State Department for East African Affairs                | East African Affairs and Regional Integration         | 1,430                    | 65           | 1,495                    | 518          | -            | 518          | 35                            |
|  | General Administration, Planning and Support Services | 189                      | -            | 189                      | 21           | -            | 21           | 11                            |
| State Department for Commerce and Tourism                | Tourism Development and Promotion                     | 1,138                    | 1,370        | 2,507                    | 205          | 32           | 237          | 9                             |
|  | Trade Development and Promotion                       | 1,058                    | 309          | 1,367                    | 231          | 40           | 271          | 20                            |
|  | General Administration, Planning and Support Services | 555                      | 406          | 961                      | 45           | -            | 45           | 5                             |
| <b>Total</b>   |   | <b>6,654</b>             | <b>9,594</b> | <b>16,248</b>            | <b>1,690</b> | <b>1,436</b> | <b>3,126</b> | <b>19</b>                     |

Source: MDAs and National Treasury

**4.6 Governance, Justice, Law and Order (GJLOS) Sector**

The sector planned to implement a total of twenty two programmes during the FY 2014/15. A total of Kshs.12.8 billion was spent over the reporting period, attaining an absorption rate of 10 per cent. Kshs.12.2 billion (96 per cent of total expenditure) was spent on recurrent activities while Kshs.571 million (4 per cent) was spent on development programmes.

Witness Protection programme reported the highest absorption rate at 31 per cent while the Public Prosecution Services attained 2 per cent. Approximately 40 percent of the sector programmes reported absorption rates of below 10 per cent.

**Table 4.6: Governance, Justice, Law and Order (GJLOS) Sector (Kshs. Millions)**

| Name of Sub-Sector                                       | Programme   | Approved Gross Estimates |           |                          | Expenditure |           |            | Programme Absorption Rate (%) |
|--|---|--------------------------|-----------|--------------------------|-------------|-----------|------------|-------------------------------|
|  |   | Rec. Est.                | Dev. Est. | Total approved Estimates | Rec. Exp.   | Dev. Exp. | Total Exp. |                               |
| State Department for Interior                            | Policing services                                     | 63,162                   | 3,222     | 66,384                   | 5,733       | 15        | 5,748      | 9                             |
|  | National Government Administration and field services | 11,654                   | 392       | 12,047                   | 1,643       | -         | 1,643      | 14                            |
|  | Government Printing Services                          | 558                      | 80        | 638                      | 100         | 72        | 171        | 27                            |
|  | Population Management Services                        | 3,912                    | 699       | 4,612                    | 145         | 40        | 185        | 4                             |
| State Department for Coordination of National Government | National Government Administration and field services | 50                       | -         | 50                       | 5           | -         | 5          | 11                            |
|  | Correctional services                                 | 15,361                   | 657       | 16,018                   | 1,139       | 57        | 1,196      | 7                             |
| Office of the Attorney General and Department of Justice | Legal Services to Government and the Public           | 1,290                    | 40        | 1,330                    | 167         | -         | 167        | 13                            |
|  | Constitutional Reforms                                | 1,243                    | 5         | 1,248                    | 284         | -         | 284        | 23                            |
|  | Legal Education and Policy                            | 506                      | 110       | 616                      | 40          | 55        | 95         | 15                            |
|  | General Administration, Planning and Support Services | 685                      | 379       | 1,064                    | 110         | 2         | 112        | 11                            |
| The Judiciary  | Dispensation of Justice                               | 11,867                   | 5,625     | 17,492                   | 1,870       | 331       | 2,201      | 13                            |
| Ethics and Anti-Corruption Commission                    | Ethics and Anti-Corruption                            | 1,546                    | 278       | 1,824                    | 335         | -         | 335        | 18                            |
| Directorate of Public Prosecutions                       | Public Prosecution Services                           | 1,732                    | 119       | 1,852                    | 28          | -         | 28         | 2                             |

| Name of Sub-Sector                                     | Programme  | Approved Gross Estimates |               |                          | Expenditure   |            |               | Programme Absorption Rate (%) |
|--|--|--------------------------|---------------|--------------------------|---------------|------------|---------------|-------------------------------|
|  |  | Rec. Est.                | Dev. Est.     | Total approved Estimates | Rec. Exp.     | Dev. Exp.  | Total Exp.    |                               |
| Commissions for the Implementation of the Constitution | Implementation of the Constitution                           | 306                      | -             | 306                      | 82            | -          | 82            | 27                            |
| Registrar of Political Parties                         | Registration, Regulation and Funding of Political Parties    | 467                      | -             | 467                      | 28            | -          | 28            | 6                             |
| Witness Protection Authority                           | Witness Protection   | 250                      | -             | 250                      | 77            | -          | 77            | 31                            |
| Kenya National Commissions of Human Rights             | Protection and Promotion of Human Rights                     | 357                      | -             | 357                      | 55            | -          | 55            | 15                            |
| Independent Electoral and Boundaries Commission        | Management of Electoral Processes                            | 3,000                    | 91            | 3,091                    | 199           | -          | 199           | 6                             |
| Judicial Service Commission                            | Dispensation of Justice                                      | 438                      | -             | 438                      | 22            | -          | 22            | 5                             |
| National Police Service Commission                     | National Police Service Human Resource Management            | 278                      | -             | 278                      | 56            | -          | 56            | 20                            |
| National Gender and Equality Commission                | Promotion of Gender Equality and Freedom from Discrimination | 290                      | -             | 290                      | 9             | -          | 9             | 3                             |
| Independent Police Oversight Authority                 | Policing Oversight Services                                  | 205                      | -             | 205                      | 61            | -          | 61            | 30                            |
| <b>Total</b>   |  | <b>119,157</b>           | <b>11,697</b> | <b>130,855</b>           | <b>12,189</b> | <b>571</b> | <b>12,760</b> | <b>10</b>                     |

Source: MDAs and National Treasury

#### 4.7 Health Sector

This sector has 5 programmes. Total expenditure for the sector programmes amounted to Kshs.6.3 billion, or an absorption rate of 13 per cent. Recurrent expenditure for the sector amounted to Kshs.5.0 billion (79 per cent of total expenditure) while development expenditure was Kshs.1.3 billion (21 per cent).

The Health Research and Development programme recorded the highest absorption rate at 27 per cent of approved gross estimates for the programme while the Preventive and Promotive Health Services programme recorded the lowest expenditure at 6 per cent. No expenditure was reported under the Maternal and Child Health programme.

**Table 4.7: Health Sector (Kshs. Millions)**

| Name of Sub-Sector | Programme   | Approved Gross Estimates |               |                          | Expenditure  |              |              | Programme Absorption Rate |
|--------------------|---|--------------------------|---------------|--------------------------|--------------|--------------|--------------|---------------------------|
|                    |   | Rec. Est.                | Dev. Est.     | Total approved Estimates | Rec. Exp.    | Dev. Exp.    | Total Exp.   |                           |
| Ministry of Health | Preventive & Promotive Health Services              | 2,900                    | 6,719         | 9,619                    | 65           | 540          | 605          | 6                         |
|                    | Curative Health Services                            | 14,945                   | 4,395         | 19,341                   | 2,855        | 50           | 2,905        | 15                        |
|                    | Health Research and Development                     | 4,841                    | 410           | 5,251                    | 1,280        | 120          | 1,400        | 27                        |
|                    | General Administration, Planning & Support Services | 3,340                    | 5,476         | 8,816                    | 780          | 609          | 1,389        | 16                        |
|                    | Maternal and Child Health                           | 35                       | 4,300         | 4,335                    | -            | -            | -            | -                         |
| <b>Total</b>       |   | <b>26,061</b>            | <b>21,301</b> | <b>47,362</b>            | <b>4,980</b> | <b>1,319</b> | <b>6,298</b> | <b>13</b>                 |

Source: MDAs and National Treasury

#### 4.8 Public Administration and International Relations

The sector is implementing thirty one programmes in the FY 2014/15.

Total expenditure for the sector programs in the period under review was Kshs.29.1 billion translating to an absorption rate of 15 per cent of approved gross estimates for the sector. This expenditure includes Kshs.17.5 billion (60% of total expenditure) for recurrent activities and Kshs.11.6 billion (40%) for development activities. The General Administration, Planning and Support Services programme under the Public Service Commission had the highest absorption rate of 55 per cent of approved gross programme estimates while the Foreign Relation and Diplomacy programme recorded the least absorption rate of 0.3 per cent of the approved gross programme estimates. One third of the programs under this sector reported absorption rates of below 10 per cent.

**Table 4.8: Public Administration and International Relations, (Kshs. Millions)**

| Name of Sub-Sector | Programme  | Recurrent estimates | Development estimates | Total approved estimates | Recurrent expenditure | Development expenditure | Total expenditure | Programme Absorption Rate |
|--------------------|--|---------------------|-----------------------|--------------------------|-----------------------|-------------------------|-------------------|---------------------------|
| The Presidency     | General Administration Planning and Support Services | 419                 | -                     | 419                      | 82                    | -                       | 82                | 20                        |
|                    | Cabinet Affairs                                      | 378                 | 115                   | 493                      | 68                    | 2                       | 70                | 14                        |
|                    | Government Advisory Services                         | 355                 | -                     | 355                      | 33                    | -                       | 33                | 9                         |

|   |  |        |        |        |       |       |       |     |
|---|--|--------|--------|--------|-------|-------|-------|-----|
|   | State House Affairs                                      | 1,363  | 566    | 1,929  | 415   | 68    | 484   | 25  |
|   | Leadership and Coordination of MDAs                      | 1,004  | 106    | 1,110  | 121   | 43    | 164   | 15  |
| State Department for Planning                       | Economic Policy and National Planning                    | 1,138  | 38,808 | 39,946 | 281   | 8,562 | 8,844 | 22  |
|   | National Statistical Information Services                | 749    | 98     | 847    | 187   | 25    | 212   | 25  |
|   | Monitoring and Evaluation Services                       | 405    | 103    | 509    | 52    | 17    | 69    | 14  |
|   | General Administration Planning and Support Services     | 517    | 144    | 661    | 49    | 8     | 57    | 9   |
|   | Public Service Transformation                            | 5,975  | 476    | 6,451  | 2,594 | 59    | 2,654 | 41  |
|   | Gender & Youth Empowerment                               | 6,062  | 13,798 | 19,860 | 305   | 1,313 | 1,618 | 8   |
| State Department for Devolution                     | Devolution Services                                      | 1,209  | 10     | 1,219  | 232   | -     | 232   | 19  |
|   | Special Initiatives                                      | 842    | 5,087  | 5,929  | 44    | 46    | 90    | 2   |
| Ministry of Foreign affairs and International Trade | General Administration Planning and Support Services     | 2,635  | 400    | 3,035  | 569   | -     | 569   | 19  |
|   | Foreign Relation and Diplomacy                           | 8,039  | 1,160  | 9,199  | 28    | 1     | 29    | 0.3 |
|   | International Trade and Investments Promotion            | 220    | -      | 220    | 4     | -     | 4     | 2   |
| The National Treasury                               | General Administration Planning and Support Services     | 33,208 | 7,411  | 40,618 | 6,520 | 356   | 6,877 | 17  |
|   | Public Financial Management                              | 3,317  | 29,603 | 32,920 | 545   | 838   | 1,383 | 4   |
|   | Economic and Financial Policy Formulation and Management | 982    | 1,104  | 2,085  | 20    | 12    | 32    | 2   |
|   | Market Competition                                       | 290    | -      | 290    | 73    | -     | 73    | 25  |
| Parliamentary Service Commission                    | Legislation and Representation                           | 12,732 | -      | 12,732 | 3,680 | -     | 3,680 | 29  |
|   | Legislative Oversight                                    | 1,450  | -      | 1,450  | 62    | -     | 62    | 4   |
|   | General Administration, Planning and Support Services    | 5,792  | 3,129  | 8,921  | 797   | 267   | 1,064 | 12  |

|                                      |  |               |                |                |               |               |               |           |
|--------------------------------------|--|---------------|----------------|----------------|---------------|---------------|---------------|-----------|
| Commission on Revenue Allocation     | Inter-Governmental Revenue and Financial Matters General | 285           | -              | 285            | 8             | -             | 8             | 3         |
| Public Service Commission            | Administration, Planning and Support Services            | 594           | 168            | 762            | 155           | 35            | 190           | 25        |
|                                      | Human Resource management and Development                | 191           | -              | 191            | 33            | -             | 33            | 17        |
|                                      | Governance and National Values                           | 97            | -              | 97             | 23            | -             | 23            | 23        |
| Salaries and Remuneration Commission | Salaries and Remuneration Management                     | 441           | -              | 441            | 45            | -             | 45            | 10        |
| Auditor General                      | Audit Services   | 2,611         | 405            | 3,016          | 305           | -             | 305           | 10        |
| Controller of Budget                 | Control and Management of Public finances                | 430           | -              | 430            | 66            | -             | 66            | 15        |
| Commission on Administrative Justice | Promotion of Administrative Justice                      | 374           | -              | 374            | 69            | -             | 69            | 19        |
| <b>Total</b>                         |  | <b>94,105</b> | <b>102,690</b> | <b>196,795</b> | <b>17,464</b> | <b>11,655</b> | <b>29,104</b> | <b>15</b> |

Source: MDAs and National Treasury

#### 4.9 Social Protection, Culture and Recreation

The sector is implementing ten programmes in the FY 2014/15.

During the first quarter of FY 2014/15, total expenditure for the sector was Kshs.4.1 billion translating to an absorption rate of 17 per cent of the approved gross estimates for the sector. This includes Kshs.1.8 billion as recurrent expenditure and Kshs.2.3 billion as development expenditure. The Library Services programme recorded the highest absorption rate at 41 per cent of the approved gross estimate for the program while the Manpower Development, Employment and Productivity Management programme recorded the least absorption rate at 7 per cent gross estimate for the program.

**Table 4.9: Social Protection, Culture and Recreation (Kshs. Millions)**

| Name of Sub-Sector                   | Programme   | Approved Gross Estimates |           |                          | Expenditure |           |            | Programme Absorption Rate (%) |
|--------------------------------------|---|--------------------------|-----------|--------------------------|-------------|-----------|------------|-------------------------------|
|                                      |   | Rec. Est.                | Dev. Est. | Total approved Estimates | Rec. Exp.   | Dev. Exp. | Total Exp. |                               |
| Ministry of Sports, Culture and Arts | Sports  | 546                      | 700       | 1,246                    | 82          | 260       | 342        | 27                            |
|                                      | Culture   | 883                      | 78        | 961                      | 263         | 5         | 268        | 28                            |
|                                      | The Arts  | 386                      | 80        | 466                      | 98          | -         | 98         | 21                            |
|                                      | Library Services                                      | 580                      | 500       | 1,080                    | 192         | 250       | 442        | 41                            |
|                                      | General Administration, Planning and Support Services | 193                      | 10        | 203                      | 39          | 1         | 40         | 20                            |

| Name of Sub-Sector                              | Programme  | Approved Gross Estimates |               |                          | Expenditure  |              |              | Programme Absorption Rate (%) |
|---|--|--------------------------|---------------|--------------------------|--------------|--------------|--------------|-------------------------------|
|   |  | Rec. Est.                | Dev. Est.     | Total approved Estimates | Rec. Exp.    | Dev. Exp.    | Total Exp.   |                               |
| Ministry of Labour Social Security and Services | Promotion of the Best Labour Practice                        | 450                      | 221           | 671                      | 130          | 25           | 155          | 23                            |
|   | Manpower Development, Employment and Productivity Management | 586                      | 433           | 1,019                    | 52           | 16           | 68           | 7                             |
|   | Social Development and Children Services                     | 2,577                    | 871           | 3,447                    | 238          | 276          | 514          | 15                            |
|   | National Social Safety Net                                   | 4,299                    | 10,072        | 14,371                   | 439          | 1,482        | 1,922        | 13                            |
|   | General Administration Planning and Support Services         | 586                      | 2             | 588                      | 161          | 0            | 161          | 27                            |
| <b>Total</b>                                    |  | <b>11,085</b>            | <b>12,968</b> | <b>24,053</b>            | <b>1,694</b> | <b>2,316</b> | <b>4,010</b> | <b>17</b>                     |

Source: MDAs and National Treasury

#### 4.10 National Security Sector

The sector is implementing four programmes in the FY 2014/15. During the first quarter of FY 2014/15, total expenditure for the sector was Kshs.19.1 billion translating to an absorption rate of 21 per cent of the gross estimate for the sector. The National Security Intelligence programme recorded an absorption rate of 24 per cent of the gross estimate for the program while Defence programme recorded an absorption rate of 21 per cent of the gross estimate for the program.

**Table 4.10: National Security Sector (Kshs. Millions)**

| Name of Sub-Sector            | Programme   | Total Approved Estimates | Total Expenditure | Programme Absorption Rate (%) |
|-------------------------------|---|--------------------------|-------------------|-------------------------------|
| Ministry of Defence           | Defence   | 71,309                   | 14,927            | 21                            |
|                               | Civil Aid   | 450                      | -                 | -                             |
|                               | General Administration, Planning and Support Services | 1,522                    | -                 | -                             |
| National Intelligence Service | National security intelligence                        | 17,440                   | 4,181             | 24                            |
| <b>Total</b>                  |   | <b>90,721</b>            | <b>19,108</b>     | <b>21</b>                     |

Source: MDAs and National Treasury

## 5 KEY CHALLENGES AND RECOMMENDATIONS

The first quarter of FY 2014/15 witnessed significant improvement in budget implementation compared to a similar period in FY 2013/14. Total expenditure stood at Kshs.332.2 billion compared to Kshs.204.8 billion recorded in the same period in FY 2013/14.

Despite the increased level of spending, a number of challenges were observed during monitoring of budget execution in the period under review. Some of these challenges have been highlighted in the previous BIRRs.

### 5.1 Delays in submission of expenditure reports by MDAs,

OCOB has continued to face the challenge of delayed submission of expenditure reports by MDAs, resulting into late publication of the BIRRs for submission to Parliament and other stakeholders.

All MDAs should submit their financial returns by 10<sup>th</sup> of the month following end of each quarter in order to ensure timely preparation of the BIRRs.

### 5.2 Failure to adopt IFMIS by some MDAs,

A number of MDAs are yet to adopt IFMIS in processing their financial transaction. They include: Independent Police Oversight Authority, Commission for the Implementation of the Constitution, National Gender & Equality Commission, Witness Protection Agency, Ethics and Anti-Corruption Commission, National Intelligence Services, Teachers Service Commission, Ministry of Defence, and, Kenya National Human Rights Commission.

Failure to adopt IFMIS has affected the timeliness, accuracy and completeness of financial reports. There is therefore, need for the National Treasury to ensure that all MDAs adopt IFMIS. This will enhance completeness, accuracy, and timeliness in financial reporting.

### 5.3 Non-disclosure of A-I-A

The FY 2014/15 annual gross estimates factored A-I-A and MDAs are required to generate A-I-A and report utilisation in their budget implementation reports. However, a significant number of MDAs do not disclose the generated A-I-A in their financial reports. This has resulted in incomplete reporting.

All MDAs should report the generated A-I-A and the corresponding expenditure financed in their financial reports.

### 5.4 Need to reconcile the CFS Account

Analysis of expenditure for the first quarter of FY 2014/15 revealed that actual expenditure for both domestic and foreign debt exceeded the exchequer issues by Kshs.17.1 billion as presented in Section 3.4 of this report. This observation has been made in previous reports.

The National Treasury should urgently reconcile actual expenditure to CFS exchequer issues.

### **5.5 Discrepancies between IPPD, IFMIS and Programme Implementation Reports**

A review of the reports submitted by MDAs has shown that personnel compensation costs as per the IPPD reports differ from IFMIS reports. These discrepancies make it difficult for OCOB and other users of these reports to determine the accurate expenditure by MDAs. This is compounded by failure of some MDAs to provide the two sets of reports (IPPD and IFMIS) that could facilitate reconciliation. In addition, some programme performance reports submitted by MDAs differ from the reports in the IFMIS expenditure returns, thus hindering effective tracking of expenditure on various programmes.

We recommend that all IFMIS generated expenditure reports should be reconciled to the IPPD reports on personnel compensation costs on a regular basis and explanation provided where discrepancies occur. In addition, MDAs should reconcile programme reports and IFMIS reports where discrepancies occur.

### **5.6 Failure to Report on Programme Achievements by MDAs**

The National Government Budget for FY 2014/15 was prepared on a programme based framework. Under this frame work, MDAs stated their annual activities and targets to be achieved by the end of the financial year. However, MDA's did not present information on the achievement of targets in the first quarter financial reports. They submitted IFMIS generated reports that do not provide explanation on the achievement of programme targets, which limits programme monitoring.

In order to ensure full compliance, all budget performance reports should contain adequate information on the progress made towards achieving targets set under the PBB framework.

## 6 CONCLUSION

This report takes stock of budget implementation during the first quarter of FY 2014/15 pursuant to Article 228 of the Constitution of Kenya, 2010, which gives the Controller of Budget the mandate to oversee the implementation of the budgets of the national and county governments by controlling, monitoring and reporting on the usage of public funds on quarterly basis.

Overall budget implementation in the first quarter of FY 2014/15 shows an increase in development expenditure and a marginal decline in recurrent expenditure compared to the same period in the last financial year. The absorption of development funds increased from the **8.1 per cent** of the annual development gross estimates in FY 2013/14 to the current **11.2 per cent** of the annual development gross estimates while absorption of recurrent expenditure declined to **19.4 per cent** of the annual recurrent gross estimates from the **22.8 per cent** of the annual recurrent gross estimates recorded in the first quarter of FY 2013/14.

A number of challenges such as failure by MDAs to report on progress made towards the achievement of targets for FY 2014/15 programme based budget, non-disclosure of A-I-A, and delay in submission of expenditure reports by MDAs were observed during the period under review. While MDAs embraced the programme based budget reporting to some commendable level, disparities have emerged between IPPD data, IFMIS data, and some programme performance reports. It is our hope that by highlighting these challenges, the necessary authorities will take appropriate steps to address them.

Through this report, OCOB expects to contribute in providing budget implementation information that will inform policy decisions and ultimately help in improving budget performance. Eventually, this will lead to attainment of national development objectives and goals as envisioned in the national long-term development blue-print, Vision 2030.

## ANNEXURES

## ANNEX I: MDAs Recurrent Expenditure-July to September 2014

| MDA/STATE DEPARTMENT                                     | Gross Estimates | Net Estimates  | Cumulative Exchequer Issues | Expenditure    | % of Exch. To Net Est. | % of Exp. To G.Est. |
|--|-----------------|----------------|-----------------------------|----------------|------------------------|---------------------|
| The Presidency   | 3,520,023,597   | 3,511,023,597  | 1,036,636,000               | 714,771,048    | 29.5                   | 20.3%               |
| Ministry of Defence                                      | 73,281,000,000  | 73,281,000,000 | 16,516,000,000              | 14,927,233,122 | 22.5                   | 20.4%               |
| Ministry of Foreign Affairs and International Trade      | 10,893,839,943  | 9,828,839,943  | 2,360,000,000               | 597,703,910    | 24.0                   | 5.5%                |
| The National Treasury                                    | 37,796,000,000  | 37,796,000,000 | 31,967,100,007              | 7,157,696,959  | 84.6                   | 18.9%               |
| Ministry of Health                                       | 26,061,249,477  | 22,199,373,000 | 4,873,000,000               | 4,979,606,989  | 22.0                   | 19.1%               |
| Ministry of Lands Housing, and Urban Development         | 4,086,261,712   | 4,039,846,962  | 546,000,000                 | 368,278,087    | 13.5                   | 9.0%                |
| Ministry of Information & Communication and Technology   | 2,021,748,127   | 1,925,748,127  | 484,600,000                 | 428,642,826    | 25.2                   | 21.2%               |
| Ministry of Sports Culture and Arts                      | 2,588,453,968   | 2,578,053,968  | 673,300,000                 | 721,554,759    | 26.1                   | 27.9%               |
| Ministry of Labour Social Security and Services          | 8,496,659,769   | 8,368,995,289  | 724,000,000                 | 1,121,907,832  | 8.7                    | 13.2%               |
| Ministry of Energy and Petroleum                         | 2,004,336,641   | 1,748,336,641  | 278,800,000                 | 93,688,161     | 15.9                   | 4.7%                |
| Ministry of Industrialization and Enterprise Development | 2,283,717,028   | 2,259,717,028  | 726,740,000                 | 670,840,022    | 32.2                   | 29.4%               |
| Ministry of Mining                                       | 722,227,033     | 708,227,033    | 155,265,000                 | 131,138,830    | 21.9                   | 18.2%               |
| Office of the Attorney General and Department of Justice | 3,723,486,691   | 3,378,486,691  | 585,000,000                 | 601,793,830    | 17.3                   | 15.8%               |
| The Judiciary  | 11,867,000,000  | 11,867,000,000 | 2,172,560,000               | 1,869,919,183  | 18.3                   | 15.8%               |
| Ethics & Anti-Corruption Commission                      | 1,546,000,000   | 1,546,000,000  | 360,000,000                 | 335,250,553    | 23.3                   | 21.7%               |
| National Intelligence Service                            | 17,440,000,000  | 17,440,000,000 | 4,262,400,000               | 4,180,685,582  | 24.4                   | 24.0%               |
| Directorate of Public Prosecution                        | 1,732,481,263   | 1,732,421,263  | 272,000,000                 | 27,832,633     | 15.7                   | 1.6%                |
| Commission for Implementation of the Constitution        | 306,000,000     | 306,000,000    | 101,700,000                 | 82,004,481     | 33.2                   | 26.8%               |
| Registrar of Political Parties                           | 466,960,949     | 466,960,949    | 15,620,000                  | 24,289,510     | 3.3                    | 5.2%                |
| Witness Protection Agency                                | 249,675,000     | 249,675,000    | 44,278,600                  | 77,416,788     | 17.7                   | 31.0%               |
| State Department for Interior                            | 79,286,358,294  | 78,920,337,021 | 14,101,000,000              | 7,621,027,072  | 17.9                   | 9.6%                |
| State Department for Coordination of National Government | 15,411,370,819  | 15,411,370,819 | 2,447,000,000               | 1,144,669,502  | 15.9                   | 7.4%                |
| State Department for Planning                            | 14,846,070,625  | 14,642,570,625 | 4,175,700,000               | 3,469,142,439  | 28.5                   | 23.4%               |
| State Department for Devolution                          | 2,173,015,315   | 2,171,015,315  | 399,050,000                 | 267,180,346    | 18.4                   | 12.3%               |
| State Department for Education                           | 54,118,034,457  | 49,984,434,457 | 13,335,000,000              | 13,085,461,883 | 26.7                   | 24.2%               |

| MDA/STATE DEPARTMENT                                 | Gross Estimates        | Net Estimates          | Cumulative Exchequer Issues | Expenditure            | % of Exch. To Net Est. | % of Exp. To G.Est. |
|--|------------------------|------------------------|-----------------------------|------------------------|------------------------|---------------------|
| State Department for Science and Technology          | 53,782,691,952         | 37,100,091,952         | 7,231,000,000               | 9,697,426,525          | 19.5                   | 18.0%               |
| State Department for Infrastructure                  | 25,804,705,751         | 1,441,457,939          | 342,000,000                 | 6,690,708,167          | 23.7                   | 25.9%               |
| State Department for Transport                       | 5,762,701,473          | 1,370,480,983          | 314,040,000                 | 277,408,760            | 22.9                   | 4.8%                |
| State Department for Environment & Natural Resources | 9,740,218,743          | 6,901,976,982          | 1,603,100,000               | 1,569,439,726          | 23.2                   | 16.1%               |
| State Department for Water & Regional Authorities    | 4,241,551,029          | 2,103,792,790          | 631,000,000                 | 601,056,269            | 30.0                   | 14.2%               |
| State Department for Agriculture                     | 7,904,995,200          | 7,477,495,200          | 830,500,000                 | 1,123,672,444          | 11.1                   | 14.2%               |
| State Department for Livestock                       | 1,838,430,310          | 1,814,430,310          | 241,400,000                 | 369,844,726            | 13.3                   | 20.1%               |
| State department for Fisheries                       | 971,413,217            | 971,413,217            | 188,100,000                 | 182,257,365            | 19.4                   | 18.8%               |
| State Department for East African Affairs            | 1,618,603,767          | 1,617,103,767          | 550,500,000                 | 538,525,193            | 34.0                   | 33.3%               |
| State Department for Commerce & Tourism              | 2,751,307,394          | 2,720,707,394          | 602,000,000                 | 482,009,255            | 22.1                   | 17.5%               |
| Kenya National Human Rights & Equality Commission    | 356,500,000            | 356,500,000            | 57,000,000                  | 54,731,038             | 16.0                   | 15.4%               |
| National Lands Commission                            | 1,156,338,149          | 1,156,338,149          | 215,000,000                 | 180,858,593            | 18.6                   | 15.6%               |
| Independent Electoral and Boundaries Commission      | 3,000,099,681          | 2,993,099,681          | 1,986,000,000               | 324,935,045            | 66.4                   | 10.8%               |
| Parliamentary Service Commission                     | 19,975,000,000         | 19,971,000,000         | 5,186,700,000               | 4,470,042,423          | 26.0                   | 22.4%               |
| Judicial Service Commission                          | 438,000,000            | 438,000,000            | 35,200,000                  | 21,915,991             | 8.0                    | 5.0%                |
| The Commission on Revenue Allocation                 | 284,815,482            | 283,586,889            | 10,000,000                  | 50,168,000             | 3.5                    | 17.6%               |
| Public Service Commission                            | 882,204,313            | 874,204,313            | 211,040,000                 | 208,711,363            | 24.1                   | 23.7%               |
| Salaries & Remuneration Commission                   | 440,649,493            | 440,549,493            | 10,000,000                  | 45,000,034             | 2.3                    | 10.2%               |
| Teachers Service Commission                          | 165,478,978,668        | 165,358,978,668        | 41,400,000,000              | 41,400,198,121         | 25.0                   | 25.0%               |
| National Police Service Commission                   | 278,119,240            | 278,119,240            | 48,000,000                  | 55,834,860             | 17.3                   | 20.1%               |
| Auditor General                                      | 2,611,020,000          | 2,501,020,000          | 518,400,000                 | 421,760,594            | 20.7                   | 16.2%               |
| Controller of Budget                                 | 429,962,741            | 429,962,741            | 40,000,000                  | 66,386,275             | 9.3                    | 15.4%               |
| The Commission on Administrative Justice             | 374,485,500            | 374,485,500            | 62,000,000                  | 63,357,742             | 16.6                   | 16.9%               |
| National Gender & Equality Commission                | 290,250,930            | 290,250,930            | 10,000,000                  | 9,477,287              | 3.4                    | 3.3%                |
| Independent Police Oversight Authority               | 205,121,165            | 205,121,165            | 30,000,000                  | 61,098,201             | 14.6                   | 29.8%               |
| <b>TOTAL</b>   | <b>687,540,134,906</b> | <b>625,831,601,031</b> | <b>164,965,729,607</b>      | <b>133,684,847,754</b> | <b>26.4</b>            | <b>19.4%</b>        |

## ANNEX II: MDAs Development Expenditure- July to September 2014

| MINISTRY/STATE DEPARTMENT                                | Gross Estimates | Net Estimates   | Cumulative Exchequer Issues | Expenditure    | % of Exch. To Net Est. | % of Exp. To G.Est. |
|--|-----------------|-----------------|-----------------------------|----------------|------------------------|---------------------|
| The Presidency   | 786,500,000     | 786,500,000     | 52,570,000                  | 113,851,484    | 6.7                    | 14.5                |
| Ministry of Foreign Affairs                              | 1,560,000,000   | 1,560,000,000   | 44,220,000                  | 1,155,308      | 2.8                    | 0.1                 |
| The National Treasury                                    | 38,117,211,260  | 24,403,751,045  | 1,084,026,740               | 1,205,924,041  | 4.4                    | 3.2                 |
| Ministry of Health                                       | 21,301,011,786  | 13,907,269,126  | 1,661,090,210               | 1,318,692,520  | 11.9                   | 6.2                 |
| Ministry of Lands Housing, and Urban Development         | 17,457,850,048  | 15,429,583,948  | 670,000,000                 | 2,077,015,361  | 4.3                    | 11.9                |
| Ministry of Information & Communication and Technology   | 8,190,612,364   | 4,890,612,364   | 577,212,200                 | 912,623,015    | 11.8                   | 11.1                |
| Ministry of Sports Culture and Arts                      | 1,367,985,340   | 1,310,000,000   | 475,000,000                 | 539,441,081    | 36.3                   | 39.4                |
| Ministry of Labour Social Security and Services          | 11,599,863,636  | 11,425,663,636  | -                           | 1,737,416,631  | -                      | 15.0                |
| Ministry of Energy and Petroleum                         | 74,284,105,623  | 24,131,937,490  | 1,694,991,140               | 864,898,639    | 7.0                    | 1.2                 |
| Ministry of Industrialization and Enterprise Development | 7,444,632,000   | 6,921,911,200   | 558,800,000                 | 1,413,680,100  | 8.1                    | 19.0                |
| Ministry of Mining                                       | 1,242,500,000   | 1,200,000,000   | 46,000,000                  | 77,214,442     | 3.8                    | 6.2                 |
| Office of the Attorney General and Department of Justice | 534,175,000     | 231,675,000     | 56,800,000                  | 56,800,000     | 24.5                   | 10.6                |
| The Judiciary  | 5,624,895,000   | 5,624,895,000   | 90,000,000                  | 330,845,926    | 1.6                    | 5.9                 |
| State Department for Interior                            | 4,393,021,100   | 4,321,321,100   | 18,000,000                  | 126,616,184    | 0.4                    | 2.9                 |
| State Department for Coordination of National Government | 657,116,200     | 657,116,200     | 30,240,000                  | 56,769,135     | 4.6                    | 8.6                 |
| State Department for Planning                            | 53,427,333,393  | 50,546,531,393  | 953,941,315                 | 9,984,191,461  | 1.9                    | 18.7                |
| State Department for Devolution                          | 5,097,134,000   | 3,516,969,000   | 364,424,555                 | 45,527,600     | 10.4                   | 0.9                 |
| State Department for Education                           | 22,138,055,000  | 20,255,055,000  | 29,659,000                  | 534,721,500    | 0.1                    | 2.4                 |
| State Department for Science and Technology              | 12,698,391,244  | 9,969,084,228   | 559,300,000                 | 2,712,384,576  | 5.6                    | 21.4                |
| State Department for Infrastructure                      | 99,028,822,647  | 59,020,582,647  | 976,222,900                 | 13,021,322,694 | 1.7                    | 13.1                |
| State Department for Transport                           | 39,797,251,013  | 7,781,469,353   | 104,504,695                 | 10,383,013,069 | 1.3                    | 26.1                |
| State Department for Environment & Natural Resources     | 7,822,915,281   | 6,418,919,786   | 351,885,540                 | 388,840,354    | 5.5                    | 5.0                 |
| State Department for Water & Regional Authorities        | 27,037,898,837  | 17,833,669,037  | 362,360,260                 | 3,123,601,089  | 2.0                    | 11.6                |
| State Department for Agriculture                         | 21,408,175,695  | 17,566,942,775  | 977,399,435                 | 2,638,031,459  | 5.6                    | 12.3                |
| State Department for Livestock                           | 3,695,560,818   | 3,280,197,238   | 62,272,650                  | 631962814      | 1.9                    | 17.1                |
| State department for Fisheries                           | 1,162,523,448   | 1,142,523,448   | 50,000,000                  | 655,095,320    | 4.4                    | 56.4                |
| State Department for Commerce & Tourism                  | 2,084,400,000   | 2,084,400,000   | 71,890,000                  | 71,890,000     | 3.4                    | 3.4                 |
| Parliamentary Service Commission                         | 3,129,000,000   | 3,129,000,000   | 194,000,000                 | 267,386,946    | 6.2                    | 8.5                 |
| Public Service Commission                                | 168,000,000     | 168,000,000     | 32,900,000                  | 34,881,616     | 19.6                   | 20.8                |
| TOTAL  | 493,256,940,733 | 319,515,580,014 | 12,149,710,640              | 55,325,794,365 | 3.8                    | 11.2                |

## ANNEX III: Sectoral Recurrent Expenditure- July to September 2014

| SECTOR  | Gross Estimates           | Net Estimates             | Exchequer Issues          | Expenditure               | % Exch. Issues to Net Est. | % Exp to G. Est. |
|---|---------------------------|---------------------------|---------------------------|---------------------------|----------------------------|------------------|
| Agriculture, Rural and Urban Development            | 15,957,438,588.00         | 15,459,523,838.00         | 2,021,000,000.00          | 2,224,911,215.00          | 13.1                       | 13.9             |
| Energy, Infrastructure and ICT                      | 35,593,491,992.00         | 6,486,023,690.00          | 1,419,440,000.00          | 7,490,447,914.00          | 21.9                       | 21.0             |
| General Economics and Commercial Affairs (GECA)     | 6,653,628,189.00          | 6,597,528,189.00          | 1,879,240,000.00          | 1,691,374,470.00          | 28.5                       | 25.4             |
| Health  | 26,061,249,477.00         | 22,199,373,000.00         | 4,873,000,000.00          | 4,979,606,989.00          | 22.0                       | 19.1             |
| Education   | 273,379,705,077.00        | 252,443,505,077.00        | 61,966,000,000.00         | 64,183,086,529.00         | 24.5                       | 23.5             |
| Governance, Justice, Law and Order (GJLOS)          | 119,157,424,032.00        | 118,439,342,759.00        | 22,265,358,600.00         | 12,312,195,973.56         | 18.8                       | 10.3             |
| Public Administration and International Relations   | 94,227,087,009.00         | 92,824,258,416.00         | 45,976,626,007.00         | 17,531,921,133.00         | 49.5                       | 18.6             |
| National Security                                   | 90,721,000,000.00         | 90,721,000,000.00         | 20,778,400,000.00         | 19,107,918,704.80         | 22.9                       | 21.1             |
| Social Protection, Culture and Recreation           | 11,085,113,737.00         | 10,947,049,257.00         | 1,397,300,000.00          | 1,843,462,591.00          | 12.8                       | 16.6             |
| Environment Protection, Water and Natural Resources | 14,703,996,805.00         | 9,713,996,805.00          | 2,389,365,000.00          | 2,301,634,825.00          | 24.6                       | 15.7             |
| <b>TOTAL</b>  | <b>687,540,134,906.00</b> | <b>625,831,601,031.00</b> | <b>164,965,729,607.00</b> | <b>133,684,847,753.86</b> | <b>26.4</b>                | <b>19.4</b>      |

**ANNEX IV: Sectoral Development Expenditure- July to September 2014**

| <b>SECTOR</b>                                       | <b>Gross Estimates</b>    | <b>Net Estimates</b>      | <b>Exchequer Issues</b>  | <b>Expenditure</b>       | <b>% Exch. Issues to Net Est.</b> | <b>% Exp to G. Est.</b> |
|---|---------------------------|---------------------------|--------------------------|--------------------------|-----------------------------------|-------------------------|
| Agriculture, Rural and Urban Development            | 44,266,110,009.00         | 37,961,247,409.00         | 1,759,672,085.00         | <b>6,002,104,954.00</b>  | 4.6                               | <b>13.6</b>             |
| Energy, Infrastructure and ICT                      | 221,300,791,647.00        | 95,824,601,854.00         | 3,352,930,935.00         | <b>25,181,857,417.00</b> | 3.5                               | <b>11.4</b>             |
| General Economics and Commercial Affairs (GECA)     | 9,594,032,000.00          | 9,006,311,200.00          | 630,690,000.00           | <b>1,485,570,100.00</b>  | 7.0                               | <b>15.5</b>             |
| Health  | 21,301,011,786.00         | 13,907,269,126.00         | 1,661,090,210.00         | <b>1,318,692,520.00</b>  | 11.9                              | <b>6.2</b>              |
| Education   | 34,971,446,244.00         | 30,359,139,228.00         | 588,959,000.00           | <b>3,247,106,076.00</b>  | 1.9                               | <b>9.3</b>              |
| Governance, Justice, Law and Order (GJLOS)          | 11,697,387,300.00         | 11,123,187,300.00         | 195,040,000.00           | <b>571,031,245.00</b>    | 1.8                               | <b>4.9</b>              |
| Public Administration and International Relations   | 102,690,178,653.00        | 84,515,751,438.00         | 2,726,082,610.00         | <b>11,652,918,456.00</b> | 3.2                               | <b>11.3</b>             |
| Social Protection, Culture and Recreation           | 12,967,848,976.00         | 12,735,663,636.00         | 475,000,000.00           | <b>2,276,857,712.00</b>  | 3.7                               | <b>17.6</b>             |
| Environment Protection, Water and Natural Resources | 36,103,314,118.00         | 25,452,588,823.00         | 760,245,800.00           | <b>3,589,655,885.00</b>  | 3.0                               | <b>9.9</b>              |
| <b>TOTAL</b>  | <b>494,892,120,733.00</b> | <b>320,885,760,014.00</b> | <b>12,149,710,640.00</b> | <b>55,325,794,365.00</b> | <b>3.8</b>                        | <b>11.2</b>             |

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